BELGAZPROMBANK

Financial statements

for the year ended 31 December 2023
with the Independent Auditors' Report

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Independent Auditors' Report

To the Shareholders and Management of Belgazprombank OJSC

Audit opinion

We have audited the financial statements of Belgazprombank OJSC (hereinafter referred as the "Bank" or the "audited entity") (location: 60/2 Pritytskogo street, Minsk, Republic of Belarus 220121; date of state registration: 19 August 1991, registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs: 100429079), which comprise the statement of financial position as at 31 December 2022, the income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

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

Basis for Audit Opinion

We conducted our audit in accordance with the requirements of the Law of the Republic of Belarus № 56-Z dated 12 July 2013 "On Auditing" (with subsequent amendments and additions), the Instruction "On Regulation of Auditing Activities in Banks, Bank Groups and Bank Holdings", approved by the Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (with subsequent amendments and additions), and national rules on auditing effective in the Republic of Belarus, and International Standards on Auditing (ISAs). Our responsibilities under those requirements and standards are further described in the Auditors' Responsibilities 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 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 audit opinion.

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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Allowance for expected credit losses for loans to corporate customers</th></tr>
<tr><td colspan="2">Please refer to Note 6 Allowance for expected credit losses, Note 17 Loans to customers and Note 37 Risk management policies in the financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loans to corporate customers measured at amortised cost represent 45% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used.

To estimate ECL management needs to apply professional judgement and to make assumptions related to the following key areas:

- timely identification of a significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9 Financial Instruments (hereinafter, "IFRS 9"));

- assessment of probability of default (PD) and loss given default (LGD);

- assessment of add-on adjustment to account for different scenarios and forward-looking information;

- expected cash flows forecast for loans to customers classified in Stage 3 and those purchased or originated credit-impaired loans.

Due to the significant volume of loans to corporate customers and the related ECL allowance estimation uncertainty, this area is a key audit matter.</td><td>We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement into the analysis of financial risks management specialists.

Our audit procedures over the input data and calculations of ECL include the following:

- For a sample of loans to corporate borrowers, we analysed financial and non-financial information, as well as professional judgments applied by the Bank to assess whether the sampled items are appropriately classified into stages and the rating assigned by the Bank for borrowers, and also tested input data used in the rating models.

- For a sample of loans and borrowers where no individual credit rating is assigned and ECL are assessed collectively based on whether and for how long they are overdue, we tested the operating principles of the respective models, and also compared the model's input data with the primary documents on a sample basis.

- We assessed the design and tested the operating effectiveness of controls over the calculation of internal ratings and the timely transfer of overdue debts to the appropriate accounts for overdue debts.

- We assessed the overall predictive capability of the Bank's ECL valuation models by comparing the estimate made as at 1 January 2022 with the actual results for 2022.

- We analysed the overall adequacy of the add-on adjustment to account for different scenarios and forward-looking information by comparing with our own estimate considering current and future economic situation and business environment of the relevant categories of borrowers.

- For a sample of Stage 3 credit-impaired loans to corporate customers, where ECL are assessed individually, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and its expected disposal terms based on our understanding and publicly available market information. We specifically focused on loans to customers for which a potential change in the ECL allowance may have the most significant impact on the financial statements.

We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. In addition, we reviewed whether the disclosures of key judgments and assumptions are sufficiently informative.</td></tr>
</table>

Responsibilities of the Audited Entity for the Preparation of 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 operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing" (with subsequent amendments and additions), the Instruction "On Regulation of Audit Activities in Banks, Bank Groups and Bank Holdings", approved by the Resolution of the Board of the National Bank of Belarus dated 11 December 2019 No. 495 (with subsequent amendments and additions), and national rules on auditing effective in the Republic of Belarus, and ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing" (with subsequent amendments and additions), the Instruction "On Regulation of Auditing Activities in Banks, Bank Groups and Bank Holdings", approved by Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (with subsequent amendments and additions), national rules on auditing effective in the Republic of Belarus, and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

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

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

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

Engagement Partner
Power of Attorney #11/05/23 dated 10 May 2023 — **Irina Vladimirovna Vereschagina**
(Auditor's Qualification Certificate 0000580)

Engagement Manager — **Olga Viktorovna Stanovaya**
(Auditor's Qualification Certificate 0002468)

Limited Liability Company "Kept"

Member of Self-Regulating Organisation of Audit Firms and Auditors in the Republic of Belarus "Audit Chamber".

Legal address: 49 Platonova street, Office 26-7, Minsk, 220012, the Republic of Belarus

Registration: Registered by the Minsk City Executive Committee on 10 February 2011, Registration No. in the Unified State Register of Legal Entities and Individual Entrepreneurs: 191434140, Registration No. of the audit firm in the Register of Audit Organisations: 10038.

Minsk, Belarus

"27" February 2024

This report is the English translation of the original Russian. In the event of discrepancies between the two reports, the Russian version prevails.

Independent Auditors' Report received:	*Date "27" February 2024*
I. O. Potapova, Chairman of the Board	*(signature)*

Statement of Profit and Loss

For the year ended 31 December 2023

(in thousands of Belarusian Rubles)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Interest income calculated using the effective interest rate method	5, 31	311,589	298,592
Other interest income	5, 31	6,735	7,575
Interest expenses	5, 31	(122,820)	(142,014)
Net interest income		**195,504**	**164,153**
Recovery / (creation) of allowance for expected credit losses on financial assets	6, 31	13,122	(64,346)
Net interest income after recovery / (creation) of allowance for expected credit losses on financial assets		**208,626**	**99,807**
Loss on initial recognition of interest bearing financial instruments	17, 18	(5,378)	(8,412)
Financial result from investment securities at fair value through other comprehensive income transferred to statement of profit and loss		148	167
Net gain from foreign exchange transactions	7, 31	44,245	83,911
Net gain from trading transactions	8, 31	6,051	9,906
Fee and commission income	9, 31	146,177	118,179
Fee and commission expenses	9, 31	(50,135)	(35,882)
Net gain from transactions with precious metals	10	1,086	303
Creation of allowance for expected credit losses on credit related commitments and allowance for contingent liabilities		(3,533)	(1,076)
Other income	11	11,125	10,806
Net non-interest income		**149,786**	**177,902**
Operating income		**358,412**	**277,709**
Operating expenses	12, 31	(180,052)	(159,019)
Profit before tax		**178,360**	**118,690**
Income tax expense	13	(32,638)	(27,973)
Net profit		**145,722**	**90,717**
Basic and diluted earnings per share (BYN)	27	0.0042	0.0026

On behalf of the Management Board:

Chairman of the Management Board
I. O. Potapova

Chief Accountant
N.A. Samusevich

27 February 2024
Minsk

The Notes on pages 13 to 94 form an integral part of these Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2023

(in thousands of Belarusian Rubles)

	Notes	*Year ended 31 December 2023*	*Year ended 31 December 2022*
Net profit	**27**	**145,722**	**90,717**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit and loss			
Change in fair value of investment securities transferred to profit and loss		(148)	(167)
Change in allowances for expected credit losses on investment securities	18	16,354	31,158
Change in fair value of investment securities at fair value through other comprehensive income		29,311	16,525
Income tax	13	(1,064)	(94)
Total other comprehensive income		**44,453**	**47,422**
Total comprehensive income		**190,175**	**138,139**

On behalf of the Management Board:

Chairman of the Management Board
I. O. Potapova

Chief Accountant
N.A. Samusevich

27 February 2024
Minsk

The Notes on pages 13 to 94 form an integral part of these Financial Statements

Statement of Financial Position

As at 31 December 2023

(in thousands of Belarusian Rubles)

	Notes	*31 December 2023*	*31 December 2022*
Assets			
Cash and cash equivalents	14, 31	1,045,318	984,815
Securities at fair value through profit and loss	15	108,737	89,993
Derivative financial instruments, assets	31	36	108
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	16, 31	43,340	29,767
Loans to customers	17, 31	2,894,429	2,336,480
Investment securities	18	554,294	472,769
Non-current assets held for sale		18,471	21,834
Property, equipment, intangible and right-of-use assets	19	158,761	156,021
Current income tax assets		–	1,234
Other assets	20, 31	72,374	84,078
Total assets		**4,895,760**	**4,177,099**
Liabilities and equity			
Liabilities			
Derivative financial instruments, liabilities	31	–	3
Due to banks and other financial institutions	21, 31	365,314	743,049
Due to customers	22, 31	3,268,466	2,293,119
Debt securities issued	23	28,824	22,080
Current income tax liabilities		2,147	–
Deferred tax liabilities	13	19,656	9,944
Other liabilities	24, 31	32,181	45,477
Subordinated debt	25, 31	179,062	192,584
Total liabilities		**3,895,650**	**3,306,256**
Equity			
Share capital	26	535,944	535,944
Investment securities revaluation reserve		81,545	37,092
Retained earnings		382,621	297,807
Total equity		**1,000,110**	**870,843**
Total liabilities and equity		**4,895,760**	**4,177,099**

On behalf of the Management Board:

Chairman of the Management Board
I. O. Potapova

Chief Accountant
N.A. Samusevich

27 February 2024
Minsk

Statement of Changes in Equity

For the year ended 31 December 2023

(in thousands of Belarusian Rubles)

	Notes	*Share capital*	*Investment securities revaluation reserve*	*Retained earnings*	*Total equity*
31 December 2021		**535,944**	**(10,330)**	**247,783**	**773,397**
Net profit	27	–	–	90,717	**90,717**
Other comprehensive income, net of income tax					
Investment securities revaluation reserve					
Net change in fair value		–	16,431	–	**16,431**
Net change in fair value of investment securities transferred to profit and loss		–	(167)	–	**(167)**
Creation of allowance for expected credit losses on investment securities	6	–	31,158	–	**31,158**
Total other comprehensive income		**–**	**47,422**	**–**	**47,422**
Total comprehensive income for the year		**–**	**47,422**	**90,717**	**138,139**
Transactions with shareholders					
Dividends declared and paid after 2021	26	–	–	(40,693)	**(40,693)**
Total transactions with shareholders		**–**	**–**	**(40,693)**	**(40,693)**
31 December 2022	**26**	**535,944**	**37,092**	**297,807**	**870,843**
Net profit	27	–	–	145,722	**145,722**
Other comprehensive income, net of income tax					
Investment securities revaluation reserve					
Net change in fair value		–	28,247	–	**28,247**
Net change in fair value of investment securities transferred to profit and oss		–	(148)	–	**(148)**
Creation of allowance for expected credit losses on investment securities	18	–	16,354	–	**16,354**
Total other comprehensive income		**–**	**44,453**	**–**	**44,453**
Total comprehensive income for the year		**–**	**44,453**	**145,722**	**190,175**
Transactions with shareholders					
Dividends declared and paid after 2022	26	–	–	(60,908)	**(60,908)**
Total transactions with shareholders		**–**	**–**	**(60,908)**	**(60,908)**
31 December 2023	**26**	**535,944**	**81,545**	**382,621**	**1,000,110**

On behalf of the Management Board:

Chairman of the Management Board
I. O. Potapova

Chief Accountant
N.A. Samusevich

27 February 2024
Minsk

The Notes on pages 13 to 94 form an integral part of these Financial Statements

Statement of Cash Flows

For the year ended 31 December 2023

(in thousands of Belarusian Rubles)

	Notes	*Year ended 31 December 2023*	*Year ended 31 December 2022*
Cash flows from operating activities:			
Net profit	**27**	**145,722**	**90,717**
Adjustments			
(Recovery) / creation of allowances for expected credit losses on financial assets	6	(13,122)	64,346
Creation of allowances for expected credit losses on credit related commitments and allowance for contingent liabilities		3,533	1,076
Loss on initial recognition of interest bearing financial instruments	17, 18	5,378	8,412
Net change in fair value of derivatives		(36)	(105)
Net change in fair value of securities at fair value through profit and loss	8	(6,286)	(8,575)
Increase in the par value of equity instruments	11	(465)	-
Revaluation of precious metals balance sheet items	10	(376)	(25)
Impairment / (recovery of impairment) of non-current assets held for sale		1,004	(1,520)
Depreciation and amortization of property and equipment, intangible and right-of-use assets	12, 19	19,014	17,291
Loss from sale of property, equipment and non-current assets held for sale	11, 12	338	530
Impairment of property and equipment	19	178	1,732
Net change in payroll obligations		1,153	(271)
Net interest income	5	(195,504)	(164,153)
Net change in fee and commission income accrued-and penalties		477	377
Income from disposal of investment securities		(148)	(167)
Income tax expenses	13	32,638	27,973
Foreign exchange differences, net	7	4,860	(5,772)
Cash flows from operating activities before changes in operating assets and liabilities		**(1,642)**	**31,866**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets			
Minimum mandatory reserve deposit with the National Bank of the Republic of Belarus		(11,490)	(3,176)
Due from the National Bank of the Republic of Belarus, banks and other financial institutions		(799)	(8,272)
Securities at fair value through profit and loss		4,411	(22)
Derivative financial instruments		105	(184)
Loans to customers		(475,745)	74,587
Non-current assets held for sale		5,452	9,394
Other assets		19,816	(68,402)
Increase/(decrease) in operating liabilities			
Loans from National Bank of the Republic of Belarus		(2,589)	(77,480)
Due to banks and other financial institutions		(374,715)	88,374
Due to customers		746,528	260,205
Other liabilities		(13,656)	11,733
Total changes in operating assets and liabilities		**(102,682)**	**286,757**
Interest received		314,052	311,060
Interest paid		(124,851)	(138,136)
Income tax paid		(20,609)	(16,510)
Net cash inflow from operating activities		**64,268**	**475,037**

The Notes on pages 7 to 89 form an integral part of these Financial Statements

Statement of Cash Flows (continued)

	Notes	*Year ended 31 December 2023*	*Year ended 31 December 2022*
Cash flows from investing activities			
Purchase of property,equipment and intangible assets		(26,121)	(17,119)
Proceeds from the sale of property, equipment and other property		213	473
Purchase of investment securities		(482)	(56,209)
Proceeds from sale and repayment of investment securities		18,854	20,443
Net cash outflow from investing activities		**(7,536)**	**(52,412)**
Cash flows from financing activities			
Receipt of subordinated debt	29	95,771	–
Repayment of a subordinated debt	29	(95,771)	–
Repaiment of syndicated loan	29	–	(123,705)
Proceeds from debt securities issued	29	22,506	10,093
Repayment of debt securities issued	29	(19,748)	(21,906)
Repayment of loans received from international financial institutions	29	–	(10,648)
Lease payments	24	(1,194)	(1,185)
Dividends paid	26	(60,908)	(40,693)
Net cash outflow from financing activities		**(59,344)**	**(188,044)**
Net change in cash and cash equivalents		**(2,612)**	**234,581**
Effect of changes in foreign exchange rates on cash and cash equivalents		63,450	45,024
Effect of changes in expected credit losses on cash and cash equivalents	14	(335)	(298)
Cash and cash equivalents, beginning of the year	14	984,815	705,508
Cash and cash equivalents, end of the year	14	**1,045,318**	**984,815**

On behalf of the Management Board:

Chairman of the Management Board
I. O. Potapova
27 February 2024
Minsk

Chief Accountant
N.A. Samusevich

The Notes on pages 13 to 94 form an integral part of these Financial Statements

(in thousands of Belarusian Rubles)

1. Organization

Belorussian-Russian Belgazprombank Joint Stock (hereinafter – Belgazprombank or the Bank), initially named as Commercial Bank "Ekorazvitie", was established in 1990. Subsequently, the Bank was renamed into Bank "Olymp". Following the acquisition of a controlling interest in RJSC Gazprom (subsequently renamed to PJSC Gazprom) (Russian Federation) and CJSC "Gazprombank" (subsequently renamed to Gazprombank (Joint Stock Company) (Russian Federation), the Bank was reorganized into Belorussian-Russian Belgazprombank Joint Stock and registered by the National Bank of the Republic of Belarus on 28 November 1997.

The Bank operates under banking license No. 8 issued by the National Bank of the Republic of Belarus on 17 April 2023. The Bank accepts deposits from individuals and organizations, extends credit and transfers payments in the Republic of Belarus and abroad, performs currency exchange operations, securities operations and provides other banking services to legal entities and individuals.

The registered office of the Bank is located at: 60/2 Pritytsky Str., Minsk, Republic of Belarus, 220121.

As at 31 December 2023 and 31 December 2022 the structure of the Bank's share capital was as follows:

Shareholders	***Share***
PJSC Gazprom (Russian Federation)	49.818
Gazprombank (Joint Stock Company) (the Russian Federation)	49.818
OJSC Gazprom Transgaz Belarus (the Republic of Belarus)	0.266
State Property Committee of the Republic of Belarus	0.097
Other	Less than 0.001
Total	**100.000**

The ultimate controlling party of the Bank is the Government of the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo).

