Closed Joint-Stock Company “MTBank”

Financial statements prepared in accordance with IFRS, together with independent auditor’s report

for the year ended 31 December 2023

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NEW CHALLENGES
NEW SOLUTIONS

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Translation from the original in Russian

Independent auditor's report on the financial statements of Closed Joint-Stock Company "MTBank" for the period from 1 January through 31 December 2023

To Mr. Dmitry P. Shidlovich,
Chairman of the Management Board of CJSC "MTBank"

To the shareholders, the Supervisory Board, the Audit Committee
and the Management Board of CJSC "MTBank"

Opinion

We have audited the financial statements of Closed Joint-Stock Company "MTBank" (hereinafter, "CJSC "MTBank" or the "Bank") (address: the Republic of Belarus, 220007, Minsk, Tolstogo str., 10; date of state registration: 14 March 1994; registration number in the State Register of Legal Entities and Individual Entrepreneurs: 100394906), which comprise the statement of financial position as at 31 December 2023, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

Translation from the original in Russian

Key audit matters

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

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

Key audit matter	How our audit addressed the matter
Allowance for expected credit losses on loans to customers in accordance with IFRS 9	
The estimation of the allowance for expected credit losses on loans to customers is a key area of judgment for the Bank's management. Identification of factors of a significant increase in credit risk, including identification of changes in the risk of default occurring over the remaining life of a financial instrument, identification of default (impairment stages), as well as the estimation of probability of default, the level of recovery and forward-looking information involve significant use of professional judgment and assumptions. The use of various models and assumptions in the calculation of expected credit losses can significantly affect the level of the allowance for expected credit losses on loans to customers. Due to substantial amounts of loans to customers and an extensive use of professional judgment, the estimation of the allowance for expected credit losses is a key audit matter. Information on the allowance for expected credit losses on loans to customers, and the approach of the Bank's management to assessing and managing credit risk are provided in Notes 7 and 24 to the financial statements.	With regard to calculating the allowance for expected credit losses on loans to customers, our audit procedures included the analysis of the methodology, testing of controls over the customer lending process, including testing of controls over the accounting for overdue debt and procedures to identify factors of a significant increase in credit risk and default on loans to customers. We considered the assumptions and inputs used by the Bank and models to calculate probability of default, the level of recovery and forward-looking information. We analyzed the classification of loans by impairment stage and the mathematical accuracy of the calculation of the allowance for expected credit losses. We analyzed the financial position of borrowers, overdue and renegotiated exposures and sufficiency of collateral with respect to individually significant loans to legal entities and loans with higher credit risk. We analyzed whether the Bank's management applied judgments consistently when calculating the allowance for expected credit losses. We reviewed the information related to the allowance for expected credit losses on loans, disclosed in the notes to the financial statements.

Translation from the original in Russian

Responsibilities of management and the Audit Committee of CJSC "MTBank" for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease its operations, or has no realistic alternative but to do so.

The Audit Committee of CJSC "MTBank" is responsible for overseeing the Bank's financial reporting process.

Responsibilities of the audit firm for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Activity*, national auditing rules effective in the Republic of Belarus and ISA, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Translation from the original in Russian

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

- Identify and evaluate the risks of material misstatement of the 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board and the Audit Committee of CJSC "MTBank" regarding, among other matters, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board and the Audit Committee of CJSC "MTBank" with a statement that we have complied with all relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, threat mitigation actions or related safeguards.

NEW CHALLENGES
NEW SOLUTIONS

Translation from the original in Russian

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

Engagement Partner

Ivan Vyacheslavovich Stankevich
Audit Director, FCCA

On the basis of power of attorney, w/o number of 11 January 2024

Auditor's qualification certificate No. 0002137 of 2 October 2013 issued by the Ministry of Finance of the Republic of Belarus for an indefinite period of time.

Certificate of compliance with the qualification and business reputation requirements for auditors of banks, Joint-Stock Company "Development Bank of the Republic of Belarus," non-bank credit and financial institutions, banking groups and banking holdings No. 74 of 15 January 2014, issued for five years (last tested on 9 December 2019).

Audit Team Executive

Oleg Valerievich Tikhonov
Deputy Head of Audit Department, ACCA

Auditor's qualification certificate No. 0002411 of 4 October 2017 issued by the Ministry of Finance of the Republic of Belarus for an indefinite period of time.

Certificate of compliance with the qualification and business reputation requirements for auditors of banks, Joint-Stock Company "Development Bank of the Republic of Belarus," non-bank credit and financial institutions, banking groups and banking holdings No. 149 of 12 January 2023, issued for five years.

14 February 2024

Auditor's report received by:

Chairman of the Management Board of CJSC "MTBank"

Dmitry Petrovich Shidlovich

Details of the auditor

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

Statement of financial position

As at 31 December 2023

(in thousands of Belarusian rubles)

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	5	867,706	511,291
Due from credit and financial institutions	6	82,138	67,848
Loans to customers	7	2,338,280	1,468,509
Investment securities	8	88,663	79,811
Property and equipment and right-of-use assets	9	48,470	44,682
Intangible assets	10	45,035	36,050
Other assets	12	40,453	20,152
Total assets		**3,510,745**	**2,228,343**
Liabilities			
Due to credit institutions	13	106,931	55,448
Due to customers	14	2,482,054	1,484,892
Debt securities issued	15	170,666	52,617
Current income tax liabilities		2,088	3,341
Deferred income tax liabilities	11	27,276	22,785
Subordinated debt	16	67,919	48,618
Other liabilities	12	44,622	41,790
Total liabilities		**2,901,556**	**1,709,491**
Equity			
Share capital	17	110,426	110,426
Investment securities revaluation reserve		1,643	947
Property and equipment revaluation reserve	9	2,233	39
Retained earnings	17	494,887	407,440
Total equity		**609,189**	**518,852**
Total equity and liabilities		**3,510,745**	**2,228,343**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Республика Беларусь г. Минск Закрытое акционерное общество МТБанк Банк своих решений 2 «МТБанк»

Y.G. Zakhvatovich — Chief Financial Officer

12 February 2024

Statement of comprehensive income

For the year ended 31 December 2023

(in thousands of Belarusian rubles)

	Note	2023	2022
Interest income calculated using the effective interest rate method			
Loans to customers		238,263	240,952
Investment securities		3,950	3,180
Due from credit and financial institutions		4,435	3,117
		246,648	**247,249**
Other interest income		**10,978**	**6,789**
Interest expense			
Due to customers		(50,748)	(75,725)
Debt securities issued		(6,245)	(6,418)
Other borrowings		–	(3)
Due to credit institutions		(3,547)	(6,744)
Subordinated debt		(3,355)	(2,439)
Operating lease liabilities		(332)	(383)
		(64,227)	**(91,712)**
Net interest income before allowance for expected credit losses on financial instruments		**193,399**	**162,326**
Allowances for expected credit losses on financial instruments	5, 6, 7, 8, 12, 19	(21,660)	(29,492)
Net interest income		**171,739**	**132,834**
Fee and commission income	21	169,856	132,404
Fee and commission expense	21	(94,519)	(76,937)
Realized gains/(losses) from investment securities reclassified to profit or loss		121	(89)
Net gains from foreign currencies	20	52,506	84,141
- Dealing		*49,153*	*74,849*
- Revaluation of currency items		*3,351*	*9,270*
- Foreign currency derivatives		*2*	*22*
Net gains from precious metals		585	–
Other income	22	36,839	25,032
Non-interest income		**165,388**	**164,551**
Personnel expenses	23	(83,010)	(71,891)
Depreciation and amortization	9, 10	(19,727)	(21,599)
Other operating expenses	23	(57,786)	(52,691)
Other impairment losses	12	(348)	(1,100)
Non-interest expense		**(160,871)**	**(147,281)**
Profit before income tax expense		**176,256**	**150,104**
Income tax expense	11	(44,973)	(38,722)
Profit for the year		**131,283**	**111,382**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

12 February 2024

The accompanying notes on pages 7-80 are an integral part of these financial statements.

Statement of comprehensive income (continued)

	Note	*2023*	*2022*
Profit for the year		**131,283**	**111,382**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Amount of accumulated earnings/(losses) reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income		(121)	89
Net change in fair value of debt instruments at fair value through other comprehensive income		887	(424)
Change in allowance for expected credit losses on debt instruments at fair value through other comprehensive income		(70)	668
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**696**	**333**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of buildings and structures	9	2,925	52
Income tax related to components of other comprehensive income	11	(731)	(13)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**2,194**	**39**
Other comprehensive income for the year, net of tax		**2,890**	**372**
Total comprehensive income for the year		**134,173**	**111,754**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

12 February 2024

Statement of changes in equity

For the year ended 31 December 2023

(in thousands of Belarusian rubles)

	Share capital	*Investment securities revaluation reserve*	*Property and equipment revaluation reserve*	*Retained earnings*	*Total*
At 1 January 2022	**110,426**	**614**	**–**	**311,538**	**422,578**
Profit for the year	**–**	**–**	**–**	**111,382**	**111,382**
Other comprehensive income					
Change in investment securities revaluation reserve	–	333	–	–	**333**
Change in property and equipment revaluation reserve	–	–	39	–	**39**
Total other comprehensive income	**–**	**333**	**39**	**–**	**372**
Total comprehensive income for the year	**–**	**333**	**39**	**111,382**	**111,754**
Transactions with shareholders					
Dividends paid (Note 17)	–	–	–	(15,480)	**(15,480)**
Total transactions with shareholders	**–**	**–**	**–**	**(15,480)**	**(15,480)**
At 31 December 2022	**110,426**	**947**	**39**	**407,440**	**518,852**
Profit for the year	**–**	**–**	**–**	**131,283**	**131,283**
Other comprehensive income					
Change in investment securities revaluation reserve	–	696	–	–	**696**
Change in property and equipment revaluation reserve	–	–	2,194	–	**2,194**
Total other comprehensive income	**–**	**696**	**2,194**	**–**	**2,890**
Total comprehensive income for the year	**–**	**696**	**2,194**	**131,283**	**134,173**
Transactions with shareholders					
Dividends paid (Note 17)	–	–	–	(43,836)	**(43,836)**
Total transactions with shareholders	**–**	**–**	**–**	**(43,836)**	**(43,836)**
At 31 December 2023	**110,426**	**1,643**	**2,233**	**494,887**	**609,189**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

12 February 2024

Statement of cash flows

For the year ended 31 December 2023

(in thousands of Belarusian rubles)

	Note	*2023*	*2022*
Cash flows from operating activities			
Interest received		253,682	246,999
Interest paid		(57,353)	(93,427)
Fees and commissions received		170,483	134,899
Fees and commissions paid		(94,235)	(76,226)
Realized gains less losses from foreign currencies		49,490	75,168
Gains less losses from precious metals		209	–
Other income received		36,046	27,887
Personnel expenses paid		(82,948)	(70,018)
Other operating expenses paid		(56,549)	(54,583)
Cash flows from operating activities before changes in operating assets and liabilities		**218,825**	**190,699**
Net (increase)/decrease in operating assets			
Due from credit institutions		(12,097)	(44,901)
Loans to customers		(822,130)	(98,091)
Other assets		(21,797)	(2,123)
Net increase/(decrease) in operating liabilities			
Due to credit institutions		49,782	(31,646)
Due to customers		879,435	129,556
Other liabilities		3,432	15,508
Net cash flows from operating activities before income tax		**295,450**	**159,002**
Income tax paid		(42,467)	(28,136)
Net cash from operating activities		**252,983**	**130,866**
Cash flows from investing activities			
Purchase of investment securities		(18,222)	(75,629)
Proceeds from sale and redemption of investment securities		22,460	32,634
Purchase of property and equipment and intangible assets	9, 10	(22,907)	(22,049)
Proceeds from sale of property and equipment and intangible assets		938	456
Net cash received from / (used in) investing activities		**(17,731)**	**(64,588)**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

12 February 2024

Statement of cash flows (continued)

	Note	2023	2022
Cash flows from financing activities			
Proceeds from issue of debt securities		545,656	198,105
Redemption of debt securities issued		(432,740)	(203,016)
Proceeds from subordinated loans received		13,148	12,965
Redemption of subordinated loans		(1,000)	–
Dividends paid	17	(43,836)	(15,480)
Payments related to lease liabilities	12	(7,818)	(5,658)
Net cash (used in) / from financing activities		**73,410**	**(13,084)**
Effect of exchange rate changes on cash and cash equivalents		47,787	(1,253)
Net increase in cash and cash equivalents		**356,449**	**51,941**
Cash and cash equivalents at the beginning of the reporting year		511,291	462,905
Reclassification from cash and cash equivalents	5	–	(3,510)
Allowance for expected credit losses	5	(34)	(45)
Cash and cash equivalents at the end of the reporting year	5	**867,706**	**511,291**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

12 February 2024

(in thousands of Belarusian rubles)

1. Principal activities

Closed Joint-Stock Company "MTBank" (hereinafter, "CJSC "MTBank" or the "Bank") was registered under the laws of the Republic of Belarus by the National Bank of the Republic of Belarus (hereinafter – the "National Bank") on 14 March 1994 as a closed joint-stock commercial bank with foreign investment. The Bank's activities are regulated by the National Bank. The Bank operates under banking license No. 13 issued by the National Bank on 30 December 2022. The Bank also holds license No. 02200/5200-1246-1112 for professional securities and stock exchange operations issued by the Ministry of Finance of the Republic of Belarus pursuant to the decision of 24 October 1995 and license No. 01019/68 issued by the Operational and Analytical Center under the President of the Republic of Belarus for the right to carry out technical and/or cryptographic protection of information pursuant to decision No. 48 of 25 May 2007.

The Bank accepts deposits from individuals, extends credit and makes cash transfers in the Republic of Belarus and abroad, provides currency exchange and other banking services to legal entities and individuals. The Bank's head office is located at 10, Lva Tolstogo str., Minsk. During the reporting period, the legal address of the Bank remained unchanged.

As at 31 December 2023, the Bank's structure comprised a head office, one center for banking services, 38 cash settlement centers and 35 remote workplaces.

As at 31 December 2022, the Bank's structure comprised a head office, one center for banking services, 38 cash settlement centers, 45 remote workplaces and 6 mobile remote workplaces.

As at 31 December 2023 and 2022, the Bank had neither subsidiaries nor associates.

As at 31 December 2023 and 2022, the Bank's outstanding shares were owned by the following shareholders:

Shareholder	*31 December 2023*	*31 December 2022*
MTB Investments Holdings Limited, Cyprus	99.1326%	99.1326%
Other	0.8674%	0.8674%
	100.000%	**100.000%**

The Bank's ultimate controlling owner is Abdo Romeo Abdo, a Lebanese national.

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

In accordance with the Belarusian accounting and banking legislation and related instructions (hereinafter, "BAS"), the Bank is required to maintain accounting records and prepare financial statements in Belarusian rubles. These financial statements are based on the Bank's BAS accounting data, as adjusted and reclassified in order to comply with IFRS.

The Bank's functional currency is the Belarusian ruble (BYN).

The financial statements have been prepared under the historical cost convention except for certain non-cash items that originated before 31 December 2014, which were recognized in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, and certain items that are recognized at fair value, namely, "Debt securities at fair value through other comprehensive income" and "Buildings and structures".

These financial statements are presented in thousands of Belarusian rubles ("BYN thousand").

The Bank's shares are not publicly traded, securities issued by the Bank are not included in the quotation lists of OJSC Belarusian Currency and Stock Exchange, the Bank is not recognized as a listed company and, accordingly, does not apply IAS 33 *Earnings per Share* and IFRS 8 *Operating Segments*.

(in thousands of Belarusian rubles)

2. Basis of preparation (continued)

Going concern

The Bank's management assessed its ability to continue as a going concern considering all available information on the future. The Bank developed and approved adequate and realistic action plans to ensure compliance with the course of development set forth in the strategic goals, and to ensure the Bank's operation in the environment affected by external factors, as well as crisis financing plans. Based on the analysis of the factors relevant to the current and expected profitability of the Bank, debt repayment schedules and potential refinancing sources, the Bank's management considers it appropriate to use the going concern assumption in the foreseeable future.

The Bank's management analyzed the possible impact of the geopolitical and macroeconomic situation on the financial position and performance of the Bank by conducting a comprehensive stress test of the Bank's solvency and liquidity, as well as assessing the credit risk of the largest borrowers. Stress testing involved assessing the impact on the Bank's stability of the basic and two stress macroeconomic scenarios (moderate shock scenario, severe shock scenario). Management believes that based on the results of the stress testing, the Bank ensures compliance with the regulatory capital adequacy ratio, absence of negative accumulated liquidity gaps and profitability of its operations. The estimated resource outflows and changes in the quality of loan portfolios do not threaten the security of the Bank's operations.

Operating environment

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

Despite the negative foreign policy factors, in 2023, financial and currency markets stabilized after a period of increased volatility in 2022. The National Bank has been gradually reducing the refinancing rate from 12% to 9.5% p.a. to ensure macroeconomic balance and stabilize domestic foreign currency and deposit markets. In 2023, the inflation rate was 5.8%, with the target level of 7%-8%.

In 2023, the GDP of Belarus increased by 3.9% and amounted to BYN 216.1 billion in current prices.

In 2023, the foreign trade balance for services was positive (USD 480.7 billion compared to the positive balance of USD 4.141 billion in 2022).

In 2023, the Belarusian ruble weakened against major foreign currencies. The official exchange rates changed from BYN 2.7364 for USD 1 to BYN 3.1775 for USD 1, from BYN 3.4322 for EUR 1 to BYN 3.5363 for EUR 1; from BYN 3.7835 for RUB 100 to BYN 3.4991 for RUB 100; from BYN 3.8617 for CNY 10 to BYN 4.4414 for CNY 10 year-on-year.

In 2022, international rating agencies downgraded sovereign ratings of the Republic of Belarus (S&P – to the SD grade, Fitch – to the RD grade, Moody's – to the Ca grade). In 2023, S&P and Fitch withdrew their ratings while Moody's lowered its rating to C. At the same time, ratings assigned by Russian rating agencies became more widely used in the Republic of Belarus to avoid the geopolitical influence. In 2022, according to the ACRA rating agency, the long-term foreign currency credit rating of the government of the Republic of Belarus was set at B+ (with a developing outlook) that was also effective in 2023. In November 2023, this rating was canceled due to nonanalytic reasons.

The Bank continues to assess the effect of these events and changing macroeconomic conditions on its activities, financial position and financial results.

Inflation accounting

Up to 31 December 2014, the Belarusian economy was considered to be hyperinflationary in accordance with the criteria set forth in IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). Accordingly, adjustments and reclassifications for the purposes of presentation of IFRS financial statements include restatement, in accordance with IAS 29, for changes in the general purchasing power of the Belarusian ruble.

Starting 1 January 2015, the Belarusian economy is no longer considered hyperinflationary, thus the cost of the Bank's non-monetary assets, liabilities and equity presented in measuring units as at 31 December 2014 was used to calculate the opening balances as at 1 January 2015.

(in thousands of Belarusian rubles)

2. Basis of preparation (continued)

Inflation accounting (continued)

The Bank operates in the Republic of Belarus. Accordingly, the Bank's business is affected by the economy and financial markets of Belarus, which display characteristics of a developing market. The legal, tax and regulatory frameworks continue to develop but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Belarus. The methods of monetary policy regulation, adopted by the National Bank, made it possible to reduce both the volatility of the Belarusian ruble and the level of inflation over the past several years. Despite this, the depreciation of the Belarusian ruble preceding the stabilization period and the subsequent high inflation still lead to some uncertainty concerning the business environment in the Republic of Belarus.

These financial statements reflect management's assessment of the impact of the Belarusian business environment on the operations and the financial position of the Bank. The actual impact of the future business environment may differ from management's estimates.

3. Summary of accounting policies

Financial assets and financial liabilities

a) Classification of financial instruments

Financial assets

A financial asset at initial recognition is classified as measured at amortized cost or at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated by the Bank as at FVPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated by the Bank as at FVPL:

- The asset is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

For debt financial assets measured at FVOCI, gains and losses are recognized within other comprehensive income, except for the following items recognized within profit or loss in the same manner as for financial assets measured at amortized cost:

- Interest income calculated using the effective interest rate method
- Expected credit losses and recovered impairment losses; and
- Gains or losses from changes in exchange rates

On derecognition of a debt financial asset at fair value through other comprehensive income, accumulated profit or loss that were previously recognized in other comprehensive income are reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made for each investment separately.

For such equity instruments, gains and losses are never reclassified into profit or loss and no impairment is recognized in profit or loss.

All other financial assets are classified as measured at FVPL.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Financial assets and financial liabilities (continued)

In addition, at initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI as measured at FVPL, if doing so eliminates or significantly reduces a recognition inconsistency that would otherwise arise.

Business model assessment

The Bank assesses the business model under which the asset is held at the level of the portfolio of financial instruments, as this best reflects the method used to manage business and present information to management. The information considered by the Bank includes:

- Policies and objectives established to manage the portfolio, and how they are implemented in practice. In particular, whether the management strategy is focused on generating contractual interest income, maintaining a certain structure of interest rates, ensuring correlation of the maturities of financial assets with the maturities of financial liabilities used to finance these assets, or realizing cash flows through the sale of assets
- The procedure to assess the performance of the portfolio and the way this information is communicated to the Bank's management
- Risks that affect the business model performance (and the performance of financial assets held within that business model) and the way these risks are managed
- Ways to remunerate managers responsible for managing the portfolio (for example, whether the remuneration depends on the fair value of the assets or the contractual cash flows received from the assets)
- Frequency, volume and timing of sales in prior periods, reasons for such sales and expectations about future sales activity. However, information on sales activity is considered not in isolation but as part of an overall assessment of how the Bank achieves its objective for managing financial assets and how cash flows are realized

Financial assets, which are held for trading, or which are managed and whose performance is evaluated on a fair value basis, are measured at FVPL, as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether the contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as fair value of a financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money, for credit risk related to the principal amount outstanding during a certain period, and for other primary credit-related risks and costs (for example, liquidity risk and administrative expenses), and includes profit margin.

