Translation from the original in Russian

Priorbank JSC

Consolidated Financial Statements

for the Year Ended 31 December 2021
and Independent Auditor's Report

Translation from the original in Russian

Priorbank JSC
IFRS Consolidated Financial Statements for 2021

Table of Contents

Page

Independent Auditor's Report

Consolidated Financial Statements

Consolidated statement of financial position 6
Consolidated statement of profit or loss 7
Consolidated statement of comprehensive income 8
Consolidated statement of changes in equity 9
Consolidated statement of cash flows 10-11

Notes to the Consolidated Financial Statements

1. PRINCIPAL ACTIVITIES 12
2. BASIS OF PREPARATION 12
3. SIGNIFICANT ACCOUNTING POLICIES 14
4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES 34
5. SEGMENT INFORMATION 36
6. CASH AND CASH EQUIVALENTS 38
7. TRADING SECURITIES 39
8. DUE FROM CREDIT INSTITUTIONS 39
9. LOANS TO CUSTOMERS 40
10. DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE 52
11. INVESTMENT SECURITIES 55
12. INVESTMENT PROPERTY 58
13. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS 59
14. INTANGIBLE ASSETS 61
15. TAXATION 62
16. CREDIT LOSS EXPENSE AND OTHER EXPENSES FROM PROVISIONS 64
17. OTHER ASSETS AND LIABILITIES 65
18. DUE TO CREDIT INSTITUTIONS 66
19. CUSTOMER ACCOUNTS 67
20. DUE TO INTERNATIONAL FINANCIAL INSTITUTIONS 69
21. DEBT SECURITIES ISSUED 69
22. EQUITY 69
23. COMMITMENTS AND CONTINGENCIES 72
24. NET INTEREST INCOME 75
25. NET FEE AND COMMISSION INCOME 76
26. OTHER INCOME 76
27. PERSONNEL AND OTHER OPERATING EXPENSES 77
28. POST-EMPLOYMENT BENEFITS 78
29. RISK MANAGEMENT 80
30. FAIR VALUE OF FINANCIAL INSTRUMENTS 95
31. MATURITY ANALYSIS OF ASSETS AND LIABILITIES 100
32. RELATED PARTIES TRANSACTIONS 101
33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES 103
34. CAPITAL ADEQUACY 104
35. SUBSEQUENT EVENTS 105

Translation from the original in Russian

Statement of Management's Responsibilities for Preparation and Approval of the Consolidated Financial Statements for 2021

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Priorbank JSC (the "Bank") and its subsidiaries (collectively – the "Group") as at 31 December 2021, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy the consolidated financial position of the Group as at specific date, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining accounting records in compliance with the legislation and accounting standards of the jurisdictions where the companies of the Group are registered;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2021 were approved by the Group's management on 14 May 2022.

On behalf of the Group's Management

V.V. Dedioul	Temporary acting as Chairman of the Management Board
O.S. Cherepan	Director of the Controlling and Strategic Planning Department

14 May 2022

Translation from the original in Russian

Общество с ограниченной
ответственностью «ДРТ Аудит»
51A K. Tsetkin, 13th floor
Minsk, 220004
Republic of Belarus

Tel: +375 (17) 309 99 00
Fax: +375 (17) 309 99 01
www.connectedteam.ru/by

INDEPENDENT AUDITOR'S REPORT

To the shareholders, Supervisory Board, Audit Committee
and Management Board of Priorbank Joint Stock Company

Opinion

We have audited the consolidated financial statements of Priorbank Joint Stock Company (the "Bank") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with Law of the Republic of Belarus *On Auditing*, the national rules of auditing activities effective in the Republic of Belarus and International Standards on Auditing. Our responsibilities under those 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' Code of Ethics for Professional Accountants (the "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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. That matter was 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 express a separate opinion on that matter.

Why was the matter determined to be a key audit matter?	How was the matter addressed in the audit?
Measurement of expected credit losses on loans to customers We consider this matter to be a key one, since the measurement of expected credit losses on loans to customers requires use of the estimates and assumptions that depend on subjective judgements of the Group's management and relevant balances are material. Key areas of judgment and estimation uncertainty in respect of the allowance for expected credit losses on loans to customers include: - Determination of the stage of loan impairment, based on the determination of whether a significant increase in credit risk or default has occurred; - Estimation of the probability of default and loss given default; - Impact of macroeconomic forecasts and sanctions on the measurement of expected credit losses. When determining the stage of loan impairment and calculating expected credit losses, management of the Group uses mathematical models, data from both external and internal sources as well as complex and subjective judgments. Therefore, the auditor is required to increase the scope of audit procedures, apply comprehensive professional judgements and involve internal actuarial specialists to perform audit procedures to validate the estimates made by management. Information about expected credit losses on loans to customers is disclosed in Note 9 *Loans to Customers* to the consolidated financial statements and Note 29 *Risk Management* to the consolidated financial statements.	Our audit procedures to verify the measurement of expected credit losses on loans to customers comprised: - Obtaining understanding of the controls over allowance for expected credit losses recognition, as well as testing on a sample basis the effectiveness of automatic control procedures for calculating the number of overdue days; - Assessing, with the help of internal actuarial specialists, the integrity and compliance of the methodology, models and methods used by the Group's management to determine expected credit losses with the requirements of IFRS 9 *Financial Instruments*, as well as reviewing the most significant model assumptions by comparing them to historical data, available market information and changes in default rates; - Testing on a sample basis the completeness and accuracy of the data, including internal credit ratings, historical data, macroeconomic forecasts, used in the models for the expected credit loss calculation on the basis of internal and external sources; - Obtaining information on the borrowers classified into credit impairment stages, and for selected borrowers — assessment of whether the impaired borrowers were appropriately classified for calculating the allowance for expected credit losses, based on the available information from external sources; - Analyzing the impact of sanctions imposed on the Group's individual borrowers on the measurement of expected credit losses on loans to these borrowers; testing, on a sample basis, the assumptions and inputs used by the Group in assessing the impact of sanctions on expected credit losses related to relevant borrowers. We also assessed the consistency of the disclosures in the consolidated financial statements with the requirements of IFRS 9 *Financial Instruments*.

Other Matter

The Group's consolidated financial statements for the year ended 31 December 2020 were audited by another audit firm that expressed an unmodified opinion on those consolidated financial statements on 27 April 2021.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.
Those charged with governance are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of the Republic of Belarus *On Auditing*, the national rules on auditing effective in the Republic of Belarus and International Standards on Auditing, 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 the audit in accordance with the Law of the Republic of Belarus *On Auditing*, the national rules on auditing effective in the Republic of Belarus and International Standards on Auditing, 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 the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

14 May 2022

Engagement partner

O.I. Stepaneyeva
Auditor Qualification Certificate No. 0001765 dated 12 November 2009 issued by the Ministry of Finance of the Republic of Belarus
Certificate No. 65 on compliance with the qualification requirements to perform audit activities in the banking system dated 14 December 2011

Manager of the audit team

M.A. Shachenkova
Auditor Qualification Certificate No. 0002335 dated 23 December 2015 issued by the Ministry of Finance of the Republic of Belarus.
Certificate No. 94 on compliance with the qualification requirements to perform audit activities in the banking system dated 21 January 2016

Received:

V.V. Dedioul, Temporary acting as Chairman of the Management Board of Priorbank JSC

Name of the audited entity: Priorbank JSC
Address: 31a V. Khoruzhey Str., Minsk 220002, Republic of Belarus
Information on State Registration:
Decision on state registration No. 12 of the National Bank of the Republic of Belarus dated 12 July 1991
Registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs: 100220190

Общество с ограниченной ответственностью «ДРТ Аудит»
Address: 51A K. Tsetkin, Minsk, 220004, Republic of Belarus
Certificate of State Registration: Certificate of State Registration No. 0198149 issued by Minsk City Executive Committee on 21 April 2022, Registration number (UNP) 101518377.
Member of the Audit Chamber; registration number of the entry in the register of audit organizations: 10045

Priorbank JSC
IFRS Consolidated Financial Statements for 2021

Consolidated Statement of Financial Position as at 31 December 2021

(in thousands of Belarusian Rubles)

	Note	2021	2020
Assets			
Cash and cash equivalents	6	2,119,935	1,483,756
Trading securities	7	48,672	53,329
Due from credit institutions	8	155,160	66,233
Loans to customers	9	3,066,195	3,544,888
Investment securities	11	561,851	386,786
Investment property	12	14,932	18,855
Property and equipment and right-of-use assets	13	150,667	151,434
Intangible assets	14	46,811	39,855
Current income tax assets		1,202	70
Deferred income tax assets	15	3,184	4,062
Other assets	17	59,715	38,178
Assets of disposal groups and non-current assets held for sale	10	273	186,212
Total assets		**6,228,597**	**5,973,658**
Liabilities			
Due to credit institutions	18	239,534	221,985
Customer accounts	19	4,172,584	4,122,962
Due to international financial institutions	20	306,492	218,064
Debt securities issued	21	3,703	56,268
Current income tax liabilities		5,371	11,261
Deferred income tax liabilities	15	42,512	39,535
Provisions	16,23	14,721	11,996
Other liabilities	17	249,458	57,986
Liabilities of disposal groups held for sale	10	-	179,053
Total liabilities		**5,034,375**	**4,919,110**
Equity	22		
Share capital		341,828	341,828
Additional paid-in capital		193	193
Foreign currency translation reserve		5,503	6,893
Retained earnings		817,426	686,654
Revaluation reserve for net pension liability		526	(7,545)
Revaluation reserve for investment securities		(104)	143
Total equity attributable to shareholders of the Bank		**1,165,372**	**1,028,166**
Non-controlling interest		28,850	26,382
Total equity		**1,194,222**	**1,054,548**
Total equity and liabilities		**6,228,597**	**5,973,658**

Signed and approved for issue on behalf of the Management Board

V.V. Dedioul — Temporary acting as Chairman of the Management Board

O.S. Cherepan — Director of the Controlling and Strategic Planning Department

14 May 2022

The notes on pages 12-106 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss for the Year Ended 31 December 2021

(in thousands of Belarusian Rubles)

	Note	2021	2020
Interest income calculated using the effective interest rate		325,828	312,586
Other interest income		36,024	34,752
Interest expense		(103,054)	(111,069)
Net interest income	24	**258,798**	**236,269**
Credit loss expense	16	(24,672)	(45,923)
Net interest income after credit loss expense		**234,126**	**190,346**
Fee and commission income		246,853	210,472
Fee and commission expense		(135,728)	(126,166)
Net fee and commission income	25	**111,125**	**84,306**
Net gain/(loss) on trading securities		169	(1,958)
Net foreign exchange gain/(loss):			
- dealing transactions		105,264	60,367
- translation differences		(9,758)	62,497
Other income	26	18,195	17,626
Non-interest income		**113,870**	**138,532**
Personnel expense	27	(105,570)	(102,150)
Depreciation and amortization	12,13,14	(36,500)	(34,808)
Other operating expenses	27	(78,134)	(71,583)
Other gain/(loss) from provisions	16	4,962	(37)
Non-interest expenses		**(215,242)**	**(208,578)**
Profit before income tax expense		**243,879**	**204,606**
Income tax expense	15	(59,556)	(55,722)
Profit for the year		**184,323**	**148,884**
Attributable to:			
- shareholders of the Bank		179,892	144,248
- non-controlling interest		4,431	4,636
		184,323	**148,884**

Signed and approved for issue on behalf of the Management Board

V.V. Dedioul — Temporary acting as Chairman of the Management Board

O.S. Cherepan — Director of the Controlling and Strategic Planning Department

14 May 2022

The notes on pages 12-106 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

(in thousands of Belarusian Rubles)

	Note	2021	2020
Profit for the year		**184,323**	**148,884**
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 foreign subsidiary	22	(2,207)	6,259
Net change in fair value of debt instruments measured at fair value through other comprehensive income	22	(290)	18
Income tax relating to components of other comprehensive income	15	73	(5)
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods		**(2,424)**	**6,272**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefit pension plan	22	10,762	3,621
Gains/(loss) on equity instruments measured at fair value through other comprehensive income	22	(40)	70
Income tax relating to components of other comprehensive income	15	(2,681)	(922)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**8,041**	**2,769**
Other comprehensive income for the year, net of tax		**5,617**	**9,041**
Total comprehensive income for the year		**189,940**	**157,925**
Attributable to:			
- shareholders of the Bank		186,326	150,971
- non-controlling interest		3,614	6,954
		189,940	**157,925**

Signed and approved for issue on behalf of the Management Board

V.V. Dedioul	Temporary acting as Chairman of the Management Board
O.S. Cherepan	Director of the Controlling and Strategic Planning Department

14 May 2022

The notes on pages 12-106 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

(in thousands of Belarusian Rubles)

	Attributable to the shareholders of the Bank								
	Share capital	*Additional paid-in capital*	*Foreign currency translation reserve*	*Retained earnings*	*Revaluation reserve for net pension liability*	*Revaluation reserve for investment securities*	*Total*	*Non-controlling interest*	*Total equity*
As at 1 January 2020	**341,828**	**193**	**2,952**	**585,438**	**(10,261)**	**77**	**920,227**	**39,262**	**959,489**
Profit for the year	–	–	–	144,248	–	–	**144,248**	4,636	**148,884**
Other comprehensive income for the year	–	–	3,941	–	2,716	**66**	**6,723**	2,318	**9,041**
Total comprehensive income for the year	–	–	**3,941**	**144,248**	**2,716**	**66**	**150,971**	**6,954**	**157,925**
Dividends declared and paid (Note 22)	–	–	–	(43,032)	–	–	**(43,032)**	(19,834)	**(62,866)**
As at 31 December 2020	**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 22)	–	–	–	(49,230)	–	–	**(49,230)**	-	**(49,230)**
Sale and liquidation of subsidiaries	–	–	–	110	–	–	**110**	(1,146)	**(1,036)**
As at 31 December 2021	**341,828**	**193**	**5,503**	**817,426**	**526**	**(104)**	**1,165,372**	**28,850**	**1,194,222**

Signed and approved for issue on behalf of the Management Board

V.V. Dedioul — Temporary acting as Chairman of the Management Board

O.S. Cherepan — Director of the Controlling and Strategic Planning Department

14 May 2022

The notes on pages 12-106 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021 (Continued)

(in thousands of Belarusian Rubles)