These financial statements were authorized for issue on 27 February 2024 by the Chairman of the Management Board of the Bank and Chief Accountant of the Bank.

(in thousands of Belarusian Rubles)

2. Significant accounting policies

Statement of compliance

These Financial Statements were prepared in accordance with International Financial Reporting Standards (hereinafter "IFRSs").

Basis of preparation and presentation

These financial statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future. The management and shareholders intend to further develop the business of the Bank in the Republic of Belarus. The Management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy ratio and based on the historical experience that short-term obligations will be refinanced in the normal course of business.

These Financial Statements are presented in thousands of Belarusian Rubles ("BYN thousand"), unless otherwise indicated.

These financial statements have been prepared under the historical cost convention, except for certain non-cash items arising before 31 December 2014, which are accounted for in accordance with International Accounting Standard 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), and certain assets, such as securities at fair value through profit and loss, investment securities at fair value through profit and loss, derivative financial instruments, investment securities at fair value through profit and loss, and investment securities at fair value through profit and loss. Starting from 1 January 2015, the economy of the Republic of Belarus is no longer considered as hyperinflationary. The value of non-monetary assets, liabilities and equity of the Bank, presented in measuring units as at 31 December 2014, was used to form the opening balances as at 1 January 2015.

Historical cost is usually determined based on the fair value of the consideration transferred in exchange for goods and services.

The Bank maintains its accounting records in accordance with the legislation of the Republic of Belarus. These Financial Statements were prepared on the basis of Belarusian statutory accounting records maintained in accordance with Belarusian accounting rules and were adjusted to conform to IFRS.

The Bank generally presents its Statement of Financial Position items in order of liquidity. The analysis regarding the recovery of financial assets or repayment of financial liabilities within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet date (non-current) is presented in Note 35.

Recognition of interest income and expense

Presentation of information

Interest income calculated using the effective interest rate method presented in the statement of profit and loss includes:

- interest income on financial assets measured at amortized cost (including loan origination fees, commissions from partner companies on credit cards with installment payments, Delay loans, and related direct credit related costs recorded as part of the effective interest rate on loans);
- interest on debt instruments measured at FVOCI.

Other interest income presented in the statement of profit and loss includes interest income on non-derivative debt financial assets measured at FVTPL and net investments in finance leases.

Interest expense presented in the statement of profit and loss includes:

- financial liabilities measured at amortized cost;
- finance costs for lease obligations.

Recognition of fee and commission income

Revenue recognition policy

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

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition in accordance with IFRS 15*
Retail and corporate banking service	The Bank provides banking services to retail and corporate clients, including services for the maintenance of accounts, the provision of overdrafts, foreign currency transactions, the processing and issuance of credit cards and the maintenance of accounts. The commission for servicing accounts is charged by debiting the corresponding amounts from the client's account on a monthly basis. The Bank sets tariffs separately for retail and corporate banking customers on an annual basis. The commission for currency exchange operations, foreign currency transactions and the provision of overdrafts is charged by debiting the corresponding amounts from the client's account during the transaction. The commission for current maintenance is charged monthly based on fixed rates, which are annually reviewed by the Bank.	The commission for servicing accounts is recognized over time as the services are rendered. Remuneration for the transaction is recognized at the time of the transaction.
Investment banking	The Bank provides services related to the implementation of client operations with currency. Remuneration for transactions is charged at the time of the transaction.	Amounts due to customers are recognized as trade receivables. Remuneration for transactions is recognized at the time of the relevant operations.

Recognition of trading income and expenses

Trading income and expenses are recognized in profit or loss as trading transactions are performed. Those are:

- gains and losses on securities at fair value through profit and loss;
- gains and losses on derivative financial instruments.

Financial assets and liabilities

Financial assets and financial liabilities are recorded in the statement of financial position of the Bank when the Bank becomes a party to the contract in respect of the relevant financial instrument. The Bank recognizes regular way purchases and sales of financial assets using settlement date accounting.

Classification of financial assets

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The Bank's financial assets are held within the following business models.

Business model 1: Hold to Collect

The retail and corporate lending portfolios comprise mainly loans to customers held to collect contractual cash flows. The retail lending portfolio includes car loans, real estate loans, payment cards and consumer loans. The Bank does not make any sales of loans. Accordingly, sales of loans from these portfolios are not expected to occur or are extremely rare.

Interbank loans are held for the purpose of generating contractual cash flows. Sales from this category are not expected or are extremely rare.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Bonds of specialized financial institutions are held by the Bank in a separate portfolio for the purpose of ensuring long-term profitability. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Business model 2: For Trading

Eurobonds of the Development Bank of the Republic of Belarus and Eurobonds of the Republic of Belarus were allocated to the trading portfolio at initial recognition, as it was expected that these securities would be sold in the short term with the purpose of obtaining profit.

Business model 3: Hold to Collect and/or Sell

Government long-term bonds and bonds issued by Belarusian banks and local governing bodies are held by the Bank to earn cash interest income and to sell such assets before maturity to raise cash for investment purposes or to meet liquidity needs.

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

In assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI criterion), the Bank considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets;
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

As at 31 December 2023, the Bank's debt financial assets held under the Hold to Collect and Hold to Collect and/or Sell business models meet the SPPI criterion.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the RB NB. The borrowers have an option to either accept the revised rate or redeem the loan at par without significant penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that interest represents consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Thus, the Bank treats these loans as essentially those with a variable interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with the National Bank of the Republic of Belarus with original maturity of up to 90 days, due from banks with original maturity of up to 90 days, which may be freely converted to cash within a short period of time, except for guarantee deposits and other restricted balances.

Mandatory cash reserves with the National Bank of the Republic of Belarus

Mandatory cash reserves with the National Bank of the Republic of Belarus (hereinafter – National Bank or National Bank of the Republic of Belarus) are mandatory reserves deposited with the National Bank in accordance with the applicable legislation which are not available to finance day to day operations of the Bank. Hence, they are not considered as part of cash and cash equivalents.

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss include a portfolio of trading securities as well as derivative financial assets. Fair value is determined in the manner described in Note 33.

Investment securities

Investment securities are debt investment securities measured at fair value through other comprehensive income, investments in equity securities, and securities measured at amortized cost.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Loans to customers

Loans to customers include:

- loans to customers measured at amortized cost (Note 17). they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest rate method; and
- net investments in finance lease (Note 17).

Impairment of financial assets

The Bank recognizes allowances for ECL on the following financial instruments that are not measured at FVTPL:

- cash equivalents;
- due from the National Bank of the Republic of Belarus, banks and other financial institutions;
- financial assets that are debt instruments;
- net investments in finance leases;
- other financial assets;
- financial guarantee contracts issued; and
- loan commitments issued, including issued performance guarantee contracts, which in substance represent commitments to extend credit.

No loss allowance is recognized on equity investments.

The Bank's approach to assessing the ECL for financial instruments, significant increases in credit risk and definition of default is disclosed in Note 35.

Measurement of ECL

The expected credit losses model applied by the Bank is disclosed in Note 35.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and expected credit losses are measured as follows:

- if the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. If the financial instrument is not derecognized, once the terms have been renegotiated, ECL are measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Information on the effect of restructuring of financial assets on the assessment of credit risk increase and assessment of defaulted borrowers is disclosed in Note 35. Information on loans to customers renegotiated during the period and accounted for as restructured, with a corresponding loss on modification incurred by the Bank, is disclosed in Note 17.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

The list of impairment events applied by the Bank when analyzing borrowers is presented in Note 35.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. Additionally, credit-impaired loans include retail loans overdue by more than 90 days.

Purchased or originated credit-impaired assets (POCI assets)

POCI assets are assets that are credit-impaired on initial recognition.

POCI assets include the following assets of the Bank:

- new financial assets provided by the Bank as part of a credit-impaired asset restructuring (replacement of a credit-impaired assets with another asset having a similar credit risk grade);
- an asset that originated upon derecognition of a financial asset due to a significant modification of contractual terms as part of credit-impaired financial assets restructuring;
- acquired credit-impaired financial assets.

The information about assessing whether financial assets should be defined as POCI assets and the measurement of the allowance for credit losses calculated under the model of ECL on POCI assets is presented in Note 35.
Upon initial recognition of POCI assets (generally, these are originated assets) the fair value of such loans is determined based on the cash flows that are expected to be received by the Bank as a result of selling collateral and/or receiving cash flows.

Presentation of 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 deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee agreements*: generally, as a provision within other liabilities in the statement of financial position;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component (loan issued):* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-offs

Loans and investment securities are written off (partially or in full) when they are reasonably deemed to be uncollectible partially or in full. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Outstanding amounts of legal entities exceeding the Bank's materiality threshold are assessed on an individual basis. Uncollectible loans to individuals are written off provided the principal is more than 630 days overdue.

The recovery of previously written off amounts is included in Charge of allowance for ECL on financial assets in the statement of profit and loss.

Each case of the assets write-off is examined by the Bank on an individual basis.

Financial assets that are written off could still be subject to enforcement activities of the Bank in order to comply with the Bank's procedures for recovery of amounts due.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If the cash flows are substantially different (referred to as "substantial modification"), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the RB NB refinancing rate, if the loan agreement entitles the Bank to do so.

The Bank performs quantitative and qualitative assessment of whether the modification is significant, i.e. whether cash flows related to the original financial asset differ significantly from the modified or new financial asset.

The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. Similarly, in performing this assessment the Bank acts in line with the requirements with regard to the derecognition of financial liabilities.

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

- change in the currency of the financial asset;
- change in collateral or other credit enhancement;

change of the terms of a financial asset that leads to non-compliance with the SPPI criterion.

If the modification is due to financial difficulties of the borrower, the objective of the modification is generally to recover, to the maximum extent possible, the value of the asset under the original terms of the contract, rather than to create (issue) a new asset on terms significantly different from the original terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Modification of financial assets and financial liabilities (continued)

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such modification is caused by a financial distress of the borrower, the related profit or loss is presented in impairment losses. In other cases the related profit or loss is presented in interest income calculated using the effective interest rate method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of repaid financial liability and the amount of new financial liability with modified terms is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Financial liabilities and equity instruments issued

Equity instruments

Equity instruments issued by the Bank are recognized at their nominal value, considering adjustment in accordance with IAS 29 *Financial Reporting in a Hyperinflationary Economy* applied before 1 January 2015.

Repurchase of the Bank's own equity instruments is recognized as a deduction of the equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities, including due to banks and due to customers, debt securities issued by the Bank, other borrowings and other liabilities, are initially measured at fair value, net of overhead costs.

Financial liabilities are subsequently measured at amortized cost. Interest expense is calculated using the effective interest rate method.

Derivatives

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any recognized impairment loss (if any). Cost of property and equipment acquired before 1 January 2015 is restated for inflation.

In these Financial Statements the depreciation is calculated on a straight-line basis at the following annual rates:

	Useful life
Buildings and structures	from 6 to 125 years
Computer equipment, furniture and other equipment	from 1 to 58 years
Vehicles	from 7 to 5 years

Property and equipment of the Bank includes a separate category of corporate collection of the works of art which are not subject to depreciation because of their unique nature and significant estimated useful lives.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at historical cost less accumulated amortization and accumulated impairment losses, if any. Cost of intangible assets acquired before 1 January 2015 is restated for inflation.

Amortization of intangible assets is charged on a straight-line basis using useful lives ranging from 1 to 15 years.

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Right-of-use assets

According to IFRS 16 Leases, leases where the Bank acts as a lessee are recorded on the balance sheet of the lessee. The Bank employs practical expedients that involve exemptions from recognition with respect to the following leases:

- short-term leases (leases with a term twelve months and less) and
- lease with a low-value underlying asset.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

In the Statement of financial position, right-of-use assets and their accumulated depreciation are presented by the Bank under Property, equipment, intangible and right-of-use assets (Note 19).

Taxation

Income tax expense comprises current tax and deferred tax.

Current and deferred income tax for the year

Current and deferred income tax are recognized in statement of profit and loss, except when they relate to items that are recognized in other comprehensive income or directly in equity. In this case, deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Operating taxes

In the Republic of Belarus, where the Bank operates, there are also various other tax requirements applied to the Bank's activities, other than income tax. These taxes are included as a component of operating expenses in the statement of profit and loss.

Provisions for deferred expenses

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for deferred expenses recognized by the Bank include provisions for unused vacations of employees.

Guarantees, letters of credit and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Guarantees other than financial guarantees are classified by the Bank as non-financial guarantees.

The Bank has no loan commitments measured at FVTPL. For other loan commitments the Bank recognizes an allowance for ECL according to the approach described in Note 35.

Liabilities arising from guarantees and loan commitments are included within the Other liabilities line item (Note 24).

Functional currency

The functional currency of the Bank is the national currency of the Republic of Belarus – Belarusian Ruble.

Foreign currency

The exchange rates at the year-end used by the Bank in the preparation of the Financial Statements are as follows:

	31 December 2023	*31 December 2022*
USD/BYN	3.1775	2.7364
EUR/BYN	3.5363	2.9156
100 RUB/BYN	3.4991	3.7835

(in thousands of Belarusian Rubles)

2. Significant accounting policies (continued)

Collateral

The Bank obtains collateral in respect of customer liabilities. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

The Bank conducts an analysis of property specified as collateral under the loan agreement (property that, according to the expectations of the Bank, is hard to sell in case of the debtor's default is not accepted as collateral).

On the reporting date the Bank reviews the estimated cost of collateral for credit-impaired loans, as it is used as input data when calculating ECL as part of the credit risk management process.

The collateral received as a back-up for the fulfillment of the obligations on customer loans is classified into a category corresponding to the intentions of the Bank: as a property and equipment to be used in production activities or as non-current assets held for sale. The additional information concerning collateral is disclosed in the Note 17.

Operating segments

An operating segment is a component from which the Bank earns revenues and incurs expenses and for which financial information is available that is regularly assessed by the Bank's management when allocating resources and reviewing financial performance. The segments' operation analysis is represented in Note 32.

Changes in significant accounting policies

Since 1 January 2023, the Bank changed its approach to estimating credit losses under non-financial guarantee contracts.

Based on the analysis performed, the Bank concluded that by their economic substance these instruments represent commitments to extend loans on pre-agreed terms, as the Bank is not exposed to significant insurance risk, but rather to credit risk. As a result, these contracts are not within the scope of IFRS 17 *Insurance Contracts* (IFRS 17), but are within the scope of IFRS 9 *Financial Instruments* (IFRS 9). Therefore, expected credit losses for such contracts were recognized by the Bank in accordance with the requirements of IFRS 9. This change in accounting policy did not have a material impact on retained earnings as at 1 January 2023 recognized in the Statement of Changes in Equity.
In turn, the adoption of IFRS 17 effective from 1 January 2023 did not have any impact on the Bank's financial statements.

In addition, Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgments* came into effect. These amendments have not resulted in any changes to the Bank's accounting policies, but have had an impact on the accounting policy disclosures presented in the financial statements. The amendments require disclosures of material accounting policy information instead of the previous disclosures of significant accounting policies. The amendments also provide guidance on applying the concept of materiality to accounting policy disclosures, which will enable entities to present more useful and entity-specific accounting policy information that is required by users to understand other disclosures in the financial statements.

Management has reviewed the accounting policies and made updates to the disclosures in Note 2 in certain cases as amended.

3. Significant assumptions and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

(in thousands of Belarusian Rubles)

3. Significant assumptions and key sources of estimation uncertainty (continued)

Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in this and other notes:

- Classification of financial assets: assessment of the business model in which a financial asset is held and assessment of whether the contractual terms of a financial asset include solely payments of principal and interest.
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL disclosed in Note 35.

Assumptions and estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the next reporting period:

Impairment of financial instruments

Measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL/impairment losses and assessing of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which may result in different levels of allowances for ECL. In addition, large scale business disruptions may lead to liquidity problems for some entities and consumers.

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

- The internal credit rating system used by the Bank to determine the probability of default (PD);
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL are assessed on a collective basis;
- Development of ECL models, including the choice of inputs;
- Determination of interrelations between macroeconomic scenarios and economic data, such as the interrelation between the unemployment rate and the collateral value, as well as the impact on the probability of default (PD), exposure at default (EAD), and loss given default (LGD);
- The selection of forward-looking macroeconomic scenarios and their probability weightings to obtain inputs for ECL assessment models.

The following assumptions regarding the impairment of financial instruments are presented in Note 35: assessing whether the credit risk of an asset has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECL.

See Note 17 (Loans to customers), Note 20 (Other assets) and Note 30 (Deferred financial commitments and contingencies, operating environment) for details of the allowance for ECL recognized in the statement of financial position as at 31 December 2023 and 31 December 2022.

Estimates of fair values of financial assets and liabilities

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 in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. When measuring the fair value of an asset or liability the Bank considers characteristics of the asset or liability if the market participants would take those characteristics into account to price the asset or liability as at the measurement date.