When determining whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion), the Bank analyzes contractual terms of the financial instrument. This includes the assessment of whether a financial asset contains a contractual provision that can change the terms or amount of contractual cash flows so that the financial asset will no longer comply with this criterion. When performing the assessment, the Bank considers:

- Contingencies that can change the terms or the amount of cash flows
- Leverage features
- Early repayment and prolongation provisions
- Provisions limiting the Bank's claims to cash flows from specified assets (e.g. non-recourse loans)
- Provisions that modify consideration for the time value of money (e.g. regular revision of interest rates)

Reclassification

Financial assets are not reclassified after initial recognition, except in the period when the Bank changes its business model to manage financial assets.

Financial assets measured at amortized cost are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortized cost using the effective interest rate method.

Financial assets measured at fair value are initially measured at fair value plus, if the financial assets are not measured at FVPL, the relevant transaction costs and are subsequently recognized at fair value.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Financial assets and financial liabilities (continued)

Gains or losses from financial assets measured at FVOCI are recorded in other comprehensive income, excluding interest income calculated using the effective interest rate method, expected credit losses and recovery of amounts written off to losses, and exchange rates recognized in profit or loss.

Gains and losses on financial assets at FVPL are recognized in profit or loss at subsequent revaluation of a financial instrument.

Financial liabilities

The Bank classifies financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Reclassification

Financial liabilities are not reclassified after initial recognition.

b) Offsetting financial instruments

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

- In the ordinary course of business
- In the event of default; and
- In the event of insolvency or bankruptcy of an entity or any of its counterparties

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

c) Derecognition of financial instruments

Financial assets

The Bank derecognizes a financial asset when the contractual rights to cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

When the financial asset is derecognized, the difference between the carrying amount of the asset (or the carrying amount allocated to the derecognized part of the asset) and the amount of (i) consideration received (including the amount of the asset received less the new assumed liability) and (ii) any accumulated profit or loss recognized within other comprehensive income is recognized within profit or loss.

Any interest in transferred financial assets that qualify for derecognition, which is created or retained by the Bank, is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers the assets recognized in the statement of financial position, but retains either all or substantially all risks and rewards of ownership of transferred assets or their part. In such cases, transferred assets are not derecognized. Examples of such transactions include securities lending and repurchase transactions.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of the asset and retains control of the transferred asset, the asset continues to be recognized to the extent of the Bank's continuing involvement in the asset, determined as the Bank's exposure to the risk of change in the value of the transferred asset.

Financial liabilities

The Bank derecognizes a financial liability when the contractual obligation is fulfilled or cancelled or expires.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Financial assets and financial liabilities (continued)

d) Modifications to the terms of financial assets and financial liabilities

Modification of financial assets

If the terms of the financial asset are changed, the Bank assesses whether cash flows related to such a modified asset change substantially. If there is a substantial change in cash flows (substantial modification), the rights to contractual cash flows on the original financial asset are considered to be expired. In this case, the original financial asset is derecognized and the new financial asset is recognized at fair value plus the respective transaction costs. Fees resulting from the modification are recognized is follows:

- Fees recognized when the fair value of the new asset is measured and fees comprising compensation of transactions costs are included in the initial measurement of this asset
- Other fees are recognized within profit or loss as part of profit or loss from derecognition

Changes in cash flows on existing financial assets or financial liabilities are not considered as a modification, if they result from existing contractual terms, e.g., changes in the Bank's interest rates due to changes in the National Bank's refinancing rate, if the corresponding loan agreement provides for the Bank to be able to change interest rates.

The Bank performs a quantitative and qualitative assessment of whether the modification of terms is substantial, i.e., whether cash flows on the original financial asset and cash flows on the modified or replacing financial asset are substantially different. The Bank performs a qualitative and quantitative assessment of whether the modification is substantial by analyzing qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. If the cash flows are substantially different, the rights to contractual cash flows on the original financial asset are deemed to have expired. In making this assessment, the Bank follows the guidance on derecognition of financial liabilities.

The Bank concludes that the modification is substantial based on the following qualitative factors:

- Change in the currency of a financial asset
- Change in the terms of the financial asset resulting in a failure to meet the SPPI criterion

Generally, if the modification results from financial difficulties of the borrower, the objective of such a modification is to recover the maximum amount of the asset in accordance with the original terms of the agreement, and not to create (issue) a new asset on substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of a portion of contractual cash flows, then it first considers whether a part of the asset should be written off before the modification takes place (see the write-off policy below). This approach impacts the result of the quantitative assessment and results in non-compliance with the criteria for derecognition of the respective financial asset in such cases. The Bank also performs a qualitative assessment of whether the modification is substantial.

If the modification of the terms of a financial asset measured at amortized cost or FVOCI does not result in derecognition of this financial asset, the Bank recalculates the gross carrying amount of such an asset using the original effective interest rate on the asset and recognizes the arising difference as a modification gain or loss within profit or loss. For financial assets with floating interest rates, the original effective interest rate used to calculate the modification gain or loss is adjusted in order to reflect current market conditions at the time of the modification. Costs incurred or fees paid and fees earned as a result of such a modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining life of the modified financial asset.

If the modification takes place due to financial difficulties of the borrower, the respective gain or loss is presented within impairment losses. In all other cases, the respective gain or loss is presented within interest income calculated using the effective interest rate method.

For loans with fixed interest rates, where the borrower has the right to early repayment of the loan at nominal value without substantial penalties, the Bank's accounting treatment of a change in the interest rate to the market level in response to a change in market conditions is similar to the accounting treatment of instruments with floating interest rates, i.e., the effective interest rate is revised prospectively.

Modification of financial liabilities

The Bank derecognizes a financial liability when its terms are modified in such a way that the amount of cash flows from the modified liability substantially changes. In this case, the new financial liability with modified terms is recognized at fair value. The difference between the carrying amount of the original financial liability and the amount of the new financial liability with modified terms is recognized within profit or loss. Consideration paid includes transferred non-financial assets, if any, and assumed liabilities, including the new modified financial liability.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Financial assets and financial liabilities (continued)

The Bank performs a qualitative and quantitative assessment of whether the modification is substantial by analyzing qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. The Bank concludes that the modification is substantial based on the following qualitative factors:

- Change in the currency of a financial liability
- Inclusion of a conversion condition
- Change in the subordination of the financial liability

For the purpose of the quantitative assessment, the terms are considered to be substantially different if the present value of the cash flows under the modified terms, including net fees, discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows under the old terms.

If the modification of the terms of a financial liability does not result in its derecognition, the amortized cost of the liability is recalculated by discounting the modified cash flows using the original effective interest rate and the arising difference is recognized as a modification gain or loss within profit or loss. For financial liabilities with floating interest rates, the original effective interest rate used to calculate the modification gain or loss is adjusted in order to reflect current market conditions at the time of the modification. Costs incurred or fees paid as a result of the modification are recognized as an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified financial liability by recalculating the respective effective interest rate.

e) Impairment

The Bank recognizes an allowance for expected credit losses (ECL) for the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments
- Net investments in finance leases
- Issued financial guarantees; and
- Issued loan commitments

No impairment loss is recognized for investments in equity instruments.

The Bank recognizes allowances for ECL in the amount of lifetime ECL, except for financial instruments for which credit risk has not increased significantly since their initial recognition.

The Bank does not apply an exemption associated with low credit risk.

12-month ECL are the portion of ECL resulting from defaults on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are included in Stage 1 financial instruments.

Lifetime ECL are defined as ECL arising from all possible events of default over the entire expected life of a financial instrument. Financial instruments that are not purchased or originated credit-impaired (POCI) assets for which lifetime ECL are recognized are included in Stage 2 (if the credit risk on the financial instrument increased significantly after initial recognition but the financial instrument is not credit-impaired) and Stage 3 (if the financial instrument is credit-impaired).

Measurement of ECL

ECL are a default probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of the difference between the future contractual cash flows due to the Bank and the cash flows that the Bank expects to receive
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount of assets and the present value of estimated future cash flows discounted using the original effective interest rate
- Unused portion of loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive if the loan is issued
- Financial guarantee contracts: as the present value of expected payments to reimburse the holder for a credit loss less any amounts that the Bank expects to recover

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Financial assets and financial liabilities (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt financial assets measured at FVOCI, financial guarantees, loan commitments and net investments in finance leases are credit-impaired. A financial asset is determined to be credit-impaired when there is one or more events that have a negative effect on the estimated future cash flows from this asset.

The list of impairment events applied by the Bank when analyzing borrowers is presented in Note 24.

Purchased or originated credit-impaired assets (POCI assets)

POCI assets are purchased or originated financial assets that are credit-impaired at initial recognition.

Pursuant to the Bank's accounting policy, an asset is classified as POCI in the following cases:

1. Increased financing of borrowers, whose financial instruments are included in Stage 3 of impairment
2. Generation of new financial instruments as a result of problematic restructuring of the borrower's assets in the Bank that leads to their derecognition
3. Purchase by the Bank of financial assets, which contain evidence of impairment 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 allowance for expected credit losses is recognized or reversed only to the extent that there is a subsequent significant change in expected credit losses. As at each reporting date, changes in expected credit losses for the entire term are recognized in profit or loss as an impairment gain or loss.

Recording the allowance for ECL in the statement of financial position

The allowance for ECL is presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a decrease in the gross carrying amount of these assets. Where a financial instrument contains both a drawn and an undrawn component, the Bank determines ECL collectively on the financial asset and on the assumed loan commitment: the cumulative amount is presented as a decrease in the gross carrying amount of the financial asset
- Financial guarantees: generally, as a provision
- Debt instruments measured at FVOCI: the allowance for ECL is not recorded in the statement of financial position as the carrying amount of these assets equals their fair value. However, the allowance for ECL is disclosed and recognized within the fair value provision

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation that a financial asset will be recovered (either partially or in full).

Recoveries of amounts previously written off are recorded within other income in the statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's internal policies.

f) Fair value measurement of financial instruments

The Bank measures financial instruments, such as investment securities and derivatives, at fair value at each reporting date. Fair values of financial instruments at amortized cost are disclosed in Note 25.

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. The 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

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Financial assets and financial liabilities (continued)

To determine the fair value, the Bank should have access to the principal or the most advantageous market. 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 economic best 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 Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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 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) prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level inputs that are significant to the fair value measurement are directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level inputs that are significant to the fair value measurement are unobservable

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, highly liquid amounts due from the National Bank (excluding mandatory cash balances) and highly liquid amounts due from credit institutions that initially mature within 90 days and are free from any contractual liabilities, which can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value.

Precious metals

Physical precious metals are recorded at the lower of historical cost and net realizable value at the reporting date. Assets and liabilities denominated in monetary precious metals are recognized at accounting prices of the National Bank. Changes in accounting prices for precious metals are recorded as a result from revaluation of financial precious metals in the statement of profit or loss.

The carrying amount of precious metals is recorded in other assets.

Due from credit and financial institutions

Due from credit and financial institutions include amounts of mandatory cash balances deposited with the National Bank, amounts due from credit and financial institutions with an initial repayment period of over 90 days, funds transferred as collateral for the Bank's operations, or funds with no initial repayment schedules, guarantee deposits and other restricted cash.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the counterparty has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liabilities are presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between the selling price and the repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position unless these are sold to third parties, in which case the purchase and the sale are recorded within gains less losses from trading securities in the statement of comprehensive income. The obligation to return them is recorded at fair value as a trading liability.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including currency forwards and swaps. Such financial instruments are held for trading and initially recorded at fair value. Fair values are estimated based on quoted market prices or pricing models that take into account current market and contractual prices of the underlying instruments and other factors.

Derivative financial instruments are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses arising from transactions with these instruments are recorded in the statement of comprehensive income in net income/(expense) on foreign currency transactions.

Taxation

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

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 recognized only to the extent that it is probable that taxable profit will be available in the future, against which the deductible temporary differences and carried forward losses can be offset. 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 legislation that has been enacted or substantively enacted at the reporting date.

The Republic of Belarus also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

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

The Bank uses a revaluation model for "Buildings and structures" items, which are accounted for at revalued cost, as described below, less accumulated depreciation and accumulated impairment losses. Revaluation of buildings should be carried out with sufficient regularity to ensure that the carrying amount does not differ significantly from the amount which would be determined using fair value at the end of the reporting period. An increase in the carrying amount as a result of revaluation is recorded in other comprehensive income and in equity as "Revaluation of property and equipment." A decrease in the carrying amount offset against previous increases in the carrying amount of the same asset is recorded in other comprehensive income and reduces the effect of the "Revaluation of property and equipment" previously recorded in equity. All other cases of a decrease in carrying amounts are recorded in profit or loss for the year. The property and equipment revaluation reserve included in equity is taken directly to retained earnings upon the realization of the gain on revaluation when the asset is written off or disposed of.

The carrying amount of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount 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 and structures	84-101
Computers and office equipment	3-8
Motor vehicles	5-9
Furniture and fixtures	2-33

The depreciation term for right-of-use assets is established in accordance with the budget cycle subject to the contractual terms to send a preliminary notice to the lessor of the intention to terminate the lease agreement. As at the end of the reporting period, useful lives of right-of-use assets were from 13 to 19 months.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted, as appropriate, at the end of each reporting year. Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Intangible assets

Intangible assets include computer software and licenses for software and activities that must be licensed.

Intangible assets acquired separately are measured on initial recognition at cost, as adjusted for hyperinflation. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets have finite useful lives and are amortized over the periods of 1 to 25 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets are amortized using the straight-line method based on the useful lives and standard service lives stipulated by contracts, patents, licenses and other documents.

Leases

i. Bank as a lessee

The Bank recognizes right-of-use assets and lease liabilities at the commencement of the lease for all leases, except for short-term leases. Initial cost of right-of-use assets is recognized in the amount of initial cost of lease liabilities adjusted for lease payments made as at or before the commencement date, increased by the initial direct costs incurred and the estimated costs that will arise from dismantling and relocation of the underlying asset, restoration of the underlying asset or the site on which it is located, less the lease incentives received.

Right-of-use assets

The Bank recognizes right-of-use assets at the lease commencement date (from the date when the use of the underlying asset has commenced). Subsequently, right-of-use assets are recognized less accumulated depreciation and accumulated impairment losses, if any. Initial cost of right-of-use assets is formed from the amount of the initially measured lease liability; any initial direct costs incurred by the lessee, less the amount of lease payments at the lease commencement date. Recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the following: the date of expiration of the useful life of the right-of-use asset or the lease term expiration. The right-of-use asset is assessed for impairment.

Lease liability

The lease liability is measured at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate at the lease commencement day, and amounts expected to be paid by the Bank under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease if the lease term reflects the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are expensed in the period to which they relate. In determining the present value of lease payments, the Bank uses an incremental borrowing rate at the date of the lease agreement. After the commencement date, the amount of lease liabilities is increased by the amount of accrued interest expense and decreased by the amount of lease payments actually made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments. Where lease liabilities are remeasured in this way, the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded to profit or loss if the carrying amount of the right-of-use asset was previously reduced to zero. Where lease liabilities are partially disposed of when key terms of leases are changed, and in case of an early termination of the lease, the effect is recognized in profit or loss.

Short-term leases and leases of low-value assets

The Bank applies the recognition exemption to its short-term leases (i.e., those leases that have a lease term of less than 12 months from the commencement date and do not contain a lease renewal option and a purchase option). The Bank can also apply the practical expedient to leases with a low-value underlying asset (the cost of the underlying asset is less then USD 5,000 at the exchange rate effective at the reporting date).

For short-term leases and leases of low-value assets, the Bank recognizes lease payments under such leases as expenses on a straight-line basis over the lease term.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Leases (continued)

Significant judgments in determining the term of leases with a renewal option

The Bank determines the lease term as the lease period during which the Bank is reasonably certain that the lease relations will not be terminated, together with the periods in respect of which a lease renewal option is provided, if it is reasonably certain that the Bank will exercise this option, and the periods in respect of which a lease termination option is provided, if it is reasonably certain that the Bank will not exercise this option. The Bank considers all relevant facts and circumstances that give rise to an economic incentive to exercise or not to exercise the option. Subsequent to the lease commencement date, the Bank reassesses the lease term if there is either a significant event or a significant change in circumstances that are under the control of the Bank and affect the assessment of whether there is sufficient certainty that the option will be exercised or will not be exercised (for example, change of the business strategy).

ii. Finance – Bank as a lessor

At the inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank recognizes lease payments receivable in the amount equal to net investments in the lease from the lease commencement date. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investments outstanding. Initial direct costs are included in the initial measurement of lease receivables.

The Bank applies the derecognition and impairment requirements in IFRS 9 to net investments in leases. In addition, the Bank regularly reviews the estimated unguaranteed residual values used in the calculation of the gross investment in leases to determine if changes are required.

Due to credit institutions, due to customers, debt securities issued and subordinated debt

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value less the respective transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

Contingent assets and liabilities

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

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially recognized at fair value and are subsequently measured at the higher of the amount of the allowance for ECL determined in accordance with IFRS 9 and the initially recognized amount less, as applicable, accumulated income recognized in accordance with IFRS 15.

The Bank has no issued loan commitments measured at FVPL.

For other loan commitments, the Bank recognizes an allowance for ECL.

Financial liabilities recognized with respect to the issued financial guarantees and loan commitments are included in other liabilities.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying 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 Bank does not have any pension arrangements other than those provided by 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 expenses are charged in the period when the related salaries are earned. In addition, the Bank has no significant post-employment benefits.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity.

Non-cash contributions are included into the share capital at the fair value of contributed assets as at the contribution date.

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 as events after the reporting date when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Interest and similar income and expense

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate on financial instruments except for those measured at FVPL includes transaction costs and fees and amounts paid or received that are an integral part of the effective interest rate. Transaction costs include additional costs directly attributable to the acquisition or issue of the financial asset or financial liability.

Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any credit loss allowance.

The gross carrying amount of a financial asset measured at amortized cost is the amortized cost of the financial asset before adjustment for the amount of the loss allowance.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Interest and similar income and expense (continued)

Calculation of interest income and expense

The effective interest rate for a financial asset or financial liability is calculated at initial recognition of the financial asset or financial liability. When calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised following regular reassessment of cash flows from floating-rate instruments in order to reflect changes in market interest rates. The effective interest rate is also revised to reflect adjustments related to fair value hedges at the date the amortization of the respective adjustment commences.

However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income is again based on the gross carrying amount.

For financial assets that are credit-impaired at initial recognition, interest income is calculated on the basis of the effective interest rate adjusted for credit risk applied to the amortized cost of the financial asset. Calculation of interest income for such assets is not based on the gross carrying amount even if the credit risk relevant to these assets will further decrease.

Presentation

Interest income calculated using the effective interest rate method and recorded in the statement of comprehensive income includes:

- Interest income on financial assets at amortized cost
- Interest income on debt financial instruments at FVOCI

Other interest income presented in the statement of comprehensive income includes interest income on net investments in finance leases.

Interest expense presented in the statement of comprehensive income includes interest expense on financial liabilities measured at amortized cost.

Fee and commission income and expense

Fee and commission income and expense that are an integral part of the effective interest rate on a financial asset or financial liability are included in the calculation of the effective interest rate.

Other fee and commission income, including account servicing fees, investment management fees and sales commissions, are recognized as the respective services are rendered. If a loan is unlikely to be provided to the borrower as part of a loan commitment, fees for the provision of the loan are recognized on a straight-line basis over the term of the loan commitment.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. In this case, the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the remaining part.

Other fee and commission expense primarily includes transaction support and service costs that are taken to expenses as the respective services are received.

Net income from transactions with financial instruments measured at FVPL

Net income from transactions with financial instruments measured at FVPL for the period includes gains less losses related to assets and liabilities held for trading, and all fair values changes and foreign exchange differences.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Foreign currency translation

The financial statements are presented in Belarusian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of comprehensive income as net gains from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial 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 exchange rate of the National Bank on the date of the transaction are included in net gains from foreign currencies.

As at 31 December 2023 and 2022, the official exchange rates applied to prepare these financial statements were as follows:

	31 December 2023	*31 December 2022*
USD/BYN	3.1775	2.7364
EUR/BYN	3.5363	2.9156
RUB/BYN	0.0350	0.0378

The Bank applied for the first time certain new standards and amendments to the standards, which became effective for annual periods beginning on or after 1 January 2023. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New standards, amendments and interpretations that became effective on 1 January 2023

IFRS 17, amendments to IAS 12, IAS 8, IAS 1 and IFRS Practice Statement 2

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaced IFRS 4 *Insurance Contracts* and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

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

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

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

Loan contracts that meet the definition of an insurance contract but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract (e.g. loans with death waivers): lenders can choose to apply IFRS 9 or IFRS 17. The choice would be made at a portfolio level and would be irrevocable.

Amendments to IAS 12 Income Taxes

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

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

New standards, amendments and interpretations that became effective on 1 January 2023 (continued)

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

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

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

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates.' The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, the document clarifies how entities use measurement techniques and inputs to develop accounting estimates.

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

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

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

New standards and amendments issued but not yet adopted

The amendments and interpretations to the standards that were issued as at the date of issuance of the Bank's financial statements but are not mandatory and were not early adopted by the Bank in the financial statements for 2023 are disclosed below.

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

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

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- That an entity should disclose additional information if it classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months

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

The Bank is currently assessing the possible impact of these amendments on the current classification of liabilities, whether existing loan agreements may require renegotiation and the possibility of early application.

(in thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

New standards and amendments issued but not yet adopted (continued)

Amendments to IFRS 16 Leases

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

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

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

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

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

The Bank is currently assessing the impact the amendments may have on the current assessment of lease payments under such transactions, and the possibility of early application.

Amendments to IAS 21 – Lack of Exchangeability

On 20 August 2023, the IASB issued amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates.* The amendments introduce a definition of an exchangeable currency and give clarifications.

The amendments clarify that:

- A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations
- An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency for such a purpose
- When several exchange rates are available, the requirements remain unchanged, however, the requirement stating "if exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made" has been canceled. In such cases the current exchange rate should be assessed
- Disclosure requirements have been expanded. An entity is required to disclose information about:
    - The nature and financial effects of the currency not being exchangeable into the other currency
    - The spot exchange rate(s) used
    - The estimation process; and
    - The risks to which the entity is exposed because of the currency not being exchangeable into the other currency

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Early application is permitted.

4. Significant accounting judgments and estimates

In preparing these financial statements, management used professional judgments, assumptions and estimates affecting the application of the Bank's accounting policies and the amounts of reported assets and liabilities, income and expenses. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to estimates are recognized in the reporting period in which the estimates are revised and in any future periods affected.