	Note	2021	2020
Cash flows from operating activities			
Interest received		357,854	342,567
Interest paid		(103,490)	(107,944)
Fee and commission received		246,824	210,964
Fee and commission paid		(135,787)	(125,933)
Income less expenses from foreign currency transactions		90,794	77,437
Other income received		19,061	17,461
Personnel expenses paid		(98,334)	(97,236)
Other operating expenses paid		(70,207)	(71,020)
Cash flows from operating activities before changes in operating assets and liabilities		**306,715**	**246,296**
Net (increase)/decrease in operating assets			
Trading securities		(718)	(4,509)
Due from credit institutions		(33,788)	(31,221)
Loans to customers		332,931	(99,507)
Other assets		(14,144)	5,211
Net increase/(decrease) in operating liabilities			
Due to credit institutions		27,088	3,128
Due to international financial institutions		99,295	52,690
Customer accounts		172,924	(25,879)
Other liabilities		25,776	47,994
Net cash inflows from operating activities before income tax		**916,079**	**194,203**
Income tax paid		(64,868)	(41,735)
Net cash inflows from operating activities		**851,211**	**152,468**
Cash flows from investing activities			
Purchase of investment securities at amortized cost		(5,361)	(308,865)
Proceeds from redemption of investment securities at amortized cost		14,919	168,029
Purchase of securities at FVTOCI		(75,702)	(30,226)
Proceeds from sale of securities at FVTOCI		–	40,568
Proceeds from sale of property and equipment and investment property		6,114	11,462
Purchase of property and equipment, intangible assets and investment property	12,13,14	(42,523)	(44,611)
Proceeds from sale of subsidiaries		3,005	–
Net cash used in investing activities		**(99,548)**	**(163,643)**
Cash flows from financing activities			
Proceeds from debt securities issued		–	2,451
Repayment of debt securities issued		(52,562)	(545)
Repayment of lease liabilities		(2,633)	(2,854)
Dividends paid to the shareholders of the Bank	22	(48,845)	(62,866)
Net cash outflows from financing activities	**33**	**(104,040)**	**(63,814)**

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021 (Continued)

(in thousands of Belarusian Rubles)

	Note	2021	2020
Effect of exchange rate changes on cash and cash equivalents		(11,487)	197,050
Net increase in cash and cash equivalents		**636,136**	**122,061**
Cash and cash equivalents as at the beginning of the reporting year		**1,483,840**	**1,361,779**
Cash and cash equivalents as at the end of the reporting year	6, 10	**2,119,976**	**1,483,840**

Signed and approved for issue on behalf of the Management Board

V.V. Dedioul — Temporary acting as Chairman of the Management Board

O.S. Cherepan — Director of the Controlling and Strategic Planning Department

14 May 2022

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. The Bank also holds licenses for operations with securities 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 general public and legal entities, extends credit, transfers payments in Belarus and abroad, maintains foreign exchange transactions and provides banking services to legal entities and individuals. The head office of the Bank is located in Minsk, and it has 62 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 registered legal address is: 31a V. Khoruzhey Str., Minsk 220002, Republic of Belarus.

As at 31 December 2021 and 2020, Priorbank had the following shareholding structure:

Shareholders	2021 %	2020 %
Raiffeisen CIS Region Holding GmbH	87.74	87.74
State Property Committee of the Republic of Belarus	6.31	6.31
Individuals	4.83	4.84
Other	1.12	1.11
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 organization.

2. Basis of preparation

General

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

2. Basis of preparation (continued)

These 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 FVTOCI, and derivatives have been measured at fair value.

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

Subsidiaries

The consolidated financial statements include the following subsidiaries:

	Ownership, %					
Subsidiary	***2021***	***2020***	***Country***	***Registration date***	***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
Insurance broker Studiya Strakhovaniya LLC	-	100	Belarus	September 2014	Insurance	September 2014
Extrusion Technologies LLC	-	89	Belarus	November 2017	Manufacturing	November 2017
Estate Management LLC	100	100	Belarus	May 2018	Property management	May 2018

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

According to the decision to terminate the activities of Insurance broker Studiya Strakhovaniya LLC, in June 2021 the company was reorganized to Additional Liability Company Studiya Otsenki and liquidated on 19 October 2021.

3. Significant accounting policies

Changes in accounting policies

The Group has applied for the first time certain amendments to the standards that are effective for annual periods beginning on or after 1 January 2021.

Interest Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR Reform – Phase 2)

Amendments provide for temporary exemptions that are applied to address the financial reporting implications when the Interbank Offered Rate (IBOR) is replaced by an alternative almost risk-free interest rate. The amendments provide for the following:

- a practical expedient that changes to the contract or changes in cash flows directly required by the reform should be treated as changes in the floating interest rate equivalent to a change in the market interest rate;
- possibility to make changes required by the IBOR reform to the definition of hedging relationships and hedging documentation without discontinuing the hedging relationship;
- entities are granted a temporary exemption from compliance with the separately identifiable component requirement when a risk-free rate instrument is designated as a risk component in the hedging relationship.

These amendments do not have a significant effect on the consolidated financial statements.

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

On 28 May 2020, the IASB issued Amendment to IFRS 16 Leases - *Covid-19-Related Rent Concessions.* This amendment provides for a relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. A practical expedient provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

This amendment was expected to apply until 30 June 2021, but due to the continued impact of the COVID-19 pandemic, on 31 March 2021 the IASB decided to extend the application of this practical expedient until 30 June 2022.

The Group early adopted *Amendment to IFRS 16: Covid-19-Related Rent Concessions*. The Group has not been granted any COVID-19-related rent concessions, but it plans to apply the practical expedient, if necessary, within a valid period.

3. Significant accounting policies (continued)

Basis of consolidation

Subsidiaries, which are the entities 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 the 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.

Fair value measurement

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

3. Significant accounting policies (continued)

The 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 FVTPL.

3. Significant accounting policies (continued)

Measurement categories of financial assets and liabilities

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

- Amortized cost;
- FVTOCI;
- FVTPL.

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

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

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 whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise to the receipts 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 objectives.

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 model assessment.

3. Significant accounting policies (continued)

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.

"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 an 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 negligible 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 FVTPL.

Debt instruments at FVTOCI

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

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

FVTOCI 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 FVTOCI 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 reclassified to profit or loss upon derecognition of the asset.

3. Significant accounting policies (continued)

Equity instruments at FVTOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVTOCI 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.

Gains and losses on these equity instruments are never reclassified to profit or loss. Dividends are recognized in profit or loss as other income when the right to the dividend has been established, except when the Group benefits from such proceeds through a partial recovery of the cost of the instrument, in which case, such gains are recognized in OCI. Equity instruments at FVTOCI 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 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 assessment 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 2021.

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.

Derivatives

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 carried at fair value through profit or loss. The fair value is 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.

3. Significant accounting policies (continued)

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 foreign exchange gain/(loss) - translation differences.

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, customer accounts, 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 rate 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. 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 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 that the Group is likely to exercise the lease termination option. 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.

3. Significant accounting policies (continued)

In calculating the present value of lease payments, the Group uses its 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 accrual 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 expenses on a straight-line basis over the lease term.

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

The Group determines a 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 an additional term 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 lease — 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 lease – Group as a lessor

The Group recognizes lease receivables at a value 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.

3. Significant accounting policies (continued)

Offsetting 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 offset must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

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

These conditions are not generally met in respect of 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 repossess collateral. This may involve extending the payment arrangements and agreeing new loan conditions.

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 for ECL measurement purposes, unless the new loan is deemed to be a purchased or originated credit-impaired asset (POCI). When assessing whether or not to derecognize a loan to a customer, among 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 effective interest rate (EIR), the Group recognizes gains or losses from the modification and records them within interest income calculated using the EIR 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.

3. Significant accounting policies (continued)

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 instrument) 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 for the case of a written put option (including a cash-settled option or similar instrument) on an asset measured at fair value. In this case 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.

Write off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing their 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.

3. Significant accounting policies (continued)

Taxation

Current income tax expense is calculated in accordance with the regulations of the Republic of Belarus applicable to the Group's 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 applicable 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 at the level of each of the Group's companies. Assets and liabilities of the Group companies may not be offset against one another.

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 costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment, as adjusted for hyperinflation. Such cost includes costs to replace a piece of equipment, recognized when incurred if the recognition criteria are met.

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 others	5-10

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

3. Significant accounting policies (continued)

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 a 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 less accumulated depreciation and impairment, as adjusted for hyperinflation.

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 repair 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 initial 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.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale during 12 months after the reporting date must be highly probable.

3. Significant accounting policies (continued)

The sale qualifies as highly probable if the Group's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; in addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstances indicate that their carrying amount may be impaired. Assets held for sale are disclosed in Note 10.

Inventories

Inventories include property transferred to the Group as a repayment of loans, as well as residential apartment blocks 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 entitles eligible employees to retirement benefits upon reaching the retirement age of 63 for men and 58 for women and upon meeting certain other criteria.

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 the revaluation reserve for net pension liability through other comprehensive income in the statement of comprehensive income in the period when the respective gains and losses occurred. Revaluation results may not be reclassified to profit or loss in subsequent periods.

3. Significant accounting policies (continued)

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 expense:

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

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.

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. Contingent assets are not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

3. Significant accounting policies (continued)

Recognition of income and expense

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 FVTOCI, applying the effective interest rate to their gross carrying amount, 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 excludes any 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.

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.

Interest income for all financial assets at FVTPL 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

3. Significant accounting policies (continued)

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as arrangements for an acquisition of shares or other securities or a purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are performance-based, 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 exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate 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 foreign exchange gain/(loss) - 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 2021 and 2020 were BYN 2.5481 and BYN 2.5789 to USD 1, respectively.

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 exchange rate 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 recorded in 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 contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Group applies the accounting policies as prescribed by the Ministry of Finance of the Republic of Belarus for insurance companies in the Republic of Belarus.

The Group offers products of voluntary supplementary 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 estimated cash flows to the carrying amounts of the liabilities.

If the test shows that the recorded amount of liabilities is insufficient, the difference is recorded in the expenses for the reporting period.

3. Significant accounting policies (continued)

Standards issued but not yet effective

The new standards, revised standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new standards, revised standards and interpretations, if applicable, when they become effective.

New or revised standard or interpretation	Effective Date for annual periods, beginning on or after
IFRS 17, Insurance Contracts	1 January 2023
Amendments to IFRS 17, Insurance Contracts	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current (as part of the project to formulate Annual Improvements to IFRS 2010-2012 Cycles)	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Annual Improvements to IFRS Standards 2018-2020 :	
Amendments to IFRS 3, Business combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment — Revenue before Intended Use	1 January 2022
Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – Onerous contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB

IFRS 17, Insurance Contracts

IFRS 17 establishes principles for recognition, measurement, disclosure and presentation of insurance contracts, and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 establishes a general model, which is modified and defined with respect to insurance contracts with direct participation features as the variable fee approach. If certain criteria are met, the general model is simplified by measuring liability for the remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows, and it separately estimates the cost of such uncertainty. The model takes into account market interest rates and the impact of options and guarantees of policyholders.
Standard is effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. It is applied retrospectively, if practicable, otherwise a modified retrospective approach or fair value accounting should be applied. The draft of *Amendments to IFRS 17* deals with issues and difficulties associated with the implementation of the standard, which were identified after the issuance of IFRS 17. In this regard, the official effective date for the standard was postponed until 1 January 2023 (initially it was due to come into force from 1 January 2021).

In order to meet transitional requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies this standard, and the date of transition is the beginning of the period immediately preceding the date of initial application.

The Group is currently in the process of assessing the impact of adopting IFRS 17 on its consolidated financial statements.

3. Significant accounting policies (continued)

Amendments to IFRS 17, Insurance Contracts

Amendments to IFRS 17 were made to address concerns and implementation challenges that were identified after IFRS 17 *Insurance Contracts* was published in 2017. The amendments are effective for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Group does not expect that the application of these amendments could have an impact on the Group's financial statements in future periods should such transactions occur.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles)

The amendments are intended to facilitate the understanding that a liability is classified as non-current if the organization expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under the existing credit line with the previous lender, on equal or similar terms.

The amendments only affect the presentation of liabilities in the statement of financial position, i.e. they are not regarding the amount, the timing of recognition or disclosure of information.

The amendments clarify that the classification is based on the existence at the end of the reporting period of the right to defer settlement of a liability for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist 'at the end of the reporting period' should affect the classification of the liability. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of the liability, which means transferring funds, equity instruments, or other assets or services to a counterparty.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. Early application is acceptable.

The Group does not anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods.

Amendments to IAS 8, Definition of Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates;
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty;
- The Board clarifies that a change in an accounting estimate that results from new information or new developments, does not constitute an error correction;
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

3. Significant accounting policies (continued)

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. It is expected that these amendments will not have a significant effect on the Group's consolidated financial statements.

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

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. It is expected that these amendments will not have a significant effect on the Group's consolidated financial statements.

Annual improvements to IFRSs 2018-2020 Cycle

The list of amendments includes amendments to the three standards, as well as annual improvements by the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- The amendments to IFRS 3 *Business Combinations* update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.

3. Significant accounting policies (continued)

- Amendments to IAS 16 *Property, Plant and Equipment* prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognized in profit or loss.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* determine the costs to be included in assessing whether the contract is onerous.
- Annual improvements introduce minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and illustrative examples accompanying IFRS 16 *Leases*.

All amendments are effective on 1 January 2022, early application is permitted.

The Group does not expect that the application of these amendments could have an impact on the Group's financial statements in future periods should such transactions occur.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities;
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

3. Significant accounting policies (continued)

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendment to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Group anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

4. Significant accounting judgments and estimates

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

Assumptions and estimation uncertainties

Losses from impairment of financial assets

The assessment of losses by all categories of financial assets requires application of judgment. 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 probabilities of default (PD) 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 formulas and the choice of inputs;

4. Significant accounting judgments and estimates (continued)

- 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;
- Assessment of the post-model adjustment to ECL related to the sanctioned borrowers.

Note 29 discloses the assumptions related to impairment of financial instruments to assess whether there has been a significant increase in the credit risk of a financial asset since initial recognition and to include forward-looking information in the estimate of expected credit losses.

The allowance recognized in the consolidated statement of financial position as at 31 December 2021 totaled BYN 139,546 thousand (2020: BYN 120,621 thousand). More details are provided in Notes 6, 8, 9, 11 and 23.

Assessment of liabilities under the Priorlife JLLC pension plan

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. Should other assumptions be used, the estimate might be different. The analysis of sensitivity to changes in key assumptions used in determining the pension plan obligations is disclosed in Note 28.