(in thousands of Belarusian Rubles)

3. Significant assumptions and key sources of estimation uncertainty (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 of the fair value hierarchy (Note 33). Levels correspond to the ability to directly determine fair value based on market data and reflect the significance of inputs used in the fair value measurement as a whole:

- Level 1 inputs are non-adjusted quotes in active markets for identical assets or liabilities that the Bank has access to at the valuation date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

When the level of the fair value hierarchy per the best estimate as at the reporting date differs from the level that was previously assigned to assets or liabilities transfer into and out of the level occurs. The date of transfer is determined as the date of the event or change in circumstances that caused the transfer.

Fair value of financial instruments is disclosed in Note 33.

Measurement of fair value of financial derivatives

Derivative financial instruments represented by forwards do not have an active market and are measured using the interest rates parity model. Interest rates on financial instruments denominated in the same currency and with relevant maturity period are used as such rates.

Fair value of claims/obligations to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.

Derivative financial instruments represented by swap contracts with precious metals are measured at fair value, which is calculated as net result between fair value of the claim and obligation.

Assessment of the corporate collection of works of art

Property and equipment comprise the corporate collection of works of art. Due to the unique nature of the pieces of art and the impossibility to accurately determine their estimated useful lives, they are included in a separate category of non-depreciable property and equipment.

Deferred tax assets

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The Bank's management judgment is required to determine the amount of the recognized tax assets based on the timing and amount of future taxable profit.

4. Amendments to standards and interpretations not yet adopted

A number of new standards and amendments to standards become effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. However, the Bank has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to standards and interpretations are not expected to have a significant impact on the Bank's financial statements:

- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7);
- *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants* (Amendments to IAS 1);
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16);
- *Lack of Exchangeability* (Amendments to IAS 21).

(in thousands of Belarusian Rubles)

5. Net interest income

Net interest income is represented as follows:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Interest income		
Interest income calculated using the effective interest rate method		
Interest income on loans to customers'	273,532	263,876
Interest income on investment securities	27,772	21,074
Interest income on due from banks and other financial institutions	8,190	7,576
Interest on REPO transactions	25	151
Other interest income	2,070	5,915
Total interest income calculated using the effective interest rate method	**311,589**	**298,592**
Other interest income:		
Interest on securities at fair value through profit and loss	6,470	5,922
Interest income on net investments in finance lease	265	1,653
Total other interest income	**6,735**	**7,575**
Total interest income	**318,324**	**306,167**
Interest expense		
Interest expense on financial instruments measured at amortized cost		
Interest on due to customers	87,650	87,212
Interest on due to banks and other financial institutions, loans from the National Bank of the Republic of Belarus	19,791	38,418
Interest on subordinated loans	13,757	13,947
Interest on debt securities issued	1,222	1,035
Interest on REPO transactions	266	374
Interest expense on lease liabilities	119	141
Other interest expenses	15	887
Total interest expense on financial liabilities recorded at amortized cost	**122,820**	**142,014**
Net interest income	**195,504**	**164,153**

(in thousands of Belarusian Rubles)

6. Allowance for expected credit losses

Movements in the allowance for expected credit losses on financial assets, financial guarantees and other credit related commitments for the years ended 31 December 2023 and 31 December 2022 were as follows:

	Loans to customers	*Due from the National Bank of the Republic of Belarus, banks and other financial institutions*	*Cash and cash equivalents*	*Investment securities*	*Other assets*	*Financial guarantees and other credit-related commitments*	*Total*
31 December 2021	**142,841**	**75**	**222**	**10,096**	**1,281**	**1,291**	**155,806**
(Recovery)/creation of allowance	30,381	194	298	30,705	2,768	(129)	64,217
Amount of Income on earlier cancelled debts	26,790	–	–	–	–	–	26,790
Write-off of assets	(33,554)	–	–	–	(192)	–	(33,746)
Unwinding of discount	1,270	–	–	–	–	–	1,270
Exchange differences	156	–	–	1,107	–	–	1,263
31 December 2022	**167,884**	**269**	**520**	**41,908**	**3,857**	**1,162**	**215,600**
Creation / (recovery) of allowance	(26,458)	(50)	335	9,455	3,596	4,631	(8,491)
Amount of Income on earlier cancelled debts	18,861	–	224	–	–	–	19,085
Write-off of assets	(58,214)	–	(224)	–	(213)	–	(58,651)
Unwinding of discount	3,927	–	–	–	–	–	3,927
Exchange differences	3,135	–	–	7,041	–	–	10,176
31 December 2023	**109,135**	**219**	**855**	**58,404**	**7,240**	**5,793**	**181,646**

Movements in the gross carrying amount and allowances for expected credit losses on loans to customers and investment securities by stage are disclosed in Note 17 and Note 18.

Movements in allowances for other financial assets and credit-related commitments by stage are disclosed in Note 20 and Note 30.

7. Net gains from foreign exchange transactions

Net foreign exchange gain comprises:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Trading operations, net	49,105	78,139
Foreign exchange differences, net	(4,860)	5,772
Total net foreign exchange gain	**44,245**	**83,911**

8. Net gain from trading transactions

Net gain from trading transactions is as follows:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Net (loss)/gain from derivative financial instruments	(235)	1,331
Net income on securities at fair value through profit and loss	6,286	8,575
Total gain from trading transactions	**6,051**	**9,906**

(in thousands of Belarusian Rubles)

9. Fee and commission income and expense

Fee and commission income and expense comprise:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Fee and commission income		
Bank payment card operations	114,703	85,559
Settlement and cash transactions with customers	29,764	30,513
Documentary credit operations	446	1,415
Foreign currency operations	36	103
Other	1,228	589
Total fee and commission income	**146,177**	**118,179**
Fee and commission expenses		
Bank payment card operations	45,294	31,015
Maintenance of bank accounts	1,940	2,607
Foreign currency operations	521	792
Documentary credit operations	453	56
Payments accepted in favor of the bank	335	297
Other	1,592	1,115
Total fee and commission expenses	**50,135**	**35,882**

10. Net gain from transactions with precious metals

Net gain from transactions with precious metals comprise:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Financial result from operations with precious metals	710	278
Revaluation of precious metals balance sheet items	376	25
Total net gain from transactions **with precious metals**	**1,086**	**303**

11. Other income

Other income comprises the following:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Considerations from payment service providers	5,741	3,659
Fines and penalties	2,273	2,121
Lease payments	655	365
Dividends	397	783
Settlement of tax payments	389	326
Gains on disposal of equity interests	149	–
Gain on disposal of non-current assets held for sale and other property	–	1,095
Other	1,521	2,457
Total other income	**11,125**	**10,806**

(in thousands of Belarusian Rubles)

12. Operating expenses

Operating expenses comprise:

	Year ended 31 December 2023	***Year ended 31 December 2022***
Payroll expenses	60,120	50,999
Expenses for services of automated interbank and international settlement system	34,077	30,751
Depreciation and amortization of property and equipment, intangible assets and right-of-use assets	19,014	17,291
Mandatory social insurance contributions	18,064	14,881
Expenses on maintenance of banking software	6,167	6,360
Remuneration to the members of the Board of Directors and Revision Committee	4,875	4,883
Taxes other than income tax	4,849	3,983
Stationery and office expenses	4,611	3,726
Charity and sponsorship expenses	3,530	2,150
Contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	3,280	4,178
Rent and property and equipment maintenance	2,889	2,711
Communication expenses	2,565	2,522
Advertising expenses	1,947	2,078
Insurance expenses	1,800	1,697
Security expenses	1,642	1,446
Information and advisory services	1,071	886
Vehicles maintenance and fuel expenses	540	761
Expenses from disposal of property and equipment, intangible and right-of-use assets	294	1,625
Audit services	156	219
Expenses from disposal of non-current assets held for sale and other property	44	–
Legal services	–	571
Other expenses	8,517	5,301
Total operating expenses	**180,052**	**159,019**

For the year ended 31 December 2023, the Bank recognized expenses on short-term leases and leases of low-value assets totaling BYN 524 thousand (2022: BYN 149 thousand).

(in thousands of Belarusian Rubles)

13. Income tax

The Bank measures and records its current income tax payable based on its accounting data in accordance with the tax regulations of the Republic of Belarus where the Bank operates. These data may differ from IFRS. The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Major sources of non-deductible expenses include non-deductible payments to employees, some insurance and charity payments. Major amounts of non-taxable income relate to operations with securities issued by the Belarusian government, companies and banks. Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2023 and 2022 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax-book bases' differences for certain assets and liabilities. The Bank calculates current income tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations. During the reporting periods ended 31 December 2023 and 31 December 2022, income tax rate for the Bank was 25%.

Tax effect of temporary differences and movement of deferred taxes as at 31 December 2023 and 31 December 2022 are as follows:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	31 December 2021	*In other comprehensive income*	*In the statement of profit and loss*	*31 December 2022*	*In other comprehensive income*	*In the statement of profit and loss*	*31 December 2023*
Tax effect of deductible temporary differences							
Debt securities issued	45	-	(45)	-	-	-	-
Non-current assets held for sale	420	-	(97)	323	-	89	412
Derivative financial instruments	1	-	(1)	-	-	-	-
Property, equipment, intangible assets and right-of-use assets	10,174	-	(900)	9,274	-	2,140	11,414
Securities at fair value through profit and loss	3,536	-	(2,474)	1,062	-	(1,062)	-
Other assets	790	-	629	1,419	-	232	1,651
Other liabilities	887	-	97	984	-	584	1,568
Deferred tax assets, gross	**15,853**	**-**	**(2,791)**	**13,062**	**-**	**1,983**	**15,045**
Tax effect of taxable temporary differences							
Loans to customers	(4,235)	-	(13,272)	(17,507)	-	(5,259)	(22,766)
Derivative financial instruments	-	-	(26)	(26)	-	17	(9)
Due from banks and other financial institutions	(36)	-	(617)	(653)	-	(3,206)	(3,859)
Due to banks and other financial institutions	(182)	-	137	(45)	-	45	-
Investment securities	(2,423)	(94)	-	(2,517)	(1,064)	-	(3,581)
Allowances for ECL on credit related commitments	(3,190)	-	932	(2,258)	-	(1,349)	(3,607)
Securities at fair value through profit and loss	-	-	-	-	-	(879)	(879)
Deferred tax liability	**(10,066)**	**(94)**	**(12,846)**	**(23,006)**	**(1,064)**	**(10,631)**	**(34,701)**
Deferred tax asset / (liability)	**5,787**	**(94)**	**(15,637)**	**(9,944)**	**(1,064)**	**(8,648)**	**(19,656)**

(in thousands of Belarusian Rubles)

13. Income tax (continued)

The ratio of income tax expense to accounting profit for the years ended 31 December 2023 and 31 December 2022 is as follows:

	Year ended 31 December 2023	*Year ended 31 December 2022*
Profit before tax	**178,360**	**118,690**
	25%	25%
Tax at the statutory tax rate	**44,590**	**29,673**
Tax effect of permanent differences		
Tax effect of income from securities that are tax-exempt under the legislation	(13,053)	(12,447)
Effect of other income and expenses not taken into account for taxation purposes	1,101	10,747
Income tax expense	**32,638**	**27,973**
Current income tax expense	23,990	12,336
Charge of deferred income tax recognized in profit or loss	8,648	15,637
Income tax expense	**32,638**	**27,973**

14. Cash and cash equivalents

	31 December 2023	*31 December 2022*
Cash in the correspondent accounts in the National Bank of the Republic of Belarus	342,190	503,960
Correspondent accounts and demand deposits	298,439	327,840
Cash on hand	222,300	113,534
Due from banks and other financial institutions with original maturities of up to 90 days	183,244	40,001
	1,046,173	**985,335**
Less loss allowance	(855)	(520)
Total cash and cash equivalents	**1,045,318**	**984,815**

As at 31 December 2023 and 31 December 2022, the item includes placements with the National Bank of the Republic of Belarus exceeding 10% of the Bank's equity, which represents a significant concentration (33% and 51% of the total amount, respectively).

Information on the Bank's methodology for the calculation of expected credit losses on cash equivalents is presented in Note 35.

15. Securities at fair value through profit and loss

Securities at fair value through profit and loss comprise the following trading securities:

	Credit rating* as at 31 December 2023	**Interest to nominal**	**31 December 2023**	**Credit rating* as at 31 December 2022**	**Interest to nominal**	**31 December 2022**
Bonds						
Eurobonds of Development Bank of the Republic of Belarus	CCC+	6.75%	83,566	CCC	6.75%	63,072
Eurobonds of the Republic of Belarus	CCC+	6.20–7.625%	25,171	CCC+	6.20–7.625%	26,921
Total securities at fair value through profit and loss			**108,737**			**89,993**

** The credit rating of the national rating agencies is adjusted to the rating of international rating agencies to ensure comparability of data.*

Approaches to fair value measurement and the analysis by fair value hierarchy levels are presented in Note 33.

(in thousands of Belarusian Rubles)

16. Due from the National Bank of the Republic of Belarus, banks and other financial institutions

Due from the National Bank of the Republic of Belarus, banks and other financial institutions are represented as follows:

	31 December 2023	*31 December 2022*
Mandatory reserve deposits with the National Bank of the Republic of Belarus	35,430	23,940
Funds pledged as a collateral	8,129	6,096
Less loss allowance	(219)	(269)
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**43,340**	**29,767**

Information about the Bank's methodology of calculating expected credit losses for amounts due from the National Bank of the Republic of Belarus, banks and other financial institutions is disclosed in Note 35.

17. Loans to customers

Loans to customers comprise:

	31 December 2023	*31 December 2022*
Loans issued	3,001,826	2,503,378
Net investments in finance lease	1,738	986
	3,003,564	**2,504,364**
Less loss allowance	(109,135)	(167,884)
Total loans to customers	**2,894,429**	**2,336,480**

The table below summarizes the information on the loans by types of borrowers:

	31 December 2023	*31 December 2022*
Loans to corporate customers	2,322,926	2,021,508
Less loss allowance	(102,424)	(157,339)
Total corporate loans less allowance for impairment losses	**2,220,502**	**1,864,169**
Loans to individuals	680,638	482,856
Less loss allowance	(6,711)	(10,545)
Total loans to individuals less allowance for impairment losses	**673,927**	**472,311**

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

The table below represents the structure of the Bank's loan portfolio by industry sector as at 31 December 2023 and 31 December 2022:

	31 December 2023	*31 December 2022*
Analysis by sector		
Retail portfolio	680,638	482,856
Trade	492,355	448,535
Chemicals and petrochemicals	336,114	189,532
Investments in real estate	309,170	261,563
Oil industry	207,770	155,896
Financial and insurance services	181,701	95,956
Food industry	145,788	87,578
Transport	141,713	220,152
Other industry	103,909	169,429
Light industry	85,454	90,134
Gas transportation	60,222	–
Construction	52,796	64,403
Machinery construction	35,207	28,551
Agriculture	25,629	29,660
Metallurgy	22,641	19,491
Timber industry	18,777	23,412
Energy	5,511	7,853
Media business	563	976
Communications	56	–
Other	97,550	128,387
	3,003,564	**2,504,364**
Less loss allowance	(109,135)	(167,884)
Total loans to customers	**2,894,429**	**2,336,480**

All loans were issued to companies operating in the Republic of Belarus, which reflects a significant geographical concentration characteristic of the Belarusian banking system on the whole.

As at 31 December 2023, the Bank provided loans to two customers totaling BYN 331,473 thousand before allowance for expected credit losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2022, the Bank provided loans to two customers totaling BYN 195,035 thousand before allowance for expected credit losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

In March 2023, based on the Decree of the President of the Republic of Belarus No. 391 dated 15 October 2021 "On stabilizing the financial position of organizations", the Bank transferred to Asset Management Agency OJSC the rights of claim under the corporate client's loan agreements written off the balance sheet under the cession agreement. The cession price amounted to BYN 357.4 thousand. In exchange for the funds received, the bonds of Asset Management Agency OJSC were purchased for a total amount of BYN 357 thousand (Note 18).

In December 2022, based on Decree No. 391 of the President of the Republic of Belarus dated 15 October 2021 "On stabilizing the financial position of organizations", the Bank transferred the rights to claim under credit agreements of a corporate client previously written off the balance sheet to Asset Management Agency OJSC under the Agreement of Cession of the Right of Claim. The cession price amounted to BYN 16,638.9 thousand. In exchange for the funds received, the bonds of Asset Management Agency OJSC were purchased for a total amount of BYN 16,638.9 thousand (Note 18).

For 2023, the loss on initial recognition of assets in respect of rights on written-off credit-related commitments amounted to BYN 5,213 thousand and represents the loss on initial recognition of financial instruments on which interest is accrued.

The total undiscounted expected credit losses on initial recognition of POCI assets during 2023 amounted to BYN 5,958 thousand.