(in thousands of Belarusian rubles)

4. Significant accounting judgments and estimates (continued)

Judgments

Information about judgments, which were used in applying the accounting policies and had the most significant effect on the amounts recognized in the financial statements, is disclosed in the following notes:

- Classification of financial assets: assessment of the business model within which financial assets are held and assessment of whether the contractual terms of the financial asset provide for solely payments of principal and interest on the principal amount outstanding – Note 3
- Establishment of criteria for assessing whether there has been a significant increase in credit risk on a financial asset since its initial recognition, determination of a methodology for including forward-looking information in the estimation of ECL, and selection and approval of models used to estimate ECL – Note 24
- When assessing the loss given default (LGD) of individually significant borrowers, the Bank applies judgment on the term of selling real estate taken as collateral under a corresponding loan, which does not exceed 12 months
- To determine levels of the fair value hierarchy, the Bank uses judgment to determine an active market. A description of valuation techniques and key input data on financial instruments measured at fair value are provided in Note 25
- Revaluation of office premises at fair value: the fair value is measured by independent appraisers using mainly the income approach and the market approach that reflect the market value of real estate and take into account information on transactions in the domestic real estate market
- Operating leases: the Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses an incremental borrowing rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and applies certain estimates. With respect to the lease term, the Bank determines whether there is reasonable certainty that the Bank will exercise options to extend and terminate the lease. More details are provided in Note 3

Assumptions and estimation uncertainty

Information about the assumptions and estimation uncertainty, which give rise to a significant risk that they may cause a significant adjustment to the data in the financial statements for the year ended 31 December 2023, is disclosed in the following notes:

- Estimating ECL on financial instruments: determination of inputs for the ECL assessment model, including forward-looking information – Note 24
- Impairment of financial instruments – Notes 5, 6, 7, 8 and 12
- Fair value measurement of financial assets and liabilities – Note 25

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2023	*31 December 2022*
Current accounts with the National Bank of the Republic of Belarus	359,043	222,159
Current accounts with other credit institutions	239,665	73,649
Cash on hand	233,995	195,015
Due from credit institutions up to 90 days	24,819	29
Reverse repurchase agreements with credit institutions up to 90 days	10,356	20,577
Total cash and cash equivalents	**867,878**	**511,429**
Less loss allowance	(172)	(138)
Cash and cash equivalents	**867,706**	**511,291**

As at 31 December 2023, current accounts with other credit institutions included BYN 113,554 thousand, placed with eleven banks in the Republic of Belarus, as well as BYN 52,101 thousand, placed with fourteen banks in the Russian Federation (31 December 2022: BYN 24,721 thousand placed with nine banks in the Republic of Belarus, as well as BYN 22,802 thousand placed with twelve banks in the Russian Federation).

(in thousands of Belarusian rubles)

5. Cash and cash equivalents (continued)

Movements in ECL allowances on current accounts with credit institutions and short-term deposits are presented below.

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Allowance for ECL at 1 January	**138**	–	–	**138**
New financial assets originated or purchased	172	–	–	**172**
Financial assets redeemed	(138)	–	–	**(138)**
Allowance for ECL at 31 December	**172**	–	–	**172**

The analysis of changes in ECL for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Allowance for ECL at 1 January	**93**	–	–	**93**
Transfers to Stage 2	(3,510)	3,510	–	–
Transfers to Stage 3	–	(3,510)	3,510	–
New financial assets originated or purchased	3,648	–	–	**3,648**
Reclassification from cash and cash equivalents into due from credit and financial institutions	–	–	(3,510)	**(3,510)**
Financial assets redeemed	(93)	–	–	**(93)**
Allowance for ECL at 31 December	**138**	–	–	**138**

Movements in allowances are associated with the following changes in the amount of funds placed on current accounts with credit institutions and the National Bank of the Republic of Belarus, and short-term deposits.

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Gross carrying amount at 1 January	**316,414**	–	–	**316,414**
New financial assets originated or purchased	633,883	–	–	**633,883**
Repayment	(316,414)	–	–	**(316,414)**
Gross carrying amount at 31 December	**633,883**	–	–	**633,883**

The above movements are presented to provide the rationale for the change in the amount of ECL during the year and do not reflect any movements if the Bank placed funds on current accounts with credit institutions and the National Bank of the Republic of Belarus, as well as short-term deposits during the year.

The analysis of changes in the gross carrying amount for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Gross carrying amount at 1 January	**342,927**	–	–	**342,927**
Transfers to Stage 2	(3,510)	3,510	–	–
Transfers to Stage 3	–	(3,510)	3,510	–
New financial assets originated or purchased	316,414	–	–	**316,414**
Reclassification from cash and cash equivalents into due from credit and financial institutions	–	–	(3,510)	**(3,510)**
Repayment	(339,417)	–	–	**(339,417)**
Gross carrying amount at 31 December	**316,414**	–	–	**316,414**

(in thousands of Belarusian rubles)

6. Due from credit and financial institutions

Due from credit and financial institutions comprise:

	31 December 2023	*31 December 2022*
Mandatory cash balances with the National Bank of the Republic of Belarus	31,127	14,739
Term deposits for more than 90 days	29,476	14,408
Funds in settlements with international payment systems	22,211	39,147
Restricted cash	4,360	3,807
Total due from credit and financial institutions	**87,174**	**72,101**
Less loss allowance	(5,036)	(4,253)
Due from credit and financial institutions	**82,138**	**67,848**

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

As at 31 December 2023, 39% of term deposits placed for a period exceeding 90 days were represented by funds placed with two OECD credit institutions (2022: 92% placed with two OECD credit institutions), 57% of funds were placed with two Russian credit institutions (2022: none).

As at 31 December 2023, term deposits placed with credit and financial institutions for a period exceeding 90 days included BYN 11,068 thousand placed as collateral for obligations under settlements using plastic cards and international payment systems (2022: BYN 13,338 thousand).

As at 31 December 2023, restricted cash comprised BYN 4,360 thousand on correspondent accounts with foreign banks, which were temporarily frozen for transaction purposes and fully covered by allowances (2022: BYN 3,807 thousand).

The analysis of changes in ECL for the year ended 31 December 2023 is as follows:

	Stage 1	*Stage 3*	*Total 2023*
Allowance for ECL at 1 January	**446**	**3,807**	**4,253**
Net change in loss allowance	226	–	**226**
Derecognized financial assets	–	(61)	**(61)**
Changes in foreign exchange rates and other movements	4	614	**618**
Allowance for ECL at 31 December	**676**	**4,360**	**5,036**

The above movements are presented to provide the rationale for the change in the amount of ECL during the year and do not reflect any movements if the Bank placed funds with credit institutions and the National Bank of the Republic of Belarus during the year.

The analysis of changes in ECL for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 3*	*Total 2022*
Allowance for ECL at 1 January	**190**	–	**190**
Net change in loss allowance	252	–	**252**
Reclassification from cash and cash equivalents into due from credit and financial institutions	–	3,510	**3,510**
Changes in foreign exchange rates and other movements	4	297	**301**
Allowance for ECL at 31 December	**446**	**3,807**	**4,253**

(in thousands of Belarusian rubles)

6. Due from credit and financial institutions (continued)

The analysis of changes in the gross carrying amount for the year ended 31 December 2023 is as follows:

	Stage 1	*Stage 3*	*Total 2023*
Debt at 1 January	**68,294**	**3,807**	**72,101**
Increase in gross carrying amount or initial recognition of financial instruments	51,387	–	**51,387**
Decrease in gross carrying amount or derecognition of financial instruments	(39,156)	(61)	**(39,217)**
Changes in foreign exchange rates and other movements	2,289	614	**2,903**
Debt at 31 December	**82,814**	**4,360**	**87,174**

The analysis of changes in the gross carrying amount for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 3*	*Total 2022*
Debt at 1 January	**22,924**	**–**	**22,924**
Increase in gross carrying amount or initial recognition of financial instruments	49,831	–	**49,831**
Decrease in gross carrying amount or derecognition of financial instruments	(5,125)	–	**(5,125)**
Reclassification from cash and cash equivalents into due from credit and financial institutions	–	3,510	**3,510**
Changes in foreign exchange rates and other movements	664	297	**961**
Debt at 31 December	**68,294**	**3,807**	**72,101**

7. Loans to customers

Loans to customers comprise:

	31 December 2023	*31 December 2022*
Loans to legal entities	1,417,718	835,863
Loans to individuals	822,904	606,496
Finance leases	146,136	66,363
Total loans to customers	**2,386,758**	**1,508,722**
Less loss allowance	(48,478)	(40,213)
Loans to customers	**2,338,280**	**1,468,509**

The Bank measures receivables from individuals who are founders (participants, owners) of legal entities within the framework of special credit products as loans to legal entities. As at 31 December 2023, the gross carrying amount of such loans amounted to BYN 74 thousand (31 December 2022: BYN 87 thousand).

(in thousands of Belarusian rubles)

7. Loans to customers (continued)

The analysis of changes in ECL on loans to legal entities and individuals for the year ended 31 December 2023 is presented below. The movements are presented to provide the rationale for the change in the amount of ECL during the year and do not reflect any movements if the debt was originated and settled during the year.

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Allowance for ECL on loans to individuals				
Balance at 1 January	**5,244**	**846**	**9,462**	**15,552**
Transfers to Stage 1	163	(68)	(95)	–
Transfers to Stage 2	(83)	575	(492)	–
Transfers to Stage 3	(281)	(663)	944	–
Change in allowance related to change in impairment stages	(84)	356	5,627	**5,899**
Change in allowance related to change in assessment of qualitative parameters	(523)	(4)	3,792	**3,265**
New financial assets originated or purchased	3,995	758	2,058	**6,811**
Derecognized financial assets	(1,926)	(432)	(3,227)	**(5,585)**
Write-offs	–	–	(9,209)	**(9,209)**
Allowance for ECL on loans to individuals at 31 December	**6,505**	**1,368**	**8,860**	**16,733**

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Allowance for ECL on loans to legal entities				
Balance at 1 January	**5,844**	**1,288**	**16,724**	**23,856**
Transfers to Stage 1	2,059	(518)	(1,541)	–
Transfers to Stage 2	(590)	880	(290)	–
Transfers to Stage 3	(559)	(251)	810	–
Change in allowance related to change in impairment stages	(1,690)	983	3,465	**2,758**
Change in allowance related to change in assessment of qualitative parameters	(213)	3	523	**313**
New financial assets originated or purchased	5,891	686	1,248	**7,825**
Derecognized financial assets	(3,569)	(629)	(6,186)	**(10,384)**
Write-offs	–	–	(450)	**(450)**
Changes in foreign exchange rates and other movements	680	147	2,035	**2,862**
Changes in models and inputs	(2,153)	(2,316)	9,038	**4,569**
Allowance for ECL on loans to legal entities at 31 December	**5,700**	**273**	**25,376**	**31,349**

The analysis of changes in ECL on loans to legal entities and individuals for the year ended 31 December 2022 is presented below.

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Allowance for ECL on loans to individuals				
Balance at 1 January	**2,796**	**773**	**6,632**	**10,201**
Transfers to Stage 1	45	(6)	(39)	–
Transfers to Stage 2	(826)	845	(19)	–
Transfers to Stage 3	(8,484)	(2,369)	10,853	–
Net change in loss allowance	9,002	1,833	526	**11,361**
New financial assets originated or purchased	3,766	–	–	**3,766**
Derecognized financial assets	(1,055)	(230)	(2,630)	**(3,915)**
Write-offs	–	–	(5,861)	**(5,861)**
Allowance for ECL on loans to individuals at 31 December	**5,244**	**846**	**9,462**	**15,552**

(in thousands of Belarusian rubles)

7. Loans to customers (continued)

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Allowance for ECL on loans to legal entities				
Balance at 1 January	**8,318**	**1,131**	**5,293**	**14,742**
Transfers to Stage 1	2,125	(354)	(1,771)	–
Transfers to Stage 2	(787)	889	(102)	–
Transfers to Stage 3	(6,295)	(638)	6,933	–
Net change in loss allowance	(1,662)	421	8,010	6,769
New financial assets originated or purchased	9,788	–	–	9,788
Derecognized financial assets	(5,969)	(169)	(1,735)	(7,873)
Changes in foreign exchange rates and other movements	326	8	96	430
Allowance for ECL on loans to legal entities at 31 December	**5,844**	**1,288**	**16,724**	**23,856**

Movements in ECL allowances are associated with the following changes in the gross carrying amount of loans to individuals:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Outstanding loans to individuals				
Balance at 1 January	**585,832**	**3,306**	**17,358**	**606,496**
Transfers to Stage 1	488	(299)	(189)	–
Transfers to Stage 2	(4,985)	5,889	(904)	–
Transfers to Stage 3	(10,737)	(2,307)	13,044	–
New financial assets originated or purchased	470,799	2,699	4,397	477,895
Derecognized financial assets	(241,257)	(2,555)	(8,475)	(252,287)
Write-offs	–	–	(9,209)	(9,209)
Changes in foreign exchange rates and other movements	6	–	3	9
Outstanding loans to individuals at 31 December	**800,146**	**6,733**	**16,025**	**822,904**

All amounts outstanding on loans issued to individuals that were written off during the years ended 31 December 2023 and 31 December 2022 were still subject to enforcement procedures.

Movements in ECL allowances are associated with the following changes in the gross carrying amount of loans to legal entities:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Outstanding loans to legal entities				
Balance at 1 January	**662,001**	**51,598**	**122,264**	**835,863**
Transfers to Stage 1	60,215	(43,488)	(16,727)	–
Transfers to Stage 2	(8,855)	12,242	(3,387)	–
Transfers to Stage 3	(10,535)	(1,555)	12,090	–
New financial assets originated or purchased	931,226	3,460	2,500	937,186
Derecognized financial assets	(394,274)	(8,553)	(23,659)	(426,486)
Write-offs	–	–	(450)	(450)
Changes in foreign exchange rates and other movements	52,456	2,133	17,016	71,605
Changes in models and inputs	4,620	(5,393)	773	–
Outstanding loans to legal entities at 31 December	**1,296,854**	**10,444**	**110,420**	**1,417,718**

(in thousands of Belarusian rubles)

7. Loans to customers (continued)

The analysis of changes in outstanding loans to individuals and legal entities for the year ended 31 December 2022 is presented below.

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Outstanding loans to individuals				
Balance at 1 January	**567,775**	**5,171**	**12,816**	**585,762**
Transfers to Stage 1	2,708	(269)	(2,439)	–
Transfers to Stage 2	(3,282)	3,351	(69)	–
Transfers to Stage 3	(15,018)	(2,996)	18,014	–
New financial assets originated or purchased	257,760	–	–	**257,760**
Derecognized financial assets	(224,111)	(1,951)	(5,103)	**(231,165)**
Write-offs	–	–	(5,861)	**(5,861)**
Outstanding loans to individuals at 31 December	**585,832**	**3,306**	**17,358**	**606,496**

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Outstanding loans to legal entities				
Balance at 1 January	**703,092**	**11,608**	**12,660**	**727,360**
Transfers to Stage 1	10,180	(5,890)	(4,290)	–
Transfers to Stage 2	(52,794)	53,041	(247)	–
Transfers to Stage 3	(120,404)	(2,974)	123,378	–
New financial assets originated or purchased	503,666	–	–	**503,666**
Derecognized financial assets	(405,629)	(4,468)	(11,285)	**(421,382)**
Changes in foreign exchange rates and other movements	23,890	281	2,048	**26,219**
Outstanding loans to legal entities at 31 December	**662,001**	**51,598**	**122,264**	**835,863**

The loss allowance in the tables above includes expected credit losses on loan commitments to customers, such as credit facilities, credit cards, overdrafts, since for each loan agreement the Bank determines the amount of expected credit losses on the unclaimed component of loan commitments together with the already issued component of loan commitments.

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions – cash or securities
- For commercial lending – charges over real estate, property and equipment, inventory and receivables
- For lending to purchase property and equipment – pledge of the purchased item of property and equipment, for example, a car

The table below presents information on collateral for loans issued to individuals and legal entities. The data is based on the gross carrying amount of loans before allowances for ECL rather than on the fair value of collateral.

	31 December 2023	*31 December 2022*
Real estate	446,059	392,788
Property and equipment	318,510	180,758
Collateral under finance leases	145,902	66,363
Goods in turnover	352,174	126,877
Cash	23,156	6,310
Other	243,001	119,818
Unsecured	857,956	615,808
Loans to customers	**2,386,758**	**1,508,722**

(in thousands of Belarusian rubles)

7. Loans to customers (continued)

The Bank monitors the market value of collateral, exercises control over its availability and condition and control over the sufficiency of inventory in line with concluded pledge agreements, requests additional collateral in accordance with the underlying agreement, and monitors changes in the market value of collateral obtained and/or other significant information in the course of estimating the allowance for impairment losses.

As at 31 December 2023, 93.8% of the loan portfolio of individuals amounting to BYN 774,327 thousand (31 December 2022: 99.9%, or BYN 605,698 thousand) is represented by unsecured loans.

As at 31 December 2023, loans secured by guarantee deposits amounted to BYN 23,156 thousand (31 December 2022: BYN 6,310 thousand).

Other types of collateral include bank guarantees of other Belarusian banks. As at 31 December 2023, loans secured by such guarantees amounted to BYN 13,857 thousand (31 December 2022: BYN 10,652 thousand).

In the absence of collateral or other credit enhancements, ECL on Stage 3 loans to customers as at 31 December 2023 and 2022 would have been higher by:

	31 December 2023	*31 December 2022*
Loans to legal entities	29,079	39,919
Loans to individuals	–	–
Finance leases	–	–
Total loans to customers	**29,079**	**39,919**

Concentration of loans to customers

As at 31 December 2023, the concentration of loans issued by the Bank to ten largest groups of borrowers amounted to BYN 543,945 thousand, or 23% of the gross loan portfolio (31 December 2022: BYN 361,493 thousand, or 24%). A loss allowance was created for these loans in the amount of BYN 12,881 thousand (31 December 2022: BYN 8,260 thousand).

The loan portfolio structure by customer type is as follows:

	31 December 2023	*31 December 2022*
Private enterprises	1,528,020	881,456
Individuals	825,479	607,299
State organizations	33,259	19,967
Loans to customers	**2,386,758**	**1,508,722**

Amounts due from private enterprises include amounts due from private entrepreneurs and individuals who are founders (participants, owners) of legal entities to which loans under special credit products are extended. As at 31 December 2023, the gross carrying amount of such loans was BYN 47,334 thousand (31 December 2022: BYN 39,663 thousand).

Loans to legal entities (including finance leases) are mainly issued to residents of the Republic of Belarus (the share of non-residents is 0.136% of the gross carrying amount as at 31 December 2023) operating in the following industry sectors:

	31 December 2023	*31 December 2022*
Individuals	825,479	607,299
Trade	712,483	385,160
Manufacturing	214,249	113,095
Real estate	203,971	195,936
Financial services	186,169	56,416
Construction	91,445	62,105
Transportation	77,266	53,381
Agriculture	4,553	2,698
Other	71,143	32,632
Loans to customers	**2,386,758**	**1,508,722**

(in thousands of Belarusian rubles)

7. Loans to customers (continued)

Concentration of loans to customers (continued)

Loans to individuals (including finance leases) are also issued mainly to residents of the Republic of Belarus (the share of non-residents is 0.002% of the gross carrying amount as at 31 December 2023).

Finance lease receivables

The Bank is a lessor under finance leases. Subjects of the leases are motor vehicles and production equipment. The term of the lease is from 12 months to 48 months for motor vehicles and up to 60 months under other leases.

Subject to agreement with the Bank, the lessee is entitled to early discharge its obligations under the lease in full provided that at least one year has passed from the date of the actual transfer of the leased asset to the lessee. Under the written consent of the Bank, the leased asset may be leased, subleased or transferred gratuitously provided that the legislation requirements are met. In case of early termination of the lease and withdrawal by the Bank (return by the lessee) of the leased asset, the lessee should apply to the relevant registration authority for introduction of amendments to the information on the state registration of the leased asset as required.

The analysis of finance lease receivables as at 31 December 2023 is as follows:

	Up to 1 year	*Later than 1 year and not later than 2 years*	*From 2 to 3 years*	*From 3 to 4 years*	*From 4 to 5 years*	*More than 5 years*
Gross investment in finance leases	95,585	47,009	20,720	7,764	3,454	3
Unearned future finance income on finance lease	(15,624)	(8,180)	(3,230)	(1,097)	(268)	–
Net investments in finance leases	**79,961**	**38,829**	**17,490**	**6,667**	**3,186**	**3**

The analysis of finance lease receivables as at 31 December 2022 is as follows:

	Up to 1 year	*Later than 1 year and not later than 5 years*	*From 2 to 3 years*	*From 3 to 4 years*	*From 4 to 5 years*	*More than 5 years*
Gross investment in finance leases	53,113	21,017	9,264	3,471	1,544	–
Unearned future finance income on finance lease	(11,897)	(6,499)	(2,566)	(871)	(213)	–
Net investments in finance leases	**41,216**	**14,518**	**6,698**	**2,600**	**1,331**	**–**

Information on the charged loss allowance related to finance lease receivables for the year ended 31 December 2023 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Balance at 1 January	**492**	**151**	**162**	**805**
Transfers to Stage 1	93	(39)	(54)	–
Transfers to Stage 2	(5)	6	(1)	–
Transfers to Stage 3	(1)	(2)	3	–
Change in allowance related to change in impairment stages	(9)	17	1	**9**
Change in allowance related to change in assessment of qualitative parameters	(135)	(23)	(2)	**(160)**
New financial assets originated or purchased	348	4	5	**357**
Derecognized financial assets	(415)	(89)	(101)	**(605)**
Changes in foreign exchange rates and other movements	31	8	13	**52**
Changes in models and inputs	(67)	(23)	28	**(62)**
Balance at 31 December	**332**	**10**	**54**	**396**

(in thousands of Belarusian rubles)

7. Loans to customers (continued)

Finance lease receivables (continued)

Information on the charged loss allowance related to finance lease receivables for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Balance at 1 January	**318**	**201**	**122**	**641**
Transfers to Stage 1	135	(72)	(63)	–
Transfers to Stage 2	(24)	42	(18)	–
Transfers to Stage 3	(72)	(56)	128	–
Net change in loss allowance	(31)	92	67	**128**
New financial assets originated or purchased	449	–	–	**449**
Derecognized financial assets	(297)	(60)	(79)	**(436)**
Changes in foreign exchange rates and other movements	14	4	5	**23**
Balance at 31 December	**492**	**151**	**162**	**805**

The analysis of changes in finance lease receivables for the year ended 31 December 2023 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Finance lease receivables				
Balance at 1 January	**64,900**	**1,112**	**351**	**66,363**
Transfers to Stage 1	347	(216)	(131)	–
Transfers to Stage 2	(836)	838	(2)	–
Transfers to Stage 3	(67)	(25)	92	–
New financial assets originated or purchased	124,224	79	37	**124,340**
Derecognized financial assets	(46,866)	(1,025)	(290)	**(48,181)**
Changes in foreign exchange rates and other movements	3,384	204	26	**3,614**
Changes in models and inputs	(274)	78	196	–
Finance lease receivables at 31 December	**144,812**	**1,045**	**279**	**146,136**

The analysis of changes in finance lease receivables for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Finance lease receivables				
Balance at 1 January	**61,363**	**3,061**	**296**	**64,720**
Transfers to Stage 1	2,100	(1,947)	(153)	–
Transfers to Stage 2	(1,759)	1,804	(45)	–
Transfers to Stage 3	(522)	(284)	806	–
New financial assets originated or purchased	46,432	–	–	**46,432**
Derecognized financial assets	(44,122)	(1,575)	(586)	**(46,283)**
Changes in foreign exchange rates and other movements	1,408	53	33	**1,494**
Finance lease receivables at 31 December	**64,900**	**1,112**	**351**	**66,363**

8. Investment securities

Investment securities comprise:

	31 December 2023	*31 December 2022*
Debt securities at FVOCI	49,088	49,947
Debt securities at amortized cost	39,405	29,588
Equity securities	1,243	968
Total investment securities	**89,736**	**80,503**
Less loss allowance	(1,073)	(692)
Investment securities	**88,663**	**79,811**

(in thousands of Belarusian rubles)

8. Investment securities (continued)

The Bank at its own discretion classified investments set out in the table below as equity securities measured at FVOCI. The Bank expects that these investments will be held in the long-term perspective in order to achieve the objectives set, for which reason the Bank reclassified them into securities measured at FVOCI.