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 Group's management. Further details regarding taxation issues are provided in Note 15.

5. Segment reporting

For management purposes, the Group identifies three operating segments based on its products and services, 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. Segment performance is measured differently from profit or loss in the consolidated financial statements. Income taxes are accounted for on a group basis and are not allocated to operating segments.

In 2021 and 2020, the Group had no interest income or expense from transactions with any one external customer or counterparty, which would amount to 10% or more of the 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.

5. Segment reporting (continued)

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

2021	Retail banking	Corporate banking	Other/ not allocated	Total
Income from transactions with external customers				
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 income from foreign exchange transactions	29,012	49,006	17,488	**95,506**
Other non-interest income	-	-	18,364	**18,364**
Non-interest expense	(86,446)	(96,588)	(32,208)	**(215,242)**
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	3,147,014	**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 expenditures	1,963	1,510	39,050	**42,523**
Depreciation and amortization	(7,452)	(7,972)	(21,076)	**(36,500)**

5. Segment reporting (continued)

2020	Retail banking	Corporate banking	Other/ not allocated	Total
Income from transactions with external customers				
Interest income	131,675	191,023	24,640	**347,338**
Interest expense	(36,118)	(47,163)	(27,788)	**(111,069)**
Net interest income	**95,557**	**143,860**	**(3,148)**	**236,269**
Credit loss expense	(9,660)	(28,894)	(7,369)	**(45,923)**
Net interest income after credit loss expense	**85,897**	**114,966**	**(10,517)**	**190,346**
Net fee and commission income	26,495	61,046	(3,235)	**84,306**
Net income from foreign exchange transactions	36,816	52,360	33,688	**122,864**
Other non-interest income	-	-	15,668	**15,668**
Non-interest expense	(83,044)	(100,934)	(24,600)	**(208,578)**
Segment financial results	**66,164**	**127,438**	**11,004**	**204,606**
Income tax expense				**(55,722)**
Profit for the year				**148,884**
Assets and liabilities				
Segment assets	921,716	2,729,261	2,322,681	**5,973,658**
Total assets				**5,973,658**
Segment liabilities	1,827,524	2,351,706	739,880	**4,919,110**
Total liabilities				**4,919,110**
Other segment information				
Capital expenditures	3,410	1,013	30,541	**34,964**
Depreciation and amortization	(5,835)	(9,481)	(19,492)	**(34,808)**

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2021	2020
Cash on hand	215,032	201,687
Current accounts with credit institutions	319,797	192,879
Current accounts with NBRB	584,072	594,120
Term deposits with credit institutions up to 90 days	701,069	495,154
Term deposits with NBRB up to 90 days	300,006	–
Total cash and cash equivalents	**2,119,976**	**1,483,840**
Reclassification to assets held for sale (Note 10)	-	(83)
Less allowance for impairment	(41)	(1)
Cash and cash equivalents	**2,119,935**	**1,483,756**

6. Cash and cash equivalents (continued)

As at 31 December 2021, liquid funds were represented by short-term deposits with four foreign banks, two Belarusian banks and the National Bank of the Republic of Belarus (2020: four foreign banks).

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

	2021	2020
Allowance for ECL as at 1 January	**1**	**15**
Changes in ECL	40	(14)
Exchange differences	–	–
Allowance for ECL as at 31 December	**41**	**1**

7. Trading securities

Trading securities held by the Group include bonds of the Ministry of Finance of the Republic of Belarus denominated in USD and EUR. This category of securities is classified as at fair value through profit or loss.

8. Due from credit institutions

Amounts due from credit institutions comprise:

	2021	2020
Obligatory reserve with the NBRB	49,489	51,079
Term deposits for more than 90 days	105,356	–
Other funds	662	15,160
Total due from credit institutions	**155,507**	**66,239**
Less allowance for impairment	(347)	(6)
Due from credit institutions	**155,160**	**66,233**

Credit institutions are required to maintain a non-interest bearing 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 2021, term deposits were placed with eight Belarusian banks.

8. Due from credit institutions (continued)

Other funds include funds under a two-factor factoring arrangement (2020: funds provided to non-resident banks as collateral in the total of BYN 5,992 thousand, funds under a two-factor factoring arrangement in the total of BYN 1,084 thousand, and other active transactions with non-resident banks in the total of BYN 8,085 thousand).

Movements in allowance for ECL for the year are as follows:

	2021	2020
Allowance for ECL as at 1 January	**6**	**144**
Changes in ECL	(1,297)	1,470
Exchange differences	-	30
Reclassification to disposal groups held for sale (Note 10)	-	(1,638)
Reclassification of allowance for amounts due from credit institutions of Priorlife JLLC as a result of its declassification as a disposal group held for sale (Note 10)	1,638	-
Allowance for ECL as at 31 December	**347**	**6**

9. Loans to customers

Loans to customers comprise:

	2021	2020
Corporate lending	1,636,744	2,035,615
Consumer loans	763,586	744,499
Small business lending	603,952	693,646
Residential mortgages	181,268	177,217
Total loans to customers at amortized cost	**3,185,550**	**3,650,977**
Less allowance for impairment	(119,355)	(106,089)
Loans to customers at amortized cost	**3,066,195**	**3,544,888**

9. Loans to customers (continued)

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

Allowance for impairment of loans to customers

Corporate lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	**1,740,514**	**252,229**	**41,910**	**962**	**2,035,615**
New purchased or originated 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)**
Exchange differences	(92,282)	(15,850)	(508)	–	**(108,640)**
As at 31 December 2021	**1,035,160**	**555,700**	**45,884**	**–**	**1,636,744**

Corporate lending	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**13,983**	**4,451**	**36,426**	**262**	**55,122**
New purchased or originated 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	–	**–**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(156)	9,298	3,171	–	**12,313**
Changes in inputs used to estimate ECL	(3,669)	4,990	(646)	170	**845**
Unwinding of discount (recorded in interest income)	–	–	372	–	**372**
Amounts written off	–	–	(851)	(432)	**(1,283)**
Exchange differences	(305)	(1,266)	(318)	–	**(1,889)**
As at 31 December 2021	**1,608**	**28,802**	**35,681**	**–**	**66,091**

9. Loans to customers (continued)

Movements in the gross carrying amount and respective ECL related to corporate lending for the year ended 31 December 2020 are as follows:

Corporate lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	**1,439,844**	**105,480**	**42,238**	**962**	**1,588,524**
New purchased or originated assets	1,291,617	28,722	–	–	**1,320,339**
Assets redeemed	(1,071,956)	(156,420)	(4,255)	–	**(1,232,631)**
Transfers to Stage 1	31,931	(31,931)	–	–	**–**
Transfers to Stage 2	(268,440)	268,440	–	–	**–**
Transfers to Stage 3	(3,560)	–	3,560	–	**–**
Unwinding of discount	5,266	565	336	–	**6,167**
Amounts written off	–	–	(5,493)	–	**(5,493)**
Exchange differences	315,812	37,373	5,524	–	**358,709**
As at 31 December 2020	**1,740,514**	**252,229**	**41,910**	**962**	**2,035,615**

Corporate lending	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**2,210**	**712**	**36,729**	**262**	**39,913**
New purchased or originated assets	10,404	110	–	–	10,514
Assets redeemed	(1,467)	(774)	(2,716)	–	(4,957)
Transfers to Stage 1	203	(203)	–	–	–
Transfers to Stage 2	(1,881)	1,881	–	–	–
Transfers to Stage 3	(736)	–	736	–	–
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(153)	876	1,464	–	2,187
Changes in inputs used to estimate ECL	4,033	1,116	968	–	6,117
Unwinding of discount (recorded in interest income)	–	–	249	–	249
Amounts written off	–	–	(5,493)	–	(5,493)
Exchange differences	1,370	733	4,489	–	6,593
As at 31 December 2020	**13,983**	**4,451**	**36,426**	**262**	**55,122**

9. Loans to customers (continued)

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 as at 1 January 2021	**560,804**	**105,150**	**26,977**	**715**	**693,646**
New purchased or originated 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 that does not result in derecognition	–	–	(25)	–	**(25)**
Amounts written off	–	–	(5,655)	(640)	**(6,295)**
Exchange differences	(16,302)	(3,664)	(678)	–	**(20,644)**
As at 31 December 2021	**486,872**	**82,669**	**34,411**	**–**	**603,952**

Small business lending	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**4,051**	**2,493**	**20,099**	**715**	**27,358**
New purchased or originated 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	–	**–**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(265)	244	9,343	–	**9,322**
Changes in inputs used to estimate ECL	(520)	(293)	2,088	(75)	**1,200**
Unwinding of discount (recorded in interest income)	–	–	1,116	–	**1,116**
Changes in contractual cash flows due to modification that does not result in derecognition	–	(13)	(12)	–	**(25)**
Amounts written off	–	–	(5,655)	(640)	**(6,295)**
Exchange differences	(70)	(41)	(398)	–	**(509)**
As at 31 December 2021	**3,120**	**1,121**	**24,678**	**–**	**28,919**

9. Loans to customers (continued)

Movements in the gross carrying amount and respective ECL related to small business lending for the year ended 31 December 2020 are as follows:

Small business lending	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	**497,151**	**72,330**	**17,152**	**821**	**587,454**
New purchased or originated assets	358,713	9,496	–	–	**368,209**
Assets redeemed	(284,029)	(45,920)	(2,413)	(106)	**(332,468)**
Transfers to Stage 1	29,486	(29,486)	–	–	**–**
Transfers to Stage 2	(90,028)	90,302	(274)	–	**–**
Transfers to Stage 3	(7,243)	(6,213)	13,456	–	**–**
Unwinding of discount	1,873	235	587	–	**2,695**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	(2)	–	**(2)**
Amounts written off	–	–	(3,160)	–	**(3,160)**
Exchange differences	54,881	14,406	1,631	–	**70,918**
As at 31 December 2020	**560,804**	**105,150**	**26,977**	**715**	**693,646**

Small business lending	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**3,275**	**1,132**	**14,336**	**821**	**19,564**
New purchased or originated assets	3,107	137	–	–	**3,244**
Assets redeemed	(1,554)	(664)	(1,174)	(106)	**(3,498)**
Transfers to Stage 1	455	(455)	–	–	**–**
Transfers to Stage 2	(1,295)	1,544	(249)	–	**–**
Transfers to Stage 3	(150)	(122)	271	–	**–**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(305)	517	7,250	–	**7,462**
Changes in inputs used to estimate ECL	45	131	679	–	**855**
Unwinding of discount (recorded in interest income)	–	–	928	–	**928**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	(2)	–	**(2)**
Amounts written off	–	–	(3,160)	–	**(3,160)**
Exchange differences	473	273	1,220	–	**1,966**
As at 31 December 2020	**4,051**	**2,493**	**20,099**	**715**	**27,358**

9. Loans to customers (continued)

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

Consumer loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	**598,406**	**129,145**	**16,948**	**–**	**744,499**
New purchased or originated 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 that does not result in derecognition	–	–	(99)	–	**(99)**
Amounts written off	–	–	(5,234)	–	**(5,234)**
Exchange differences	(960)	(120)	(34)	–	**(1,114)**
As at 31 December 2021	**710,933**	**33,983**	**18,670**	**–**	**763,586**

Consumer loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**2,346**	**5,814**	**12,874**	**–**	**21,034**
New purchased or originated 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	–	**–**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(1,808)	1,023	6,917	–	**6,132**
Changes in inputs used to estimate ECL	(325)	171	1,326	–	**1,172**
Unwinding of discount (recorded in interest income)			757	–	**757**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	(99)	–	**(99)**
Amounts written off	–	–	(5,234)	–	**(5,234)**
Exchange differences	(15)	(1)	(28)	–	**(44)**
As at 31 December 2021	**2,638**	**3,704**	**14,645**	**–**	**20,987**

9. Loans to customers (continued)

Movements in the gross carrying amount and respective ECL related to consumer lending for the year ended 31 December 2020 are as follows:

Consumer loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	**706,880**	**12,558**	**11,324**	**–**	**730,762**
New purchased or originated assets	188,105	–	–	–	**188,105**
Assets redeemed	(153,725)	(17,956)	(1,862)	–	**(173,543)**
Transfers to Stage 1	1,869	(1,731)	(138)	–	**–**
Transfers to Stage 2	(138,790)	139,278	(488)	–	**–**
Transfers to Stage 3	(8,602)	(3,124)	11,726	–	–
Unwinding of discount	(105)	(68)	–	–	**(173)**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	(54)	–	**(54)**
Amounts written off	–	–	(3,772)	–	**(3,772)**
Exchange differences	2,774	188	212	–	**3,174**
As at 31 December 2020	**598,406**	**129,145**	**16,948**	**–**	**744,499**

Consumer loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**3,437**	**1,591**	**8,459**	**–**	**13,487**
New purchased or originated assets	1,887	–	–	–	**1,887**
Assets redeemed	(530)	(857)	(1,011)	–	**(2,398)**
Transfers to Stage 1	303	(210)	(93)	–	**–**
Transfers to Stage 2	(1,824)	2,190	(366)	–	**–**
Transfers to Stage 3	(118)	(640)	758	–	**–**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(281)	3,723	7,182	–	**10,624**
Changes in inputs used to estimate ECL	(555)	11	987	–	**443**
Unwinding of discount (recorded in interest income)			607	–	**607**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	(54)	–	**(54)**
Amounts written off	–	–	(3,772)	–	**(3,772)**
Exchange differences	27	6	177	–	**210**
As at 31 December 2020	**2,346**	**5,814**	**12,874**	**–**	**21,034**

9. Loans to customers (continued)

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 as at 1 January 2021	**151,140**	**21,231**	**4,846**	**–**	**177,217**
New purchased or originated 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 that does not result in derecognition	–	–	–	–	–
Exchange differences	(114)	(63)	–	–	**(177)**
As at 31 December 2021	**171,695**	**4,219**	**5,354**	**–**	**181,268**

Residential mortgages	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**686**	**375**	**1,514**	**–**	**2,575**
New purchased or originated 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	–	**-**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(178)	26	708	–	**556**
Changes in inputs used to estimate ECL	64	5	572	–	**641**
Unwinding of discount (recorded in interest income)	–	–	34	–	**34**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	–	–	**-**
Exchange differences	–	(4)	–	–	**(4)**
As at 31 December 2021	**796**	**227**	**2,335**	**–**	**3,358**

9. Loans to customers (continued)

Movements in the gross carrying amount and respective ECL related to residential mortgages for the year ended 31 December 2020 are as follows:

Residential mortgages	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	**173,828**	**834**	**750**	**–**	**175,412**
New purchased or originated assets	18,850	–	–	–	**18,850**
Assets redeemed	(16,040)	(1,335)	(271)	–	**(17,646)**
Transfers to Stage 1	193	(141)	(52)	–	**–**
Transfers to Stage 2	(22,369)	22,389	(20)	–	**–**
Transfers to Stage 3	(3,850)	(569)	4,419	–	**–**
Unwinding of discount	(81)	36	20	–	**(25)**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	–	–	**–**
Exchange differences	609	17	–	–	**626**
As at 31 December 2020	**151,140**	**21,231**	**4,846**	**–**	**177,217**

Residential mortgages	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**657**	**9**	**383**	**–**	**1,049**
New purchased or originated assets	156	–	–	–	**156**
Assets redeemed	(35)	(26)	(169)	–	**(230)**
Transfers to Stage 1	42	(1)	(41)	–	**–**
Transfers to Stage 2	(154)	163	(9)	–	**–**
Transfers to Stage 3	(135)	(7)	142	–	**–**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(42)	238	1,147	–	**1,343**
Changes in inputs used to estimate ECL	191	(1)	35	–	**225**
Unwinding of discount (recorded in interest income)	–	–	25	–	**25**
Changes in contractual cash flows due to modification that does not result in derecognition	–	–	–	–	**–**
Exchange differences	6	–	–	–	**6**
As at 31 December 2020	**686**	**375**	**1,514**	**–**	**2,575**

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

9. Loans to customers (continued)

Modified and restructured loans to customers

The Group derecognizes a financial asset, such as a customer loan, 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 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.