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

Retail portfolio comprises the following products:

	31 December 2023	*31 December 2022*
Car loans	263,608	272,672
Real estate loans	179,734	70,941
Payment cards	128,131	133,191
Consumer loans	109,165	5,937
Other	–	115
	680,638	**482,856**
Less loss allowance	(6,711)	(10,545)
Total loans to individuals	**673,927**	**472,311**

As at 31 December 2023, loans to corporate customers of the credit quality "Not rated" include the overdue amounts of BYN 162 thousand overdue over 30 days, BYN 265 thousand overdue over 90 days (as at 31 December 2022: BYN 1,253 thousand overdue over 30 days and BYN 2,077 thousand overdue over 90 days).

Movements in the gross carrying amount and allowances for ECL on loans to corporate customers for the years ended 31 December 2023 and 2022 are disclosed in the table below:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*POCI assets*	*Total*
Gross carrying amount					
31 December 2022	**746,704**	**1,040,361**	**232,844**	**613**	**2,020,522**
Transfer to 12-month ECL	1,117,948	(1,081,886)	(36,062)	–	–
Transfer to lifetime ECL, not credit-impaired assets	(385,740)	396,644	(10,904)	–	–
Transfer to lifetime ECL, credit-impaired assets	(5,964)	(17,564)	23,528	–	–
New financial assets originated or purchased	1,101,745	–	–	3,103	1,104,848
Financial assets that have been derecognized	(257,917)	(414,139)	(6,238)	(603)	(678,897)
Write-off of financial assets against allowance created	–	–	(54,389)	–	(54,389)
Unwinding of discount	-	–	3,874	–	3,874
Exchange differences	62,330	13,216	3,229	18	78,793
Other changes*	(544,939)	452,279	(60,875)	(28)	(153,563)
31 December 2023	**1,834,167**	**388,911**	**95,007**	**3,103**	**2,321,188**
Loss allowance					
31 December 2022	**2,408**	**15,210**	**139,624**	**95**	**157,337**
Transfer to 12-month ECL	37,314	(16,586)	(20,728)	–	–
Transfer to lifetime ECL, not credit-impaired assets	(2,436)	5,153	(2,717)	–	–
Transfer to lifetime ECL, credit-impaired assets	(17)	(284)	301	–	–
New financial assets originated or purchased	12,911	–	–	–	12,911
Financial assets that have been derecognized	(794)	(5,930)	(2,849)	(40)	(9,613)
Write-off of financial assets against allowance created	-	–	(54,389)	–	(54,389)
Amount of Income on earlier cancelled debts	–	–	11,718	–	11,718
Unwinding of discount	–	–	3,874	-	3,874
Exchange differences	(724)	1,240	2,601	–	3,117
Net change in allowance for credit losses	(21,305)	18,779	(19,963)	(55)	(22,544)
31 December 2023	**27,357**	**17,582**	**57,472**	**-**	**102,411**

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*POCI assets*	*Total*
Gross carrying amount					
31 December 2021	**578,287**	**1,201,413**	**221,968**	**5,512**	**2,007,180**
Transfer to 12-month ECL	308,575	(308,478)	(97)	–	–
Transfer to lifetime ECL, not credit-impaired assets	(322,304)	322,631	(327)	–	–
Transfer to lifetime ECL, credit-impaired assets	(1,462)	(115,970)	117,432	–	–
New financial assets originated or purchased	844,847	–	–	–	**844,847**
Financial assets that have been derecognized	(134,590)	(443,325)	(10,220)	–	**(588,135)**
Write-off of financial assets against allowance created	–	–	(28,838)	–	**(28,838)**
Unwinding of discount	–	–	1,161	–	**1,161**
Exchange differences	15,208	21,189	4,742	7	**41,146**
Other changes*	(541,857)	362,901	(72,977)	(4,906)	**(256,839)**
31 December 2022	**746,704**	**1,040,361**	**232,844**	**613**	**2,020,522**
Loss allowance					
31 December 2021	**1,742**	**17,268**	**107,904**	**207**	**127,121**
Transfer to 12-month ECL	5,418	(5,395)	(23)	–	–
Transfer to lifetime ECL, not credit-impaired assets	(687)	788	(101)	–	–
Transfer to lifetime ECL, credit-impaired assets	(28)	(6,000)	6,028	–	–
New financial assets originated or purchased	11,298	–	–	–	**11,298**
Financial assets that have been derecognized	(201)	(4,177)	(4,077)	(384)	**(8,839)**
Write-off of financial assets against allowance created	–	–	(28,838)	–	**(28,838)**
Amount of Income on earlier cancelled debts	–	–	20,419	–	**20,419**
Unwinding of discount	–	–	1,161	–	**1,161**
Exchange differences	(323)	(84)	1,437	(874)	**156**
Net change in allowance for credit losses	(14,811)	12,810	35,714	1,146	**34,859**
31 December 2022	**2,408**	**15,210**	**139,624**	**95**	**157,337**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

Movements in the gross carrying amount and allowances for ECL on net investments in finance lease to corporate customers by stages for the years ended 31 December 2023 and 2022 are disclosed in the table below:

	Stage 1 (12-month ECL)	*Stage 2 (Lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total*
Gross carrying amount				
31 December 2022	**865**	**121**	**–**	**986**
Transfer to 12-month ECL	466	(466)	–	–
Transfer to lifetime ECL not credit-impaired	(474)	474	–	–
New financial assets originated or purchased	2,156	–	–	**2,156**
Financial assets that have been derecognized	(28)	(5)	–	**(33)**
Other changes*	(1,811)	440	–	**(1,371)**
31 December 2023	**1,174**	**564**	**–**	**1,738**
Loss allowance				
31 December 2022	**1**	**1**	**–**	**2**
Transfer to 12-month ECL	1	(1)	–	–
New financial assets originated or purchased	9	–	–	**9**
Net change in allowance for credit losses	(4)	6	–	**2**
31 December 2023	**7**	**6**	**–**	**13**
Gross carrying amount				
31 December 2021	**93**	**2,947**	**1,025**	**4,065**
Transfer to 12-month ECL	853	(853)	–	–
Transfer to lifetime ECL not credit-impaired	(16)	16	–	–
New financial assets originated or purchased	144	–	–	**144**
Exchange differences	(48)	(1.524)	(481)	**(2,053)**
Other changes*	(161)	(465)	(544)	**(1,170)**
31 December 2022	**865**	**121**	–	**986**
Loss allowance				
31 December 2021	**–**	**64**	**613**	**677**
Transfer to 12-month ECL	8	(8)	–	–
Financial assets that have been derecognized	–	(48)	(283)	**(331)**
Net change in allowance for credit losses	(7)	(7)	(330)	**(344)**
31 December 2022	**1**	**1**	–	**2**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

Movements in the gross carrying amount and allowances for ECL on loans to individuals by stages for the years ended 31 December 2023 and 2022 are disclosed in the table below:

	Stage 1 (12-month ECL)	*Stage 2 (Lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total*
Gross carrying amount				
31 December 2022	**469,853**	**4,947**	**8,056**	**482,856**
Transfer to 12-month ECL	11,340	(8,939)	(2,401)	–
Transfer to lifetime ECL not credit-impaired	(11,562)	12,239	(677)	–
Transfer to lifetime ECL, credit-impaired	(2,189)	(4,360)	6,549	–
New financial assets originated or purchased	333,415	–	–	**333,415**
Write-off of financial assets against allowance created	–	–	(3,825)	**(3,825)**
Unwinding of discount	–	–	53	**53**
Exchange differences	(4)	–	–	**(4)**
Other changes*	(129,157)	(605)	(2,095)	**(131,857)**
31 December 2023	**671,696**	**3,282**	**5,660**	**680,638**
Loss allowance				
31 December 2022	**4,108**	**1,835**	**4,602**	**10,545**
Transfer to 12-month ECL	4,933	(3,372)	(1,561)	–
Transfer to lifetime ECL not credit-impaired	(310)	750	(440)	–
Transfer to lifetime ECL, credit-impaired	(139)	(1,984)	2,123	–
New financial assets originated or purchased	958	–	–	**958**
Write-off of financial assets against allowance created	–	–	(3,825)	**(3,825)**
Amount of Income on earlier cancelled debts	–	–	7,143	**7,143**
Unwinding of discount	–	–	53	**53**
Net change in allowance for credit losses	(7,208)	3,953	(4,908)	**(8,163)**
31 December 2023	**2,342**	**1,182**	**3,187**	**6,711**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

	Stage 1 (12-month ECL)	*Stage 2 (Lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total*
Gross carrying amount				
31 December 2021	**534,962**	**6,141**	**15,590**	**556,693**
Transfer to 12-month ECL	15,079	(12,210)	(2,869)	**-**
Transfer to lifetime ECL not credit-impaired	(17,898)	18,868	(970)	-
Transfer to lifetime ECL, credit-impaired	(2,865)	(6,830)	9,695	-
New financial assets originated or purchased	53,849	-	-	**53,849**
Write-off of financial assets against allowance created	-	-	(4,716)	**(4,716)**
Unwinding of discount	-	-	109	**109**
Exchange differences	(23)	-	-	**(23)**
Other changes*	(113,251)	(1,022)	(8,783)	**(123,056)**
31 December 2022	**469,853**	**4,947**	**8,056**	**482,856**
Loss allowance				
31 December 2021	**3,402**	**2,120**	**9,521**	**15,043**
Transfer to 12-month ECL	6,431	(4,461)	(1,970)	**-**
Transfer to lifetime ECL not credit-impaired	(482)	1,135	(653)	-
Transfer to lifetime ECL, credit-impaired	(178)	(2,773)	2,951	-
New financial assets originated or purchased	391	-	-	**391**
Write-off of financial assets against allowance created	-	-	(4,716)	**(4,716)**
Amount of Income on earlier cancelled debts	-	-	6,371	**6,371**
Unwinding of discount	-	-	109	**109**
Net change in allowance for credit losses	(5,456)	5,814	(7,011)	**(6,653)**
31 December 2022	**4,108**	**1,835**	**4,602**	**10,545**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

Additional information on movements in allowances for ECL on loans to customers for the years ended 31 December 2023 and 31 December 2022 are disclosed in Note 6.

The following table provides information on the Stage 2 and Stage 3 financial assets that were modified during 2023 and 2022 respectively.

	2023	*2022*
Financial assets modified during the year		
Amortized cost before modification	83,181	501,967
Net loss from the modification	(306)	(76)
Financial assets modified since initial recognition		
Gross carrying amount as at 31 December of the reporting year for financial assets whose loss allowance was modified during 2022 and became valued at an amount equal to 12-month ECL.	63,445	4,545

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

The outstanding contractual amount of loans and advances to customers measured at amortized cost, which were written off during the year ended 31 December 2023, but still subject to collection procedures, was BYN 58,427 thousand. (2022: BYN 17,087 thousand).

The information about the loans by types of collateral is presented in the following table. The information is based on the carrying amount of the loans rather than on the fair value of the collateral:

	31 December 2023	*31 December 2022*
Loans collateralized by real estate and rights thereto	899,612	940,560
Loans collateralized by equipment and rights thereto	741,786	565,149
Loans collateralized by liens over receivables	507,347	325,291
Loans collateralized by inventories	268,995	203,496
Loans collateralized by guarantees of individuals	68,248	65,490
Loans collateralized by guarantees of legal entities	45,582	97,476
Loans collateralized by cash and guarantee deposit	1,426	832
Loans collateralized by insurance of credit risk exposure	632	46
Loans secured by government guarantees	–	50,376
Loans secured by other and mixed types of collateral and unsecured loans	469,936	255,648
	3,003,564	**2,504,364**
Less loss allowance	(109,135)	(167,884)
Total loans to customers	**2,894,429**	**2,336,480**

The table above excludes the cost of overcollateralization. The Bank reviews the estimated value of collateral on a regular basis, at least once a year, as it is used as an input in the calculation of expected credit losses in the credit risk management process. In respect of individually impaired loans the Bank may review the estimated value of collateral, including when the credit risk on a loan has increased significantly and the loan is monitored more thoroughly.

As at 31 December 2023, the fair value of collateral accepted in respect of impaired loans including overcollateralization is BYN 282,758 thousand (31 December 2022: BYN 428,372 thousand).

The ratio of loans originated to the appraised value of collateral varies by loan program. Real estate loans are secured by real estate collateral and the amount of loans issued is no more than 80 to 90 percent of the value of the collateral. Car loans are secured by a pledge of vehicles and the amount of loans issued is not more than 60 to 90 percent of the value of the collateral. For real estate loans and car loans to individuals the fair value of the collateral is measured at the date the loan is issued and is not adjusted for further changes at the reporting date.

As at 31 December 2023, the cost of repossessed assets accounted for within property and equipment, non-current assets held for sale amounted to BYN 2,493 thousand and BYN 12,118 thousand respectively.

As at 31 December 2022, the cost of repossessed assets accounted for within property and equipment, non-current assets held for sale amounted to BYN 2,519 thousand and BYN 15,764 thousand respectively.

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

The components of net investments in finance lease as at 31 December 2023 and 2022 are as follows:

	31 December 2023	*31 December 2022*
Less than 1 year	1,530	830
1 - 2 years	312	265
2 - 3 years	48	–
Minimum payments under financial leases	**1,890**	**1,095**
Less unearned finance income	(152)	(109)
Net investments in finance lease before allowance	**1,738**	**986**
Less allowance for ECL	(13)	(2)
Total finance lease receivables	**1,725**	**984**
Less than 1 year	1,405	733
1 - 2 years	288	253
2 - 3 years	45	–
Net investments in finance lease before allowance	**1,738**	**986**
Less allowance for ECL	(13)	(2)
Net investments in finance lease	**1,725**	**984**

As at 31 December 2023 and 31 December 2022, information on loans to customers is presented in the table below by overdue periods:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*POCI assets*	*31 December 2023*
Loans to corporate customers measured at amortized cost					
Not overdue	1,834,583	384,416	37,766	–	**2,256,765**
Overdue:					
- less than 30 days	758	3,441	4,306	3,103	**11,608**
- from 31 to 60 days	–	1,618	21	–	**1,639**
- from 61 to 90 days	–	–	250	–	**250**
- from 91 to 180 days	–	–	18,689	–	**18,689**
- over 180 days	–	–	33,975	–	**33,975**
Allowance for ECL	(27,364)	(17,588)	(57,472)	–	**(102,424)**
Carrying amount	**1,807,977**	**371,887**	**37,535**	**3,103**	**2,220,502**
Loans to individuals measured at amortized cost					
Not overdue	660,747	–	–	–	**660,747**
Overdue:					
- less than 30 days	10,949	–	–	–	**10,949**
- from 31 to 60 days	–	2,527	–	–	**2,527**
- from 61 to 90 days	–	755	–	–	**755**
- from 91 to 180 days	–	–	1,318	–	**1,318**
- over 180 days	–	–	4,342	–	**4,342**
Allowance for ECL	(2,342)	(1,182)	(3,187)	–	**(6,711)**
Carrying amount	**669,354**	**2,100**	**2,473**	**–**	**673,927**
Loans to customers	**2,477,331**	**373,987**	**40,008**	**3,103**	**2,894,429**

(in thousands of Belarusian Rubles)

17. Loans to customers (continued)

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*POCI assets*	*31 December 2022*
Loans to corporate customers measured at amortized cost					
Not overdue	746,464	1,038,086	126,308	–	**1,910,858**
Overdue:					
- less than 30 days	1,105	494	22	–	**1,621**
- from 31 to 60 days	–	1,391	954	–	**2,345**
- from 61 to 90 days	–	511	–	–	**511**
- from 91 to 180 days	–	–	882	155	**1,037**
- over 180 days	–	–	104,678	458	**105,136**
Allowance for ECL	(2,409)	(15,211)	(139,624)	(95)	**(157,339)**
Carrying amount	**745,160**	**1,025,271**	**93,220**	**518**	**1,864,169**
Loans to individuals measured at amortized cost					
Not overdue	456,368	–	–	–	**456,368**
Overdue:					
- less than 30 days	13,485	–	–	–	**13,485**
- from 31 to 60 days	–	4,006	–	–	**4,006**
- from 61 to 90 days	–	941	–	–	**941**
- from 91 to 180 days	–	–	2,028	–	**2,028**
- over 180 days	–	–	6,028	–	**6,028**
Allowance for ECL	(4,108)	(1,835)	(4,602)	–	**(10,545)**
Carrying amount	**465,745**	**3,112**	**3,454**	**–**	**472,311**
Loans to customers	**1,210,905**	**1,028,383**	**96,674**	**518**	**2,336,480**

Analysis of the quality of loans provided to individuals by classes of loans and overdue periods as at 31 December 2023 and 31 December 2022 is presented as follows:

	Payment cards	*Car loans*	*Real estate loans*	*Consumer loans*	*Consumer loans Factoring for individuals*	*31 December 2023 Total*
Loans to individuals assessed collectively						
Not overdue	119.796	255,873	177.833	59,463	47.782	**660,747**
Overdue						
- less than 30 days	3,743	4,343	1,633	1,169	61	**10,949**
- from 31 to 60 days	869	1,131	214	296	17	**2,527**
- from 61 to 90 days	291	327	–	113	24	**755**
- from 91 to 180 days	724	411	–	175	8	**1,318**
- over 180 days	2,708	1,523	54	37	20	**4,342**
Allowance for ECL	(3,684)	(2,296)	(119)	(572)	(40)	**(6,711)**
Loans to individuals less allowance for ECL	**124,447**	**261,312**	**179,615**	**60,681**	**47,872**	**673,927**

	Payment cards	*Car loans*	*Real estate loans*	*Consumer loans*	*Other*	*31 December 2022 Total*
Loans to individuals assessed collectively						
Not overdue	122,108	259.132	69,134	5,879	115	**456,368**
Overdue						
- less than 30 days	5,129	6.992	1,364	–	–	**13,485**
- from 31 to 60 days	1,434	2,197	374	1	–	**4,006**
- from 61 to 90 days	389	517	35	–	–	**941**
- from 91 to 180 days	895	1,104	27	2	–	**2,028**
- over 180 days	3,236	2,730	7	55	–	**6,028**
Allowance for ECL	(4,927)	(5,424)	(168)	(25)	(1)	**(10,545)**
Loans to individuals less allowance for ECL	**128,264**	**267,248**	**70,773**	**5,912**	**114**	**472,311**

(in thousands of Belarusian Rubles)

18. Investment securities

Investment securities are presented as follows:

	Interest to nominal	*31 December 2023*	*Interest to nominal*	*31 December 2022*
Securities measured at amortized cost				
Bonds of specialized financial institutions	3.00%	8,969	3.00%	8,243
Less valuation allowances		(796)		(654)
Total securities measured at amortized cost		**8,173**		**7,589**
Securities measured at fair value through other comprehensive income				
Long-term governmental bonds in foreign currency	3.79–12.50%	523,095	3.70–12.50%	446,326
Bonds issued by Belarusian banks, BYN	9.50%	7,253	12.00%	7,300
Bonds issued by local authorities, BYN	9.50%	87	12.00%	437
Equity instruments with market quotes		14,284		10,029
Other unquoted equity instruments		1,402		1,088
Total securities measured at fair value through other comprehensive income		**546,121**		**465,180**
Total investment securities		**554,294**		**472,769**

As at 31 December 2023, investment securities in the amount of BYN 55,731 thousand were pledged as collateral for the Bank's loan obligations in the amount of BYN 74,377 thousand (Note 21).

As at 31 December 2022, investment securities in the amount of BYN 44,368 thousand were pledged as collateral for the Bank's loan obligations in the amount of BYN 77,652 thousand (Note 21).

Investments in equity instruments that are not held for trading are classified at the Bank's discretion as investments recognized at fair value through other comprehensive income (Note 2).

As at 31 December 2023 and 31 December 2022, equity instruments with quoted market prices included MasterCard Inc. shares measured at fair value of BYN 14,284 thousand and BYN 10,029 thousand, respectively. Other unquoted equity instruments as at 31 December 2023 and 31 December 2022 included shares of resident and non-resident legal entities in the amount of BYN 1,402 thousand and BYN 1,088 thousand, respectively.

As at 31 December 2023 and 31 December 2022, a loss allowance was created for investment securities recognized in other comprehensive income equal to 12-months expected credit losses amounting to BYN 57,608 thousand and BYN 41,254 thousand, respectively.

In March 2023, based on the Decree of the President of the Republic of Belarus No. 391 dated 15 October 2021 "On stabilizing the financial position of organizations", the Bank transferred to Asset Management Agency OJSC the rights of claim under the corporate client's loan agreements written off the balance sheet under the cession agreement. The cession price amounted to BYN 357 thousand. In exchange for the funds received, the bonds of Asset Management Agency OJSC were purchased for a total amount of BYN 357 thousand with interest income accruing at 3% per annum and maturity of 10 years. The loss on initial recognition of these bonds measured at amortized cost amounted to BYN 165 thousand (Note 17)

In December 2022, based on Decree No. 391 of the President of the Republic of Belarus dated 15 October 2021 "On stabilizing the financial position of organizations", the Bank transferred the rights to claim under credit agreements of a corporate client previously written off the balance sheet to Asset Management Agency OJSC under the Agreement of Cession. The cession price amounted to BYN 16,638.9 thousand. In exchange for the funds received, the bonds of Asset Management Agency OJSC were purchased for a total amount of BYN 16,638.9 thousand with interest income accruing at 3% per annum and maturity of 10 years. The loss on initial recognition of these bonds measured at amortized cost amounted to BYN 8,412 thousand (Note 17).

(in thousands of Belarusian Rubles)

18. Investment securities (continued)

The following table presents an analysis of changes in gross carrying amounts and allowances for expected credit losses for debt investment securities measured at fair cost through other comprehensive income for the years ended 31 December 2023 and 2022:

Debt investment securities at fair value through other comprehensive income	*Stage 1 (12-month ECL)*	*Total gross carrying amount*	*Stage 1 (12-month ECL)*	*Total loss allowance*
31 December 2021	**401,508**	**401,508**	**10,096**	**10,096**
New financial assets originated or purchased	39,537	**39,537**	3,394	**3,394**
Financial assets that have been derecognized	(16,781)	**(16,781)**	(772)	**(772)**
Exchange differences	17,052	**17,052**	1,107	**1,107**
Net change in loss allowance	–	–	27,429	**27,429**
Other changes*	12,747	**12,747**	–	–
31 December 2022	**454,063**	**454,063**	**41,254**	**41,254**
New financial assets originated or purchased	125	**125**	10	**10**
Financial assets that have been derecognized	(18,702)	**(18,702)**	(2018)	**(2018)**
Exchange differences	70,501	**70,501**	7,041	**7,041**
Net change in loss allowance	–	–	11,321	**11,321**
Other changes*	24,448	**24,448**	–	–
31 December 2023	**530,435**	**530,435**	**57,608**	**57,608**

* *Including principal and interest payments, revaluation and other changes.*

The following table presents an analysis of changes in gross carrying amounts and allowances for expected credit losses for debt investment securities measured at amortized cost for the years ended 31 December 2023 and 2022:

Debt investment securities measured at amortized cost	*Stage 1 (12-month ECL)*	*Total gross carrying amount*	*Stage 1 (12-month ECL)*	*Total loss allowance*
31 December 2022	**8,243**	**8,243**	**654**	**654**
New financial assets originated or purchased	357	**357**	16	**16**
Net change in loss allowance	–	–	126	**126**
Other changes*	369	**369**	–	–
31 December 2023	**8,969**	**8,969**	**796**	**796**

** Including principal and interest payments, revaluation and other changes.*

(in thousands of Belarusian Rubles)

19. Property and equipment, intangible and right-of-use assets

Property, equipment and intangible assets comprise:

	Buildings and structures	*Computer equipment, furniture and other equipment*	*Vehicles*	*Corporate collection of art works*	*Investments into property, equipment and intangible assets*	*Intangible assets*	*Total*
Cost							
As at 1 January 2022	**101,663**	**80,364**	**3,462**	**17,490**	**1,364**	**84,962**	**289,305**
Additions	-	-	-	-	15,477	-	**15,477**
Transfers between categories and items	824	1,575	727	3	(13,547)	10,442	**24**
Disposals	(4,845)	(2,457)	(357)	-	-	(763)	**(8,422)**
Impairment	(1,751)	(55)	-	-	-	-	**(1,806)**
At 31 December 2022	**95,891**	**79,427**	**3,832**	**17,493**	**3,294**	**94,641**	**294,578**
Additions	-	-	-	-	20,741	-	**20,741**
Transfers between categories and items	1,163	3,980	570	-	(19,640)	13,927	-
Disposals	(1,971)	(3,902)	(1,607)	(35)	(1)	(167)	**(7,683)**
Impairment	(180)	-	-	-	-	-	**(180)**
At 31 December 2023	**94,903**	**79,505**	**2,795**	**17,458**	**4,394**	**108,401**	**307,456**
Accumulated depreciation							
As at 1 January 2021	**9,648**	**53,697**	**2,503**	-	-	**61,433**	**127,281**
Charge for the year	1,431	7,266	362	-	-	7,400	**16,459**
Written-off at disposal	(280)	(2,291)	(357)	-	-	(763)	**(3,691)**
Impairment	(55)	(19)	-	-	-	-	**(74)**
At 31 December 2022	**10,744**	**58,653**	**2,508**	-	-	**68,070**	**139,975**
Charge for the year	1,379	5,582	346	-	-	10,588	**17,895**
Written-off at disposal	(1,016)	(3,830)	(1,225)	-	-	(166)	**(6,237)**
Impairment	(2)	-	-	-	-	-	**(2)**
At 31 December 2023	**11,105**	**60,405**	**1,629**	-	-	**78,492**	**151,631**
Residual value							
31 December 2023	**83,798**	**19,100**	**1,166**	**17,458**	**4,394**	**29,909**	**155,825**
31 December 2022	**85,147**	**20,774**	**1,324**	**17,493**	**3,294**	**26,571**	**154,603**

As at 31 December 2023 the value of fully depreciated property and equipment and intangible assets amounts to BYN 36,929 thousand and BYN 14,465 thousand, respectively. As at 31 December 2022 the value of fully depreciated property and equipment and intangible assets amounts to BYN 29,783 thousand and BYN 12,993 thousand, respectively.

In 2023, real estate, furniture and other equipment of BYN 1,971 thousand and BYN 871 thousand, respectively, were transferred from property and equipment to non-current assets held for sale. Depreciation accumulated as at the date of disposal amounted to BYN 1,013 thousand and BYN 474 thousand respectively.

In 2022, real estate, furniture and other equipment of BYN 4,846 thousand and BYN 280 thousand, respectively, were transferred from property and equipment to non-current assets held for sale. Depreciation accumulated as at the date of disposal amounted to BYN 324 thousand and BYN 189 thousand respectively.

As at 31 December 2023 and 31 December 2022, right-of-use assets represent leases by the Bank, as a lessee, of buildings and premises, parking spaces and other facilities required for the Bank's operations: to accommodate the Bank's offices and to form the necessary infrastructure.

(in thousands of Belarusian Rubles)

19. Property and equipment, intangible and right-of-use assets (continued)

Movements in the right-of-use assets were as follows:

	Right-of-use assets
Cost	
At 31 December 2021	**3,152**
Additions	639
Disposals	(1,124)
At 31 December 2022	**2,667**
Additions	2,758
Disposals	(1,313)
At 31 December 2023	**4,112**
Accumulated depreciation	
At 31 December 2021	**1,099**
Charge for the year	832
Written-off at disposal	(682)
At 31 December 2022	**1,249**
Charge for the year	1,119
Written-off at disposal	(1,192)
At 31 December 2023	**1,176**
Residual value	
At 31 December 2022	**1,418**
31 December 2023	**2,936**

20. Other assets

Other assets comprise:

	31 December 2023	*31 December 2022*
Other financial assets		
Cash in settlements	53,245	33,361
Settlements on Bank payment cards	9,118	42,685
Commission income and penalties accrued	1,394	1,871
Other debtors	1,813	1,438
Less loss allowance	(7,240)	(3,857)
Total other financial assets	**58,330**	**75,498**
Other non-financial assets		
Prepayments for property, equipment and other assets	4,460	2,266
Prepaid expenses and other non-financial assets	4,404	3,702
Precious metals	3,652	300
Inventories	884	899
Taxes recoverable and prepaid taxes other than income tax	644	1,413
Total other assets	**72,374**	**84,078**

In order to ensure smooth functioning of settlements with international payment systems, the Bank switched to the use of an advance system of sending payments for transactions with payment cards of international payment systems, which directly affected the increase of balances on clearing settlement accounts and, as a consequence, the increase of Cash in settlements as at 31 December 2023. As at 31 December 2023 and 31 December 2022, clearing settlement account balances with two international payment systems represented 71% and 75% of the Cash in settlements balance, representing a significant concentration.
As at 31 December 2023, the amount of funds in settlement, the actual possibility to dispose of which was lost by the Bank, amounted to BYN 5,319 thousand.

As at 31 December 2022, the amount of funds in settlement, the actual possibility to dispose of which was lost by the Bank, amounted to BYN 4,580 thousand.

(in thousands of Belarusian Rubles)

20. Other assets (continued)

The analysis of credit quality of other financial assets by maturity is as follows:

Other financial assets	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*31 December 2023*
Overdue			
- less than 30 days	1,270	–	**1,270**
- from 31 to 120 days	591	–	**591**
- from 121 to 210 days	155	–	**155**
- from 211 to 360 days	186	–	**186**
- over 360 days	–	6,324	**6,324**
Not overdue	57,044	–	**57,044**
Less loss allowance	(916)	(6,324)	**(7,240)**
Total other financial assets	**58,330**	**–**	**58,330**

Other financial assets	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*31 December 2022*
Overdue			
- less than 30 days	1,881	–	**1,881**
- from 31 to 120 days	2,459	–	**2,459**
- from 121 to 210 days	2,390	–	**2,390**
- from 211 to 360 days	213	–	**213**
- over 360 days	–	948	**948**
Not overdue	71,464	–	**71,464**
Less loss allowance	(2,909)	(948)	**(3,857)**
Total other financial assets	**75,498**	**–**	**75,498**

The following table presents the movement in the allowance for expected credit losses on other financial assets by stages for the years ended 31 December 2023 and 2022:

Allowance on other financial assets	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total*
31 December 2021	**274**	**1,007**	**1,281**
New financial assets originated or purchased	2,912	–	**2,912**
Write-off of financial assets against allowance created	–	(161)	**(161)**
Net change in allowance for credit losses*	(277)	102	**(175)**
31 December 2022	**2,909**	**948**	**3,857**
Transfer to lifetime ECL, credit-impaired	(5,434)	5,434	–
New financial assets originated or purchased	211	–	**211**
Write-off of financial assets against allowance created	–	(213)	**(213)**
Net change in allowance for credit losses*	3,230	155	**3,385**
31 December 2023	**916**	**6,324**	**7,240**

**Including effect of repayment (early repayment)*

(in thousands of Belarusian Rubles)

21. Due to banks and other financial institutions

Due to banks and other financial institutions comprise:

	31 December 2023	*31 December 2022*
Loans from banks and non-banking financial institutions	229,673	353,220
Correspondent and demand accounts of other banks	120,813	375,859
Funds received as a collateral	14,828	13,970
Total due to banks and other financial institutions	**365,314**	**743,049**

As at 31 December 2023, there are no due to banks balances representing significant concentration.

As at 31 December 2022, due to banks and other financial institutions included loans from one bank totaling BYN 527,175 thousand that exceeded 10% of the Bank's equity, which represents a significant concentration (71% from the total amount) (Note 31).

As at 31 December 2023, the Bank pledged investment securities in the amount of BYN 55,731 thousand as collateral for the Bank's credit liabilities in the amount of BYN 74,377 thousand (Note 18).

As at 31 December 2022, the Bank pledged investment securities in the amount of BYN 44,368 thousand as collateral for the Bank's credit liabilities in the amount of BYN 77,652 thousand (Note 18).

As at 31 December 2023 and 31 December 2022, the Bank is in compliance with the covenants set forth in the loan agreements.

22. Due to customers

Due to customers comprise:

	31 December 2023	*31 December 2022*
Current/settlement accounts and demand deposits	1,698,612	1,170,325
Term deposits	1,569,854	1,122,794
Total due to customers	**3,268,466**	**2,293,119**

Below are the Bank's due to customers by industries as at 31 December 2023 and 31 December 2022:

(in thousands of Belarusian Rubles)

22. Amounts due to customers (continued)

Analysis by sectors:	31 December 2023	31 December 2022
Individuals	1,475,436	1,093,141
Construction	306,926	140,230
Trade	270,308	252,217
Machinery construction	249,903	132,403
Other industry	227,722	66,547
Transport	133,549	70,686
Gas transportation	85,870	54,105
Investments in real estate	64,496	46,772
Chemicals and petrochemicals	60,266	44,509
Financial and insurance companies	51,800	20,653
Public administration	46,683	3,352
Food industry	32,473	111,812
Timber industry	25,507	23,682
Metallurgy	15,324	13,595
Agriculture	13,190	21,758
Media business	10,545	7,027
Light industry	6,952	7,189
Communications	4,664	3,205
Oil industry	3,299	2,752
Energy	855	1,338
Other	182,698	176,146
Total due to customers	**3,268,466**	**2,293,119**

As at 31 December 2023, due to customers totaling BYN 117,661 thousand (4% of the total) comprised the balances of accounts of one customer, which represents significant concentration. As at 31 December 2022, there are no due to customers balances representing significant concentration.