Equity securities held by the Bank are as follows:

	Fair value at 31 December 2023	*Fair value at 31 December 2022*
OJSC NBFI SSIS	1,155	880
SWIFT	88	88
Total investments in equity securities at fair value through other comprehensive income	**1,243**	**968**

As at 31 December 2023 and 31 December 2022, there were no assets pledged as collateral for funds raised from banks (Note 13).

Debt securities measured at FVOCI but not pledged are presented by the following instruments:

	31 December 2023	*31 December 2022*
Bonds issued by republican governmental bodies	49,088	49,947
Total securities at fair value through other comprehensive income	**49,088**	**49,947**
Including loss allowance	*(1,212)*	*(1,282)*
Carrying amount – fair value of securities measured at fair value through other comprehensive income	**49,088**	**49,947**

Debt securities measured at amortized cost are presented by the following instruments:

	31 December 2023	*31 December 2022*
Bonds issued by republican governmental bodies	39,405	29,588
Total securities at amortized cost	**39,405**	**29,588**
Loss allowance	(1,073)	(692)
Carrying amount of securities at amortized cost	**38,332**	**28,896**

Movements in allowances for losses on securities at FVOCI for the year ended 31 December 2023 are as follows:

	Stage 1	*Total 2023*
Investment securities		
Balance at 1 January	**1,282**	**1,282**
New financial assets originated or purchased	118	**118**
Derecognized financial assets	(187)	**(187)**
Net change in allowance	(190)	**(190)**
Changes in foreign exchange rates and other movements	189	**189**
Balance at 31 December	**1,212**	**1,212**

The analysis of changes in ECL for the year ended 31 December 2022 is as follows:

	Stage 1	*Total 2022*
Investment securities		
Balance at 1 January	**614**	**614**
New financial assets originated or purchased	850	**850**
Derecognized financial assets	(373)	**(373)**
Net change in allowance	174	**174**
Changes in foreign exchange rates and other movements	17	**17**
Balance at 31 December	**1,282**	**1,282**

(in thousands of Belarusian rubles)

8. Investment securities (continued)

Movements in allowances for losses on securities at amortized cost for the year ended 31 December 2023 are as follows:

	Stage 1	*Total 2023*
Investment securities		
Balance at 1 January	**692**	**692**
New financial assets originated or purchased	359	**359**
Derecognized financial assets	(89)	**(89)**
Net change in allowance	7	**7**
Changes in foreign exchange rates and other movements	104	**104**
Balance at 31 December	**1,073**	**1,073**

The analysis of changes in ECL for the year ended 31 December 2022 is as follows:

	Stage 1	*Total 2022*
Investment securities		
Balance at 1 January	**–**	**–**
New financial assets originated or purchased	161	**161**
Net change in allowance	219	**219**
Changes in foreign exchange rates and other movements	312	**312**
Balance at 31 December	**692**	**692**

Changes in the loss allowance for securities at FVOCI are related to changes in debt on securities.

	Stage 1	*Total 2023*
Debt on securities at FVOCI		
Balance at 1 January	**49,947**	**49,947**
New financial assets originated or purchased	4,260	**4,260**
Net change in allowance	(2,504)	**(2,504)**
Derecognized financial assets	(9,666)	**(9,666)**
Changes in foreign exchange rates and other movements	7,051	**7,051**
Debt on securities at FVOCI at 31 December	**49,088**	**49,088**

Changes in the loss allowance for securities at amortized cost are related to changes in debt on securities.

	Stage 1	*Total 2023*
Debt on securities at amortized cost		
Balance at 1 January	**29,588**	**29,588**
New financial assets originated or purchased	13,465	**13,465**
Net change in allowance	(8)	**(8)**
Derecognized financial assets	(7,360)	**(7,360)**
Changes in foreign exchange rates and other movements	3,720	**3,720**
Debt on securities at amortized cost at 31 December	**39,405**	**39,405**

The above movements are presented to provide the rationale for the change in the amount of ECL during the year and do not reflect any movements if investment securities were sold and purchased during the year.

The analysis of changes in debt on investment securities at FVOCI for the year ended 31 December 2022 is as follows:

	Stage 1	*Total 2022*
Debt on securities at FVOCI		
Balance at 1 January	**39,639**	**39,639**
New financial assets originated or purchased	34,092	**34,092**
Net change in allowance	(354)	**(354)**
Derecognized financial assets	(24,522)	**(24,522)**
Changes in foreign exchange rates and other movements	1,092	**1,092**
Debt on securities at FVOCI at 31 December	**49,947**	**49,947**

(in thousands of Belarusian rubles)

8. Investment securities (continued)

The analysis of changes in debt on investment securities at amortized cost for the year ended 31 December 2022 is as follows:

	Stage 1	*Total 2022*
Debt on securities at amortized cost		
Balance at 1 January	–	–
New financial assets originated or purchased	10,098	**10,098**
Net change in allowance	4	**4**
Derecognized financial assets	–	–
Changes in foreign exchange rates and other movements	19,486	**19,486**
Debt on securities at amortized cost at 31 December	**29,588**	**29,588**

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

Movements in property and equipment were as follows:

	Buildings and structures	*Computers and office equipment*	*Motor vehicles*	*Furniture and fixtures*	*Construc-tion in progress*	*Right-of-use assets*	*Total*
Cost							
At 1 January 2023	**26,041**	**30,273**	**723**	**15,302**	**1,830**	**13,756**	**87,925**
Additions	1	3,538	–	3,355	409	11,616	**18,919**
Disposals	–	(879)	(175)	(1,079)	–	(16,458)	**(18,591)**
Contract modifications	–	–	–	–	–	44	**44**
Transfers	572	(691)	134	1,834	(1,849)	–	–
Revaluation	4,180	–	–	–	–	–	**4,180**
At 31 December 2023	**30,794**	**32,241**	**682**	**19,412**	**390**	**8,958**	**92,477**
Accumulated depreciation							
At 1 January 2023	**(1,406)**	**(22,837)**	**(482)**	**(10,207)**	–	**(8,311)**	**(43,243)**
Depreciation charge	(281)	(2,518)	(80)	(2,039)	–	(8,193)	**(13,111)**
Disposals	–	761	104	1,004	–	10,642	**12,511**
Transfers	534	655	–	(1,189)	–	–	–
Revaluation	(164)	–	–	–	–	–	**(164)**
At 31 December 2023	**(1,317)**	**(23,939)**	**(458)**	**(12,431)**	–	**(5,862)**	**(44,007)**
Net book value							
At 1 January 2023	**24,635**	**7,436**	**241**	**5,095**	**1,830**	**5,445**	**44,682**
At 31 December 2023	**29,477**	**8,302**	**224**	**6,981**	**390**	**3,096**	**48,470**
Cost							
At 1 January 2022	**28,005**	**30,341**	**658**	**15,226**	**589**	**28,889**	**103,708**
Additions	108	509	45	1,594	–	8,167	**10,423**
Disposals	(92)	(510)	(81)	(1,162)	–	(23,285)	**(25,130)**
Contract modifications	–	–	–	–	–	(15)	**(15)**
Transfers	(919)	(67)	101	(356)	1,241	–	–
Revaluation	(1,061)	–	–	–	–	–	**(1,061)**
At 31 December 2022	**26,041**	**30,273**	**723**	**15,302**	**1,830**	**13,756**	**87,925**
Accumulated depreciation							
At 1 January 2022	**(1,068)**	**(20,954)**	**(475)**	**(10,426)**	–	**(20,644)**	**(53,567)**
Depreciation charge	(611)	(2,337)	(41)	(703)	–	(5,739)	**(9,431)**
Disposals	89	473	84	1,013	–	18,072	**19,731**
Transfers	160	(19)	(50)	(91)	–	–	–
Revaluation	24	–	–	–	–	–	**24**
At 31 December 2022	**(1,406)**	**(22,837)**	**(482)**	**(10,207)**	–	**(8,311)**	**(43,243)**
Net book value							
At 1 January 2022	**26,937**	**9,387**	**183**	**4,800**	**589**	**8,245**	**50,141**
At 31 December 2022	**24,635**	**7,436**	**241**	**5,095**	**1,830**	**5,445**	**44,682**

(in thousands of Belarusian rubles)

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

As at 31 December 2023 and 31 December 2022, the cost of fully depreciated property and equipment was BYN 21,519 thousand and BYN 18,367 thousand, respectively. As at 31 December 2023, an independent valuation of office premises was performed, which resulted in a revaluation increase of BYN 4,016 thousand (31 December 2022: an impairment loss of BYN 1,089 thousand and a revaluation increase in property and equipment of BYN 52 thousand).

Right-of-use assets are represented by leases of premises for cash settlement centers.

If the office premises were measured using the cost model, the carrying amounts would be as follows:

	2023	*2022*
Cost	**27,607**	**27,574**
Accumulated depreciation and impairment	(1,153)	(896)
Net carrying amount	**26,454**	**26,678**

10. Intangible assets

Movements in intangible assets were as follows:

	31 December 2023	*31 December 2022*
Cost		
At 1 January	**73,146**	**58,841**
Additions	15,604	15,484
Additions from business combinations	–	–
Disposals	(3,073)	(1,179)
At 31 December	**85,677**	**73,146**
Accumulated amortization		
At 1 January	**(37,096)**	**(25,015)**
Amortization charge	(6,616)	(12,228)
Amortization additions through business combinations	–	–
Disposals	3,070	147
At 31 December	**(40,642)**	**(37,096)**
Net book value		
At 1 January	**36,050**	**33,826**
At 31 December	**45,035**	**36,050**

As at 31 December 2023 and 2022, the cost of fully amortized intangible assets amounted to BYN 10,422 thousand and BYN 8,643 thousand, respectively.

The Bank's intangible assets are mainly represented by software used in banking activities (accounting systems, software for processing systems and business lines), and license agreements for its use.

11. Taxation

Income tax expense comprises the following:

	Total 2023	*Total 2022*
Current income tax expense	41,214	30,471
Deferred tax expense/(benefit) – origination and reversal of temporary differences	3,759	8,251
Income tax expense	**44,973**	**38,722**

Belarusian legal entities are obliged to calculate and pay taxes on an individual basis. The income tax rate for banks is set at 25% from 1 January 2015, except for income from operations with securities that are not accounted for when determining gross profit in accordance with the Tax Code of the Republic of Belarus.

(in thousands of Belarusian rubles)

11. Taxation (continued)

As at 31 December 2023 and 2022, deferred tax assets and liabilities were calculated using the tax rate of 25%.

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

	Total 2023	*Total 2022*
Profit before tax	**176,256**	**150,104**
Statutory tax rate	25%	25%
Theoretical income tax expense at statutory rate	**44,064**	**37,526**
Tax effect of income from operations with securities exempt in accordance with legislation	(959)	(1,052)
Effect of non-deductible expenses	1,506	1,334
Other	362	914
Income tax expense	**44,973**	**38,722**

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

	31 December 2022	*Origination and reversal of temporary differences in the statement of profit or loss*	*Recognized in comprehensive income*	*31 December 2023*
Tax effect of deductible temporary differences				
Investment securities	173	95	–	268
Property and equipment	1,263	879	(731)	1,410
Intangible assets	343	37	–	380
Due to customers	275	895	–	1,170
Other assets	–	–	–	–
Other liabilities	3,567	(3,567)	–	–
Tax effect of taxable temporary differences				
Cash and cash equivalents	(1,608)	795	–	(813)
Due from credit and financial institutions	(1,472)	(1,791)	–	(3,263)
Loans to customers	(24,446)	1,035	–	(23,411)
Investment securities	(2)	–	–	(2)
Other assets	(853)	117	–	(736)
Other liabilities	–	(2,279)	–	(2,279)
Subordinated debt	(25)	25	–	–
Deferred tax liabilities, net	**(22,785)**	**(3,759)**	**(731)**	**(27,276)**

(in thousands of Belarusian rubles)

11. Taxation (continued)

	31 December 2021	*Origination and reversal of temporary differences in the statement of profit or loss*	*Recognized in comprehensive income*	*31 December 2022*
Tax effect of deductible temporary differences				
Derivative financial liabilities	30	(30)	–	–
Investment securities	–	173	–	173
Loans to customers	2,420	(2,420)	–	–
Property and equipment	827	449	(13)	1,263
Intangible assets	–	343	–	343
Due to customers	245	30	–	275
Other liabilities	2,556	1,011	–	3,567
Tax effect of taxable temporary differences				
Cash and cash equivalents	(220)	(1,388)	–	(1,608)
Due from credit and financial institutions	(121)	(1,351)	–	(1,472)
Derivative financial assets	(25)	25	–	–
Loans to customers	(17,488)	(6,958)	–	(24,446)
Investment securities	(2)	–	–	(2)
Intangible assets	(129)	129	–	–
Due to credit institutions	(148)	148	–	–
Other assets	(2,246)	1,393	–	(853)
Debt securities issued	(166)	166	–	–
Other borrowings	–	–	–	–
Subordinated debt	(54)	29	–	(25)
Deferred tax liabilities, net	**(14,521)**	**(8,251)**	**(13)**	**(22,785)**

12. Other assets and liabilities

Other assets comprise:

	31 December 2023	*31 December 2022*
Fee and commission income accrued	999	1,617
Accounts receivable	486	1,145
Amounts receivable on banking operations	88	319
Total financial assets	**1,573**	**3,081**
Less loss allowance for other financial assets	(96)	(428)
Other financial assets less allowance	**1,477**	**2,653**
Prepaid taxes other than income tax	16,751	3,130
Prepayments	15,287	10,082
Inventories	3,955	4,287
Gold	2,983	–
Total non-financial assets	**38,976**	**17,499**
Other assets	**40,453**	**20,152**

As at 31 December 2023, prepayments and other debtors include prepayment for property and equipment in the amount of BYN 12,167 thousand (2022: BYN 7,777 thousand).

(in thousands of Belarusian rubles)

12. Other assets and liabilities (continued)

Other liabilities comprise:

	31 December 2023	*31 December 2022*
Payables to suppliers (contractors)	9,402	6,726
Liabilities accrued on bonus points	3,390	2,660
Lease liability	1,955	4,982
Accrued fee and commission expense	1,019	731
Amounts payable on banking operations	104	5,818
Provisions for contingent liabilities (Note 19)	244	265
Payables on property and equipment and intangible assets	–	204
Other	518	422
Total financial liabilities	**16,632**	**21,808**
Taxes payable other than income tax	13,216	4,366
Amounts payable to employees	5,895	5,833
Deferred revenue on annual card service commissions	8,437	9,460
Payables to the Agency for Deposit Compensation	380	287
Other	62	36
Total non-financial liabilities	**27,990**	**19,982**
Other liabilities	**44,622**	**41,790**

Movements in the loss allowance for other financial assets for 2023 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Loss allowance for other assets at 1 January	–	–	**428**	**428**
Transfers to Stage 2	(411)	411	–	–
Transfers to Stage 3	–	(411)	411	–
Net change in loss allowance	–	–	6,925	**6,925**
New financial assets originated or purchased	411	–	–	**411**
Derecognized financial assets	–	–	–	–
Write-offs	–	–	(7,668)	**(7,668)**
Loss allowance for other assets at 31 December	–	–	**96**	**96**

Movements in the loss allowance for other financial assets for 2022 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Loss allowance for other assets at 1 January	–	–	**1,734**	**1,734**
Transfers to Stage 2	(2,002)	2,002	–	–
Transfers to Stage 3	–	(2,002)	2,002	–
Net change in loss allowance	–	–	4,768	**4,768**
New financial assets originated or purchased	2,002	–	–	**2,002**
Derecognized financial assets	–	–	–	–
Write-offs	–	–	(8,076)	**(8,076)**
Loss allowance for other assets at 31 December	–	–	**428**	**428**

(in thousands of Belarusian rubles)

12. Other assets and liabilities (continued)

The change in the loss allowance for other financial assets is due to the change in debt for which the allowance is charged. This change in debt for 2023 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2023*
Debt for other financial assets				
Balance at 1 January	**2,577**	**–**	**504**	**3,081**
Transfers to Stage 2	(7,335)	7,335	–	–
Transfers to Stage 3	–	(7,335)	7,335	–
New financial assets originated or purchased	6,247	–	–	**6,247**
Derecognized financial assets	(87)	–	–	**(87)**
Write-offs	–	–	(7,668)	**(7,668)**
Debt for other financial assets at 31 December	**1,402**	**–**	**171**	**1,573**

The change in debt, for which the allowance is charged, for 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Debt for other financial assets				
Balance at 1 January	**926**	**–**	**3,768**	**4,694**
Transfers to Stage 2	(4,812)	4,812	–	–
Transfers to Stage 3		(4,812)	4,812	–
New financial assets originated or purchased	6,487	–	–	**6,487**
Derecognized financial assets	(24)	–	–	**(24)**
Write-offs	–	–	(8,076)	**(8,076)**
Debt for other financial assets at 31 December	**2,577**	**–**	**504**	**3,081**

The above movements are presented to provide the rationale for the change in the amount of ECL during the year and do not reflect any movements if the debt on other financial assets was originated and repaid during the year.

The carrying amounts of lease liabilities and respective movements during the period are as follows:

	2023	*2022*
At 1 January	**4,982**	**7,855**
Effect from modification	44	(15)
Additions	11,616	8,691
Interest accrued	332	383
Early termination of agreements	(7,249)	(5,341)
Revaluation of foreign exchange contracts	48	(933)
Payments	(7,818)	(5,658)
At 31 December	**1,955**	**4,982**

In 2023, total cash outflow on the Bank's leases amounted to BYN 8,985 thousand (2022: BYN 9,810 thousand). In 2023, the Bank also had non-cash additions of right-of-use assets and lease liabilities in the amount of BYN 11,660 thousand (2022: BYN 8,151 thousand).

13. Due to credit institutions

Due to credit institutions comprise:

	31 December 2023	*31 December 2022*
Repurchase agreements	70,000	–
Term deposits and loans from resident banks	30,942	54,810
Term deposits and loans from non-resident banks	4,840	–
Current accounts	1,149	638
Due to credit institutions	**106,931**	**55,448**

(in thousands of Belarusian rubles)

13. Due to credit institutions (continued)

As at 31 December 2023, due to credit institutions of BYN 70,027 thousand (65%) were represented by amounts due to one bank.

As at 31 December 2022, due to credit institutions of BYN 37,135 thousand (67%) were represented by amounts due to two banks.

14. Due to customers

Due to customers comprise:

	31 December 2023	*31 December 2022*
Term deposits	1,321,187	742,115
Current accounts of customers	1,160,867	742,777
Due to customers	**2,482,054**	**1,484,892**
Including cash held as security for the fulfillment of obligations	*112,985*	*65,375*

Term deposits include deposits held by the Bank as security under irrevocable letters of credit. The Bank is obliged to return the collateral upon expiry of the respective letters of credit.

As at 31 December 2023, due to customers in the amount of BYN 485,687 thousand (20%) were represented by due to ten largest customers (2022: BYN 346,552 thousand (23%)). As at 31 December 2023, the amount of debt under the guarantee deposit of the largest of these customers (group of related customers) was BYN 69,841 thousand (31 December 2022: BYN 45,383 thousand) and was pledged as security under the loan (Note 7).

Term deposits include deposits of individuals in the amount of BYN 291,661 thousand (2022: BYN 211,732 thousand).

Due to customers include accounts of the following types of customers:

	31 December 2023	*31 December 2022*
Private enterprises	1,347,841	863,201
Individuals	816,909	547,895
State organizations	317,304	73,796
Due to customers	**2,482,054**	**1,484,892**

The breakdown of customer accounts by economic sector is as follows:

	31 December 2023	*31 December 2022*
Individuals	816,909	547,895
Trade	384,589	286,083
Manufacturing	241,267	129,296
Non-profit organizations	149,790	3,894
Transportation	125,006	58,777
Construction	112,293	39,165
Real estate	107,803	62,130
Research	77,337	30,003
Software development and information technologies	76,231	51,926
Telecommunications	52,801	2,016
Entertainment	49,449	28,864
Insurance	42,537	10,082
Financial services	40,550	15,690
Individual entrepreneurs	39,183	34,908
Printing plant	30,352	14,568
Other	135,957	169,595
Due to customers	**2,482,054**	**1,484,892**

(in thousands of Belarusian rubles)

15. Debt securities issued

Debt securities issued are primarily placed through non-public sales and comprise the following:

	Currency	*Maturity*	*Interest rate*	*31 December 2023*	*31 December 2022*
Bonds (issue 27)	USD	2023	5.5	–	1,609
Bonds (issue 28)	EUR	2023	5.5	–	634
Bonds (issue 33)	BYN	2023	10	–	11,805
Bonds (issue 34)	BYN	2025	10.25	30,217	18,251
Bonds (issue 35)	BYN	2023-2024	10	46,559	20,263
Bonds (issue 37)	USD	2023	1.25	–	55
Bonds (issue 38)	BYN	2024	10	54,296	–
Bonds (issue 39)	BYN	2024	10	39,594	–
Debt securities issued				**170,666**	**52,617**

BYN-denominated interest-bearing bonds include 2019-2023 security issues.