Renegotiated loans and respective loss incurred by the Group are shown in the table below:

	2021	2020
Loans to customers modified during the period	**141,889**	**195,876**
Amortized cost before modification	141,894	196,437
Net loss resulting from modification	(5)	(561)

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 collateral types and valuation parameters.

The main types of collateral obtained are as follows:
- For commercial lending – pledge of real estate properties, inventories and receivables;
- For retail lending – mortgages over residential properties, pledge of cars, sureties.

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

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.

9. Loans to customers (continued)

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 credit risk exposure	Fair value of collateral held under the base case				Net exposure	Associated ECL
		Cash/deposits	Property	Other*	Total collateral		
As 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 loans	763,586	–	3,991	11,905	15,896	747,690	20,987
Residential mortgages	181,268	–	171,867	–	171,867	9,401	3,358

	Maximum credit risk exposure	Fair value of collateral held under the base case				Net exposure	Associated ECL
		Cash/deposits	Property	Other*	Total collateral		
As at 31 December 2020	**3,650,977**	**836**	**971,681**	**309,952**	**1,282,469**	**2,368,508**	**106,089**
Corporate lending	2,035,615	391	658,224	197,494	856,109	1,179,506	55,122
Small business lending	693,646	445	140,125	101,575	242,145	451,501	27,358
Consumer loans	744,499	–	3,918	10,883	14,801	729,698	21,034
Residential mortgages	177,217	–	169,414	–	169,414	7,803	2,575

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

It is the Group's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding debt. 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:

	2021	2020
Investment property	5,414	7,069
Property and equipment	205	38
Other assets	1,222	9,418
Total repossessed collateral	**6,841**	**16,525**

9. Loans to customers (continued)

Concentration of loans to customers

As at 31 December 2021, the Group's concentration of loans due from ten largest third-party borrowers (except for loans of Stage 3) totaled BYN 642,659 thousand, or 20% of the gross loan portfolio (2020: BYN 805,752 thousand, or 22%). An allowance of BYN 47,677 thousand (2020: BYN 3,049 thousand) was recognized against these loans.

Loans have been issued to the following types of customers:

	2021	2020
Private companies	1,959,430	2,273,745
Individuals	944,854	921,716
State companies	281,266	455,516
Loans to customers	**3,185,550**	**3,650,977**

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

	2021	2020
Manufacturing, including:	852,469	1,053,052
Other manufacturing	215,946	251,470
Coking coal, oil products	209,588	221,806
Food, beverages, tobacco products	143,007	166,566
Chemicals, rubber, plastics	119,566	235,978
Wood processing	47,327	57,802
Machinery, equipment	38,512	30,595
Pharmaceutical industry	20,466	21,108
Pulp and paper industry	17,986	18,723
Textile industry	16,419	19,246
Electric equipment	13,354	19,580
Metals and metal ware production	5,465	7,486
Transport facilities	4,833	2,692
Individuals	944,854	921,716
Wholesale trade	525,302	622,831
Retail trade	236,003	313,522
Transport	184,907	223,934
Mineral development and extraction	155,134	129,101
Property	108,330	125,380
Construction	69,856	93,929
Energy, gas, water supply	2,623	25,972
Other	106,072	141,540
Loans to customers	**3,185,550**	**3,650,977**

9. Loans to customers (continued)

Finance lease receivables

The corporate lending portfolio includes finance lease receivables. Finance lease receivables as at 31 December 2021 are analyzed below:

	Up to 1 year	1 year to 5 years	Over 5 years	Total
Investments in finance lease	147,995	241,516	106,642	**496,153**
Unearned future finance income on finance leases	(27,871)	(53,212)	(47,369)	**(128,452)**
Net investments in finance lease	**120,124**	**188,304**	**59,273**	**367,701**

Finance lease receivables as at 31 December 2020 are analyzed below:

	Up to 1 year	1 year to 5 years	Over 5 years	Total
Investments in finance lease	161,103	233,861	128,472	**523,436**
Unearned future finance income on finance leases	(28,293)	(53,628)	(61,639)	**(143,560)**
Net investments in finance lease	**132,810**	**180,233**	**66,833**	**379,876**

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

Disposal groups and non-current assets held for sale comprise:

	2021	2020
Assets		
Property and equipment held for sale	273	–
Assets of disposal groups held for sale	-	186,212
Assets of disposal groups and non-current assets held for sale	**273**	**186,212**
Liabilities of disposal groups held for sale	**-**	**179,053**

10. Disposal groups and non-current assets held for sale (continued)

In 2020, management announced its plans to sell Priorlife JLLC and Extrusion Technologies LLC. The sale transactions were expected to be completed in 2021. At 31 December 2020, Priorlife JLLC and Extrusion Technologies LLC were recognized as disposal groups held for sale.

Major categories of assets and liabilities of Priorlife JLLC and Extrusion Technologies LLC classified as held for sale as at 31 December 2020 are presented below:

	Priorlife JLLC	*Extrusion Technologies LLC*	*Total*
Assets			
Cash and cash equivalents	83	–	83
Amounts due from credit institutions	56,887	–	56,887
Investment securities	109,814	–	109,814
Property and equipment	1,295	–	1,295
Intangible assets	1,007	–	1,007
Other assets	4,960	12,166	17,126
Assets of disposal groups and non-current assets held for sale	**174,046**	**12,166**	**186,212**
Current income tax liabilities	1,418	–	1,418
Deferred income tax liabilities	57	–	57
Defined benefit plan: pension liabilities (Note 28)	37,677	–	37,677
Life insurance liabilities payable by a subsidiary	100,857	–	100,857
Pension liabilities payable by a subsidiary to third parties	35,582	–	35,582
Other liabilities	207	3,255	3,462
Liabilities of disposal groups held for sale	**175,798**	**3,255**	**179,053**
Net assets held for sale	**(1,752)**	**8,911**	**7,159**

In February 2021, the Group lost control over the subsidiary Extrusion Technologies LLC as a result of sale of 89% of shares to an unrelated third party.

As a result of this disposal the Group recognized profit of BYN 2,447 thousand in other income.

10. Disposal groups and non-current assets held for sale (continued)

Assets and liabilities of Extrusion Technologies LLC as at the date of disposal are provided in the table below:

Cash and cash equivalents	17
Other assets	13,299
	13,316
Other liability	3,255
	3,255

Total sale consideration comprised:

Total cash consideration	9,106
Total consideration	**9,106**
Total profit from sale of subsidiary	**2,447**

The information on cash inflow from disposal of a subsidiary in the reporting period is presented below:

Net cash disposed of with a subsidiary (included in cash flows from investing activities)	17
Cash received (included in cash flows from investing activities)	3,022
Net cash inflow	**3,005**

The net cash inflow from disposal of the subsidiary in the reporting period differs from the total cash consideration due to an advance received from the buyer of the subsidiary in prior reporting periods.

The transaction on sale of the subsidiary Priorlife JLLC was not completed in 2021 due to the refusal of the potential buyer. The Company's management decided to postpone the sale of this company for an indefinite period. Accordingly, as at 31 December 2021 Priorlife JLLC ceased to be classified as a disposal group held for sale. The relevant assets and liabilities of the company were transferred to the main balance sheet items without restatement of comparative data.

11. Investment securities

Investment securities comprise the following:

	2021	2020
Debt securities at amortized cost		
Bonds of the Ministry of Finance of the Republic of Belarus	338,795	269,113
USA Federal Government Bonds	91,751	92,860
Bank bonds	25,595	–
Corporate bonds	2,409	–
	458,550	**361,973**
Less allowance for impairment	(5,082)	(7,553)
Debt securities at amortized cost	**453,468**	**354,420**
Debt securities at FVTOCI		
USA Federal Government Bonds	106,797	30,908
Debt securities at FVTOCI	**106,797**	**30,908**
Equity securities at FVTOCI	**1,586**	**1,458**
Total investment securities	**561,851**	**386,786**

Movements in the gross carrying amount and related allowances for ECL on debt securities measured at amortized cost are presented below:

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 at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**361,973**	**–**	**–**	**361,973**
Reclassification from assets held for sale	112,976			**112,976**
New purchased or originated 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 (recorded in interest income)	14	(55)	–	**(41)**
Exchange differences	(5,823)	(977)	–	**(6,800)**
As at 31 December 2021	**91,751**	**366,799**	**–**	**458,550**

11. Investment securities (continued)

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at 1 January 2021	**7,553**	**–**	**–**	**7,553**
Reclassification from assets held for sale	3,162	–	–	**3,162**
New purchased or originated 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 to estimate ECL	–	(4,763)	–	**(4,763)**
Exchange differences	–	(457)	–	(457)
As at 31 December 2021	**1**	**5,081**	**–**	**5,082**

Movements in the gross carrying amount and related allowances for ECL on debt securities measured at amortized cost, for the year ended 31 December 2020 are presented below:

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**265,251**	**–**	**–**	**265,251**
New purchased or originated assets	308,865	–	–	**308,865**
Assets redeemed	(168,029)	–	–	**(168,029)**
Unwinding of discount (recorded in interest income)	(97)	–	–	**(97)**
Exchange differences	68,959	–	–	**68,959**
Reclassification to assets held for sale (Note 10)	(112,976)	–	–	**(112,976)**
As at 31 December 2020	**361,973**	**–**	**–**	**361,973**

11. Investment securities (continued)

Debt securities at amortized cost	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at 1 January 2020	**549**	**–**	**–**	**549**
New purchased or originated assets	9,369	–	–	**9,369**
Assets redeemed	(341)	–	–	**(341)**
Changes in models and inputs used to estimate ECL	1,191			**1,191**
Exchange differences	(53)			**(53)**
Reclassification to assets held for sale (Note 10)	(3,162)	–	–	**(3,162)**
As at 31 December 2020	**7,553**	**–**	**–**	**7,553**

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

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

Movements in the gross carrying amount of debt securities at FVTOCI for the year ended 31 December 2020, are as follows:

Debt securities at FVTOCI	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**33,760**	**–**	**–**	**33,760**
New purchased or originated assets	30,178	–	–	**30,178**
Assets redeemed	(40,480)			**(40,480)**
Unwinding of discount (recorded in interest income)	(9)	–	–	**(9)**
Exchange differences	7,459	–	–	**7,459**
As at 31 December 2020	**30,908**	**–**	**–**	**30,908**

11. Investment securities (continued)

The Group at its discretion designated certain investments in equity instruments as investments in equity instruments at FVTOCI 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 2021, the Group received dividends on equity instruments at FVTOCI in the total of BYN 222 thousand (2020: BYN 101 thousand), which were recognized within other income in the consolidated statement of comprehensive income.

As at 31 December 2021, the Group has investment securities in the form of USA Federal Government Bonds of BYN 198,548 thousand (2020: BYN 123,768 thousand) pledged as collateral under the pledge agreement with the European Bank for Reconstruction and Development and the International Finance Corporation.

12. Investment property

Investment property represents buildings and equipment received as a repayment of bad debt and transferred under operating leases.

The movements in investment property are as follows:

	2021	2020
Cost		
As at 1 January	**19,675**	**20,283**
Proceeds	427	455
Disposal	(2,713)	(5,689)
Transfer from/to property and equipment	(1,764)	2,862
Transfer from other assets	–	1,764
As at 31 December	**15,625**	**19,675**
Accumulated depreciation		
As at 1 January	**(820)**	**(635)**
Depreciation charge	(298)	(216)
Depreciation of disposed	142	31
Transfer from/to property and equipment	283	–
As at 31 December	**(693)**	**(820)**
Residual value		
As at 1 January	**18,855**	**19,648**
As at 31 December	**14,932**	**18,855**

12. Investment property (continued)

	2021	2020
Rental income received from investment property	1,321	923
Direct operating expenses on investment property that generated rental income	(363)	(537)
	958	**386**

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

According to the Group's management, the fair value of investment property as at 31 December 2021 and 2020 does not differ materially from its carrying amount.

As at 31 December 2021, the Group has investment property pledged as collateral under general agreement on cooperation in the course of financing small and medium-sized enterprises with Development Bank of the Republic of Belarus OJSC with historical cost of BYN 1,358 thousand (2020: BYN 2,060 thousand).