As at 31 December 2023 and 31 December 2022, due to customers of BYN 2,641 thousand and BYN 2,941 thousand, respectively, were held as collateral against letters of credit, guarantees and loans issued by the Bank.

23. Debt securities issued

	Currency	Maturity date	Interest rate	31 December 2023
Bonds issued by the Bank and held by individuals*	USD	November 2028	4.0%	13,729
	EUR	November 2028	2.0%	5,083
Bonds issued by the Bank and held by legal entities	BYN	January 2025	9.5%	10,012
Total debt securities issued				**28,824**

**USD and Euro denominated bonds with the right of early redemption during the period until February 2024 amounted to BYN 12,683 thousand and BYN 4,746 thousand, respectively;*
bonds with completed maturity and not presented by the owner for redemption as of the reporting date amounted to BYN 1,383 thousand (without accrual of interest income).

(in thousands of Belarusian Rubles)

23. Debt securities issued (continued)

	Currency	*Maturity date*	*Interest rate*	*31 December 2022*
Bonds issued by the Bank and held by individuals	USD	January 2020 - December 2023	0.3%–8.5%	14,154
	EUR	January 2020 - December 2023	2.0%–6.5%	7,926
Total debt securities issued				**22,080**

24. Other liabilities

Other liabilities comprise:

	31 December 2023	*31 December 2022*
Other financial liabilities		
Settlements on other banking operations and accrued expenses	12,464	32,609
Allowances for ECL on financial guarantees and other credit related commitments	5,793	1,162
Lease liabilities	3,119	2,516
Settlements for property and equipment and other assets acquired	1,241	1,014
Total other financial liabilities	**22,617**	**37,301**
Other non-financial liabilities		
Salary payable to employees	5,475	4,322
Payables to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	1,424	564
Allowances for ECL on non-financial guarantees	1,138	1,989
Taxes payable other than income tax	1,013	1,232
Prepayments received	26	–
Other non-financial liabilities	488	69
Total other liabilities	**32,181**	**45,477**

Movements in provisions for financial guarantees and other credit related commitments for the years ended 31 December 2023 and 2022 are presented in Note 6, by stages in Note 30.

Movements in lease liabilities are as follows:

	Lease liabilities
At 31 December 2021	**2,220**
Additions	535
Repayment	(1,185)
Interest expense	141
Changes in variable lease payments	805
As at 31 December 2022	**2,516**
Additions	2,447
Repayment	(1,194)
Interest expense	119
Changes in variable lease payments	(769)
At 31 December 2023	**3,119**

(in thousands of Belarusian Rubles)

25. Subordinated debt

	Currency	Maturity date	Interest rate	31 December 2023
The subordinated loan from Gazprombank (Joint Stock Company)	RUB	January 2028	7.50%	92,330
The subordinated loan from Gazprom PJSC	RUB	January 2025	8.25%	86,732
Total subordinated loans				**179,062**

	Currency	Maturity date	Interest rate	31 December 2022
The subordinated loan from Gazprombank (Joint Stock Company)	RUB	January 2023	5.95%	98,803
The subordinated loan from PJSC Gazprom	RUB	January 2025	8.25%	93,781
Total subordinated loans				**192,584**

Subordinated borrowings were raised in January 2015. Payments on this debt are subordinated to repayments of the Bank's other liabilities to all other creditors.

In December 2022, an additional agreement was signed to the loan agreement with PJSC Gazprom to extend the maturity of the subordinated borrowings until January 2025.

In January 2023, the Bank obtained a subordinated loan from Gazprombank (Joint Stock Company) maturing in January 2028.

26. Share capital

As at 31 December 2023 and 31 December 2022, authorized, issued and fully paid share capital of the Bank consisted of 34,812,225,866 ordinary shares and 3,932,200 preference shares with the par value of BYN 0,01 each.

Hyperinflation effect accumulated before 31 December 2014 amounts to BYN 187,783 thousand.

All ordinary shares are of the same class and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividends, the amount of which is determinable by annual shareholders meetings, but which may not be less than 1% of the par value.

The decision on payment of dividends is made by the General Meeting of Shareholders upon the recommendation of the Board of Directors. The Bank has no obligation to redeem preference shares, except for the cases provided in the legislation of the Republic of Belarus, as well as cases of voluntary assumption of such obligations.

Based on the results of operations for 2022, the Bank paid dividends on ordinary and preference shares in the amount of BYN 60,908 thousand, which amounts to BYN 0.00175 per ordinary and preference share.

Based on the results of operations for 2021, the Bank paid dividends on ordinary and preference shares in the amount of BYN 40,693 thousand, which amounts to BYN 0.00117 per ordinary and preference share.

27. Earnings per share

The table below shows earnings and weighted average number of ordinary shares figures used for calculating basic earnings per share.

	Year ended 31 December 2023	Year ended 31 December 2022
Earnings used for calculating earnings per share	145,722	90,717
Weighted average number of shares used for calculating earnings per share	34,812,225,866	34,812,225,866
Earnings per share (BYN)	**0.0042**	**0.0026**

Basic earnings per share are equal to diluted earnings per share.

(in thousands of Belarusian Rubles)

28. Offsetting financial assets and financial liabilities

The disclosure in the table below includes financial assets and financial liabilities that are subject to a legally enforceable general netting agreement or similar agreements that relate to the same financial instruments they are offset in the statement of financial position or not. whether they are offset in the statement of financial position or not.

Similar financial instruments include securities borrowing and lending agreements as at 31 December 2023 and 31 December 2022.

	31 December 2023			31 December 2022		
Types of financial assets/financial liabilities	**Full amounts of recognized financial assets/financial liabilities**	**Cost of financial instruments that were not offset in the statement of financial position**	**Net amount**	**Full amounts of recognized financial assets/financial liabilities**	**Cost of financial instruments that were not offset in the statement of financial position**	**Net amount**
Investment securities	554,294	(55,731)	498,563	472,769	(44,368)	428,401
Due to banks and other financial institutions	365,314	(55,731)	309,583	743,049	(44,368)	698,681

29. Reconciliation of changes in liabilities and cash flows from financing activities

	Loans from international financial institutions	*Debt securities issued*	*Subordinated loans*	*Syndicated loan*
Balance as at 31 December 2021	**10,879**	**32,162**	**174,702**	**129,668**
Cash flow				
Inflows	–	10,093	-	-
Outflows	(10,648)	(21,906)	-	(123,705)
Total changes relating to cash flows from financing activities	**(10,648)**	**(11,813)**	**-**	**(123,705)**
Non-monetary changes				
Effect of exchange rate fluctuations	(159)	1,148	17,433	(5,991)
Other changes				
Interest paid	(216)	(452)	(13,498)	(1,791)
Interest accrued	144	1,035	13,947	1,819
Balance as at 31 December 2022	**-**	**22,080**	**192,584**	**-**
Cash flow				
Inflows	-	22,506	95,771	-
Outflows	-	(19,748)	(95,771)	-
Total changes relating to cash flows from financing activities	**-**	**2,758**	**-**	**-**
Non-monetary changes				
Effect of exchange rate fluctuations	-	3,455	(14,071)	-
Other changes				
Interest paid	-	(691)	(13,208)	-
Interest accrued	-	1,222	13,757	-
Balance as at 31 December 2023	**-**	**28,824**	**179,062**	**-**

Movements in lease liabilities are disclosed in Note 24. Information on dividends paid to the shareholders is disclosed in Note 26.

The amounts of debt securities issued by the Bank are disclosed in Note 23, information on the amounts of subordinated loans is presented in Note 25.

(in thousands of Belarusian Rubles)

30. Deferred liabilities and financial credit related commitments, operating environment

In order to meet the needs of its customers, the Bank issues credit related commitments recorded on off-balance accounts. These instruments, being susceptible to various degrees of credit risk, are not recognized in the statement of financial position.

The Bank's maximum exposure to credit risk on financial credit related commitments in the case of other party's failure to fulfill its obligations and impairment of all counterclaims, collateral or security, is equivalent to the contract value of those instruments.

As at 31 December 2023 and 31 December 2022, the nominal or contractual amounts of financial credit related commitments were as follows:

	31 December 2023	*31 December 2022*
Financial credit related commitments		
Commitments on loans and unused credit lines, non-cancellable	580,343	268,675
Commitments on loans and unused credit lines, cancellable	164,168	178,677
Non-financial guarantees issued and similar commitments	46,847	138,662
Financial guarantees issued and similar commitments	34,594	11,083
Letters of credit, covered	–	921
Total financial credit related commitments	**825,952**	**598,018**

Allowances for expected credit losses for certain loan commitments are included in allowance for expected credit losses on loans to customers (Note 17) because the Bank cannot determine expected credit losses for the unclaimed component of loan commitments separately from those related to loans already issued under loan commitments.

Changes in allowance for expected credit losses on financial credit related liabilities recognized in other liabilities for the years ended 31 December 2023 and 2022 are as follows:

Allowance on financial credit related commitments	*Stage 1 (12-month ECL)*	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total*
31 December 2021	**632**	**659**	–	**1,291**
Transfer to 12-month ECL	164	(164)	–	–
Transfer to lifetime ECL, not credit-impaired	(41)	41	–	–
Transfer to lifetime ECL credit-impaired	–	(5)	5	–
Purchased or originated financial credit related commitments	689	–	–	**689**
Derecognized financial credit related commitments	(270)	(423)	–	**(693)**
Net change in allowance for ECL	(386)	266	(5)	**(125)**
31 December 2022	**788**	**374**	–	**1,162**
Transfer to 12-month ECL	1,945	(1,945)	–	–
Transfer to lifetime ECL, not credit-impaired	(4,408)	4,408	–	–
Purchased or originated financial credit related commitments	8,627	–	26	**8,653**
Derecognized financial credit related commitments	(241)	(351)	–	**(592)**
Net change in allowance* for ECL	(1,589)	(1,841)	–	**(3,430)**
31 December 2023	**5,122**	**645**	**26**	**5,793**

** Including effect of repayment (early repayment)*

(in thousands of Belarusian Rubles)

30. Deferred liabilities and financial credit related commitments, operating environment (continued)

Provisions for financial guarantees and other financial credit related commitments are recognized in other liabilities (Note 24).

Legal proceedings – In the normal course of business, customers and counterparties can claim against the Bank. Management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Pensions and retirement plans – As at 31 December 2023 and 31 December 2022, the Bank had no material liabilities for any supplementary pension payments, post-retirement health care, insurance benefits, or other retirement benefits to its current or former employees.

Legislation – Certain provisions of Belarusian business and tax legislation in particular are subject to varying interpretations and may be applied inconsistently. In addition, since interpretations made by the Management may differ from official interpretations and compliance with law may be challenged by the authorities, the Bank may be subject to additional tax payments and fines and other preventive actions. A tax period remains open for review by the tax authorities in subsequent periods.

Belarusian tax legislation provides for control over transfer pricing and requires transfer pricing reporting. The tax authorities may accrue additional income tax liabilities in respect of controlled transactions if the audit finds that the prices applied to such transactions differ from the market levels. At the same time, the risk of additional charges will increase if the Bank does not confirm the application of market prices for controlled transactions and fails to provide proper documentary evidence of this fact to the tax authorities. However, it is impossible to determine the amount of potential transfer pricing claims of the tax authorities.

Management of the Bank believes that the Bank has made all required tax and other payments and accruals, therefore no additional provisions have been created in these financial statements.

Fiduciary management – In the course of its ordinary activities the Bank concludes agreements with customers (individuals and corporate customers) for trust management of the customers' assets: as a fiduciary the Bank receives cash for trust management to further acquire or sell investment instruments as instructed by the customers.

Assets and liabilities related to trust management are not recognized in the Bank's financial statements.

Operating environment

The core operations of the Bank are conducted in the Republic of Belarus.

In 2014, sectoral sanctions were imposed on certain entities of the Russian Federation, including Gazprombank (Joint-Stock Company) and PJSC Gazprom, by the Office of Foreign Assets Control ("OFAC") of the United States Treasury Department and the Council of the European Union (the "EU").

In 2022, not only the Russian Federation, but also the Republic of Belarus came under significant sanctions pressure. A number of Belarusian and Russian legal entities fell under the sectoral and blocking restrictions of OFAC and the EU, including some Belarusian banks, both directly and under the "50% rule" as subsidiaries of Russian sanctioned banks. The sanctions were imposed on certain members of the Management Board and the Board of Directors of Gazprombank (Joint Stock Company). In 2023, new OFAC and EU sanctions against individuals from the Republic of Belarus were mainly aimed at preventing evasion of the previously imposed restrictions.

These blocking sanctions and restrictions related to the disconnection of financial institutions from SWIFT did not apply to the Bank and its international payments.

In 2023, the imposed sanctions continued to have a restraining effect on economic growth: they restricted international trade in certain goods that are important for the export and import of the Republic of Belarus, hindered the access of its residents to international capital markets, international payments, and maintained high risks of losing control over foreign assets for business entities.

(in thousands of Belarusian Rubles)

30. Deferred liabilities and financial credit related commitments, operating environment (continued)

In 2023, according to the National Statistical Committee of the Republic of Belarus[1], the GDP rate of the Republic of Belarus in comparable prices was 3.9%. This may indicate that the economy has adapted to the restrictions imposed. Industry (+2.2 p.p.), wholesale and retail trade (+1.2 p.p.), construction (+0.5 p.p.) had a positive effect on GDP rates.

Given the adaptation of business to the sanctions and the reorientation of the geography of foreign economic activity, the foreign trade turnover of goods and services increased by 6.8% in 2023 (or USD 6.09 billion) against 2022, including exports by 2.1%, imports by 12.1%, the foreign trade surplus amounted to USD 0.48 billion, having decreased to 10.5% of the previous year value.[2]

As at 31 December 2023, the international reserve assets of the Republic of Belarus amounted to approximately USD 8.13 billion, having increased by USD 197.9 million compared to 31 December 2022[3].

Inflation processes have slowed down in 2023. Annual growth in consumer prices reached a minimum of 2% in September. An increase in inflation in Q4 was facilitated by increased consumer activity, an increase in the import component of inflation due to the weakening of the Belarusian ruble against the Russian currency, and an increased level of prices in the Russian Federation. At the end of the year, the increase in consumer prices in annual terms was 5.8%[4] compared to 12.8% a year earlier. As inflation was slowing down, the refinancing rate of the National Bank was revised several times during the year and was reduced from 12% at the beginning of the year to 9.5%[5] on 28 June 2023, remaining unchanged until the end of 2023.

In 2023, the exchange rate of the Belarusian ruble fell against the US dollar, the euro and the Chinese yuan by 13.9%, 17.6% and 13.1%, respectively, and strengthened against the Russian ruble by 8.1%. The currency basket was formed by currencies used with the countries that were the main trading partners, i.e. the Russian ruble, the US dollar, the Chinese yuan, weighting 0.6, 0.3 and 0.1, respectively[7]. The average official exchange rate of the Belarusian ruble against foreign currencies in 2023 was as follows: BYN 3.0012 = USD 1, BYN 3.2455 = EUR 1, BYN 3.5470 = RUB 100 and BYN 4.2389 = CNY 10[8].

Average interest rates on new bank loans in the national currency fell from 9.93% p.a. in January to 8.02% p.a. in August, having increased to 8.92% p.a. in December as liquidity surplus in the banking system decreased in Q4. Average interest rates on new bank loans in foreign currencies were 10.51% p.a. for January-December. Average interest rates on new bank deposits in the national currency rose from 2.85% p.a. in February to 5.31% p.a. in December, and in foreign currency from 2.06% p.a. in January to 7.28% p.a. in December[6].

On 29 December 2023, the Expert RA Rating Agency assigned the byAA+ credit rating to Belgazprombank, the rating outlook is stable. Taking into account the adjustment for country risk, when converting the credit rating from the national rating scale of the Republic of Belarus to the national rating scale of the Russian Federation, Belgazprombank was assigned a creditworthiness rating of ruBBB+, the rating outlook is stable.

On 17 March 2023, the international rating agency S&P Global Ratings confirmed the long-term credit ratings of the Republic of Belarus in foreign and national currencies at SD and CCC, respectively. On 8 September 2023, the international rating agency S&P Global Ratings suspended the ratings in relation to the Republic of Belarus.

[1] https://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public_bulletin/index_84115/
[2] https://www.nbrb.by/statistics/ForeignTrade/Current/
[3] https://www.nbrb.by/statistics/reserveAssets/IntResAssIMF_Ru.xlsx
[4] https://www.nbrb.by/publications/inflationquarterly/inflationquarterly_2023_4.pdf
[5] https://www.nbrb.by/statistics/monetarypolicyinstruments/refinancingrate
[6] https://www.nbrb.by/publications/bulletin/stat_bulletin_2023_12.pdf
[7] https://www.nbrb.by/statistics/rates/currbasket
[8] https://www.nbrb.by/statistics/rates/avgrate

(in thousands of Belarusian Rubles)

30. Deferred liabilities and financial credit related commitments, operating environment (continued)

On 2 June 2023, the international rating agency Moody's Investors Service downgraded the long-term credit ratings of the Republic of Belarus in foreign and national currencies from Ca/Ca to C/C, respectively.