As at 31 December 2023 and 2022, the Bank met obligations on securities issued in full and when they fell due.

16. Subordinated debt

Subordinated debt comprises the following:

	Date of attraction	*Maturity*	*Interest rate*	*31 December 2023*	*31 December 2022*
Subordinated loan 1 in USD	2010	2033	6.0%	14,617	12,586
Subordinated loan 2 in USD	2010	2033	6.0%	15,173	13,066
Subordinated loan 3 in BYN	2014	2023	5.0%	–	330
Subordinated loan 4 in BYN	2014	2023	5.0%	–	745
Subordinated loan 5 in USD	2015	2030	4.3%	6,355	5,473
Subordinated loan 6 in USD	2015	2025	6.0%	3,178	2,736
Subordinated loan 7 in USD	2022	2032	6.0%	15,886	13,682
Subordinated loan 8 in USD	2023	2033	6.0%	12,710	–
Subordinated debt				**67,919**	**48,618**

As at 31 December 2023 and 2022, the Bank met obligations on subordinated loans in full and when they fell due.

17. Equity

As at 31 December 2023, the authorized, issued and paid-in share capital of the Bank amounted to 168,201 ordinary shares (31 December 2022: 168,201 ordinary shares) with a nominal value of BYN 390.00 each. All the shares have the same nominal value and carry one vote. As at 31 December 2023, one (1) share was repurchased and held by the Bank.

There were no movements in shares outstanding, issued and fully paid during 2023. The table below shows the equity structure.

	Number of ordinary shares	*Total nominal value of ordinary shares*	*Adjustment for inflation*	*Total*
At 31 December 2023	168,201	65,598	44,828	**110,426**
At 31 December 2022	168,201	65,598	44,828	**110,426**

In 2023, a part of accumulated profit was distributed as dividends. The amount of dividends was BYN 43,836 thousand (BYN 261 per share). In 2023, the amount of dividends was BYN 15,480 thousand (BYN 92 per share). There are no outstanding balances at the end of the reporting period.

In accordance with Belarusian legislation, dividends may only be distributed to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with the laws of the Republic of Belarus. As at 31 December 2023, the Bank's undistributed and unreserved earnings determined in accordance with the laws of the Republic of Belarus amounted to BYN 203,223 thousand (2022: BYN 157,980 thousand).

(in thousands of Belarusian rubles)

17. Equity (continued)

Nature and purpose of other reserves

Property and equipment revaluation reserve

The property and equipment revaluation reserve is used to record increases in the fair value of buildings and any decrease to the extent that such a decrease relates to an increase on the same asset previously recognized in equity.

Investment securities revaluation reserve

This reserve records changes in the fair value of investment securities at FVOCI.

18. Commitments and contingencies

Legal

In the ordinary course of business, the Bank is subject to legal actions and claims. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the Bank's future financial position or performance.

Taxation

The taxation system in the Republic of Belarus is characterized by complexity and frequent changes in regulations, official pronouncements and authorities' decisions, which are sometimes contradictory and subject to varying interpretation. In addition, there is no extensive court practice in the Republic of Belarus on tax issues.

Taxes are subject to review and investigation by a number of regulatory authorities, which are entitled to impose severe fines, penalties and interest charges. A tax year remains open for review by tax authorities during five subsequent calendar years. In some cases, this period can be unlimited.

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 Bank may be challenged by the relevant authorities. As a result, significant additional taxes, penalties and interest may be assessed. Tax reviews may cover significant time periods.

Management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Insurance

The Bank has no insurance coverage related to liabilities arising from errors or omissions. Liability insurance is not widely spread in the Republic of Belarus at present. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Bank's operations and financial position.

19. Credit-related commitments

As at 31 December 2023 and 2022, the Bank's credit-related commitments comprised the following:

	31 December 2023	*31 December 2022*
Credit-related commitments		
Loan commitments	985,516	888,384
Guarantees	123,741	21,962
	1,109,257	**910,346**
Provisions for ECL	(244)	(265)
Commitments and contingencies	**1,109,013**	**910,081**

In accordance with the Bank's adopted accounting policies (Note 3), provisions for expected credit losses on loan commitments to customers, such as credit cards and overdrafts, are included in allowances on loans to customers (Note 7) since for each loan agreement the Bank determines the amount of expected credit losses on the unclaimed component of loan commitments together with the already issued component of loan commitments.

(in thousands of Belarusian rubles)

19. Credit-related commitments (continued)

Movements in the provision for ECL on financial guarantee liabilities in 2023 are as follows:

	Stage 1	*Stage 2*	*Total 2023*
Provision at 1 January	**162**	**103**	**265**
Net change in loss provision	(26)	(5)	**(31)**
New financial assets originated or purchased	149	–	**149**
Derecognition	(50)	(114)	**(164)**
Changes in foreign exchange rates and other movements	8	17	**25**
Provision at 31 December	**243**	**1**	**244**

Movements in the ECL provision on financial guarantee liabilities and unsecured letters of credit in 2022 are as follows:

	Stage 1	*Stage 2*	*Total 2022*
Provision at 1 January	**134**	**5**	**139**
Transfers to Stage 1	3	(3)	**–**
Transfers to Stage 2	(1)	1	**–**
Net change in loss provision	40	104	**144**
New financial assets originated or purchased	84	–	**84**
Derecognition	(99)	(4)	**(103)**
Changes in foreign exchange rates and other movements	1	–	**1**
Provision at 31 December	**162**	**103**	**265**

20. Net gains from foreign currencies

	Total 2023	*Total 2022*
Dealing	49,153	74,849
Translation gains/(losses)	3,351	9,270
Gains/(losses) from derivative financial instruments	2	22
Net gains from foreign currencies	**52,506**	**84,141**

21. Net fee and commission income

	Total 2023	*Total 2022*
Commissions on transactions with payment cards	131,987	100,060
Settlement and cash operations	27,259	23,545
Documentary operations	1,839	1,126
Securities	325	466
Other	8,446	7,207
Fee and commission income	**169,856**	**132,404**
Commissions on transactions with payment cards	(79,847)	(63,363)
Transactions with banks	(9,575)	(9,328)
Documentary operations	(9)	(97)
Foreign exchange transactions	(620)	(662)
Securities	(171)	(224)
Other	(4,297)	(3,263)
Fee and commission expense	**(94,519)**	**(76,937)**
Net fee and commission income	**75,337**	**55,467**

(in thousands of Belarusian rubles)

21. Net fee and commission income (continued)

The above fee and commission income represents revenue from contracts with customers in the scope of IFRS 15, by main type of fee and commission income.

Fee and commission income includes income in the amount of BYN 134,151 thousand (2022: BYN 101,652 thousand) and expense in the amount of BYN 80,027 thousand (2022: BYN 63,684 thousand) relating to financial assets and financial liabilities not measured at fair value through profit or loss. These amounts exclude amounts taken into account when determining the effective interest rate on such financial assets and financial liabilities.

Performance obligations and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in the contract. The Bank recognizes revenue when it transfers control over a service to the customer.

The table below contains information about the types and timing of obligations that are to be fulfilled under contracts with customers, including significant payment terms and relevant accounting policies with respect to revenue recognition.

Type of service	*Nature and timing of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Retail and corporate banking	The Bank provides banking services to retail and corporate customers, including account maintenance, foreign currency operations, arrangement and issuance of credit cards and maintenance of the related accounts. Fees for account maintenance are collected by debiting the customer's account on a monthly basis. The Bank establishes bank service rates separately for retail and corporate customers on an annual basis. Fees for currency exchange operations, operations with foreign currency and provision of overdrafts are collected by debiting the customer's account at the time of the transaction. Fees for current maintenance are charged on a monthly basis at fixed rates that are annually reviewed by the Bank.	Fees for account maintenance are recognized over time, as services are rendered. Fees for conducting transactions are recognized at the moment when the relevant transaction is performed.
Investment banking	The Bank provides services connected with customer transactions with foreign currency and securities underwriting. Fees for conducting transactions and securities underwriting are charged at the moment when the transaction is performed.	Amounts due from customers as at 31 December are recognized as trade receivables. Fees for conducting transactions are recognized at the moment when the relevant transaction is performed.

22. Other income

	Total 2023	*Total 2022*
Proceeds from debt previously written off	24,219	13,948
Other income under contracts with partners	5,709	4,769
Net gains from non-deliverable OTC financial instruments	1,297	1,684
Fines and penalties received	1,141	1,794
Rental income	1,034	799
Revaluation of property and equipment	1,091	–
Net gain/(loss) on sale of property and equipment and intangible assets	671	(585)
Other	1,677	2,623
Total other income	**36,839**	**25,032**

(in thousands of Belarusian rubles)

23. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	Total 2023	*Total 2022*
Salaries and bonuses	(60,637)	(52,319)
Social security contributions	(18,873)	(16,625)
Remuneration to members of the Supervisory Board	(2,256)	(1,160)
Other personnel expenses	(1,244)	(1,787)
Personnel expenses	**(83,010)**	**(71,891)**
Expenses on maintenance of banking software	(16,402)	(14,656)
Telecommunication services	(6,855)	(5,651)
Marketing and advertising	(5,969)	(3,572)
Expenses on bank plastic cards	(4,575)	(3,081)
Utilities	(4,018)	(3,799)
Taxes other than income tax	(2,317)	(1,492)
Postal and courier services	(2,234)	(2,268)
Professional services	(1,633)	(2,091)
Payments to the Agency for Deposit Compensation	(1,273)	(2,067)
Lease of premises	(1,167)	(4,152)
Stationery and other office expenses	(1,041)	(1,163)
Security expenses	(1,007)	(806)
Repair and maintenance of property and equipment	(1,159)	(1,401)
Repair and maintenance of vehicles and fuel expenses	(323)	(426)
Expenses for cultural events	(280)	(131)
Loss from impairment of property and equipment	–	(1,089)
Other expenses	(7,533)	(4,846)
Other operating expenses	**(57,786)**	**(52,691)**

For the year ended 31 December 2023, the Bank recognized expenses from short-term leases and leases of low-value assets of BYN 1,167 thousand (2022: BYN 4,152 thousand).

24. Risk management

Introduction

The Bank identifies key risks arising in the course of its activities and their sources, and manages these risks taking into account their materiality.

The Bank's risk management process involves identification, measurement (assessment), internal monitoring, control and limitation of (decrease in) the risk level.

Risk management structure

The Bank's risk management system has a multilevel organizational structure, which includes:

- Level 1 – the Bank's collegial bodies performing risk management within their competencies determined by the law and local regulations of the Bank
- Level 2 – the risk management officer performing risk management in accordance with competencies, duties, functions and responsibilities determined by the Risk Management Strategy
- Level 3 – risk management units
- Level 4 – internal control and internal audit departments
- Level 5 – risk owners

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk management structure (continued)

Supervisory Board

The Supervisory Board of the Bank ensures the organization of the corporate governance system, the effective functioning of the risk management system, internal control (including compliance control) and the remuneration and compensation system of the Bank, the avoidance of conflicts of interest in the Bank's activities and conditions for their occurrence, including the adoption of measures to ensure transparency of corporate governance of the Bank, approves local regulations defining the risk management strategy of the Bank, risk tolerance, risk appetite and the system of key indicators for the risks inherent in the Bank, the strategy of organizing and implementing internal control in the Bank, the strategy of organizing the corporate governance system, the strategy of managing the Bank's non-performing assets, the credit policy for corporate lending, the Bank's policy regarding conflicts of interest and the Bank's compliance policy.

Risk Committee

The Risk Committee performs internal monitoring of the implementation of the strategy and decisions of the Supervisory Board made with respect to the risk profile and tolerance to the Bank's inherent risks; evaluates the effectiveness of the Bank's risk management system; takes decisions on risks within its authority determined by the Supervisory Board; submits its recommendations and regular reports on the Bank's activities for consideration of the Supervisory Board.

Management Board

The Management Board performs operating management of the Bank to ensure compliance of the Bank's activities with approved local regulations defining the Bank's development strategy and risk management strategy, its credit, investment, accounting and other policies, and to ensure the functioning of the Bank's corporate governance, risk management and internal control systems.

Financial Committee

The Financial Committee is primarily responsible for:

- Operational management of the Bank's financial assets and liabilities
- Decision-making with regard to management of the Bank's liquidity risk, interest rate risk of the bank portfolio, market risks and risk of a decrease in financial stability
- Maximization of the Bank's profitability with regard to risks
- Drafting valid proposals and raising issues to be considered by the Management Board

Credit Committee

The Credit Committee is responsible for discussing and making efficient decisions related to the Bank's active operations within its authority.

The Bank's risk management officer

The functions of the Bank's risk management officer include: organizing the risk management system of the Bank, including the preparation and execution of the work plan for the development of the risk management system; coordinating activities of parties to the risk management process, monitoring the performance of risk management tasks and functions by the Bank's divisions; ensuring the preparation and communication of risk reports to management bodies of the Bank, issuing analytical conclusions and recommendations based on the reported results; ensuring the preparation of the Bank's local regulations on risk management, and making amendments and additions thereto; ensuring due diligence of draft local regulations governing the Bank's business processes and products, which cover risk management issues, as well as amendments and additions thereto; monitoring the effective use of the budget for the development of the risk management system.

Risk management units

The main objectives of risk management units are as follows:

- Information and analytical support of the Bank's management for decision-making purposes
- Drafting and annual verification of local regulations governing risk management processes in the Bank
- Monitoring and control of the risk level
- Development of risk management measures

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk management structure (continued)

Internal control and internal audit departments

The main goal of the internal control department is to assess the sufficiency of control procedures based on the results of special-purpose reviews.

The main goal of the internal audit department is to assess the quality of the Bank's corporate governance, risk management and internal control systems based on the results of the audits performed.

Risk owners

Risk owners are primarily responsible for:

- Information and analytical support of the Bank's management for decision-making purposes
- Contributing to the planning and implementation of the established planned and controlled indicators (indicators of volume, price, structure, risk limits)
- Development and implementation of measures to achieve strategic targets
- Development and implementation of measures aimed at limiting the level of risks
- Development and justification of the Bank's pricing and tariff policy
- Contributing to the development of local regulations governing risk management processes in the Bank
- Determination of the list of risks inherent in the business processes assigned to them
- Making management decisions within the limits of their authority

Credit Risk Management Department (CRMD)

The CRMD is primarily responsible for:

- Monitoring and quality management of the corporate and retail loan portfolios in order to maintain a safe and acceptable level of credit risk that ensures maximum profitability for the Bank
- Providing the Bank's management and shareholders with the necessary analytical and statistical information on the risk profile of the Bank's corporate and retail loan portfolios
- Methodological support of the credit risk management process, assessment of customer creditworthiness of legal entities and individuals (including individual entrepreneurs)
- Calculation of allowances for expected credit losses on financial instruments of legal entities and individuals in accordance with IFRS 9 *Financial Instruments*
- Raising the objectivity of judgments of the Bank's credit and other units involved in the preparation of documents so that authorized bodies/persons could make decisions on the approval (refusal) of credit transactions and/or amendments to existing credit transactions

Finance and Economic Department (FED)

The FED is primarily responsible for:

- Analysis and planning of the Bank's activities, organization of the process of the Bank's strategic planning and budgeting
- Financial control of the Bank's activities in accordance with the Regulation on Management of Operating Expenses and Investments in Property and Equipment and Intangible Assets
- Management reporting in accordance with the Regulation on Management Accounting
- Optimization of the Bank's activities within the limits imposed by prudential regulatory requirements established by the National Bank of the Republic of Belarus, preparation and submission of prudential reports to the National Bank of the Republic of Belarus
- Preparation of financial statements in accordance with International Financial Reporting Standards (IFRS), compliance with requirements established by contracts with financial institutions, provision of information at the request of financial institutions
- Organization and coordination of activities related to arranging and concluding subordinated transactions in compliance with legislative requirements when concluding subordinated loan agreements
- Implementation of preliminary, current and subsequent control in accordance with the established procedure, including scheduled follow-up inspections in accordance with approved plans, current legislation and the Bank's local regulations

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk management structure (continued)

Internal Audit Department

- During reviews, assesses the effectiveness of internal control, including during reviews of internal control procedures by business line; the effectiveness of the risk management system, including reviews of the completeness and correctness of the methodology for assessing banking risks, and banking risk management procedures
- Identifies conflicts of interests in the Bank, including where and how they arise, and assesses the effectiveness of measures taken by the Bank to eliminate them
- Checks the effectiveness of measures taken to eliminate identified violations and deficiencies in the Bank's activities, including in the arrangement of business lines, internal control and risk management, and the implementation of recommendations for their improvement
- Makes proposals to improve the efficiency of the Bank's activities, including internal control, risk management and arrangement of various business lines and operations of the Bank

Other structural units

- Participate in planning and implementing the established planned and controlled indicators (indicators of volume, price, structure, risk limits)
- Make management decisions within the limits of their authority

Risk measurement and reporting system

The Bank's risk management is based on requirements of the National Bank of the Republic of Belarus and the recommendations of the Basel Committee on Banking Supervision.

The Bank has developed a hierarchical system of local regulations, including high-level documents – the Risk Management Strategy and the Risk Management Policy, and local regulations on managing certain types of risks and establishing the organizational structure and distribution of risk management powers among the Bank's employees. These local regulations define risk management goals, objectives and principles and determine key risk indicators, the Bank's tolerance to inherent risks, methods to identify, assess, monitor, control and limit those risks, functions of structural units, and powers of the Bank's employees to manage inherent risks.

The Bank identifies the following risks as risks that are significant at this development stage and in the current economic environment:

- Strategic risk
- Credit risk (including country risk related to transactions with counterparty banks)
- Liquidity risk
- Operational risk
- Reputational risk
- Market risk (including currency risk, commodity risk and interest rate risk of the trade portfolio)
- Interest rate risk of the bank portfolio
- Concentration risk
- Risk of a decrease in financial stability

These types of risks have a permanent nature and make a significant share in the Bank's risk profile.

Strategic risk is the probability of losses, including a loss of planned revenues, due to errors (deficiencies) as a result of erroneous/deficient decisions that define the Bank's business and development strategy (strategic management). Such errors/deficiencies stem from neglect or inadequate assessment of potential threats to the Bank's operations, an inappropriate or insufficiently grounded choice of priority areas where the Bank can achieve competitive advantages, lack or insufficiency of resources required (financial, material, technical, human resources) and organizational measures (management decisions) that could contribute to achieving the Bank's goals.

The key risk management principles are monitoring of compliance with the main parameters and objectives determined by the Bank's Strategic Development Plan (the Strategy), factor analysis of the implementation of the Bank's Strategic Development Plan, analysis of macroeconomic conditions of the Bank's activities, adjustment of the Bank's Strategic Development Plan, where objectively necessary, or even change of the Bank's strategic objectives and goals.

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Risk prevention measures include adherence to a given tolerance and appetite for strategic risk and other risks inherent in the Bank's activities (within acceptable limits), development of a risk management system, including a limit system for risks inherent in the Bank, including strategic risk, and availability of strategic projects aimed at developing the Bank's business and its infrastructure.

Loss recovery measures may include correction of the Bank's Strategic Development Plan / budget, adjustment of the Bank's activities based on the results of the analysis of the Bank's macroeconomic conditions, factor analysis of the Strategic Development Plan implementation, application of measures boosting the achievement of planned budget indicators and the implementation of the Strategic Development Plan and strategic projects.

Risk of a decrease in financial stability is the risk of a deficit of regulatory capital to cover losses from risks inherent in the Bank.

The key risk management principle is to maintain the actual capital ratios at the level acceptable for the Bank when achieving its goals within the regulatory limitations established by the National Bank of the Republic of Belarus.

Risk prevention measures are taken based on the results of a prospective factor analysis (forecast, stress testing) of changes in the level of regulatory capital adequacy. These measures may include slowing the growth of assets (off-balance sheet liabilities) exposed to credit risk, slowing the growth of the loan portfolio, management of the portfolio of assets (off-balance sheet liabilities) that give rise to more stringent capital level requirements, reducing the amount of market risks, improving the quality of the loan portfolio, and contributions to the Bank's share capital.

Measures to adjust the level of regulatory capital are determined based on the results of a retrospective factor analysis of regulatory capital changes. These measures may include a change in the size and/or structure of the loan portfolio and the amount of market risks, a change in the parameters of assets (off-balance sheet liabilities) to avoid more stringent capital level requirements, collection of bad debt, changes in the share or regulatory capital of the Bank.

Credit risk is the risk that the Bank will incur a loss or will not receive expected income because its counterparty fails to discharge its contractual or statutory financial or other property obligations to the Bank, or discharges them in an untimely fashion or not in full.