13. 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, others	Right-of-use assets	Total
Cost				
As 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 from/to investment property	(3,639)	5,403	–	**1,764**
As at 31 December 2021	**113,910**	**163,242**	**9,691**	**286,843**
Accumulated depreciation				
As 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 from/to investment property	2,381	(2,664)	–	**(283)**
As at 31 December 2021	**(30,324)**	**(98,755)**	**(7,097)**	**(136,176)**
Residual value				
As at 31 December 2020	**86,050**	**61,641**	**3,743**	**151,434**
As at 31 December 2021	**83,586**	**64,487**	**2,594**	**150,667**

13. Property and equipment and right-of-use assets (continued)

	Buildings	Furniture, fixtures, others	Right-of-use assets	Total
Cost				
As at 31 January 2019	**114,909**	**142,302**	**5,516**	**262,727**
Additions	10,971	14,013	3,187	**28,171**
Disposals	(5,599)	(7,322)	-	**(12,921)**
Transfer to investment property	(2,862)	-	-	**(2,862)**
Reclassification to assets held for sale	(1,252)	(79)	-	**(1,331)**
As at 31 December 2020	**116,167**	**148,914**	**8,703**	**273,784**
Accumulated depreciation				
As at 31 December 2019	**(28,067)**	**(77,294)**	**(2,316)**	**(107,677)**
Depreciation charge	(3,000)	(14,862)	(2,644)	**(20,506)**
Disposals	3,045	4,860	-	**7,905**
Impairment	(2,108)	-	-	**(2,108)**
Reclassification to assets held for sale	13	23	-	**36**
As at 31 December 2020	**(30,117)**	**(87,273)**	**(4,960)**	**(122,350)**
Residual value				
As at 31 December 2019	**86,842**	**65,008**	**3,200**	**155,050**
As at 31 December 2020	**86,050**	**61,641**	**3,743**	**151,434**

As at 31 December 2021, the Group had fully depreciated furniture and fixtures with a gross book value of BYN 42,263 thousand (2020: BYN 35,997 thousand) that were still in use.

14. Intangible assets

The movements in intangible assets were as follows:

	Computer software	Other	Total
Cost			
As 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)**
As at 31 December 2021	**124,124**	**539**	**124,663**
Accumulated amortization			
As 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**
As at 31 December 2021	**(77,519)**	**(333)**	**(77,852)**
Residual value			
As at 31 December 2020	**39,607**	**248**	**39,855**
As at 31 December 2021	**46,605**	**206**	**46,811**

	Computer software	Other	Total
Cost			
As at 31 December 2019	**96,369**	**819**	**97,188**
Additions	19,122	50	**19,172**
Disposals	(2,263)	(31)	**(2,294)**
Reclassification to assets held for sale	(1,549)	(353)	**(1,902)**
As at 31 December 2020	**111,679**	**485**	**112,164**
Accumulated amortization			
As at 31 December 2019	**(63,012)**	**(230)**	**(63,242)**
Amortization charge	(11,888)	(90)	**(11,978)**
Disposals	1,989	27	**2,016**
Reclassification to assets held for sale	839	56	**895**
As at 31 December 2020	**(72,072)**	**(237)**	**(72,309)**
Residual value			
As at 31 December 2019	**33,357**	**589**	**33,946**
As at 31 December 2020	**39,607**	**248**	**39,855**

15. Taxation

The corporate income tax expense comprises:

	2021	2020
Current tax expense	58,366	51,591
Deferred tax expense – origination and reversal of temporary differences	3,798	5,058
Including deferred tax recognized in other comprehensive income	(2,608)	(927)
Income tax expense	**59,556**	**55,722**

	2021	2020
Net gain/(loss) on debt instruments at FVTOCI	(73)	5
Actuarial gain/(loss) on defined benefit pension plan	2,681	922
Income tax recognized in other comprehensive income	**2,608**	**927**

Belarusian legal entities must file individual tax returns. In 2021 and 2020, the income tax rate for banks and insurance companies was 25%. In 2021 and 2020, the income tax rate for the Bank's other subsidiaries in the Republic of Belarus was 18%. In 2021 and 2020, 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:

	2021	2020
Profit before tax	**243,879**	**204,606**
Statutory tax rate	25%	25%
Theoretical income tax expense at the statutory rate	**60,970**	**51,152**
Tax exemption for operations with securities	(3,593)	(1,723)
Tax exemption for expenses related to supporting agricultural enterprises	(986)	–
Effect of changes in legislation on accounting for leasing operations	(2,511)	–
Other tax exemptions	(3,721)	(4,262)
Profits of subsidiaries taxed at different rates	(986)	(3,036)
Non-deductible expenses:		
- salaries and related expenses	4,584	5,174
- insurance	2,907	2,410
- charity	534	487
- depreciation and amortization	177	155
- maintenance and repairs	114	110
- consulting, advertising and representative expenses	92	85
- taxes other than income tax	27	30
- disposal of property and equipment	20	935
- allowances	1	953
- other	1,927	789
Change in deferred tax assets not recognized in the statement of financial position	–	1,521
Reversal of statutory revaluation of property and equipment	–	942
Income tax expense	**59,556**	**55,722**

15. Taxation (continued)

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

		Origination and reduction of temporary differences			Origination and reduction of temporary differences		
	1 January 2020	Consolidated statement of profit or loss	Other comprehen-sive income	2020	Consolidated statement of profit or loss	Other comprehen sive income	2021
Tax effect of deductible temporary differences							
Property and equipment	4,606	(576)	–	4,030	103	–	4,133
Loans to customers	1,092	3,651	–	4,743	(2,320)	–	2,423
Other reserves	78	57	–	135	314	–	449
Other assets	798	1,352	–	2,150	(932)	–	1,218
Other liabilities	5,592	(1,800)	(922)	2,870	1,656	(2,681)	1,845
Deferred tax assets, gross amount	**12,166**	**2,684**	**(922)**	**13,928**	**(1,179)**	**(2,681)**	**10,068**
Deferred tax assets not recognized in the statement of financial position	–	(1,521)	–	(1,521)	1,521	–	–
Deferred tax asset offset against deferred tax liability	(9,990)	723	922	(8,345)	(1,220)	2,681	(6,884)
Total deferred tax assets	**2,176**	**1,886**	**–**	**4,062**	**(878)**	**–**	**3,184**
Tax effect of taxable temporary differences							
Allowance for loan impairment	(34,667)	(7,627)	–	(42,294)	(4,183)	–	(46,477)
Amounts due to credit institutions	(20)	(5)	–	(25)	3	–	(22)
Other reserves	(5,824)	2,344	–	(3,480)	3,478	–	(2)
Investment securities	(36)	(12)	(5)	(53)	(64)	73	(44)
Loans to customers	–	(99)	–	(99)	99	–	–
Investments in subsidiaries	(1,904)	2	–	(1,902)	–	–	(1,902)
Other assets	(187)	117	–	(70)	(313)	–	(383)
Other liabilities	–	(14)	–	(14)	(552)	–	(566)
Deferred tax liabilities	**(42,638)**	**(5,294)**	**(5)**	**(47,937)**	**(1,532)**	**73**	**(49,396)**
Deferred tax asset offset against deferred tax liability	9,990	(723)	(922)	8,345	1,220	(2,681)	6,884
Reclassification to assets held for sale (Note 10)	–	57	–	57	(57)	–	–
Total deferred tax liabilities	**(32,648)**	**(5,960)**	**(927)**	**(39,535)**	**(369)**	**(2,608)**	**(42,512)**
Net deferred tax liabilities	**(30,472)**	**(4,074)**	**(927)**	**(35,473)**	**(1,247)**	**(2,608)**	**(39,328)**

16. 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 2021:

	Note	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 at amortized cost	11	10,714	(5,538)	–	–	**5,176**
Credit related commitments	23	2,879	(11,165)	85	–	**(8,201)**
Total credit loss (expense)/recovery		**27,364**	**(38,736)**	**(13,205)**	**(95)**	**(24,672)**

The table below shows allowance for ECL on financial instruments recorded in the consolidated income statement for the year ended 31 December 2020:

	Note	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	6	14	–	–	–	**14**
Amounts due from credit institutions	8	(1,470)	–	–	–	**(1,470)**
Loans to customers	9	(9,610)	(8,677)	(12,974)	106	**(31,155)**
Debt securities at amortized cost	11	(10,219)	–	–	–	**(10,219)**
Credit related commitments	23	(1,952)	(935)	(206)	–	**(3,093)**
Total credit loss (expense)/recovery		**(23,237)**	**(9,612)**	**(13,180)**	**106**	**(45,923)**

In 2021, the Group received BYN 3,341 thousand that had been written off earlier as bad debt (2020: BYN 2,763 thousand). This amount relates to loans to corporate customers of BYN 534 thousand (2020: BYN 472 thousand) and loans to individuals of BYN 2,807 thousand (2020: BYN 2,291 thousand) and is recognized directly in credit loss expense of the consolidated statement of profit or loss.

Expenses from other provisions are presented as follows:

	Other provisions
As at 1 January 2020	**5,004**
Accrued	37
Written off	(17)
As at 31 December 2020	**5,024**
Reversed	(4,962)
Written off	(62)
As at 31 December 2021	**-**

16. Credit loss expense and other expenses from provisions (continued)

Other provisions represent a provision for risks and payments related to a settlement agreement entered into in prior periods. In the reporting year, it was written off due to a low probability of claims. Expenses from accrual and income from reversal of other provisions are recorded as a separate line in the consolidated statement of profit or loss.

17. Other assets and liabilities

Other assets comprise:

	2021	2020
Other financial assets		
Derivative financial assets	5,145	339
Accrued fines and fees and commissions receivable	2,022	2,826
	7,167	**3,165**
Other non-financial assets		
Prepayments	24,862	17,402
Insurance payments of a subsidiary	4,313	-
VAT and other prepaid taxes other than income tax	3,735	1,992
Assets to be transferred under finance lease agreements	2,102	1,546
Property repossessed in repayment of loans	1,222	1,467
Other non-financial assets	16,314	12,606
	52,548	**35,013**
Total other assets	**59,715**	**38,178**

Other liabilities comprise:

	2021	2020
Other financial liabilities		
Life insurance liabilities payable by a subsidiary	121,710	–
Pension liabilities payable by a subsidiary to third parties	47,077	–
Defined benefit plan: pension liabilities (Notes 10, 28)	30,321	–
Salaries and bonuses payable	16,715	12,885
Trade and other payables	3,119	5,784
Lease liabilities	2,527	4,441
Derivative financial liabilities	1,877	11,541
Other financial liabilities	19,752	17,927
	243,098	**52,578**
Other non-financial liabilities		
Tax liabilities (taxes other than income tax)	3,316	1,794
Other non-financial liabilities	3,044	3,614
	6,360	**5,408**
Total other liabilities	**249,458**	**57,986**

17. Other assets and liabilities (continued)

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

	2021	2020
Liabilities as at 1 January	**–**	**75,931**
Changes in the allowance	77,660	58,126
Payments from the allowance	(42,248)	(12,990)
Exchange differences	(3,064)	15,372
Reclassification (to)/from assets held for sale (Note 10)	136,439	(136,439)
Liabilities as at 31 December	**168,787**	**–**

Insurance liability adequacy test

Insurance liabilities of a subsidiary are tested annually for adequacy by estimating future cash flows from insurance contracts and comparing these estimated cash flows to the carrying amounts of the liabilities. Based on the results of 2021, the effect of an increase in liabilities under insurance contracts (changes in the allowance), as well as the effect of insurance payments made against the allowance for insurance payments (payment from the allowance) on the Group's profit is presented in the table above.

Sensitivity analysis

The sensitivity analysis of insurance liabilities to third parties was carried out based on three parameters: discount rate, mortality rate and probability of contract termination.

	Change, %	Impact on liabilities
Discount rate	+10.00	(4,618)
Discount rate	-10.00	4,949
Termination rate	+10.00	1,399
Termination rate	-10.00	(1,466)
Mortality rate	+10.00	263
Mortality rate	-10.00	(265)

18. Due to credit institutions

Amounts due to credit institutions comprise:

	2021	2020
Current accounts	85,209	23,018
Term deposits and loans	154,325	198,967
Due to credit institutions	**239,534**	**221,985**

18. Due from credit institutions (continued)

As at 31 December 2021, BYN 96,090 thousand (2020: BYN 133,971 thousand) included in term deposits and loans, was payable to a bank from the RBI group.

As at 31 December 2021, amounts due to credit institutions comprised loans of EUR 51.6 million, USD 15 million, RUB 250 million and BYN 4 million, bearing floating rates and maturing in 2022-2027; EUR 0.23 million bearing fixed rates of 0.849 % - 0.937% and maturing in 2022; BYN 42.1 million bearing rates of 3% - 9.55% and maturing in 2022-2042 (2020: loans of EUR 35.9 million, USD 15 million, RUB 55 million and BYN 20 million, bearing floating rates and maturing in 2021-2026; EUR 1.23 million bearing fixed rates of 0.849 % - 1.124% and maturing in 2021-2022; BYN 43.6 million bearing rates of 3% - 7.75% and maturing in 2021 - 2042).

19. Customer accounts

Customer accounts comprise:

	2021	2020
Term deposits	812,560	1,033,535
Current accounts	3,353,013	3,086,438
Advances received from lessees	7,011	2,989
Customer accounts	**4,172,584**	**4,122,962**
Held as security under letters of credit	5,637	8,932
Held as security under guarantees	4,104	4,736

As at 31 December 2021, customer accounts of BYN 264,312 thousand, or 6% of the total customer accounts were due to five largest third-party customers (2020: BYN 205,104 thousand, or 5%).

Term deposits of BYN 315,254 thousand (31 December 2020: BYN 526,390 thousand) are represented by deposits of individuals.

In accordance with the laws of the Republic of Belarus, term 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.

19. Customer accounts (continued)

A depositor has the right to claim the repayment of the deposit under a term 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 manner stipulated by the term revocable or conditional revocable deposit agreement. A depositor has no right to claim early repayment of deposit under the term irrevocable and conditional irrevocable deposit agreements. Deposits under such agreements can be early repaid only with the Bank's consent.

As at 31 December 2021, irrevocable deposits of individuals totaled BYN 172,164 thousand, or 55% of the term deposits of individuals (31 December 2020: BYN 280,966 thousand, or 53%).