On 6 October 2023, the international rating agency Fitch Ratings revoked the ratings of the Republic of Belarus.

31. Transactions with related parties

In considering each possible related party relationship, attention is paid to the substance of the relationship, and not merely the legal form. The ultimate controlling party of the Bank is the Government of the Russian Federation. For financial statements disclosure purposes, the Bank groups its related parties into the following categories: shareholders, companies under common control, key management personnel.

Details of transactions between the Bank and related parties are disclosed below:

	For the year ended 31 December 2023				
	Shareholders	***Companies under common control***	***Key management personnel***	***Total***	***Total for financial statements caption***
Interest income calculated using the effective interest rate method	2,074	4,361	196	**6,631**	**311,589**
Interest expense	(26,281)	(6,954)	(226)	**(33,461)**	**(122,820)**
(Creation)/recovery of allowances for expected credit losses on financial assets	(30)	9	(11)	**(32)**	**13,122**
Net gain/(loss) from foreign exchange transactions	(4,588)	9,160	–	**4,572**	**44,245**
Fee and commission income	1	2,055	4	**2,060**	**146,177**
Fee and commission expenses	(1,439)	–	–	**(1,439)**	**(50,135)**
Operating expenses	(559)	(1,189)	(11,525)	**(13,273)**	**(180,052)**
Salary and other personnel costs	–	–	(6,206)		
Remuneration of the Board members	–	–	(4,053)		
Social security and insurance contributions	–	–	(1,266)		

	For the year ended 31 December 2022				
	Shareholders	***Companies under common control***	***Key management personnel***	***Total***	***Total for financial statements caption***
Interest income calculated using the effective interest rate method	385	7,433	199	**8,017**	**298,592**
Interest expense	(31,540)	(17,914)	(127)	**(49,581)**	**(142,014)**
(Creation)/recovery of allowances for expected credit losses on financial assets	(6)	(112)	25	**(93)**	**(64,346)**
Net gains from foreign exchange transactions	18,672	9,806	–	**28,478**	**83,911**
Net gain from trading transactions	105	–	–	**105**	**9,906**
Fee and commission income	1	2,331	2	**2,334**	**118,179**
Fee and commission expenses	(362)	(149)	–	**(511)**	**(35,882)**

(in thousands of Belarusian Rubles)

31. Transactions with related parties (continued)

	For the year ended 31 December 2022				
	Shareholders	*Companies under common control*	*Key management personnel*	*Total*	*Total for financial statements caption*
Operating expenses	(6)	(397)	(11,328)	**(11,731)**	**(159,019)**
Salary and other personnel costs	–	–	(6,192)		
Remuneration of the Board members	–	–	(4,069)		
Social security and insurance contributions	–	–	(1,067)		

Remuneration of the key management personnel for the years ended 31 December 2023 and 31 December 2022 was represented by short-term remunerations.

The statement of financial position as at 31 December 2023 and 31 December 2022 includes the following amounts of transactions between the Bank and the related parties:

	31 December 2023				
	Shareholders	*Companies under common control*	*Key management personnel*	*Total*	*Total for financial statements caption*
Assets					
Cash and cash equivalents	210,336	42,241	–	**252,577**	**1,045,318**
Including loss allowance	(36)	(116)	–	**(152)**	**(855)**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	111	–	**111**	**43,340**
Loans to customers	–	–	1,669	**1,669**	**2,894,429**
Including loss allowance	–	–	(16)	**(16)**	**(109,135)**
Other assets	–	109	1	**110**	**72,374**
Including allowance	–	–	–	**–**	**(7,240)**
Liabilities					
Due to banks and other financial institutions	21,929	118,523	–	**140,452**	**365,314**
Due to customers	–	225,182	2,458	**227,640**	**3,268,466**
Term deposits	–	206,692	1,750	**208,442**	**1,569,854**
Current/settlement accounts and demand deposits	–	18,490	708	**19,198**	**1,698,612**
Other liabilities	8	4	1,769	**1,781**	**32,181**
Subordinated debt	179,062	–	–	**179,062**	**179,062**

(in thousands of Belarusian Rubles)

31. Transactions with related parties (continued)

	31 December 2022				
	Shareholders	***Companies under common control***	***Key management personnel***	***Total***	***Total for financial statements caption***
Assets					
Cash and cash equivalents	176,463	**48,352**	–	**224,815**	**984,815**
Including loss allowance	(6)	(125)	–	***(131)***	***(520)***
Derivative financial instruments, assets	108	–	–	**108**	**108**
Loans to customers	–	14	1,492	**1,506**	**2,336,480**
Including loss allowance	–	–	(5)	**(5)**	**(167,884)**
Other assets	–	168	–	***168***	***(84,078)***
Liabilities					
Derivative financial instruments, liabilities	3	–	–	**3**	**3**
Due to banks and other financial institutions	527,175	18,135	–	**545,310**	**743,049**
Due to customers	–	128,164	3,576	**131,740**	**2,293,119**
Term deposits	–	83,933	2,035	**85,968**	**1,122,794**
Current/settlement accounts and demand deposits	–	44,231	1,541	**45,772**	**1,170,325**
Other liabilities	50	234	1,733	**2,017**	**45,477**
Subordinated borrowings	192,584	–	–	**192,584**	**192,584**

Transactions with related parties were performed under conditions similar to those with unrelated parties.

As at 31 December 2023, the weighted-average contract rate for cash and cash equivalents denominated in foreign currencies was 6.90% (31 December 2022: 1.12%).

As at 31 December 2023, due to banks were represented by balances in correspondent accounts and interbank loans denominated in a foreign currency. Outstanding debt on interbank loans maturing up to 1 year and more than 1 year amounted to BYN 108,925 thousand and BYN 749 thousand, respectively. The weighted-average contractual rate on interbank loans is 9.75%.

As at 31 December 2022, due to banks were represented by balances in correspondent accounts and interbank loans denominated in a foreign currency. Outstanding debt on interbank loans maturing up to 1 year and more than 1 year amounted to BYN 118,771 thousand and BYN 142,903 thousand, respectively. The weighted-average contractual rate on interbank loans is 8.79%.

As at 31 December 2023, the weighted-average contract rate was 4.21% for BYN-denominated customer deposits (31 December 2022: 20.34%) and 5.38% for deposits denominated in foreign currencies (31 December 2022: 5.83%).

As at 31 December 2023, the Bank recognized credit related commitments to related parties maturing up to 1 year in the amount of BYN 13,142 thousand.

As at 31 December 2022, the Bank recognized credit related commitments to related parties maturing up to 1 year in the amount of BYN 16,750 thousand.

As at 31 December 2023, the Bank recorded contingent financial claims to related parties against the counter-guarantee maturing up to 1 year in the amount of BYN 12,819 thousand.

As at 31 December 2022, the Bank recorded contingent financial claims to related parties against the counter-guarantee maturing up to 1 year in the amount of BYN 16,503 thousand.

Further information about terms and conditions of transactions with related parties is presented in Note 25.

(in thousands of Belarusian Rubles)

32. Segment analysis

To provide the shareholders and management of the Bank with analytical information to make effective management decisions with regard to the business development certain types of the Bank's management statements are prepared with a breakdown by operating segments.

Operating segments of the Bank are:

"Corporate Business" operating segment is the Bank's operating segment that represents activities related to transactions with customers, both individuals and corporate customers (credit transactions, acquisition and issue of securities, opening of deposits and current accounts, foreign currency transactions, commission and other banking transactions).

"Retail Business" operating segment is the Bank's operating segment that represents activities related to transactions with individuals (credit transactions, issue of securities, opening of deposits and current accounts, foreign currency transactions, commission and other banking transactions).

"Investment and Banking Business" operating segment is the Bank's operating segment engaged in activities related to transactions with customers represented by banks and non-banking financial organizations.

Amounts that have not been classified into the above operating segments represent the "Unallocated amounts" category.

The performance of these segments is presented in the form of management statements. These statements are based on the financial result and volume indicators of assets and liabilities.

To form the financial result of operating segments, all income and expenses of the Bank recognized in the accounting are analyzed and segmented. According to the methods of applied segmentation, income and expenses are divided into the following types:

- Direct income and expenses distributed between operating segments based on analytical indicators in the Bank's accounting systems;
- Allocated income and expenses that are distributed between the Bank's operating segments taking into account the selected allocation rule that allows to ensure maximum accuracy of distribution with an acceptable level of work efforts.
- Net transfer income that is allocated between the operating segments as part of the transfer pricing system based on the funding matrix and internal transfer pricing rules.

Assets and liabilities of the operating segments are presented as a balance report with a breakdown by operating segments. All balance sheet accounts of the Bank are analyzed and segmented to form the balance by operating segment.

Information on profit and losses by operating segment for 2023 is presented below:

	Year ended 31 December 2023	***Corporate business***	***Retail business***	***Investment and banking business***	***Unallocated amounts***
Interest income calculated using the effective interest rate method	311,589	192,088	85,809	33,692	–
Other interest income	6,735	265	–	6,470	–
Interest expense	(122,820)	(40,843)	(55,400)	(26,458)	(119)
Net interest income	**195,504**	**151,510**	**30,409**	**13,704**	**(119)**

(in thousands of Belarusian Rubles)

32. Segment analysis (continued)

	Year ended 31 December 2023	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Recovery/(creation) of allowance for expected credit losses on financial assets	13,122	19,253	7,205	(9,740)	(3,596)
Net interest income/(expense) after recovery/(creation) of allowance for expected credit losses on financial assets	**208,626**	**170,763**	**37,614**	**3,964**	**(3,715)**
Net loss on initial recognition of interest bearing financial instruments	(5,378)	(5,378)	–	–	-
Net gain/(loss) from foreign exchange transactions	44,245	30,854	13,098	(787)	1,080
Fee and commission income *including:*	146,177	18,850	127,021	306	–
bank payment cards	*114,703*	–	*114,703*	–	–
settlement and cash transactions with customers	*29,764*	*18,424*	*11,118*	*222*	–
documentary transactions	*446*	*383*	–	*63*	–
foreign currency transactions	*36*	-	*36*	–	-
other	*1,228*	*43*	*1,164*	*21*	–
Fee and commission expenses *including:*	(50,135)	(2,119)	(47,274)	(741)	(1)
bank payment cards	*(45,294)*	–	*(45,294)*	–	–
maintenance of bank accounts	*(1,940)*	*(1,666)*	*(96)*	*(177)*	*(1)*
foreign currency transactions	*(521)*	-	*(1)*	*(520)*	-
documentary transactions	*(453)*	*(453)*	–	-	–
payments accepted in favor of the bank	*(335)*	–	*(335)*	–	–
other	*(1,592)*	–	*(1,548)*	*(44)*	–
Net gain from operations with precious metals	1,086	–	1,086	–	-
Financial result on investment securities at fair value through other comprehensive income transferred to profit and loss	148	–	–	148	–
Net gain on operations with securities at fair value through profit and loss	6,286	49	–	6,237	–

(in thousands of Belarusian Rubles)

32. Segment analysis (continued)

	Year ended 31 December 2023	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Net loss from derivative financial instruments	(235)	–	–	(235)	–
(Creation)/recovery of allowances for expected credit losses on on credit related commitments and allowances for contingent liabilities	(3,533)	(3,584)	51	–	–
Other income	11,125	816	8,260	480	1,569
Net non-interest income	**149,786**	**39,488**	**102,242**	**5,408**	**2,648**
Net transfer income/expense of the operating segment	–	(50,894)	23.084	(7,850)	35,660
Operating income	**358,412**	**159,357**	**162,940**	**1,522**	**34,593**
Operating expenses	**(180,052)**	**(71,396)**	**(88,498)**	**(7,416)**	**(12,742)**
Profit before tax	**178,360**	**87,961**	**74,442**	**(5,894)**	**21,851**
Income tax expense	(32,638)	–	–	–	(32,638)
Net profit	**145,722**	**87,961**	**74,442**	**(5,894)**	**(10,787)**

Information on profit and loss by operating segment for 2022 is presented below:

	Year ended 31 December 2022	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Interest income calculated using the effective interest rate method	298,592	178,000	91,831	28.761	–
Other interest income	7,575	1,653	–	5,922	–
Interest expense	(142,014)	(39,230)	(58,194)	(44,450)	(140)
Net interest income	**164,153**	**140,423**	**33,637**	**(9,767)**	**(140)**
Creation of allowances for expected credit losses on financial assets	(64,346)	(19,221)	(11,160)	(31,197)	(2.768)
Net interest income/(loss) after creation of allowance for expected credit losses on financial assets	**99,807**	**121,202**	**22,477**	**(40,964)**	**(2,908)**
Net loss on initial recognition of interest bearing financial instruments	(8,412)	–	–	(8,412)	–
Net gain/(loss) from foreign exchange transactions	83,911	54,792	23,654	6,315	(850)

(in thousands of Belarusian Rubles)

32. Segment analysis (continued)

	Year ended 31 December 2022	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Fee and commission income *including:*	118,179	20,782	96,663	734	-
bank payment cards	*85,559*	–	*85,559*	–	–
settlement and cash transactions with customers	*30,513*	*19,522*	*10,497*	*494*	-
documentary transactions	*1,415*	*1,209*	*13*	*193*	
foreign currency transactions	*103*	–	*103*	–	–
other	*589*	*51*	*491*	*47*	–
Fee and commission expenses *including:*	(35,882)	(2,058)	(32,775)	(1049)	-
bank payment cards	*(31,015)*	–	*(31,015)*	–	–
maintenance of bank accounts	*(2,607)*	*(2,003)*	*(157)*	*(447)*	–
foreign currency transactions	*(792)*	–	*(236)*	*(556)*	–
payments accepted in favor of the bank	*(297)*	–	*(297)*	–	–
documentary transactions	*(56)*	*(55)*	–	*(1)*	–
other	*(1,115)*	–	*(1,070)*	*(45)*	–
Net gain from operations with precious metals	303	–	303	–	-
Financial result on investment securities at fair value through other comprehensive income transferred to profit and loss	167	–	–	167	–
Net gain/(loss) from operations with securities at fair value through profit and loss	8,575	(353)	306	8,622	–
Net gain from derivative financial instruments	1,331	–	–	1,331	–
Creation of allowances for ECL on credit related commitments and allowances for contingent liabilities	(1,076)	(821)	(255)	–	–
Other income	10,806	796	6,147	–	3,863
Net non-interest income	**177,902**	**73,138**	**94,043**	**7,708**	**3,013**

(in thousands of Belarusian Rubles)

32. Segment analysis (continued)

	Year ended 31 December 2022	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Net transfer income/expense of the operating segment	–	(67,656)	11,457	12,190	44,009
Operating income	**277,709**	**126,684**	**127,977**	**(21,066)**	**44,114**
Operating expenses	**(159,019)**	**(56,487)**	**(80,815)**	**(5,718)**	**(15,999)**
Profit before tax	**118,690**	**70,197**	**47,162**	**(26,784)**	**28,115**
Income tax expense	(27,973)	–	–	–	(27,973)
Net profit	**90,717**	**70,197**	**47,162**	**(26,784)**	**142**

Information on assets and liabilities by operating segment as at 31 December 2023 and 31 December 2022 is presented in the table below:

	31 December 2023	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Assets	4,895,760	2,236,450	679,407	1,576,218	403,685
Liabilities	3,895,650	1,819,554	1,496,447	366,550	213,099

	31 December 2022	*Corporate business*	*Retail business*	*Investment and banking business*	*Unallocated amounts*
Assets	4,177,099	1,898,623	482,885	1,500,283	295,308
Liabilities	3,306,256	1,210,297	1,112,129	770,046	213,784

Transactions with residents of the Republic of Belarus account for the largest part of revenue from transactions with customers. The amount of revenue from transactions with each specific external counterparty or group of related external counterparties does not exceed 10% of total revenue. Non-current assets are located in the Republic of Belarus.

The calculation of transfer income and expenses of operating segments is based on the Bank's funding matrix for the reporting period.

The funding matrix is built by correlating the Bank's liabilities and assets (funding of certain assets with certain liabilities) in accordance with a set of certain methodological rules.

The transfer income from an operating segment occurs when the liabilities of that operating segment are used to fund the assets of another operating segment. The transfer expense of an operating segment occurs when the assets of that operating segment are funded by liabilities of another operating segment.

(in thousands of Belarusian Rubles)

33. Fair value of financial instruments

For the purpose of disclosing information about fair value, the Bank determined the classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability, and the level in the fair value hierarchy.