Key risk management principles are as follows:

- In case of secured lending, the financial reliability of a client is assessed by the degree of its creditworthiness
- In case of unsecured lending, the financial reliability of a client is assessed by the degree of its solvency
- The larger the loan and the longer its term, the stricter the financial reliability and collateral requirements
- Where loans are extended to finance a customer's current activities, it is possible to apply a limit-based approach, and the reliability of investment in non-current assets is evaluated on an individual basis
- The reliability of investment in large loan transactions is evaluated on an individual basis according to the underwriter's conclusion on the financial reliability of the client. Mass and small standard loan transactions can be evaluated based on the results of scoring of the creditworthiness of the borrower or in accordance with fully formalized rules of analyzing the borrower's creditworthiness and making decisions on extending credit (product delivery) with regard to certain banking products
- Testing of currency risk tolerance is an obligatory element of categorizing the financial stability of debtors (assigning the Bank's internal rating)
- The Bank's Credit Policy in the field of corporate lending is approved and amended by the decision of the Bank's Supervisory Board
- Amendments to local regulations, which govern the categorization of debtors, maintenance of groups of related debtors, establishment of a global credit limit for debtors and financial monitoring of debtors, are introduced and subsequently reported to the Risk Committee of the Bank's Supervisory Board
- Changes in approaches (algorithms, methods) used by the Bank to assess the creditworthiness (solvency) of corporate debtors, vulnerability to currency risk factors, and changes in approaches to assessing and monitoring the sufficiency of collateral should be agreed with the Bank's Risk Management Officer and in cases specified by the Management Board in local regulations
- Changes in approaches (algorithms, methods) used by the Bank to assess the creditworthiness (solvency) of individual debtors should be agreed with the Bank's Risk Management Officer and in cases specified by the Management Board in local regulations

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24. Risk management (continued)

Risk measurement and reporting system (continued)

Risk prevention measures include:

- Revision of limits set in the Bank's Credit Policy as part of an annual validation process, taking into account the Bank's Development Strategy, identified and expected risks
- Definition of standard requirements for borrowers' financial reliability, systems of limits and, if necessary, imposing stricter requirements
- Credit risk management through a system of risk requirements formalized for certain banking products
- Determination of the minimum interest rate on credit products, given the risk margin
- Testing of new credit products in small volumes during a certain testing period and making subsequent decisions on whether the new products will be further used
- Arrangement of lending processes and support of credit transactions based on assessments of financial reliability of debtors, determination of currency risk tolerance (categorization)
- Adoption of measures to prevent the occurrence of bad debt

Potential loss recovery measures include:

- Debt restructuring
- Determination of standard requirements for the performance of obligations under loan transactions and, if necessary, imposing stricter requirements
- Pre-trial and judicial debt collection
- Sale of claims to debtors

Liquidity risk is the risk that the Bank will incur losses or will not receive expected income due to inability to meet its obligations in full when they fall due. Liquidity risk arises as a result of mismatch between financial assets and financial liabilities of the Bank (particularly, due to untimely fulfillment of financial liabilities by one or several counterparties of the Bank) and/or unforeseen need for immediate and simultaneous discharge of financial liabilities by the Bank.

Key risk management principles are as follows:

- Implementation of a liquidity accumulation strategy
- Classification of liquid assets into those of the first or second priority. Determination of the required sufficiency of liquid assets in the normal course of the Bank's operation (liquidity of the first priority) and in case of emergency (liquidity of the first and the second priority). Assessment of the actual sufficiency of liquidity
- Division of the Bank's liquidity management into operational management and strategic management. Operational management involves a set of rules and regulations ensuring sufficient liquidity for the short-term period (as a rule, over a horizon of up to 3 months), which should be linked to the strategic decisions taken on liquidity management. Strategic management involves a set of rules and regulations ensuring sufficient liquidity for a long-term period
- Structural segregation of operational and strategic liquidity management functions
- Development of a system of limits based on the implemented model of comprehensive analysis of interest rate risk and liquidity risk

Risk prevention measures include:

- Accumulation and maintenance of liquid assets at the required level
- Management of reputational risk (shaping the image of a bank with high financial stability, capable of providing quality services and generating exclusive and marketable products)
- Creation of loan portfolios in proportion to movements in the resource base and its condition (for example, limiting the growth rate of loan portfolios to a level that does not outpace the growth of the resource base)
- Ensuring an adequate structure and diversification of funding sources
- Improvement of analysis models
- GAP position management
- Sale of low-liquid (non-current) assets
- Hedging

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Interest rate risk of the bank portfolio is the risk that the Bank will incur losses or will not receive expected income from changes in the amount of on- and off-balance sheet items not included in the trade portfolio as a result of changes in market interest rates.

The key risk management principle is to optimize the ratio of assets and liabilities by term and amount taking into account their sensitivity to changes in interest rates. This principle results in the possibility of increasing the interest rate risk of the bank portfolio in order to reduce liquidity risk and, vice versa, reducing excess liquidity (increasing liquidity risk) in order to reduce the interest rate risk of the bank portfolio.

Risk prevention measures include:

- Management of interest rate GAP positions
- Development of a system of limits on the interest rate risk of the bank portfolio based on the implemented model of comprehensive analysis of the interest rate risk of the bank portfolio and liquidity risk
- Contributing to desired changes in the asset portfolio and the resource base through the transfer pricing system
- Drafting of loan and deposit agreements providing for reallocation of risk among counterparties and clients
- Forecasting changes in interest rates on the market and adoption of measures that allow the Bank to adapt to changes in its business environment with minimum losses
- Reallocation of available assets among securities, interbank loans and funds on correspondent accounts
- Sale of low-liquid (non-current) assets
- Hedging

Measures to regulate (adjust) the amount of risk include revising the risk limit policy, improving analysis models, adjusting the pricing policy, attracting long-term interbank loans at an appropriate cost, restructuring liabilities, and hedging.

Operational risk is the risk of losses and/or additional costs incurred by the Bank or failure to receive planned income as a result of non-compliance of the Bank's established processes and procedures for banking transactions and other transactions with the legislation or violation by the Bank's employees of those processes and procedures, incompetence or mistakes of the Bank's employees, non-compliance or failure of the systems used by the Bank, including informational systems, as well as a result of external factors.

The key risk management principles are to ensure the efficient operation of the system for identification and classification of operational incidents, determination (assessment) of losses and lost profit, prevention/minimization of losses and/or cases of shortfalls in planned income, reduction of other development indicators due to operational incidents, maintenance of the risk accepted by the Bank at the level of tolerance and risk-appetite indicators established by the Supervisory Board.

Measures to prevent operational risk in the context of its main sources are as follows:

- Timely update of software and information technologies
- Testing of systems
- Creation of backup communication lines and other necessary backup systems, availability of autonomous power supplies
- Improvement of the fraud-scoring system
- Ensuring the effectiveness of the risk management system taking into account the characteristics of risk sources
- Determination of priority information technologies and their integration into the strategic supervision process
- Formalization of methods for selecting and controlling the implementation of IT tools and systems (CRM, ERP, RPA, Core System, etc.) into the Bank's business processes
- Ensuring cyber resilience and cyber security, determination and documentation in the Risk Management Strategy of critical objects of information infrastructure, cyber threats typical for the Bank, current state of cyber security in the Bank and the ability to counter cyber threats, as well as measures to overcome the existing deficiencies and ways to improve cyber risk management

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

- Development of and control over the implementation by the Bank's management of measures to develop personnel competencies and skills in view of the ongoing changes (for example, in the context of changes in the IT landscape, digital transformation tasks, it would be appropriate to develop and carry out a plan to increase the Digital IQ of the Bank's employees)
- Regulation of information resource management taking into account the Bank's risks (for example, establishing a reasonable balance between transparency and security of the information system based on the risk assessment; implementation of a classification of the Bank's information resources (DBMS, etc.) with ratings allocated to such systems depending on the amount of risks as a result of which the Bank may face data leakage from these systems; development and implementation of regulations for information processing with regard to each information resource group)
- Formation of an integral system for the implementation of systematic monitoring of and independent control over the established limits and determination of powers to check compliance therewith, with the system possibly covering all operations carried out in the course of banking activities, which are associated with the manifestation of risks, including operational risk
- Creation of an effective organizational structure of the Bank that takes into account the segregation of functions, responsibilities and powers of employees in the course of transactions (operations)
- Regulation of operations
- Development of agreement templates
- Improvement and regulation of processes, systems, technologies, procedures, rules, etc.
- Availability and update of the Bank's action plans in case of emergencies in order to ensure the ability of the Bank to continue as a going concern
- Development of systems for automation of banking operations, including automation of homogeneous recurring actions and information security systems
- Reduction in the financial impact of operational risk through insurance
- Elimination of certain activities (separate operations or transactions) exposed to operational risk
- Reduction in the level of certain types of operational risk by transferring risk or its part to third parties (outsourcing) provided that outsourcing risks are managed effectively
- Control and audit
- Recruitment of highly qualified specialists, certification, formation of a talent pool
- Boosting employee motivation
- Improvement of employees' knowledge in various areas of activity, including promotion of the risk culture
- Study by all the Bank's employees of the fundamentals and principles of the Bank's information security, including cyber risk, and provision of new knowledge

Measures to recover losses from operational incidents are determined individually in each specific case depending on the sources of operational risk and the business process where they occurred.

Reputational risk is the risk of the Bank's losses or non-receipt of planned income as a result of a narrowed customer base and reduction of other development indicators as a result of a negative public opinion of the Bank's financial stability, quality of its services or nature of its business in general.

The key risk management principles are to ensure the financial stability of the Bank, the quality of its services at a level not lower than the main competitors' level, and continuous quality improvement.

Risk prevention measures include:

- Unconditional maintenance of the Bank's financial stability
- Ensuring the proper quality of services provided
- Ensuring the transparency of the Bank's activities
- Ensuring the information security of the Bank

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

- Establishment, development and maintenance of correspondent relations, inter alia, with foreign financial institutions, including (but not limited to) the expansion of the network of correspondents and the list of currencies for settlements
- Compliance with the legislation of the Republic of Belarus on issues of protection of personal data, bank secrets or other legally protected secrets, prevention of money laundering, financing of terrorism and proliferation of weapons of mass destruction (assessment of customer risk in the process of financial monitoring), effective management of compliance risk in accordance with the rules established in the Bank's local regulations
- Customer servicing in accordance with service standards
- Timely consideration and response to customer complaints and requests
- Interaction with mass media through:
  - Addresses of the Bank's management and its representatives
  - Periodic publications of financial statements, information on the Bank, its products and services
  - Support of the Bank's website as a source of relevant and accurate information about the Bank and its activities
  - Advertising campaigns and events
  - Charity and social promotion events, campaigns and programs
  - More frequent positive newsbreaks about the Bank's activities in mass media

Measures to recover losses resulting from reputational risk include measures aimed at recovery of the Bank's financial sustainability and stability, correction of errors and deficiencies in customer service, publication of rebuttals in cases of negative PR and legal action.

Currency risk is the risk that the Bank will incur losses or will not receive expected income from changes in the value of on- and off-balance sheet items denominated in foreign currency as a result of changes in foreign currency rates. The Bank's positions in precious metals in the form of bank bars, ingots and coins revalued as accounting prices change in accordance with the Bank's accounting policies are also exposed to currency risk.

The key risk management principle is the constant maintenance of a currency position in line with the approved limits based on standards for safe operation established by the National Bank of the Republic of Belarus.

Risk prevention measures include:

- Adjusting the open currency position
- Maintenance of an open long currency position to hedge currency risk associated with the necessity to regulate the volume of special reserves in Belarusian rubles on assets denominated in foreign currency in case of the ruble devaluation against the foreign currency with the largest share in the Bank's total assets
- Analyzing options for fair distribution of risks when drafting loan and deposit agreements
- Stress-testing of currency risk in the process of categorizing of debtors (assigning of the Bank's internal rating)
- Currency risk limitation
- Reallocation of risk
- Risk hedging

Measures to regulate (adjust) the amount of risk include revising the risk limit policy and improving analysis models.

Commodity risk is the risk that the Bank will incur losses or will not receive expected income from changes in commodity prices.

The key risk management principles include:

- Avoidance of risk to the maximum possible extent
- Monitoring and forecast of market conditions by commodity item in the Bank's portfolio

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Risk prevention measures include:

- Modeling and estimation of possible losses due to changes in the market price and the ownership cost of positions in the commodity portfolio
- Risk limit management
- Development of a methodology to manage the risk throughout the "product life cycle", starting with the processes of accepting collateral and releasing own property and equipment up to the sale of goods
- Tightening of requirements for the financial reliability of borrowers and the quality of collateral under loan transactions
- Decisions on the immediate sale of property at a reduced price
- Decisions on changing the requirements for the amount of a minimum sufficient discount to the value of property when taken as repayment of the debt
- Decisions on the preparation of a list of goods (groups of goods) that cannot be accepted by the Bank as repayment of debts

Measures to regulate (adjust) the amount of the risk are determined in accordance with the strategy of immediate sale or retention until the occurrence of a certain event, adopted in relation to a particular commodity item.

Interest rate risk of the trade portfolio is the risk that the Bank will incur losses or will not receive expected income from changes in the amount of on- and off-balance sheet items included in the trade portfolio as a result of changes in interest rates.

The main principle of risk management is to ensure that positions of the trade portfolio do not exceed the risk appetite (level of risk the Bank deems acceptable when achieving its goals).

Risk prevention measures include:

- Forecast of changes in market interest rates and adoption of measures that allow the Bank to adapt to changes in its business environment with minimum losses
- Development of an instrument to manage interest rate risk based on the duration method
- Diversification of the trade portfolio of debt instruments
- Implementation of a system of limits
- Update of the Bank's system of limits with respect to interest rate risk of trade portfolio
- Management of the duration of the trade portfolio of debt instruments
- Hedging

Measures to regulate (adjust) the amount of risk include the following:

- Improvement of analysis models
- Adjustment of the limit policy to manage interest rate risk
- Diversification of the trade portfolio of debt instruments
- Improvement of the fair value measurement methodology for debt instruments
- Hedging

Concentration risk is the risk that the Bank will incur losses or will not receive planned income as a result of concentration of certain types of risks.

The main principle of managing this type of risk is to limit the risk appetite (level of risk the Bank deems acceptable when achieving its goals).

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Risk prevention measures include:

- Diversification of counterparties and transactions
- Risk limit management
- Drafting of loan and deposit agreements providing for reallocation of risk among counterparties and clients
- Tightening of requirements to the financial reliability of borrowers, amount of collateral under the loan transaction, and deposit agreements of major depositors
- Improvement of the system of prevention of fraudulent transactions

Measures of regulation (adjustment) are as follows:

- Debt restructuring
- Preparation of plans to reduce the concentration of risk objects

Measures to recover the necessary liquidity, in the event of its loss due to concentration risk, are determined in accordance with the existing action plan for recovering the Bank's liquidity and counteracting crisis situations.

Measures to restore the necessary performance of important IT systems, in the event of its loss, are determined in accordance with the existing action plan to ensure the Bank's ability to continue as a going concern and recover the Bank's performance as a participant of the payment system.

Application of IFRS 9 Expected credit loss model and main provisioning principles

The Bank applies the expected credit loss model to provide for financial instruments. The core principle of the model is timely recognition of deterioration or improvement of the credit quality of financial instruments taking into account current and forward-looking information. The amount of expected credit losses recognized as an allowance for credit losses depends on the degree of deterioration in credit quality from the time of initial recognition of the financial instrument.

Depending on the change in credit quality after initial recognition, the Bank classifies financial instruments in one of the following stages:

- "12-month ECL" (Stage 1) – financial instruments for which no significant increase in credit risk was observed, and for which 12-month ECL are calculated
- "Lifetime ECL – not impaired assets" (Stage 2) – financial instruments with a significant increase in credit risk, but not impaired, for which expected credit losses are calculated over the entire lifetime of the financial instrument
- "Lifetime ECL – impaired assets" (Stage 3) – impaired financial instruments

For purchased or issued impaired financial assets, the credit loss allowance is formed in the amount of accumulated changes in lifetime ECL from the date of purchase or origination.

Significant increase in credit risk

In the course of assessment of whether credit risk associated with a financial instrument increased significantly since its initial recognition, the Bank considers reasonable and supportable information, which is relevant and available without excessive costs or efforts. This includes both quantitative and qualitative information and analysis based on the Bank's experience, expert credit assessment and forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- Probability of default for the remaining period as at the reporting date
- Probability of default for the remaining period calculated for this point in time at initial recognition of the position exposed to credit risk (adjusted, if applicable, for changes in early repayment expectations)

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

The Bank uses the following criteria to determine whether there is a significant increase in credit risk:

- For legal entities, financial institutions and government bodies:
  - Financial instruments with an overdue period of more than 7 days and/or other financial instruments possessed by the debtor with an overdue period of more than 30 days
  - Debt restructuring when there is no evidence of problem restructuring
  - Assignment of other financial instruments of the debtor to Stage 3 if this financial instrument does not contain evidence of impairment
  - The available decision of the authorized body of the Bank on the recognition of a significant increase in credit risk (based on the results of financial monitoring and/or other reliable information) and/or classification of debt in the category of pre-non-performing debt in accordance with the internal methodology of the Bank
- For individuals:
  - Financial assets with debts overdue for 31 to 90 days

If there is evidence that there is no significant increase in credit risk as to the moment of initial recognition, then the loss allowance for the relevant instrument will again be estimated at the amount of 12-month ECL.

The Bank checks the criteria for whether they can detect a significant increase in credit risk by conducting regular reviews to ensure that:

- The recognition of a significant increase in credit risk is not solely related to the existence of overdue debt on an asset of more than 30 days. It is usually recognized before the specified term
- Financial instruments are not transferred directly from Stage 1 to Stage 3
- The period for credit quality recovery is appropriate
- There is no unjustified volatility of the allowance for expected credit losses

Credit risk grades

The Bank assigns to each position exposed to credit risk an appropriate quality category based on a variety of data that is used to predict the risk of default and applied by the Bank to manage credit risk in accordance with internal policies. Credit quality categories are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the position exposed to credit risk and the type of borrower.

Each position exposed to credit risk is allocated to a certain quality category at the date of initial recognition based on available information about the borrower. Positions exposed to credit risk are subject to ongoing monitoring, which may result in assigning a quality category other than a category assigned at initial recognition.

Quality categories are determined for the following categories of debt and borrowers:

- *Loans to legal entities*

The Bank developed the internal rating methodology for legal entities based on the comprehensive assessment of internal and external factors affecting business and financial performance, and the assessment of qualitative and quantitative indicators of the financial position and the business reputation of the debtor. These ratings are assigned to medium- and large-sized debtors and cover approximately 80% of outstanding loans to legal entities.

The applicable grading of credit quality categories of loans to legal entities includes internal ratings and other quantitative information (debt overdue period) and qualitative information (results of the financial monitoring of debtors) and is based on the Bank's internal credit risk management policy. The following debt quality categories are identified:

- Standard: for loans and other assets of the debtor, there are no factors significantly affecting the increase in credit risk
- Conditionally toxic: the loan debt is standard, however, the debt on other assets of the debtor is designated as high-risk and/or pre-non-performing
- High-risk: the loan is characterized by indicators of an increase of credit risk established as a result of financial monitoring, however, there is no overdue period or it does not exceed 7 days

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

- Pre-non-performing: loans are overdue for more than 7 days and/or other indicators of a significant increase in credit risk and/or credit impairment are established for a loan. However, in accordance with its internal risk management policy, the Bank does not classify this debt as non-performing
- Non-performing: all the debtor's debts belong to this quality category if there are indicators of credit impairment for all its financial instruments and the support of debt was delegated to the department responsible for collection of bad debts
- *Debt of financial institutions and government bodies*

The banks are classified in accordance with their international ratings, if available. Ratings assigned based on Moody's, S&P, Fitch and ACRA methodology are taken into account. For counterparties for which no international rating is determined, the Bank conducts an internal gradation of quality based on factors accepted by international rating agencies when assigning ratings. The quality categories for financial institutions and government bodies are as follows:

- Standard: international ratings from AAA to B+ or comparable internal ratings
- Sub-standard: international ratings from B to CCC or comparable internal ratings

For government bodies, the quality categories are determined on the basis of the sovereign rating assigned by international rating agencies.

Creating a term structure of probability of default

The quality categories and the information on the overdue period are the main input data when creating a term structure of probability of default for positions exposed to credit risk. The Bank collects information on the quality of debt servicing and default for positions exposed to credit risk and analyzed by the type of product and borrower as well as by the quality category. For some portfolios, information received from external credit rating agencies is also used.

The Bank uses statistical models to analyze the collected data and generate estimates of the probability of default over the remaining period for positions exposed to credit risk, and determine how these are expected to change over time.

Definition of default

Default is defined by the Bank as an event, which results in the unlikely repayment of the debt. The unconditional event of default (impairment indicator) is the existence of debt with the overdue period of more than 90 days. To determine the event of default, the Bank assesses various qualitative and quantitative indicators available without excessive costs and effort. The following events are considered as events of default:

- For legal entities:
  - Classification of debt as non-performing
  - Information received by the Bank about the court decision to initiate bankruptcy proceedings with respect to the debtor or filing by the debtor of the application for voluntary liquidation, or the declaration of the debtor's insolvency (bankruptcy)
  - Death of the borrower – individual entrepreneur
  - Problematic debt restructuring
  - The property is taken to the balance sheet of the Bank to pay off the debt on the financial instrument (in full or partially)
  - Discharge of obligations under warranty provisions of the debtor
  - Other reasons (regardless of overdue debt and/or its period) which result in the inability of the debtor to discharge its obligations to the Bank, guided by which the Bank's authorized body decided to recognize the asset as credit-impaired
- For individuals:
  - Objective reasons indicating the impossibility of the loan repayment (for example, death of the borrower)
  - Change in (modification of) contractual terms due to the financial difficulties of the customer and the impossibility to provide services under the agreement pursuant to the original terms
- For financial institutions and government bodies:
  - Assignment of a default rating (C (Moody's), SD, D (S&P), RD, D (Fitch), SD, D (ACRA), etc.)
  - Debt with an overdue period of more than 30 days

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24. Risk management (continued)

Risk measurement and reporting system (continued)

Incorporation of forward-looking information

The Bank incorporates forward-looking information both in the assessment of a significant increase in credit risk since the initial recognition of the financial instrument and in the assessment of expected credit losses. External information taken into account includes economic data and forecasts published by government bodies and monetary regulators in countries where the Bank operates, such as the National Bank of the Republic of Belarus, the National Statistical Committee of the Republic of Belarus, as well as certain forecasts of scientific and analytical organizations and international credit institutions.

The Bank identified and documented a list of key factors affecting the assessment of credit risk and credit losses for each portfolio of financial instruments and, using historical data analysis, assessed the relationship between macroeconomic variables, credit risk and credit losses.

Key indicators are determined as indices of exchange rates (USD/BYN, RUB/BYN), consumer prices and salaries. The Bank has developed several scenarios with respect to these factors (pessimistic, realistic and optimistic) based on the available external and internal forward-looking information, the sum total of factors is determined as the weighted amount including the coefficients of significance of each scenario.

Models that are used to account for the effect of macroeconomic factors on the amount of expected credit losses were determined based on the analysis of historical data for the last 3-8 years.