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

	2021	2020
Private companies	2,414,513	2,272,153
Individuals	1,738,353	1,827,524
State companies and state-funded organizations	19,718	23,285
Customer accounts	**4,172,584**	**4,122,962**

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

	2021	2020
Individuals	1,738,353	1,827,524
Manufacturing:	701,546	602,452
Machinery, equipment	116,265	100,839
Wood processing	115,333	59,935
Chemicals, rubber, plastics	79,674	87,898
Electric equipment	76,730	64,287
Food, beverages, tobacco products	68,821	57,091
Pharmaceutical industry	37,870	8,644
Transport facilities	21,648	15,573
Textile industry	17,786	19,145
Coking coal, oil products	16,082	23,743
Base metals production	9,775	5,439
Pulp and paper industry	3,972	2,886
Other manufacturing	137,590	156,972
Wholesale trade	496,184	523,595
Information and communications	425,775	423,636
Construction	154,003	146,942
Professional, research and technical activities	126,029	111,846
Property	113,531	89,808
Transport	113,240	82,618
Retail trade	50,633	64,232
Other	253,290	250,309
Customer accounts	**4,172,584**	**4,122,962**

20. Due to international financial institutions

Amounts due to international financial institutions consist of the following:

	2021	2020
Amounts due to the International Finance Corporation (IFC)	154,789	-
Amounts due to the European Bank for Reconstruction and Development (EBRD)	122,977	186,533
Amounts due to the European Investment Bank (EIB)	28,726	31,531
Due to international financial institutions	**306,492**	**218,064**

As at 31 December 2021, amounts due to international financial institutions comprised loans of EUR 35.6 million bearing floating interest rates and maturing in 2022-2027, and BYN 202.2 million bearing interest rate of 10.2%-13.6% and maturing in 2022-2027 (2020: loans in the amount of EUR 46.3 million bearing floating interest rates and maturing in 2021-2026 and BYN 54.5 million bearing interest rate of 10.2%-11.6% and maturing in 2021-2023).

As at 31 December 2021, USA federal government bonds in the total of BYN 122.3 million were placed as collateral for amounts borrowed from the IFC.

As at 31 December 2021 and 2020, the Group complied with all financial covenants stipulated by agreements with international financial institutions.

21. Debt securities issued

As at 31 December 2021 and 2020, debt securities issued were represented by BYN-denominated non-documentary bonds maturing in 2023-2028. The bonds bear a floating interest rate linked to the NBRB refinancing rate.

22. Equity

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

	Number of shares		Nominal value		Adjustment	
	Privileged	Ordinary	Privileged	Ordinary	for inflation	Total
31 December 2020 and 2021	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 were issued and fully paid.

22. Equity (continued)

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 value. 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, of not less than par value of their 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 2021, the Bank's non-distributable reserves totaled BYN 249,588 thousand (2020: BYN 254,263 thousand). As at 31 December 2021, the Bank's share in the non- distributable reserves of its subsidiaries totaled BYN 3,137 thousand (2020: BYN 3,415 thousand).

At the shareholders' meeting held in November 2021, the Bank declared dividends based on the interim financial statements for 1Q 2021: on ordinary shares - BYN 0.40 per one share, on preferred shares - BYN 0.35 per one share. The dividends were paid.

During the shareholders' meeting held in April 2020, Raiffeisen Leasing JLLC, a subsidiary, declared dividends from 2015-2018 profit in the total of BYN 66,175 thousand, of which 95%, or BYN 62,866 thousand is attributable to Raiffeisen Leasing International GmbH, and 5%, or BYN 3,309 thousand, is attributable to Priorbank JSC. The dividends were paid. At 31 December 2020, the non-controlling interest comprises the respective share of Raiffeisen Leasing International GmbH in the net assets of Raiffeisen Leasing JLLC. The respective adjustment due to the disproportionate distribution of dividends was recorded within the Group's retained earnings.

22. 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 net pension liability	Total
As at 1 January 2020	**2,952**	**77**	**(10,261)**	**(7,232)**
Exchange differences on translation of the financial statements of foreign subsidiary	3,941	–	–	**3,941**
Revaluation of defined benefit pension plans	–	–	3,621	**3,621**
Net change in the fair value of debt instruments at FVTOCI	–	18	–	**18**
Net change in the fair value of equity instruments at FVTOCI	–	70	–	**70**
Tax effect of net gains on debt and equity instruments at FVTOCI and revaluation of defined benefit pension plans	–	(22)	(905)	**(927)**
As at 31 December 2020	**6,893**	**143**	**(7,545)**	**(509)**
Exchange differences on translation of the financial statements of foreign subsidiary	(1,390)	–	–	**(1,390)**
Revaluation of defined benefit pension plans	–	–	10,762	**10,762**
Net change in the fair value of debt instruments at FVTOCI	–	(290)	–	**(290)**
Net change in the fair value of equity instruments at FVTOCI	–	(40)	–	**(40)**
Tax effect of net gains on debt and equity instruments at FVTOCI and revaluation of defined benefit pension plans	–	83	(2,691)	**(2,608)**
As at 31 December 2021	**5,503**	**(104)**	**526**	**5,925**

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 FVTOCI.

Revaluation reserve for the net pension liability

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

23. Commitments and contingencies

Operating environment

The Group's core operations are conducted in the Republic of Belarus. Based on the results of 2021, the GDP of the Republic of Belarus grew by 2.3%.[1] The industrial sector that demonstrated a 6.5% growth made key contributions to the growth of GDP (+1.6 p.p.).[2]

Based on the results of 2021, a positive foreign trade balance increased by 98.6% year-on-year and totaled USD 3,770.4 million or 8.3% of the import volume, which had a positive impact on the strengthening of the national currency rate.[3] In 2021, the currency basket strengthened by 3.0%, while the BYN strengthened against USD by 1.2%; the BYN strengthened against EUR by 9.0%; and the BYN strengthened against RUB by 1.6%.[4]

In 2021, the average official exchange rate of the Belarusian ruble against foreign currencies calculated as arithmetic mean, was BYN 2.5384 per USD 1, BYN 3.005 per 1 EUR, BYN 3.4469 per RUB 100.[5].

In 2021, the inflation accelerated. With the target inflation of 5%, consumer prices grew by 9.97% during the year.[6] The growth in prices is due to both external factors (easing monetary policy in a number of leading countries, increase in logistics costs against the background of epidemiological constraints, growth in global prices for food products, surge in consumer demand against insufficient supply) and internal factors (withdrawal of VAT exemptions for certain groups of imported goods, growth in fuel cost against rising oil prices, inflation and devaluation expectations).[7]

In order to limit inflationary risks and strengthen control over cash supply in 2021, the National Bank of the Republic of Belarus increased the refinancing rate by 150 basis points (from 7.75% to 9.25%).[8] In accordance with the Principal Monetary Policy Guidelines of the Republic of Belarus for 2022, the target inflation for 2022 was set at 6%, and the average annual refinancing rate was set within the range of 9-10%.[9]

At the beginning of 2021, the credit and deposit market suffered an outflow of the resource base and, therefore, liquidity shortages. At the same time, the growth in rates and strengthening of the national currency rate contributed to stabilizing the situation. For December 2021, the average broad money supply increased by 6.16% [10]compared to December 2020 (the target increase was set within the range of 7-10%).[11]

Due to a high integration level, the Belarusian economy is significantly impacted by the Russian Federation. In 2021, the Russian economy showed recovery after the economic slowdown of 2020 amid the restrictive measures caused by the spread of COVID-19 and decline in global demand for energy resources.

[1] Source: the National Statistical Committee of the Republic of Belarus
[2] Source: the National Bank of the Republic of Belarus
[3] Source: the National Bank of the Republic of Belarus
[4] Source: the National Bank of the Republic of Belarus
[5] Source: the National Bank of the Republic of Belarus
[6] Source: Myfin.by
[7] Source: the National Bank of the Republic of Belarus
[8] Source: the National Bank of the Republic of Belarus
[9] Source: 1prof.by
[10] Source: the National Bank of the Republic of Belarus
[11] Source: website of the President of the Republic of Belarus.

23. Commitments and contingencies (continued)

In 2021, the sovereign ratings of the Republic of Belarus, assigned by international rating agencies, remained unchanged: Moody's – B3 with a negative outlook[12]; Fitch Ratings – B with a negative outlook[13]; Standard&Poor's – B with a negative outlook[14].

Starting from 2020 and 2021, the USA, the EU and certain other countries have imposed several packages of sanctions against a number of Belarusian officials, businessmen and organizations, as well as sectoral sanctions that involve restrictions on trade in certain categories of potassium fertilizers and petrochemical products, raw materials and equipment for the tobacco industry, technologies and equipment for tracking in Internet, dual-use products, as well as restriction of access to capital markets for Belarusian companies that are subject to these sanctions. These sanctions do not apply to the Group, but do apply to its certain large borrowers, whose debt comprise 13% of the outstanding loans to customers and 20% of the credit-related contingent liabilities. Using all information available as at the reporting date, the Group's management assessed the impact of these circumstances on the borrowers' abilities to timely fulfill their obligations and concluded that these circumstances indicate a significant increase in credit risk. Thus, the Group classified the borrowers affected by the sanctions to Stage 2. Moreover, a post-model adjustment was made for these borrowers based on management's professional judgment about expected credit losses due to the impact of the sanctions.

Prior to the date of issuance of the consolidated financial statements, there were a number of changes in macroeconomic indicators, which are disclosed in Note 35.

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 2021 and 31 December 2020, there were neither significant claims nor complaints 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 2021, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

[12] Source: Primepress.by

[13] Source: Fitchratings.com

[14] Source: Primepress.by

23. Commitments and contingencies (continued)

Taxation

Belarusian legislation and regulations regarding taxation 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 common. 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 current calendar year to date. 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 an 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 2021, 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 2021 and 2020, the Group's financial commitments and contingencies comprised the following:

	2021	**2020**
Credit related commitments		
Loan commitments	1,052,660	871,655
Letters of credit	76,232	105,523
Finance guarantees	154,315	199,375
Commitments and contingencies	**1,283,207**	**1,176,553**
ECL allowance for credit related commitments	(14,721)	(6,972)
Other provisions	–	(5,024)
Deposits held as security under letters of credit and guarantees (Note 19)	(9,741)	(13,668)

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

Credit related commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for ECL as 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)**
Commitments expired	(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	–
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(316)	3,338	145	**3,167**
Exchange differences	(149)	(302)	(1)	**(452)**
As at 31 December 2021	**2,116**	**12,194**	**411**	**14,721**

23. Commitments and contingencies (continued)

The movements in allowance for ECL for the year ended 31 December 2020 were as follows:

Credit related commitments	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at 1 January 2020	**2,712**	**104**	**278**	**3,094**
New commitments	8,084	–	–	**8,084**
Amounts paid	(3,966)	(1,051)	(2)	**(5,019)**
Commitments expired	(404)	(132)	(53)	**(589)**
Transfers to Stage 1	17	(14)	(3)	**-**
Transfers to Stage 2	(1,770)	1,770	–	**-**
Transfers to Stage 3	(1)	(12)	13	**-**
Impact on ECL as at the end of the period as a result of transfers from one Stage to another during the period	(9)	362	264	**617**
Exchange differences	481	304	–	**785**
As at 31 December 2020	**5,144**	**1,331**	**497**	**6,972**

24. Net interest income

Net interest income comprises:

	2021	2020
Financial assets at amortized cost	**325,781**	**311,976**
Cash equivalents	2,375	9,584
Due from credit institutions	3,009	1,048
Loans to customers	306,993	290,629
Investment securities	13,404	10,715
Financial assets at FVTPL	**47**	**610**
Investment securities	47	610
Interest income calculated using the effective interest rate	**325,828**	**312,586**
Trading securities	2,262	1,789
Finance leases	33,762	32,963
Other interest income	**36,024**	**34,752**
Total interest income	**361,852**	**347,338**
Amounts payable to the NBRB	(165)	(3,092)
Customer accounts	(68,937)	(83,002)
Due to credit institutions	(6,289)	(9,148)
Debt securities issued	(1,707)	(8,521)
Due to international financial institutions	(25,956)	(7,306)
Interest expenses	**(103,054)**	**(111,069)**
Net interest income	**258,798**	**236,269**

25. Net fee and commission income

Net fee and commission income comprises:

	2021	2020
Settlement transactions	236,910	201,078
Letters of credit and guarantees	6,821	6,753
Foreign exchange transactions	23	19
Other	3,099	2,622
Fee and commission income	**246,853**	**210,472**
Settlement transactions	(120,408)	(113,635)
Guarantees	(4,213)	(3,778)
Agent services	(3,583)	(2,534)
Foreign exchange transactions	(315)	(272)
Transactions with securities	(189)	(209)
Other	(7,020)	(5,738)
Fee and commission expense	**(135,728)**	**(126,166)**
Net fee and commission income	**111,125**	**84,306**

26. Other income

Other income comprises:

	2021	2020
Net gain from agricultural services	11,720	8,431
Operating lease income	2,709	2,244
Income from sale of a subsidiary	2,447	–
Net gain from insurance activities	–	356
Income from sale of property and equipment and investment property	15	895
Income from dividends	222	100
Other	1,082	5,600
Total other income	**18,195**	**17,626**

Net gain from agricultural services comprises:

	2021	2020
Revenue	16,139	13,400
Other expenses	(4,419)	(4,969)
Total income from agricultural services	**11,720**	**8,431**

The structure of net gain from insurance activities is disclosed in Note 27.

27. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2021	2020
Staff costs	70,530	68,946
Social security contributions	27,863	26,150
Retirement benefits (Note 28)	6,231	5,577
Other payroll taxes	946	1,477
Personnel expense	**105,570**	**102,150**
Software expenses	17,017	15,248
Deposit insurance fees	11,646	10,911
Occupancy and rent	8,587	9,306
Legal and consultancy	7,351	6,046
Marketing and advertising	6,724	6,865
Plastic cards operations	4,530	4,391
Taxes other than income tax	3,238	2,897
Communications services	2,166	1,818
Office supplies	1,390	2,026
Repair and maintenance of equipment	1,262	1,098
Transportation costs	1,214	1,285
Loss on disposal of property and equipment and intangible assets	1,211	385
Net loss from insurance activities	1,160	–
Representation expenses	1,072	887
Personnel training	491	500
Inventory selling costs	396	557
Security	308	246
Business travel and related expenses	278	183
Other	8,093	6,934
Other operating expenses	**78,134**	**71,583**

Net gain/(losses) from insurance activities comprise:

	2021	2020
Insurance contributions	67,917	53,414
Insurance payments	(40,300)	(11,914)
Change in allowance	(29,366)	(43,195)
Other income/(expenses) from insurance activities	588	2,051
Net gain/(loss) from insurance activities	**(1,160)**	**356**

In 2021, net loss from insurance activities of BYN 1,160 thousand was included in operating expenses (2020: net gain of BYN 356 thousand was included in other income (Note 26)).

28. 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.

A defined benefit plan liability is assessed on actuarial basis using the projected unit credit method. The defined benefit liability is discounted using rates equivalent to the market yields on high-quality government bonds at the reporting date.