Indicators of problematic restructuring

The Bank defines restructuring as problematic in cases of modification of financial instruments arising from the inability of the debtor to discharge its obligations to the Bank. The indicators of problematic restructuring are as follows:

- Debt restructuring, if there is overdue debt on a financial instrument
- Restructuring of debt taken to Stages 2-3 of impairment and/or the debtor holding other financial instruments taken to Stages 2-3 of impairment
- Restructuring that provides for a decrease in debt under the agreement and/or a decrease in the interest rate and prolonged maturities and/or a significant change in the schedule of principal payments that allows for postponing of more than 50% of payments to the end of the period (the last year of repayment, if the maturity is less than 12 months – the last month)

Measurement of ECL

Measurement of ECL depends on the type of debtor, nature of the financial instrument, stage of impairment, qualitative and quantitative parameters (maturity, amount, type of credit transaction, collateral, rating, etc.). The key inputs used for measuring ECL comprise term structures of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

ECL are measured as a sum of products of marginal PD, LGD and EAD discounted by the reporting date during the whole life of the financial instrument (measured up until the date when the Bank has the right to claim the repayment of the loan issued or terminate the loan commitments or warranty provisions). The estimated period for financial instruments in Stage 1 (12-month ECL model) is limited to 12 months and ECL for financial instruments in Stage 3 equal the product of the gross carrying amount and LGD.

The Bank measures ECL for legal entities both collectively and individually, for individuals – collectively only. Individual measurement is applied to the Bank's debtors requiring an in-depth analysis of the ECL amount. This measurement is applied to the major debtors of the Bank.

Individual and collective assessment of PD is based on the analysis of credit debt servicing quality, internal ratings (for individual assessment of legal entities, and partially for collective assessment, if such ratings are available), as well as on the credit history and other information about the debtor, which is available without undue cost or effort.
The assessment of PD of financial institutions and government bodies depends on assigned ratings and relevant default statistics according to international rating agencies.

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

PD is measured using a Markov chain on the basis of which calculation models are applied for each individual homogeneous debt portfolio, and by internal rating.

For clients assessed on a group basis, the Bank estimates LGD based on the information on cash recovery rates for defaulted counterparties and based on external information for financial institutions and government bodies.

In case of an individual assessment of expected credit losses to determine LGD, the Bank relies on pledge agreements concluded with borrowers and analyzes whether these agreements can cover the balance of debt under the loan agreement in the event of a borrower's default. The Bank uses judgment in relation to the fair measurement of such pledge agreements and the timeframe of their realization.

EAD represents an estimated exposure to credit risk at the date when the event of default occurs and is equal to the present value of all future cash flows from the financial instrument (taking into account the expected amount of the loan drawdown and overdue payments) at each analysis date (at the end of each month for the entire term, or for 12 months, depending on the impairment stage).

Credit quality analysis

The following tables provide information about the credit quality of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income as at 31 December 2023 and 31 December 2022. Unless otherwise indicated, amounts of financial assets in the table reflect the gross carrying amount. Amounts of loan commitments and financial guarantee contracts in the table reflect the amounts of assumed liabilities and guarantees issued, respectively.

	31 December 2023		
	Stage 1	*Stage 2*	*Total*
Cash and cash equivalents			
Rated AAA	587	–	**587**
Rated from AA- to AA+	26,536	–	**26,536**
Rated from A- to A+	10,796	–	**10,796**
Rated BBB	42,276	–	**42,276**
Rated between BB- and BB+	6,968	–	**6,968**
Rated from CCC to B+	543,644	–	**543,644**
Rated from CCC to D	1,863	–	**1,863**
Only with internal credit risk grades:			
- Standard	1,213	–	**1,213**
- Sub-standard	–	–	**–**
	633,883	–	**633,833**
Loss allowance	(172)	–	**(172)**
Carrying amount	**633,711**	–	**633,711**

	31 December 2022	
	Stage 1	*Total*
Cash and cash equivalents		
Rated AAA	481	**481**
Rated from A- to A+	6,734	**6,734**
Rated from AA- to AA+	23,371	**23,371**
Rated BBB	11,587	**11,587**
Rated from CCC to B+	265,870	**265,870**
Only with internal credit risk grades:		
- Standard	8,371	**8,371**
- Sub-standard	–	**–**
	316,414	**316,414**
Loss allowance	(138)	**(138)**
Carrying amount	**316,276**	**316,276**

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

	31 December 2023		
	Stage 1	*Stage 3*	*Total*
Due from credit and financial institutions			
Rated AAA	16,666	–	**16,666**
Rated from AA- to AA+	389	–	**389**
Rated from A- to A+	11,082	–	**11,082**
Rated from CCC to B+	23,550	–	**23,550**
Rated from CCC- to D	–	4,360	**4,360**
Only with internal credit risk grades:			
- Standard	31,127	–	**31,127**
- Sub-standard	–	–	**–**
	82,814	**4,360**	**87,174**
Loss allowance	(676)	(4,360)	**(5,036)**
Carrying amount	**82,138**	**–**	**82,138**

	31 December 2022		
	Stage 1	*Stage 3*	*Total*
Due from credit and financial institutions			
Rated from A- to A+	4,005	–	**4,005**
Rated from AA- to AA+	9,304	–	**9,304**
Rated from CCC to B+	15,831	3,807	**19,638**
Rated from CCC- to D	–	–	**–**
Only with internal credit risk grades:			
- Standard	39,154	–	**39,154**
- Sub-standard	–	–	**–**
	68,294	**3,807**	**72,101**
Loss allowance	(446)	(3,807)	**(4,253)**
Carrying amount	**67,848**	**–**	**67,848**

	31 December 2023	
	Stage 1	*Total*
Debt investment securities		
Rated from CCC to B+	88,493	**88,493**
Loss allowance	(2,285)	**(2,285)**
Investment securities less loss allowance	**87,420**	**87,420**

	31 December 2022	
	Stage 1	*Total*
Debt investment securities		
Rated from CCC to B+	79,535	**79,535**
Loss allowance	(1,974)	**(1,974)**
Investment securities less loss allowance	**78,843**	**78,843**

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to legal entities				
Only with internal credit risk grades:				
- Standard	1,293,660	4,657	–	**1,298,317**
- Conditionally toxic	2,374	669	–	**3,043**
- High-risk	820	4,231	31,727	**36,778**
- Pre-non-performing	–	887	69,521	**70,408**
- Non-performing	–	–	9,172	**9,172**
	1,296,854	**10,444**	**110,420**	**1,417,718**
Loss allowance	(5,702)	(272)	(25,375)	**(31,349)**
Carrying amount	**1,291,152**	**10,172**	**85,045**	**1,386,369**

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to legal entities				
Only with internal credit risk grades:				
- Standard	654,320	4,764	–	**659,084**
- Conditionally toxic	1,431	1,480	–	**2,911**
- High-risk	5,008	43,140	67,304	**115,452**
- Pre-non-performing	1,242	1,311	44,570	**47,123**
- Non-performing	–	903	10,390	**11,293**
	662,001	**51,598**	**122,264**	**835,863**
Loss allowance	(5,844)	(1,288)	(16,724)	**(23,856)**
Carrying amount	**656,157**	**50,310**	**105,540**	**812,007**

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Net investments in finance leases				
Only with internal credit risk grades:				
- Standard	141,752	–	–	**141,752**
- Conditionally toxic	473	79	–	**552**
- High-risk	–	643	46	**689**
- Pre-non-performing	–	322	–	**322**
- Non-performing	–	–	232	**232**
	142,225	**1,044**	**278**	**143,547**
Loss allowance	(306)	(11)	(54)	**(371)**
Carrying amount	**141,919**	**1,033**	**224**	**143,176**

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Net investments in finance leases				
Only with internal credit risk grades:				
- Standard	63,081	558	–	**63,639**
- Conditionally toxic	463	23	–	**486**
- High-risk	47	–	230	**277**
- Pre-non-performing	63	150	6	**219**
- Non-performing	–	379	114	**493**
	63,654	**1,110**	**350**	**65,114**
Loss allowance	(478)	(152)	(162)	**(792)**
Carrying amount	**63,176**	**958**	**188**	**64,322**

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loan commitments				
Only with internal credit risk grades:				
- Standard	431,492	–	–	431,492
- Conditionally toxic	359	22	–	381
- High-risk	–	234	106	340
- Pre-non-performing	–	48	–	48
- Non-performing	–	–	34	34
	431,851	304	140	432,295

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loan commitments				
Only with internal credit risk grades:				
- Standard	385,758	1	–	385,759
- Conditionally toxic	3,040	33	–	3,073
- High-risk	2	–	–	2
- Pre-non-performing	191	30	–	221
- Non-performing	–	–	–	–
	388,991	64	–	389,055

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Financial guarantees and letters of credit				
Only with internal credit risk grades:				
- Standard	123,731	–	–	123,731
- Conditionally toxic	–	–	–	–
- High-risk	–	–	–	–
- Pre-non-performing	–	10	–	10
- Non-performing	–	–	–	–
	123,731	10	–	123,741
Loss allowance	(243)	–	–	(243)
Carrying amount	123,488	10	–	123,498

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Financial guarantees and letters of credit				
Only with internal credit risk grades:				
- Standard	21,111	–	–	21,111
- Conditionally toxic	191	–	–	191
- High-risk	438	–	–	438
- Pre-non-performing	–	222	–	222
- Non-performing	–	–	–	–
	21,740	222	–	21,962
Loss allowance	(161)	(109)		(270)
Carrying amount	21,579	113	–	21,692

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

The following table provides information about overdue loans to customers, by credit quality stage.

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to legal entities				
Not past due	1,296,751	9,487	66,464	**1,372,702**
1-30 days	103	957	36,402	**37,462**
31-60 days	–	–	87	**87**
61-90 days	–	–	166	**166**
Over 90 days	–	–	7,301	**7,301**
Gross carrying amount	**1,296,854**	**10,444**	**110,420**	**1,417,718**

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to legal entities				
Not past due	660,507	49,768	110,930	**821,205**
1-30 days	1,494	1,547	1,566	**4,607**
31-60 days	–	225	–	**225**
61-90 days	–	58	4	**62**
Over 90 days	–	–	9,764	**9,764**
Gross carrying amount	**662,001**	**51,598**	**122,264**	**835,863**

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Net investments in finance leases				
Not past due	144,561	721	214	**145,496**
1-30 days	251	324	34	**609**
31-60 days	–	–	8	**8**
61-90 days	–	–	–	**–**
Over 90 days	–	–	23	**23**
Gross carrying amount	**144,812**	**1,045**	**279**	**146,136**

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Net investments in finance leases				
Not past due	64,132	848	242	**65,222**
1-30 days	768	200	102	**1,070**
31-60 days	–	64	1	**65**
61-90 days	–	–	1	**1**
Over 90 days	–	–	5	**5**
Gross carrying amount	**64,900**	**1,112**	**351**	**66,363**

	31 December 2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to individuals				
Not past due	788,909	2,335	1,722	**792,966**
1-30 days	11,237	190	163	**11,590**
31-60 days	–	2,374	110	**2,484**
61-90 days	–	1,834	150	**1,984**
Over 90 days	–	–	13,880	**13,880**
Gross carrying amount	**800,146**	**6,733**	**16,025**	**822,904**

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

	31 December 2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to individuals				
Not past due	576,132	–	1,590	**577,722**
1-30 days	9,700	–	199	**9,899**
31-60 days	–	2,084	125	**2,209**
61-90 days	–	1,222	122	**1,344**
Over 90 days	–	–	15,322	**15,322**
Gross carrying amount	**585,832**	**3,306**	**17,358**	**606,496**

	31 December 2023		
	Stage 1	*Stage 3*	*Total*
Other financial assets			
Not past due	1,402	–	**1,402**
Over 90 days	–	171	**171**
Gross carrying amount	**1,402**	**171**	**1,573**

	31 December 2022		
	Stage 1	*Stage 3*	*Total*
Other financial assets			
Not past due	2,577	–	**2,577**
Over 90 days	–	504	**504**
Gross carrying amount	**2,577**	**504**	**3,081**

Offsetting of financial assets and liabilities

The following tables disclose information on financial assets and liabilities which are subject to an enforceable master offsetting agreement or similar agreements applicable to similar financial instruments, irrespective of whether these financial instruments are set off in the balance sheet.

Similar financial instruments include repurchase agreements, agreements for borrowing and lending of securities, loans to customers and due to customers.

The table below shows financial liabilities subject to enforceable master offsetting agreements and similar agreements as at 31 December 2023 and 2022:

	31 December 2023				*31 December 2022*			
		Amounts not set off in the statement of financial position				*Amounts not set off in the statement of financial position*		
Types of financial assets / financial liabilities	*Total amount of recognized financial assets/ (liabilities)*	*Financial instruments*	*Cash collateral received*	*Net amount*	*Total amount of recognized financial assets/ (liabilities)*	*Financial instruments*	*Cash collateral received*	*Net amount*
Repurchase agreements, agreements for lending of securities or similar agreements	70,000	(70,000)	–	**–**	–	–	–	**–**
Loans to customers	45,361	–	(23,156)	**22,205**	15,790	–	(6,310)	**9,480**
Due to customers	(102,391)	23,156	–	**(79,235)**	(53,592)	6,310	–	**(47,282)**

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

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

	2023				2022			
	Belarus	*CIS*	*OECD and other foreign countries*	*Total*	*Belarus*	*CIS*	*OECD and other foreign countries*	*Total*
Assets								
Cash and cash equivalents	718,149	4,097	145,460	**867,706**	469,637	26,108	15,546	**511,291**
Due from credit and financial institutions	54,003	11,455	16,680	**82,138**	15,393	–	52,455	**67,848**
Loans to customers	2,338,280	–	–	**2,338,280**	1,468,509	–	–	**1,468,509**
Investment securities	88,575	88	–	**88,663**	79,811	–	–	**79,811**
Other financial assets	1,477	–	–	**1,477**	2,653	–	–	**2,653**
	3,200,484	**15,640**	**162,140**	**3,378,264**	**2,036,003**	**26,108**	**68,001**	**2,130,112**
Liabilities								
Due to credit institutions	(101,935)	–	(4,996)	**(106,931)**	(55,347)	(101)	–	**(55,448)**
Derivative financial liabilities	–	–	–	**–**	–	–	–	**–**
Due to customers	(2,375,260)	(82,383)	(24,411)	**(2,482,054)**	(1,384,596)	(81,750)	(18,546)	**(1,484,892)**
Debt securities issued	(170,666)	–	–	**(170,666)**	(52,617)	–	–	**(52,617)**
Allowances for ECL in respect of loan commitments and financial guarantee contracts	(244)	–	–	**(244)**	(265)	–	–	**(265)**
Other financial liabilities	(14,677)	–	–	**(14,677)**	(16,826)	–	–	**(16,826)**
Lease liabilities	(1,955)	–	–	**(1,955)**	(4,982)	–	–	**(4,982)**
Subordinated debt	(3,178)	–	(64,741)	**(67,919)**	(2,736)	–	(45,882)	**(48,618)**
	(2,667,915)	**(82,383)**	**(94,148)**	**(2,844,446)**	**(1,517,369)**	**(81,851)**	**(64,428)**	**(1,663,648)**
Net assets/(liabilities)	**532,569**	**(66,743)**	**67,992**	**533,818**	**518,634**	**(55,743)**	**3,573**	**466,464**

Liquidity risk

The Bank's liquidity management strategy provides for classifying liquid assets into those of first or second priority. Such classification of liquid assets results from understanding that the Bank might be forced to work in extreme conditions in the event of a shocking impact of one or more risk factors. The liquid assets of second priority are income-generating investments which, if necessary, can be quickly transformed into cash to provide additional liquidity. Effectively, they represent a liquidity reserve.

The Bank owns investment securities that can be easily sold for cash in the event of an unforeseen interruption of cash flows. The Bank also has open credit lines that it can access to meet liquidity needs. In addition, the Bank maintains a cash deposit (obligatory reserve) with the National Bank, the amount of which depends on the level of customer funds attracted.

The Bank's liquidity position is also assessed in terms of the liquidity ratios established by the National Bank of the Republic of Belarus.

Indicator	*Regulatory standard*	*31 December 2023*
Liquidity coverage ratio	Not less than 100%	135.9%
Net stable funding ratio	Not less than 100%	129.4%

Liquidity ratios as at 31 December 2022:

Indicator	*Regulatory standard*	*31 December 2022*
Liquidity coverage ratio	Not less than 100%	142.5%
Net stable funding ratio	Not less than 100%	139.3%

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Analysis of financial liabilities by remaining contractual maturity

The table below shows the Bank's financial liabilities as at 31 December 2023 by maturity based on contractual undiscounted repayment commitments except for derivative financial instruments redeemed by the delivery of a basic asset which are shown by contractual maturity. Repayment liabilities, which are subject to notice, are treated as if notice were to be given at the earliest possible date. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. The maturity analysis does not reflect the historical stability of current accounts. Their repayment has historically taken place over a longer period than indicated in the tables above. These balances in the tables below are included in amounts due in less than 3 months.

Financial liabilities	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
At 31 December 2023					
Due to credit institutions	86,021	6,632	13,573	705	**106,931**
Due to customers	2,116,416	229,970	46,622	107,932	**2,500,940**
Debt securities issued	–	142,879	34,632	–	**177,511**
Other financial liabilities	23,102	–	–	–	**23,102**
Lease liabilities	508	1,909	71	–	**2,488**
Subordinated debt	978	3,000	15,259	79,730	**98,967**
Total undiscounted financial liabilities	**2,227,025**	**384,390**	**110,157**	**188,367**	**2,909,939**
At 31 December 2022					
Due to credit institutions	35,731	5,331	15,444	2,198	**58,704**
Due to customers	1,114,405	263,305	45,468	65,625	**1,488,803**
Debt securities issued	2,316	34,579	18,797	–	**55,692**
Other financial liabilities	16,548	–	–	–	**16,548**
Lease liabilities	–	5,257	3	–	**5,260**
Subordinated debt	867	3,117	39,467	22,325	**65,776**
Total undiscounted financial liabilities	**1,169,867**	**311,589**	**119,179**	**90,148**	**1,690,783**

The table below shows the contractual maturity of the Bank's commitments and contingencies. Each undrawn loan commitment is included in the time period containing the earliest date it can be drawn down. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
At 31 December 2023	1,109,257	–	–	–	**1,109,257**
At 31 December 2022	910,346	–	–	–	**910,346**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiration.

The Bank's ability to repay its liabilities depends on whether it can realize an equivalent amount of assets within the same period of time.

The maturity analysis does not reflect the historical stability of current accounts. Historically, they were called by clients during a longer period than indicated in the tables above. These balances in the tables are included in amounts due in less than 3 months. Due to customers include term deposits of individuals.

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Interest rate risk

The sensitivity of net interest income is the effect of assumed changes in interest rates on net interest income for one year, calculated based on financial assets and financial liabilities with a floating rate held as at 31 December. The sensitivity of equity to assumed changes in interest rates as at 31 December has been calculated after taxation.

Currency	*Increase in basis points 2023*	*Sensitivity of net interest income / profit before taxation 2023*	*Sensitivity of equity 2023*
BYN	15.00	(114)	(85)
RUB	15.00	–	–
EUR	0.25	(4)	(3)
USD	0.50	6	5

Currency	*Increase in basis points 2022*	*Sensitivity of net interest income / profit before taxation 2022*	*Sensitivity of equity 2022*
BYN	15.00	(1,021)	(766)
RUB	15.00	915	686
EUR	0.25	(13)	(10)
USD	0.50	9	7

Currency	*Decrease in basis points 2023*	*Sensitivity of net interest income / profit before taxation 2023*	*Sensitivity of equity 2023*
BYN	5.00	38	28
RUB	5.00	–	–
EUR	0.25	4	3
USD	0.12	(1)	–

Currency	*Decrease in basis points 2022*	*Sensitivity of net interest income / profit before taxation 2022*	*Sensitivity of equity 2022*
BYN	5.00	340	255
RUB	5.00	(305)	(229)
EUR	0.25	13	10
USD	0.12	(2)	(1)

The following table presents the analysis of sensitivity to the risk of changes in fair value based on changes which were reasonably possible in respect of investment securities with fixed interest rates. The extent of the changes is determined by management. The sensitivity analysis represents the effect of a 5% increase and a 5% decrease in interest rates, effective at the reporting date, on the Bank's equity assuming that the changes occur at the beginning of the financial year, after which the rates remain unchanged throughout the reporting period, with all other factors considered to be unchanged.

	31 December 2023		*31 December 2022*	
	Interest rate +5%	*Interest rate -5%*	*Interest rate +5%*	*Interest rate -5%*
Investment securities	61	(61)	(57)	57
Net effect on profit before tax	**81**	**(81)**	**(76)**	**76**
Net effect on equity	**61**	**(61)**	**(57)**	**57**

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

Currency risk

The Management Board and the Financial Committee ensure the maintenance of open positions in foreign currency within the limits of the currency risk limitation standards established by the National Bank of the Republic of Belarus. Positions are monitored on a daily basis.

The Bank's exposure to currency risk is presented in the table below.