Net defined benefit expense (recognized within personnel expenses)

	2021	2020
Current service cost	2,571	2,238
Interest cost on defined benefit liability	3,660	3,044
Past service cost	–	295
Net defined benefit expense (Note 27)	**6,231**	**5,577**

Retirement benefit liability

	2021	2020
Retirement benefit liability (Notes 10,17)	(30,321)	(37,677)

Changes in the value of the defined benefit liability

	2021	2020
Defined benefit plan liability as at the beginning of the period	**37,677**	**38,591**
Current service cost	2,571	2,238
Interest expenses	3,660	3,044
Increase in liability due to changes in pension plan terms	–	295
Actuarial gains arising from changes in demographic assumptions	(33)	(102)
Actuarial gains/(loss) arising from changes in financial assumptions	(9,893)	(8,532)
Current regulating amendments	(836)	5,013
Benefits paid	(2,825)	(2,870)
Defined benefit plan liability as at the end of the period	**30,321**	**37,677**

28. Post-employment benefits (continued)

Movements in defined benefit plan liability

	2021	2020
Defined benefit plan liability at the beginning of the period	**(37,677)**	**(38,591)**
Net defined benefit plan expense	(6,231)	(5,577)
Revaluation of defined benefit plans recognized in other comprehensive income	10,762	3,621
Benefits paid	2,825	2,870
Defined benefit plan liability at the end of the period	**(30,321)**	**(37,677)**

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

	2021	2020
Discount rate	9.30%	6.05%
Future inflation rate	5.00%	6.01%

In 2020 and 2021, 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 8.2 years (2020: 10 years).

The best estimate of the employer's contributions payable in the annual period after the estimation date, was BYN 1,618 thousand (2020: BYN 1,577 thousand).

Sensitivity analysis

	Change in assumptions	Effect on plan obligation, 2021	Effect on plan obligation, 2020
Discount rate	+ /-1 p.p.	2,255	3,558
Future inflation rate	+ /-1 p.p.	684	1,060
Probability of decrements (withdrawal) : dismissal, retirement, mortality	+ /-0.5 p.p.	14	73

29. Risk management

Introduction

The Group has an effective risk management system developed according to the Belarusian legislation, international requirements and standards, and incorporating 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, mitigation and control.

The existing organizational structure of risk management system is adequate for the Group's organizational and functional structure, nature and scope of its operations, excludes conflict of interest and segregates risk management duties between the following collegial bodies and business units:

- *The Supervisory Board* bears general responsibility for risk identification and control. The Supervisory Board determines principal strategies 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.
- *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, supervision of 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. The committees are responsible for fundamental risk management matters and monitor implementation of relevant risk 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. These divisions also ensure the complete capture of the risks in the risk measurement and reporting systems.
- The *Bank Treasury* is responsible for managing the Bank's assets and liabilities and the overall financial structure. The Treasury is ultimately responsible for the Bank's liquidity risk and funding risk.
- *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. Based on the audit results, the conclusions and recommendations are submitted to the Audit Committee.

Risk assessment and reporting systems

Management monitors and controls all significant risks using both quantitative and qualitative methods. Key focus is put on risk concentration arising from uneven debt distribution. 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 internal regulations that cover risk assessment and management.

29. Risk management (continued)

Credit risk is managed by the Group's risk management unit separately for each customer segment. This is effected through 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 to assess any effects of the currency market crisis events on the Group's activity through stress-testing.

The Group manages assets and liabilities based on the liquidity management principles: financial flows are measured, monitored and controlled on a daily basis. In order to measure its actual liquid funds demand, the Group monitors liquidity using the gap analysis, liquidity ratio method and stress-testing. As part of the risk management system improvement, the Group introduced a 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 of 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, fixed 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 business units 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.

Risk Committee, Credit Committee, Financial Committee and Problem Loans Committee hold regular meetings to discuss the conformity to the established limits, investments, liquidity, and 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.

29. Risk management (continued)

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

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 bodies/persons 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 revision. 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 risks similar 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.

When the financial instruments are recorded at fair value, their 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 is described in Note 9.

29. Risk management (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 a difference between the cash flows that are due under the contract and the cash flows that an entity expects to receive. The mechanics of ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The *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)	The *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 ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). 12mECL represent a part of the LTECL resulting from possible defaults on a financial 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.

29. Risk management (continued)

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 calculated based on the assets' gross carrying amount.

Stage 2: Includes financial instruments, for which a significant increase in credit risk since initial recognition has been observed, but there are no objective indications of impairment. LTECL are recognized for such assets, with interest income still 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 calculated on the net carrying amount (that is, net of discounting effect of the expected cash flows from such 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.

Default determination 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 its primary sources; or
2) Amounts payable to the Group under any material obligation related to a 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*: to small and medium-sized business entities.

29. Risk management (continued)

3. *Financial institutions:* to all types of financial institutions, other than insurance companies.
4. *Sovereign state organizations:* to central governments and organizations related to the non-commercial public sector of countries.
5. *Local and regional authorities:* 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 predictive capability.

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 local analysis, perform the scoring and assign a 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.

Retail customers are rated 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.

29. Risk management (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, as well as potential early repayments. To calculate the EAD for Stage 1 loans, the Group assesses the possible default events within 12 months for the purpose of 12 month-ECL calculation. For Stage 2, Stage 3 and POCI financial assets, the EAD is considered for events over the lifetime of an instrument.

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 to the contractual term for the notification. Instead, it 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 include 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.

29. Risk management (continued)

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, the Group uses historical loss data and considers a wide range of characteristics attributable to transactions (e.g., type of product, type of collateral) and a particular borrower.

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. Key inputs include, for example, changes in the value of collateral, including housing prices in case of mortgage loans, prices for goods, payment status or other indicators of loss on a 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.

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 by over 250%;
- Qualitative assessment: the number of factors is important for the assessment of a 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, because the analysis of whether a significant increase in credit risk has occurred since initial recognition would have required unreasonably excessive costs or efforts.

29. Risk management (continued)

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 who is experiencing financial difficulties and is unable to honor his current obligations;
- Full or partial refinancing of current debt, that would not be required were it not for the customer's financial difficulties;
- The customer had no rating as at the reporting date;
- Assets, for which no default was determined, however it was determined for the customer's other 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 and this results in a direct PD adjustment. As the Group does not know for certain about the realization of these macroeconomic parameters in future, it is impossible to calculate a scenario due to 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.

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.

29. Risk management (continued)

Key factors	*ECL scenario*	Assigned probability, %	2022	2023	2024
GDP growth, %					
	Optimistic	25%	2.38	3.04	3.04
	Basic	50%	0.50	2.00	2.00
	Pessimistic	25%	-1.85	0.70	0.70
Unemployment rates, %					
	Optimistic	25%	3.45	3.69	3.69
	Basic	50%	4.00	4.00	4.00
	Pessimistic	25%	4.77	4.43	4.43

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 2021	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, less cash on hand	6	Stage 1	906,665	998,279	–	–	**1,904,944**
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**
- Residential mortgages		Stage 1	–	171,695	–	–	**171,695**
		Stage 2	–	–	4,219	–	**4,219**
		Stage 3	–	–	–	5,354	**5,354**
Debt investment securities:	11						
- Measured at FVTOCI		Stage 1	106,797	–	–	–	**106,797**
- Measured at amortized cost		Stage 1	91,751	–	–	–	**91,751**
		Stage 2	–	366,799	–	–	**366,799**
Credit-related contingent liabilities		Stage 1	113	919,754	25,795	–	**945,662**
		Stage 2	–	316,571	20,197	–	**336,768**
	23	Stage 3	–	–	–	777	**777**
Total			**1,126,077**	**5,609,049**	**254,333**	**105,096**	**7,094,555**

An internal credit rating is not assigned to trading securities and other financial assets.

29. Risk management (continued)

31 December 2020	Note		High grade	Standard grade	Substandard grade	Impaired	Total
Cash and cash equivalents, less cash on hand	6	Stage 1	651,870	630,283	–	–	**1,282,153**
Due from credit institutions	8	Stage 1	–	66,239	–	–	**66,239**
Loans to customers at amortized cost:	9						
- Corporate lending		Stage 1	67	1,674,453	65,994	–	**1,740,514**
		Stage 2	–	194,248	57,981	–	**252,229**
		Stage 3	–	–	–	41,910	**41,910**
		POCI	–	–	–	962	**962**
- Small business lending		Stage 1	18,243	522,247	20,314	–	**560,804**
		Stage 2	136	70,061	34,953	–	**105,150**
		Stage 3	–	–	–	26,977	**26,977**
		POCI	–	–	–	715	**715**
- Consumer lending		Stage 1	–	586,313	12,093	–	**598,406**
		Stage 2	–	118,769	10,376	–	**129,145**
		Stage 3	–	–	–	16,948	**16,948**
- Residential mortgages		Stage 1	–	151,140	–	–	**151,140**
		Stage 2	–	–	21,231	–	**21,231**
		Stage 3	–	–	–	4,846	**4,846**
Debt investment securities:	11						
- Measured at FVTOCI		Stage 1	30,908	–	–	–	**30,908**
- Measured at amortized cost		Stage 1	361,973	–	–	–	**361,973**
Credit-related contingent liabilities		Stage 1	1,331	984,633	5,689	–	**991,653**
		Stage 2	–	171,376	12,656	–	**184,032**
	23	Stage 3	–	–	–	868	**868**
Total			**1,064,528**	**5,169,762**	**241,287**	**93,226**	**6,568,803**

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

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

29. Risk management (continued)

Geographical risk concentration

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

	2021				2020			
	Belarus	OECD countries	Banks of CIS and other countries	Total	Belarus	OECD countries	Banks of CIS and other countries	Total
Assets								
Cash and cash equivalents	1,123,666	903,248	93,021	**2,119,935**	790,205	643,355	50,196	**1,483,756**
Trading securities	48,672	–	–	**48,672**	53,329	–	–	**53,329**
Due from credit institutions	154,500	–	660	**155,160**	51,079	13,215	1,939	**66,233**
Loans to customers	3,066,195	–	–	**3,066,195**	3,542,174	2,714	–	**3,544,888**
Investment securities	363,305	198,546	–	**561,851**	293,926	92,860	–	**386,786**
Other assets	2,114	4,017	1,036	**7,167**	3,124	21	20	**3,165**
	4,758,452	**1,105,811**	**94,717**	**5,958,980**	**4,733,837**	**752,165**	**52,155**	**5,538,157**
Liabilities								
Due to credit institutions	135,131	98,180	6,223	**239,534**	5,878	209,682	6,425	**221,985**
Customer accounts	3,968,497	69,837	127,239	**4,165,573**	3,916,611	80,361	123,001	**4,119,973**
Due to international financial institutions	–	306,492	–	**306,492**	–	218,064	–	**218,064**
Debt securities issued	3,703	–	–	**3,703**	56,268	–	–	**56,268**
Other liability	235,962	6,039	1,097	**243,098**	41,169	10,364	1,045	**52,578**
	4,343,293	**480,548**	**134,559**	**4,958,400**	**4,019,926**	**518,471**	**130,471**	**4,668,868**
Net position	**415,159**	**625,263**	**(39,842)**	**1,000,580**	**713,911**	**233,694**	**(78,316)**	**869,289**

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 or 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:

	Required minimum ratio by the NBRB	2021	2020
Liquidity coverage ratio	100.0%	191.5%	122.1%
Net stable funding ratio	100.0%	170.8%	145.9%

29. Risk management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted repayment obligations. Repayments that are subject to notice, are treated as if notice was 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 as at 31 December 2021	On demand	Less than 3 month	From 3 months to 1 year	1 to 5 years	Over 5 years	Total
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)**
Customer accounts	3,353,012	733,187	65,008	23,180	–	**4,174,387**
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 liability	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**	**5,063,229**

Financial liabilities as at 31 December 2020	On demand	Less than 3 month	From 3 months to 1 year	1 to 5 years	Over 5 years	Total
Due to credit institutions	23,018	35,938	10,926	146,732	25,075	**241,689**
Derivative financial instruments:						
- Contractual amounts payable	–	485,409	190,458	–	–	**675,867**
- Contractual amounts receivable	–	(479,935)	(184,394)	–	–	**(664,329)**
Customer accounts	3,086,438	890,706	117,554	37,505	221	**4,132,424**
Due to international financial institutions	16,864	19,880	28,354	161,418	7,165	**233,681**
Debt securities issued	–	881	2,692	14,994	64,531	**83,098**
Other liability	1,233	725	48,771	1,951	–	**52,680**
Total undiscounted financial liabilities	**3,127,553**	**953,604**	**214,361**	**362,600**	**96,992**	**4,755,110**

29. Risk management (continued)

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

	Less than 3 month	3 to 12 months	1 to 5 years	Over 5 years	Total
2021	1,061,056	137,013	83,800	1,399	**1,283,268**
2020	927,144	150,508	98,902	–	**1,176,554**

The maturity analysis does not reflect the historical stability of current accounts. Their repayment 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.

Market risk

Market risk is the risk that the fair value or 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 2021 and 2020.

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)

29. Risk management (continued)

Currency	Increase in basis points 2020	Sensitivity of net interest income 2020
BYN	+50 b.p.	1,992
EUR	+50 b.p.	1,043
USD	+50 b.p.	584

Currency	Decrease in basis points 2020	Sensitivity of net interest income 2020
BYN	-50 b.p.	(1,992)
EUR	-50 b.p.	(1,043)
USD	-50 b.p.	(584)

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 positions by currency 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 2021 and 2020 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 exchange rate, % 2021	Effect on pre-tax profit 2021	Change in exchange rate, % 2020	Effect on pre-tax profit 2020
USD	50.00	4,493	25.00	10,063
USD	-10.00	(899)	-10.00	(4,025)
EUR	50.00	2,908	25.00	(3,576)
EUR	-10.00	(582)	-10.00	1,430
RUB	20.00	3,639	15.00	568
RUB	-20.00	(3,639)	-15.00	(568)

29. Risk management (continued)

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 the Group is able to manage the risks through a control framework and by monitoring and responding to potential risks. The Group's internal controls system includes effective segregation of duties, access, authorization and reconciliation procedures, staff training, as well as appraisal processes, including the use of internal audit.

30. 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 fair values of non-financial assets and non-financial liabilities.

	Carrying value 2021	Fair value 2021	Unrecognized gain/ (loss) 2021	Carrying value 2020	Fair value 2020	Unrecognized gain/ (loss) 2020
Financial assets						
Cash and cash equivalents	2,119,935	2,119,935	–	1,483,756	1,483,756	–
Due from credit institutions	155,160	155,160	–	66,233	66,233	–
Loans to customers	3,066,195	3,028,279	(37,916)	3,544,888	3,533,591	(11,297)
Investment securities - debt securities measured at amortized cost.	453,468	447,196	(6,272)	354,420	347,063	(7,357)
Other financial assets	2,022	2,022	–	2,826	2,826	–
Financial liabilities						
Due to credit institutions	239,534	238,476	1,058	221,985	219,671	2,314
Customer accounts	4,165,573	4,163,310	2,263	4,119,973	4,114,114	5,859
Due to international financial institutions	306,492	262,541	43,951	218,064	208,548	9,516
Debt securities issued	3,703	3,703	–	56,268	56,268	–
Other financial liabilities	241,221	241,221	–	41,037	41,037	–
Total unrecognized change in unrealized fair value			**3,084**			**(965)**

30. Fair value of financial instruments (continued)

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

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**
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				
Due to credit institutions	–	–	238,476	**238,476**
Customer accounts	–	–	4,163,310	**4,163,310**
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**

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets for which fair values are disclosed				
Cash and cash equivalents	201,604	1,282,152	–	**1,483,756**
Due from credit institutions	–	66,233	–	**66,233**
Loans to customers	–	–	3,533,591	**3,533,591**
Investment securities - debt securities measured at amortized cost	–	347,063	–	**347,063**
Other financial assets	–	–	2,826	**2,826**
	201,604	**1,695,448**	**3,536,417**	**5,433,469**
Financial liabilities for which fair values are disclosed				
Due to credit institutions	–	–	219,671	**219,671**
Customer accounts	–	–	4,114,114	**4,114,114**
Due to international financial institutions	–	–	208,548	**208,548**
Debt securities issued	–	56,268	–	**56,268**
Other financial liabilities	–	–	41,037	**41,037**
	–	**56,268**	**4,583,370**	**4,639,638**

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.

30. Fair value of financial instruments (continued)

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 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 FVTOCI	–	227	1,359	**1,586**
Debt securities at FVTOCI	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**

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Trading securities	–	53,329	–	**53,329**
Derivative financial assets	–	89	250	**339**
Equity securities at FVTOCI	–	235	1,223	**1,458**
Debt securities at FVTOCI	30,908	–	–	**30,908**
	30,908	**53,653**	**1,473**	**86,034**
Financial liabilities				
Derivative financial liabilities	–	11,409	132	**11,541**
	–	**11,409**	**132**	**11,541**

30. Fair value of financial instruments (continued)

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:

	As at 1 January 2021	Income / (expense) recognized as translation differences in the statement of profit or loss	Settlements	As at 31 December 2021
Financial assets				
Derivatives	250	91	(250)	91
Equity securities at FVTOCI	1,223	136	–	1,359
Total Level 3 financial assets	**1,473**	**227**	**(250)**	**1,450**
Financial liabilities				
Derivatives	(132)	(152)	132	(152)
Total Level 3 financial liabilities	**(132)**	**(152)**	**132**	**(152)**

Gain or losses on Level 3 financial instruments included in profit or loss for the reporting period are:

	2021			2020		
	Realized gain	Unrealized gain	Total	Realized gain	Unrealized gain	Total
Gains recognized in the statement of profit or loss	(118)	75	**(43)**	(21)	167	**146**

30. Fair value of financial instruments (continued)

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

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

	31 December 2021		31 December 2020	
	Carrying value	Effect of possible alternative assumptions	Carrying value	Effect of possible alternative assumptions
Financial assets				
Derivatives	91	2	250	6
Financial liabilities				
Derivatives	(152)	18	(132)	2

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. (2020: 100 b.p.).

31. 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 29 *Risk management* for the Group's contractual undiscounted repayment obligations.

			2021			2020
	Within one year	More than 1 year	Total	Within one year	More than 1 year	Total
Cash and cash equivalents	2,119,935	–	**2,119,935**	1,483,756	–	**1,483,756**
Trading securities	503	48,169	**48,672**	540	52,789	**53,329**
Due from credit institutions	152,513	2,647	**155,160**	66,233	–	**66,233**
Loans to customers	1,948,909	1,117,286	**3,066,195**	2,179,612	1,365,276	**3,544,888**
Investment securities	365,040	196,811	**561,851**	4,444	382,342	**386,786**
Investment property	298	14,634	**14,932**	216	18,639	**18,855**
Property and equipment and right-of-use assets	22,671	127,996	**150,667**	20,247	131,187	**151,434**
Intangible assets	12,746	34,065	**46,811**	12,410	27,445	**39,855**
Deferred income tax assets	–	3,184	**3,184**	–	4,062	**4,062**
Current income tax assets	1,202	–	**1,202**	70	–	**70**
Other assets	56,087	3,628	**59,715**	38,036	142	**38,178**
Assets of disposal groups and non-current assets held for sale	273	–	**273**	186,212	–	**186,212**
Total assets	**4,680,177**	**1,548,420**	**6,228,597**	**3,991,776**	**1,981,882**	**5,973,658**
Due to credit institutions	93,834	145,700	**239,534**	64,690	157,295	**221,985**
Customer accounts	3,483,569	689,015	**4,172,584**	3,538,464	584,498	**4,122,962**
Due to international financial institutions	118,231	188,261	**306,492**	57,717	160,347	**218,064**
Debt securities issued	–	3,703	**3,703**	3	56,265	**56,268**
Current income tax liabilities	5,371	–	**5,371**	11,261	–	**11,261**
Deferred income tax liabilities	–	42,512	**42,512**	–	39,535	**39,535**
Provisions	14,721	–	**14,721**	11,996	–	**11,996**
Other liability	101,784	147,674	**249,458**	55,468	2,518	**57,986**
Liabilities of disposal groups held for sale	–	–	–	179,053	–	**179,053**
Total liabilities	**3,817,510**	**1,216,865**	**5,034,375**	**3,918,652**	**1,000,458**	**4,919,110**
Net position	**862,667**	**331,555**	**1,194,222**	**73,124**	**981,424**	**1,054,548**

As at 31 December 2021, BYN 659,338 thousand representing deemed constant balance in the current customer accounts, is included in the category with maturity over one year (2020: BYN 530,210 thousand).

32. Related parties 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 that unrelated parties would not. Transactions between related parties may be on different terms, conditions and amounts than the 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.

32. Related party transactions (continued)

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

			2021			2020
	RBI	Banks under common control	Key management personnel	RBI	Banks under common control	Key management personnel
Cash and cash equivalents as at 31 December	**6,028**	**2,801**	**–**	**11,949**	**1,695**	**–**
Loans as at 1 January	**–**	**–**	**340**	**–**	**–**	**287**
Loans issued during the year	–	–	11	–	–	358
Loans repaid during the year	–	–	(106)	–	–	(305)
Loans outstanding as at 31 December	**–**	**–**	**245**	**–**	**–**	**340**
Derivative financial assets as at 31 December	**4,017**	**1,036**	**–**	**21**	**20**	**–**
Deposits as at 1 January	**133,971**	**–**	**56**	**55,178**	**51,316**	**3,363**
Exchange differences	(6,925)	–	(1)	25,619	–	572
Deposits received during the year	–	–	221	53,174	–	2,200
Deposits repaid during the year	(30,956)	–	(47)	–	(51,316)	(6,079)
Deposits as at 31 December	**96,090**	**–**	**229**	**133,971**	**–**	**56**
Derivative financial liabilities as at 31 December	**533**	**1,097**	**–**	**10,364**	**1,045**	**–**
Other liabilities as at 31 December	**5,178**	**–**	**–**	**1,781**	**–**	**–**
Settlement and current accounts as at 31 December	**1,271**	**5,062**	**1,292**	**1,537**	**2,398**	**600**
Contractual obligations and guarantees issued	**–**	**1,506**	**–**	**–**	**–**	**–**
Contractual obligations and guarantees received	**–**	**–**	**–**	**158**	**189**	**–**

32. Related party transactions (continued)

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

	For the year ended 31 December					
	2021			2020		
	RBI	Banks under common control	Key management personnel	RBI	Banks under common control	Key management personnel
Interest income	–	–	37	–	1	34
Interest expense	(4,616)	–	(2)	(3,277)	(365)	(10)
Net foreign exchange gain/(loss)	14,507	(6,004)	–	3,077	(2,302)	–
Fee and commission income	71	290	4	105	208	4
Fee and commission expense	(5,145)	(104)	(2)	(6,610)	(66)	(2)
Personnel expense	–	–	(4,111)	–	–	(3,609)
Other operating expenses	(6,813)	–	–	(6,102)	–	–

Compensation to key management personnel comprises the following:

	2021	2020
Salaries and other short-term employee benefits	3,424	2,986
Expenses on defined benefit plan	442	398
Social security contributions	245	225
Total key management personnel compensation	**4,111**	**3,609**

33. Changes in liabilities arising from financing activities

	Note	Debt securities issued	Lease liabilities	Total liabilities from financing activities
Carrying amount as at 31 December 2019		**54,422**	**3,029**	**57,451**
Proceeds from issuance		2,451	–	**2,451**
Settlements		(545)	(2,854)	**(3,399)**
Exchange differences		–	1,050	**1,050**
Non-cash transactions		–	3,187	**3,187**
Other		(60)	29	**(31)**
Carrying amount as at 31 December 2020		**56,268**	**4,441**	**60,709**
Proceeds from issuance		–	–	**–**
Settlements		(52,562)	(2,633)	**(55,195)**
Exchange differences		–	(311)	**(311)**
Non-cash transactions		–	988	**988**
Other		(3)	42	**39**
Carrying amount as at 31 December 2021	17, 21	**3,703**	**2,527**	**6,230**

33. Changes in liabilities arising from financing activities (continued)

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.

34. 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 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 its shareholder 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 the shareholders, return capital to the 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, calculated in accordance with Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate currency risks, as at 31 December 2021 and 2020, comprised:

	2021	2020
Tier 1 capital	1,164,950	1,035,568
Total equity	**1,164,950**	**1,035,568**
Risk-weighted assets	**4,256,047**	**4,749,272**
Tier 1 capital adequacy ratio (minimum value of 4%)	27.37%	21.80%
Total capital ratio (minimum value of 8%)	27.37%	21.80%

35. Subsequent events

On 21 February 2022, the President of the Russian Federation signed decrees on recognition of the Donetsk People's Republic and the Lugansk People's Republic. On 24 February 2022, the start of a special military operation on the territory of Ukraine was announced. After these events, the US, UK, EU and other countries announced the extension of existing and the introduction of additional sanctions against certain Russian officials, businessmen and companies. These events may lead to limited access of Russian businesses to international capital and export markets, weakening of the Russian Ruble, contraction of capital markets and other negative economic consequences. The economy of the Republic of Belarus depends significantly on the markets of the Russian Federation and Ukraine: in 2021, Belarus' export to Russia amounted to USD 19 billion (38% of the total export), and export to Ukraine totaled USD 6 billion (11% of the total export). Moreover, additional sanctions were imposed on Belarus' organizations and officials.

According to the results of the 1st quarter of 2022, the GDP of the Republic of Belarus decreased by 0.4% compared to the 1st quarter of 2021. The decline in the GDP was mainly caused by a decrease in equity investments by 6.6%. However, a retail turnover increased by 6.5% compared to the 1st quarter of the previous year.[15]
A positive foreign trade balance for January-February 2022 increased by 2% compared to the same period of 2021 and totaled USD 726.5 million.[16] For the 1st quarter of 2022, the cost of the currency basket decreased by 9.0%, while the BYN weakened against USD by 16.7%; the BYN weakened against EUR by 14.8%; and the BYN weakened against RUB by 2.5%.[17]

In March 2022, the inflation accelerated. In March 2022, consumer prices grew by 15.9% compared to March 2021. A decline in the supply of foreign products (raw materials), an increase in transportation costs and the weakening of the national currency had the greatest effect on the prices of the imported goods.[18] In order to contain inflationary risks and strengthen control over cash supply, on 1 March 2022 the National Bank of the Republic of Belarus increased the refinancing rate from 9.25% to 12.00%.[19] As at the end of March 2022, the average broad money supply increased by 10.09% [20] compared to the end of March 2021 (the target increase for 2022 was set within the range of 7-13%).[21]

In the period from 1 January 2022 to the date of approval of the Group's consolidated financial statements, the sovereign ratings of the Republic of Belarus, assigned by international rating agencies, were downgraded: Moody's – from B3 to Ca[22] with a negative outlook; Fitch Ratings – from B to CCC, Standard&Poor's – from B to CC with a negative outlook.[23]

[15] Source: the National Statistical Committee of the Republic of Belarus
[16] Source: the National Bank of the Republic of Belarus
[17] Source: the National Bank of the Republic of Belarus
[18] Source: the National Bank of the Republic of Belarus
[19] Source: the National Bank of the Republic of Belarus
[20] Source: the National Bank of the Republic of Belarus
[21] Source: website of the President of the Republic of Belarus.
[22] Source: Aa.com
[23] Source: Myfin.by

35. Subsequent events (continued)

As at the date of issuance of these consolidated financial statements, changes in external and internal conditions did not significantly affect the Group's operations, and it is not possible to accurately assess their impact on the economy of the Republic of Belarus and the Group in particular.

The Group assessed the sensitivity to possible changes for all significant risks. The currency risk assessment in the event of an increase in foreign exchange rates showed a positive impact on the Group.

Sanctions imposed on the entities of the Republic of Belarus after 31 December 2021 and up to the date of approval of these consolidated financial statements primarily affect the borrowers of the Group that have been previously sanctioned, as described in Note 23, and accordingly, such debt has been already classified by the Group as Stage 2, and ECL on this debt have been adjusted to take into account the potential impact of the sanctions. As at 31 December 2021, the share of the Group's borrowers in the portfolio of loans and credit-related contingent liabilities that have been sanctioned for the first time after the reporting date is less than 6%. The effect of an additional adjustment to the ECL allowance for such borrowers, using the same approach used by the Group when calculating the post-model adjustment for the impact of the sanctions as at 31 December 2021, would be less than BYN 12,000 thousand.

The Group's management also assessed the sensitivity of the ECL allowance and provisions to changes in the GDP. Should a conservative GDP growth forecast be used instead of a weighted average forecast (see Note 29 for data on forecasts) employed to calculate the amounts recorded in the consolidated financial statements for 2021, the ECL allowance and provisions as at 31 December 2021 would cumulatively increase by BYN 19,611 thousand.

Despite the existing political and economic environment, the Group's management has reasons to believe that the Group will have sufficient resources to continue as a going concern for at least 12 months after the date of issuance of these consolidated financial statements.

The Group's management keeps track of the ongoing economic and political developments and takes measures it considers necessary to maintain resilience and ensure growth of the Group's business in the nearest future.