	BYN	*USD*	*EUR*	*RUB*	*Other currency*	*Total*
Financial assets at 31 December 2023						
Cash and cash equivalents	315,140	293,064	177,105	71,926	10,471	867,706
Due from credit and financial institutions	22,414	50,018	4,452	1,817	3,437	82,138
Loans to customers	1,867,819	378,478	54,178	37,365	440	2,338,280
Investment securities	1,243	68,533	18,887	–	–	88,663
Other financial assets	1,139	227	107	2	2	1,477
Total financial assets	2,207,755	790,320	254,729	111,110	14,350	3,378,264
Financial liabilities at 31 December 2023						
Due to credit institutions	(99,501)	(562)	(2,331)	(3,529)	(1,008)	(106,931)
Due to customers	(1,403,056)	(708,554)	(253,689)	(104,273)	(12,482)	(2,482,054)
Debt securities issued	(170,666)	–	–	–	–	(170,666)
Other financial liabilities	(14,754)	(28)	(98)	(41)	–	(14,921)
Lease liabilities	(1,628)	(189)	(138)	–	–	(1,955)
Subordinated debt	–	(67,919)	–	–	–	(67,919)
Total financial liabilities	(1,689,605)	(777,252)	(256,256)	(107,843)	(13,490)	(2,844,446)
Total currency position at 31 December 2023	518,150	13,068	(1,527)	3,267	860	533,818

	BYN	*USD*	*EUR*	*RUB*	*Other currency*	*Total*
Financial assets at 31 December 2022						
Cash and cash equivalents	277,784	107,953	89,817	25,938	9,799	511,291
Due from credit and financial institutions	15,241	16,911	28,877	4	6,815	67,848
Loans to customers	1,018,220	345,515	85,012	19,762	–	1,468,509
Investment securities	968	65,425	13,418	–	–	79,811
Other financial assets	1,651	269	725	7	1	2,653
Total financial assets	1,313,864	536,073	217,849	45,711	16,615	2,130,112
Financial liabilities at 31 December 2022						
Due to credit institutions	(40,737)	(301)	(14,394)	(16)	–	(55,448)
Due to customers	(753,999)	(466,009)	(214,685)	(45,450)	(4,749)	(1,484,892)
Debt securities issued	(50,319)	(1,665)	(633)	–	–	(52,617)
Other financial liabilities	(14,244)	(3,431)	(1,443)	(43)	(2,647)	(21,808)
Lease liabilities	(4,959)	–	(23)	–	–	(4,982)
Subordinated debt	(1,073)	(47,545)	–	–	–	(48,618)
Total financial liabilities	(865,331)	(518,951)	(231,178)	(45,509)	(7,396)	(1,668,365)
Total currency position at 31 December 2022	448,533	17,122	(13,329)	202	9,219	461,747

(in thousands of Belarusian rubles)

24. Risk management (continued)

Risk measurement and reporting system (continued)

The tables below indicate the currencies in which the Bank has significant financial assets and liabilities and significant forecast cash flows as at 31 December. The analysis performed represents the calculation of the effect of a possible movement in currency rates against the Belarusian ruble on profit before tax (due to monetary assets and liabilities whose the fair value is sensitive to currency rate changes). All other variables are held constant. The effect on equity does not differ from the effect on profit before tax. Negative amounts in the table reflect a net potential decrease in the statement of comprehensive income or equity, while positive amounts reflect a net potential increase.

Currency	*High possible change in currency rate 2023*	*Effect on profit before tax 2023*	*Effect on equity after tax 2023*
USD	+30%	3,920	2,940
EUR	+30%	(458)	(344)
RUB	+20%	653	490

Currency	*Low possible change in currency rate 2023*	*Effect on profit before tax 2023*	*Effect on equity after tax 2023*
USD	-10%	(1,307)	(980)
EUR	-10%	153	115
RUB	-20%	(653)	(490)

Currency	*High possible change in currency rate 2022*	*Effect on profit before tax 2022*	*Effect on equity after tax 2022*
USD	+25%	4,281	3,210
EUR	+25%	(3,327)	(2,495)
RUB	+25%	51	38

Currency	*Low possible change in currency rate 2022*	*Effect on profit before tax 2022*	*Effect on equity after tax 2022*
USD	-10%	(1,712)	(1,284)
EUR	-10%	1,331	998
RUB	-10%	(51)	(38)

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, for example, on fixed rate loans when interest rates fall.

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 implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but its control framework, monitoring and responding to potential risks are effective tools to manage them. The operational risk management system provides for effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including internal audit.

(in thousands of Belarusian rubles)

25. Fair value measurement

Fair value measurement procedures

The Bank's management determines the policies and procedures both for recurring fair value measurement of unquoted debt securities and unquoted derivative financial instruments, investment property and office buildings and for non-recurring measurement of, for example, assets held for sale.

At each reporting date, management analyzes movements in the values of assets which are required to be remeasured or reassessed as per the Bank's accounting policies. For the purpose of such an analysis, management reviews key input data used in the previous measurement by comparing information in the estimates with contracts and other relevant documents. Management, together with the Bank's external appraisers, also compares each change in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On a periodic basis, management and the Bank's external appraisers present the results to the Bank's Audit Committee and independent auditors. This includes a discussion of the major assumptions used in the appraisal.

Fair value hierarchy

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

	Fair value measurement using			
At 31 December 2023	***Quoted prices in active markets Level 1***	***Significant observable inputs Level 2***	***Significant unobservable inputs Level 3***	***Total***
Assets measured at fair value				
Debt investment securities	–	–	49,088	**49,088**
Equity investment securities	–	–	1,243	**1,243**
Property and equipment – office buildings	–	–	29,477	**29,477**
Assets for which fair value is disclosed				
Cash and cash equivalents	233,995	633,711	–	**867,706**
Due from credit and financial institutions	–	82,138	–	**82,138**
Loans to customers	–	–	2,245,687	**2,245,687**
Finance leases	–	–	142,849	**142,849**
Investment securities at amortized cost	–	–	36,475	**36,475**
Liabilities for which fair value is disclosed				
Due to credit institutions	–	106,931	–	**106,931**
Due to customers	–	1,166,408	1,314,788	**2,481,196**
Debt securities issued	–	–	171,019	**171,019**
Subordinated debt	–	–	53,088	**53,088**

	Fair value measurement using			
At 31 December 2022	***Quoted prices in active markets Level 1***	***Significant observable inputs Level 2***	***Significant unobservable inputs Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets	–	–	–	**–**
Debt investment securities	–	–	49,947	**49,947**
Equity investment securities	–	–	968	**968**
Property and equipment – office buildings	–	–	24,635	**24,635**
Assets for which fair value is disclosed				
Cash and cash equivalents	195,015	316,276	–	**511,291**
Due from credit and financial institutions	–	67,848	–	**67,848**
Loans to customers	–	–	1,540,194	**1,540,194**
Finance leases	–	–	64,322	**64,322**
Investment securities at amortized cost	–	27,839	–	**27,839**
Liabilities measured at fair value				
Derivative financial instruments	–	–	–	**–**
Liabilities for which fair value is disclosed				
Due to credit institutions	–	55,448	–	**55,448**
Due to customers	–	742,777	749,606	**1,492,383**
Debt securities issued	–	–	50,490	**50,490**
Subordinated debt	–	–	34,020	**34,020**

(in thousands of Belarusian rubles)

25. Fair value measurement (continued)

Movements in Level 3 financial instruments measured at fair value

The following table presents a reconciliation of the opening and closing balances of Level 3 assets measured at fair value as at the end of 2023.

	At 31 December 2022	*Total gains/ (losses) recognized in profit or loss*	*Total gains/ (losses) recognized in other comprehensive income*	*Acquisitions*	*Sales/ disposals*	*Transfers*	*At 31 December 2023*
Financial assets							
Investment securities	50,915	**7,404**	704	6,187	(14,879)	–	50,331
Non-financial assets							
Buildings and structures	24,635	**810**	**2,925**	1	–	1,106	29,477
Total Level 3 assets	**75,550**	**8,214**	**3,629**	**6,188**	**(14,879)**	**1,106**	**79,808**

The following table presents a reconciliation of the opening and closing balances of Level 3 assets measured at fair value as at the end of 2022.

	At 31 December 2021	*Total gains/ (losses) recognized in profit or loss*	*Total gains/ (losses) recognized in other comprehensive income*	*Acquisitions*	*Sales/ disposals*	*Transfers*	*At 31 December 2022*
Financial assets							
Investment securities	22,297	**(4,456)**	**(457)**	65,816	(32,285)	–	50,915
Non-financial assets							
Buildings and structures	26,937	**(1,648)**	–	108	(3)	(759)	24,635
Total Level 3 assets	**49,234**	**(6,104)**	**(457)**	**65,924**	**(32,288)**	**(759)**	**75,550**

Gains on financial instruments included in the statement of comprehensive income are recognized in the line *Net gains from foreign currencies.*

Gains or losses on financial instruments included in profit or loss for the year comprise:

	2023			*2022*		
	Realized gains/(losses)	*Unrealized gains/(losses)*	*Total*	*Realized gains/(losses)*	*Unrealized gains/(losses)*	*Total*
Total gains or losses recorded in profit or loss for the period	63	774	**837**	122	(1,547)	**(1,425)**

The following table shows quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy.

At 31 December 2023	*Carrying amount*	*Valuation model*	*Unobservable inputs*	*Range (weighted average value)*
Investment securities at fair value through other comprehensive income	50,331	Method of discounting on the basis of observable market rates, which are adjusted for unobservable values	Discount rate	2.5-4.5%
Buildings and structures	29,477	The appraiser determined fair value using income and market approaches (methods for calculating market value in use: yield capitalization method, compensation adjustments method)	Discount for sale	Not applicable

(in thousands of Belarusian rubles)

25. Fair value measurement (continued)

Fair value of financial assets and liabilities not measured at fair value

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

	Carrying amount 2023	*Fair value 2023*	*Unrecognized gain/(loss) 2023*	*Carrying amount 2022*	*Fair value 2022*	*Unrecognized gain/(loss) 2022*
Financial assets						
Cash and cash equivalents	**867,706**	867,706	–	**511,291**	511,291	–
Due from credit and financial institutions	**82,138**	82,138	–	**67,848**	67,848	–
Loans to customers	**2,338,280**	2,388,536	(50,256)	**1,468,509**	1,604,516	(136,007)
Investment securities at amortized cost	**38,332**	36,475	1,857	**28,896**	27,839	1,057
Other financial assets	**8,437**	8,437	–	**9,613**	9,613	–
Financial liabilities						
Due to credit institutions	**106,931**	106,931	–	**55,448**	55,448	–
Due to customers	**2,482,054**	2,481,196	(858)	**1,484,892**	1,492,383	7,491
Debt securities issued	**170,666**	171,019	353	**52,617**	50,490	(2,127)
Other borrowings	**–**	–	–	**–**	–	–
Other financial liabilities	**22,870**	22,870	–	**26,021**	26,021	–
Subordinated debt	**67,919**	53,088	(14,831)	**48,618**	34,020	(14,598)

Valuation methodologies and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments, which are already recorded at fair value in these consolidated financial statements.

Securities at fair value through other comprehensive income

Securities at fair value through other comprehensive income valued using a valuation methodology or pricing model primarily consist of debt securities. These models include fair value measurements by discounting future cash flows using rates which sometimes only incorporate data observable in the market and at other times use observable and non-observable data. Non-observable inputs include assumptions regarding the future financial performance of the investee and its risk profile, economic assumptions regarding the industry and geographical jurisdiction in which the investee operates, and other adjustments to the discount rate.

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 financial statements.

Assets for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than 3 months), it is assumed that their fair value approximates their carrying amount. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed and variable rate financial instruments

Fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. For these purposes, the amortized cost is restated at the effective interest rate, which is equal to the weighted average rate for instruments opened in the last reporting month of the reporting period. The fair value of such financial instruments is disclosed at Level 3.

(in thousands of Belarusian rubles)

26. 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 24 *Risk management* for the Bank's contractual undiscounted repayment obligations.

		Total 2023			*Total 2022*	
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	867,706	–	**867,706**	511,291	–	**511,291**
Due from credit and financial institutions	21,576	60,562	**82,138**	39,147	28,701	**67,848**
Derivative financial assets	–	–	**–**	–	–	**–**
Loans to customers	1,224,913	1,113,367	**2,338,280**	803,563	664,946	**1,468,509**
Investment securities	29,768	58,895	**88,663**	13,144	66,667	**79,811**
Property, plant and equipment and right-of-use assets	3,096	45,374	**48,470**	5,445	39,237	**44,682**
Intangible assets		45,035	**45,035**	–	36,050	**36,050**
Other assets	4,090	36,363	**40,453**	19,332	820	**20,152**
Total	**2,151,149**	**1,359,596**	**3,510,745**	**1,391,922**	**836,421**	**2,228,343**
Due to credit institutions	92,653	14,278	**106,931**	39,756	15,692	**55,448**
Derivative financial liabilities	–	–	**–**	–	–	**–**
Due to customers	1,406,534	1,075,520	**2,482,054**	777,289	707,603	**1,484,892**
Debt securities issued	140,449	30,217	**170,666**	35,414	17,203	**52,617**
Current income tax liabilities	2,306	–	**2,306**	3,341	–	**3,341**
Deferred income tax liabilities	–	27,276	**27,276**	–	22,785	**22,785**
Other liabilities	44,098	306	**44,404**	41,489	301	**41,790**
Subordinated debt	–	67,919	**67,919**	1,074	47,544	**48,618**
Total	**1,686,040**	**1,215,516**	**2,901,556**	**898,363**	**811,128**	**1,709,491**
Net position	**465,109**	**144,080**	**609,189**	**493,559**	**25,293**	**518,852**

Overdue loans to customers in the amount of BYN 6,834 thousand as at 31 December 2023 (31 December 2022: BYN 6,687 thousand) were included in loans to customers with a maturity of more than one year.

The Bank's management believes that in case the Bank has to early repay amounts due to customers, it will be able to dispose of its liquid assets to make the necessary payments. The Bank's management also believes that if the financing from its counterparty banks decreases, the Bank will get support from the shareholders through an increase in the amount of credit facilities to support liquidity. The Bank also has access to the regulator's instruments that are always in place to regulate liquidity.

For the below categories of financial assets and financial liabilities, expected maturities differ from contractual maturities.

Due to customers – the Bank's liquidity management includes an assessment of the minimum required balance on current (settlement) customer accounts, that is, the funds attracted in an amount that takes into account stable relationships with customers, which are determined using statistical methods applied to historical data on fluctuations in customer account balances for at least 30 days prior to the date of analysis. Due to this, liabilities to repay amounts due to customers maturing within over one year mostly comprise semi-fixed balances of amounts due to customers.

27. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, the Bank treats parties as related when the parties are able to control or significantly influence the Bank's operating and financial decisions (shareholders, entities under shareholders' common control, key management personnel). In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. The Bank does not perform transactions with related parties on preferential terms.

The Bank enters into banking transactions with related parties including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities and derivative transactions.

(in thousands of Belarusian rubles)

27. Related party transactions (continued)

Outstanding balances with related parties are as follows:

	Total 2023			
	Controlling shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Loans to customers at 1 January	**–**	**18,747**	**184**	**105**
Issued during the year	–	45,364	1,435	212
Repaid during the year	–	(48,253)	(1,244)	(207)
Revaluation of currency items	–	1,614	–	–
Other movements	–	1	(3)	(6)
Loans to customers at 31 December	**–**	**17,472**	**378**	**104**
Allowance for expected credit losses	–	(180)	(3)	(1)
Loans to customers less allowance for expected credit losses	**–**	**17,292**	**375**	**103**
Term deposits at 1 January	**–**	**416**	**1,978**	**226**
Attracted during the year	–	30,022	2,025	553
Repaid during the year	–	(29,416)	(2,053)	(430)
Revaluation	–	400	290	–
Other movements	–	–	(12)	(8)
Term deposits at 31 December	**–**	**1,422**	**2,228**	**341**
Current customer accounts at 31 December	**3,111**	**4,756**	**4,026**	**344**

	Total 2022			
	Controlling shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Loans to customers at 1 January	**–**	**11,847**	**60**	**106**
Issued during the year	–	7,593	1,252	282
Repaid during the year	–	(1,434)	(1,144)	(279)
Revaluation of currency items	–	741	–	–
Other movements	–	–	16	(4)
Loans to customers at 31 December	**–**	**18,747**	**184**	**105**
Allowance for expected credit losses	–	(100)	(2)	(1)
Loans to customers less allowance for expected credit losses	**–**	**18,647**	**182**	**104**
Term deposits at 1 January	**–**	**269**	**1,781**	**52**
Attracted during the year	–	25,617	5,377	362
Repaid during the year	–	(25,415)	(5,111)	(219)
Revaluation	–	(55)	(62)	–
Other movements	–	–	(7)	31
Term deposits at 31 December	**–**	**416**	**1,978**	**226**
Current customer accounts at 31 December	**2,884**	**1,444**	**1,887**	**308**

(in thousands of Belarusian rubles)

27. Related party transactions (continued)

	Total 2023			
	Controlling shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Subordinated debt at 1 January 2023	**45,882**	–	–	–
Accrued during the year	3,125	–	–	–
Repaid during the year	(4,300)	–	–	–
Subordinated loans issued	13,148	–	–	–
Revaluation	6,785	–	–	–
Other movements	102	–	–	–
Subordinated debt at 31 January 2023	**64,742**	–	–	–
Loan commitments at 31 December	–	–	386	62
Other liabilities – accrual of provision for unused vacations	–	–	1,032	–

	Total 2022			
	Controlling shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Subordinated debt at 1 January 2022	**29,945**	–	–	–
Accrued during the year	2,059	–	–	–
Repaid during the year	(2,059)	–	–	–
Subordinated loans issued	12,966	–	–	–
Revaluation	2,859	–	–	–
Other movements	113	–	–	–
Subordinated debt at 31 January 2022	**45,882**	–	–	–
Loan commitments at 31 December	–	–	415	62
Other liabilities – accrual of provision for unused vacations	–	–	993	–

In 2023, the weighted average contract rate for loans to related parties was 12.78% (2022: 8.64%). The loans are mostly represented by long-term non-revolving credit lines, mainly denominated in foreign currency. In 2023, the weighted average contract rate for deposits was 3.99% (2022: 3.79%). During the reporting period, the Bank mainly attracted short-term deposits, commonly denominated in foreign currency.

(in thousands of Belarusian rubles)

27. Related party transactions (continued)

Income and expense from related party transactions are as follows:

	Total 2023			
	Controlling shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Interest income on loans to customers	–	1,886	38	16
Interest expense on subordinated debt	(3,254)	–	–	–
Interest expense on amounts due to customers	(35)	(22)	(20)	(4)
Change in loss allowance	–	(80)	(1)	–
Fee and commission income	–	7	5	8
Income from dealing in foreign currencies	54	32	–	–
Personnel expenses	–	–	12,598	–

	Total 2022			
	Controlling shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Interest income on loans to customers	–	1,112	19	17
Interest expense on subordinated debt	(2,439)	–	–	–
Interest expense on amounts due to customers	(48)	(38)	(22)	(21)
Change in loss allowance	–	(22)	(2)	–
Fee and commission income	–	9	5	5
Income from dealing in foreign currencies	1	2	–	–
Personnel expenses	–	–	10,376	–

Compensation to key management personnel comprises:

	Total 2023	*Total 2022*
Salaries and other short-term employee benefits	10,573	8,629
Social security contributions	2,025	1,747
Total key management personnel compensation	**12,598**	**10,376**

Information on remuneration to Supervisory Board members is disclosed in Note 23.

28. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other methods, the ratios established by the 1988 Basel Capital Accord and the ratios established by the National Bank in supervising the Bank.

As at 31 December 2023 and 2022, the Bank fully complied with all externally imposed capital requirements.

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

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank 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 objectives, policies and processes from the previous years.

(in thousands of Belarusian rubles)

28. Capital adequacy (continued)

Capital adequacy ratio established by the National Bank of the Republic of Belarus

According to the requirements of the National Bank of the Republic of Belarus, the capital adequacy ratio of the Bank, taking into account the conservation buffer, should be maintained at a level not lower than 12.50% of the amount of risk-weighted assets, which are calculated in accordance with the requirements of the legislation of the Republic of Belarus. In calculating the secure functioning ratios as at 31 December 2023, the Bank did not apply countercyclical measures in accordance with Resolution No. 451 of the Board of the National Bank of the Republic of Belarus dated 1 December 2022, *On Certain Issues related to Regulation of Operations of Banks, Non-Bank Credit and Financial Institutions and Joint-Stock Company Development Bank of the Republic of Belarus in 2023*, which affect the secure functioning ratios (regulatory capital adequacy ratios, liquidity ratios, etc.). As at 31 December 2023 and 2022, the Bank's capital adequacy ratio calculated on the basis of the above requirements was as follows:

	Total 2023	*Total 2022*
Tier 1 capital	344,943	308,835
Tier 2 capital	203,603	148,855
Total equity	**548,546**	**457,690**
Risk-weighted assets	**3,242,558**	**2,689,071**
Capital adequacy ratio	16.92%	17.02%

Capital adequacy ratio under the 1988 Basel Capital Accord

As at 31 December 2023 and 2022, the Bank's capital adequacy ratio computed in accordance with the 1988 Basel Capital Accord using a standardized approach, with subsequent amendments including the amendment to incorporate market risks was as follows:

	Total 2023	*Total 2022*
Tier 1 capital	**559,035**	**480,848**
including		
Statutory fund	110,426	110,426
Retained earnings	494,887	407,440
Investments in equity securities	(1,243)	(968)
Intangible assets	(45,035)	(36,050)
Tier 2 capital	**65,759**	**47,461**
including		
Subordinated debt, included in the calculation of capital	61,883	46,475
Investment securities revaluation reserve	1,643	947
Property and equipment revaluation reserve	2,233	39
Total equity	**624,794**	**528,309**
Risk-weighted assets	**3,123,715**	**2,018,480**
Tier 1 capital adequacy ratio	17.90%	23.82%
Total capital adequacy ratio	20.00%	26.17%

The capital adequacy ratio under provisions of the Basel Committee is computed based on IFRS financial statements.

The difference in the amounts of risk-weighted assets that are used in the calculation of capital adequacy under the requirements of the National Bank of the Republic of Belarus and provisions of the Basel Capital Accord arises as a result of adjustments to financial statements due to differences in accounting policies.

(in thousands of Belarusian rubles)

29. Changes in liabilities arising from financing activities

A reconciliation of changes in liabilities and cash flows from financing activities is provided below.

				Non-monetary changes	Other movements		
	31 December 2022	Additions	Redemption	Changes in exchange rates	Interest paid	Interest accrued	31 December 2023
Debt securities issued	52,617	545,656	(432,740)	293	(1,405)	6,245	170,666
Other borrowings	–	–	–	–	–	–	–
Subordinated debt	48,618	13,148	(1,000)	7,226	(3,428)	3,355	67,919
Total	**101,235**	**558,804**	**(433,740)**	**7,519**	**(4,833)**	**9,600**	**238,585**

				Non-monetary changes	Other movements		
	31 December 2021	Additions	Redemption	Changes in exchange rates	Interest paid	Interest accrued	31 December 2022
Debt securities issued	58,117	198,105	(203,016)	(699)	(6,308)	6,418	52,617
Other borrowings	–	–	–	–	(3)	3	–
Subordinated debt	32,491	12,965	–	3,047	(2,324)	2,439	48,618
Total	**90,608**	**211,070**	**(203,016)**	**2,348**	**(8,635)**	**8,860**	**101,235**

Movements in liabilities and cash flows from lease liabilities are disclosed in Note 12.

30. Subsequent events

As at the date of these annual financial statements, there were no subsequent events.