	Fair value measurement using			
As at 31 December 2023	***Level 1 inputs***	***Level2 inputs***	***Level 3 inputs***	***Total***
Assets measured at fair value				
Precious metals	3,652	–	–	**3,652**
Derivative financial assets	–	36	–	**36**
Securities at fair value through profit and loss	–	–	108,737	**108,737**
Investment securities – debt securities at FVOCI	–	34,156	496,279	**530,435**
Investment securities – equity securities with market quotations at FVOCI	14,284	–	–	**14,284**
Other unquoted equity instruments	–	–	1,402	**1,402**
Assets the fair value of which is disclosed				
Cash and cash equivalents	1,045,318	–	–	**1,045,318**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	43,340	**43,340**
Loans to customers	–	–	2,894,429	**2,894,429**
Investment securities – debt securities at amortized cost	–	–	8,173	**8,173**
Liabilities at fair value				
Derivative financial liabilities	–	–	–	–
Liabilities the fair value of which is disclosed				
Due to banks and other financial institutions	–	–	365,314	**365,314**
Due to customers	–	–	3,268,466	**3,268,466**
Debt securities issued	–	–	28,824	**28,824**
Subordinated borrowings	–	–	152,651	**152,651**

	Fair value measurement using			
As at 31 December 2022	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets measured at fair value				
Precious metals	300	–	–	**300**
Derivative financial assets	–	108	–	**108**
Securities at fair value through profit and loss	–	–	89,993	**89,993**
Investment securities – debt securities at FVOCI	–	446,326	7,737	**454,063**
Investment securities – equity securities with market quotations at FVOCI	10.029	–	–	**10,029**
Other unquoted equity instruments	–	–	1,088	**1,088**
Assets the fair value of which is disclosed				
Cash and cash equivalents	984,815	–	–	**984,815**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	29,767	**29,767**
Loans to customers	–	–	2,336,480	**2,336,480**
Investment securities – debt securities at amortized cost	–	–	7,589	**7,589**
Liabilities at fair value				
Derivative financial liabilities	–	3	–	**3**
Liabilities the fair value of which is disclosed				
Due to banks and other financial institutions	–	–	743,049	**743,049**
Due to customers	–	–	2,293,119	**2,293,119**
Debt securities issued	–	–	22,080	**22,080**
Subordinated borrowings	–	–	188,262	**188,262**

(in thousands of Belarusian Rubles)

33. Fair value of financial instruments (continued)

Fair value is measured as 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.

For financial assets and liabilities carried at amortized cost with short maturities (less than 3 months) it is assumed that the carrying amount approximates fair value. This assumption is also applied to demand deposits and current accounts without a maturity.

The following valuation methods and key inputs are used for derivative financial assets and liabilities classified by the Bank into Level 2 of the fair value hierarchy:

- for derivative financial instruments with foreign currencies – discounted cash flows. Future cash flows are estimated using the interest rates parity model. The rates for short-term interbank placements nominated in the relevant currency and with relevant maturity periods are applied as rates for the model;
- for derivative financial instruments with securities – the net result between the fair value of the claim for the cash/securities and the obligations for supply/payment of securities/cash. Quoted bid prices in an active market are assumed to be the fair value of a claim/obligation with respect to securities. Fair value of claims/obligations to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.

The Bank classifies financial assets and liabilities presented below into Level 3 of the fair value hierarchy.

Due from the National Bank of the Republic of Belarus, banks and other financial institutions

The fair value of term deposits in banks, according to management, is not significantly different from the carrying amount as all deposits are placed with a floating interest rate or a fixed interest rate that corresponds to the market rate.

Loans to customers

Loans to customers have both floating and fixed interest rates.

The fair value of loans with floating rates, according to management, approximates their carrying amount.

For loans with fixed rates, there is a practice to renegotiate interest rates to reflect current market conditions, as a result, interests on most balances are accrued at rates approximating market rates. Due to these factors, the fair value of loans with a fixed rate does not materially differ from their carrying value.

Investment securities

The fair value of debt securities at fair value through other comprehensive income is measured based on a three-level hierarchy of inputs used in valuation methods:

Level 1 inputs – price quotations (not adjusted) of the active market.
Level 2 inputs – inputs other than quotations classified as Level 1 that are observable, directly or indirectly, in respect of a particular asset or liability.
Level 3 inputs – unobservable inputs. If there are no Level 1 and 2 inputs sufficient to measure fair value, the Bank applies the estimation method of calculating discounted value based on the estimated rate of return on exchange prices.

(in thousands of Belarusian Rubles)

33. Fair value of financial instruments (continued)

As a result of applying these approaches, the fair value of governmental bonds in the Bank's portfolio issued in Russian rubles is measured using Level 2 inputs. Quotations of similar bonds of an issuer in Russian rubles traded on the Moscow Exchange are used to calculate the fair value of the securities. To determine the fair value of other bonds in the Bank's portfolio, Level 3 inputs are used and the discounted value calculation method is applied with the estimated rate of return on exchange prices based on data on weighted-average yields to be repaid on transactions with governmental securities at Belarusian Currency and Stock Exchange OJSC, taking into account the currency of the security issue (securities denominated in USD and EUR are included in one estimation group).

Investment debt securities issued in Belarusian rubles are measured at fair value using observable data in the organized marked: the value at which similar debt securities with similar levels of risk, maturity and currency are traded.

The fair value of investment securities at amortized cost is not significantly different from the carrying amount, since the discount method using the market interest rate is used to determine it.

Due to banks and other financial institutions

Loans from banks and other financial institutions have both floating and fixed interest rates. The fair value of borrowed funds at floating interest rates, according to management, approximates their carrying amount.

For the majority of loans with fixed-rate maturities do not exceed one year. Due to these factors, the fair value of loans with a fixed rate does not materially differ from their carrying value.

Due to customers

Customer deposits have both floating and fixed interest rates. The fair value of deposits with floating rates, according to management, approximates their carrying amount.

For deposits with fixed rates, there is a practice to renegotiate interest rates to reflect current market conditions, as a result, interests on most balances are accrued at rates approximating market rates. Due to these factors, the fair value of deposits with a fixed rate does not materially differ from their carrying amount.

Debt securities issued

Debt securities are issued by the Bank at fixed rates. On the whole, the debt financial instruments rates are in line with the market rates. The management believes that the fair value of such instruments does not significantly differ from their carrying amounts.

Subordinated debt

The fair value of subordinated loans carried at amortized cost is calculated as the present value of cash flows using the relevant market rate for these instruments as at the reporting date.

The following table shows the carrying amount of subordinated loans and their fair value:

		31 December 2023		*31 December 2022*	
	Fair value hierarchy	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Subordinated borrowings	Level 3	179,062	152,651	192,584	188,262

(in thousands of Belarusian Rubles)

33. Fair value of financial instruments (continued)

Movements in Level 3 assets and liabilities at fair value

The following table shows a reconciliation of the opening and closing amounts of certain Level 3 assets and liabilities measured at fair value:

	Investment securities – debt securities at FVOCI	*Securities at FVTPL*
Financial assets		
As at 31 December 2022	**7,737**	**89,993**
Total gain recorded in profit or loss	61,059	28,420
Total gain recorded in other comprehensive income	33,905	–
Acquisitions	53	–
Sales	(15,743)	(5,616)
Repayments	(16,307)	(4,060)
Transfers between the levels	425,575	–
As at 31 December 2023	**496,279**	**108,737**

	Investment securities – debt securities at FVOCI	*Securities at FVTPL*
Financial assets		
As at 31 December 2021	**401,508**	**–**
Total gain recorded in profit or loss	6,819	8,575
Total gain recorded in other comprehensive income	47,304	–
Acquisitions	39,570	–
Sales	(20,443)	–
Repayments	(20,695)	(5,501)
Transfers between the levels	(446,326)	86,919
As at 31 December 2022	**7,737**	**89,993**

In the first quarter of 2023, the Bank transferred investment securities measured at fair value through other comprehensive income from Level 2 to Level 3 of the fair value hierarchy. The total carrying amount of the transferred assets amounted to BYN 425,575 thousand. The transfer was due to insufficient relevant Level 2 inputs for fair value measurement purposes. Prior to the transfer, the fair value of these investment securities was measured by using data on comparable securities issued for which there were observable price quotations. Upon transfer, the fair value of these financial instruments is measured by a valuation model using observable inputs on weighted-average yields to maturity on transactions with governmental bonds on the organized market.

On 31 December 2022, the Bank transferred investment securities at fair value through other comprehensive income from Level 3 to Level 2 of the fair value hierarchy as a result of a change in the valuation model and in order to determine fair value by using yield from issues of comparable securities for which there were observable price quotations in an active market. The total carrying amount of the transferred assets amounted to BYN 446,326 thousand.

Also, securities at fair value through profit and loss with a total carrying amount of BYN 86,919 thousand were transferred from Level 1 to Level 3 of the fair value hierarchy. The reason for the transfer of the latter was the Bank's lack of access to an active market.

Gains or losses from Level 3 financial instruments included in other comprehensive income for the year are as follows:

	2023			**2022**		
	Realized gain/(loss)	*Unrealized gain/(loss)*	*Total*	*Realized gain/(loss)*	*Unrealized gain/(loss)*	*Total*
Total gains and losses in other comprehensive income for the period	–	33,905	**33,905**	–	47,304	**47,304**

(in thousands of Belarusian Rubles)

33. Fair value of financial instruments (continued)

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized into Level 3 of the fair value hierarchy for 2023 and 2022:

As at 31 December 2023	*Carrying amount*	*Valuation models*	*Unobservable inputs*	*Range (weighted average)*
Investment securities at FVOCI	488,939	The value was determined using the discount method and the estimated rate of return on exchange prices	Estimated rate of return on exchange prices	4.02%
	7,340	The value was determined using the discount method based on weighted-average market rates for comparable securities	Weighted-average market rate for comparable securities	8.97%–9.51%
Securities at fair value through profit and loss	108,737	The value was determined using the discount method and the estimated rate of return on exchange prices	Estimated rate of return on exchange prices	4.02%

As at 31 December 2022	*Carrying amount*	*Valuation models*	*Unobservable inputs*	*Range (weighted average)*
Investment securities at FVOCI	7.737	The value was determined using the discount method based on observable market rates for comparable securities	Discount rate	12.12%–12.98%
Securities at fair value through profit and loss	89,993	The value was determined using the discount method and the estimated rate of return on exchange prices	Estimated rate of return on exchange prices weighted by the adjustment factor for probability of receiving payments	4.14%–16.1%

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions (continued)

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

	As at 31 December 2023		*As at 31 December 2022*	
	Carrying amount	*Effect of possible alternative assumptions*	*Carrying amount*	*Effect of possible alternative assumptions*
Financial assets				
Investment securities at FVOCI	496,279	from (27,608) to 309	7,737	from (378) to 405
Securities at fair value through profit and loss	108,737	from (2,911) to 0	89,993	from 0 to 9,481

(in thousands of Belarusian Rubles)

34. Capital management

The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee (Basel II):

	31 December 2023	*31 December 2022*
Composition of regulatory capital		
Tier 1 capital		
Share capital	535,944	535,944
Retained earnings	382,621	297,807
Total Tier 1 capital	**918,565**	**833,751**
Subordinated loan	92,329	42,534
Revaluation reserve for investment securities	81,545	37,092
Total regulatory capital	**1,092,439**	**913,377**
Risk-weighted assets	5,427,670	4,668,437
Capital adequacy ratios		
Tier 1 capital	17%	18%
Total capital	20%	20%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain ratios of Tier 1 capital (4%) and total capital (8%) to total risk weighted assets.

The Bank manages its capital to ensure compliance with legislation requirements and ability to continue as a going concern while maximizing the return to shareholders through the optimization of the debt to equity ratio of the Bank.

The Bank's management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank's own funds with quantified assessment of the risks it undertakes (risk-weighted assets). The Bank's management estimates the amount of capital required to achieve strategic objectives and the planned increase of assets, as well as optimal balance between profitability and capital adequacy, considering requirements of the shareholders, partners of the Bank and regulatory institutions.

The Bank performs analysis of risk factors that influence the Bank's capital and optimizes these risks by means of a balanced funding policy.

The National Bank of the Republic of Belarus sets and controls performance of the following requirements to the regulatory capital of the Bank calculated based on the financial information prepared in accordance with the legislation of the Republic of Belarus:

- the ratio of Tier 1 capital to items exposed to credit, market and operational risks is 4.5% (7% taking into account the conservation buffer; 7% taking into account the conservation and countercyclical[7] buffers; 8.0% taking into account the conservation, countercyclical and systemic importance buffers);
- the ratio of Tier 1 capital to items exposed to credit, market and operational risks is 8.0%;
- the ratio of regulatory capital of the Bank to items exposed to credit, market and operational risks is 10.0% (12.5% taking into account the conservation buffer).

As at 31 December 2023 and 31 December 2022, the Bank ensured compliance with all regulatory requirements in relation to capital.

[7] The value of the countercyclical buffer is set by the National Bank of the Republic of Belarus in the range from 0 to 2.5%. As at 31 December 2023 and 31 December 2022, and during 2023 and 2022, this value was set at 0%.

(in thousands of Belarusian Rubles)

35. Risk management policy

Risk management is fundamental to the Bank's business. The Bank manages risks through a process of ongoing identification, measurement and monitoring as well as through setting of risk limits, and other control measures. The Bank is exposed to credit risk, liquidity risk and market risk, which includes risks associated with changes in interest rates, foreign currency exchange rates, as well as stock and commodity prices. Its activities are also subject to operational risk and other non-financial risks (reputational and strategic risks).

Risk management structure

The Board of Directors carries general responsibility over risks identification and control. The Board of Directors ensures general organization of the risk management system, elimination of conflicts of interest and conditions to its occurrence within the risk management process. The Board of Directors approves the risk management system development strategy and the Risk and Capital Management Policies of the Bank, determines the maximum risk exposure in the form of risk tolerance which is defined as the acceptable (safe) risk level for ensuring the financial reliability and long-term operation of the Bank on the basis of the strategy, nature, scope and complexity of the types of activity and the financial position. The Risk Committee of the Board of Directors bears responsibility for creating an effective risk management system of the Bank, ensuring the appropriate level of financial reliability and information security, ensuring compliance of the Bank's risk profile with the strategic characteristics of its activity. The Management Board organizes the Bank's risk management system and ensures that the Bank fulfills the objectives and goals set forth by the Board of Directors in the relevant sphere. The Management Board, within its authorities, approves regulations on the management of certain risk types developed to implement the strategic development plan, in compliance with the Risk and Capital Management Policies sets forth the procedure and the frequency for the provision of risk reports to the governing bodies, collective bodies of the Bank and monitors the implementation of risk mitigation measures. The Management Board is responsible for limiting the risk appetite of risk-generating units, for compliance with the established tolerance to the bank's inherent risks and maintaining the bank's risk profile adequate for the nature and scope of its operations. The Committees established by the Management Board implement policies for managing certain risk types, set limits and restrictions for individual transactions, financial instruments or operators and make decisions aimed at minimizing negative impact of the risks on the Bank's operations. The Credit Committees, the Assets and Liabilities Management Committee, as well as the Loan Portfolio Restructuring and Bad Debt Committee make decisions on operations exposed to risks within the authority delegated by the Management Board.

The Risk Management Department coordinates the risk management process, develops techniques to assess the level of credit, market, operational, liquidity, reputational and strategic risks, regularly assesses and monitors these risks and the aggregate risk of the Bank, performs risk stress testing, carries out independent expert review of the credit transactions within the prescribed authority and prepares risk reports of the Bank. The Risk Management Department is independent from subdivisions (officers) of the Bank generating main risks of the Bank, which allows to ensure the provision of complete and accurate information on risk profile of the Bank to the management of the Bank.

Within the internal control system the Internal Audit Department assesses whether methodology and procedures on risk management are fully and effectively implemented, assesses the management effectiveness of certain types of risks and the risk management system of the Bank as a whole.

Departments of the Bank (individual officers) are responsible for risk identification for the lines of business, development and implementation of measures for minimization and operational control over risks related to their operation within the given authority.

As a part of risk management measures the Bank provides employees with powers of attorney which define authority levels that do not require approval of management bodies of the Bank.

Risk assessment and reporting systems

The Bank's risks are evaluated based on probability-weighted quantitative (and other) methods allowing to establish the maximum threshold of possible loss in monetary terms, which will not be exceeded with a certain level of probability. The Bank also simulates the stress scenarios which will take place in case unlikely events occur.

A system of limits is in place in the Bank to monitor and control risks. The Bank's system of limits is multilevel and includes limits by type of risk, by division, by line of business for specific counterparties, portfolios, groups of assets and operations of the Bank recognized both in and off the balance sheet, limits on transactions with certain financial instruments, limits on the amount of loss, as well as limits on authorities and structural limitations. The Bank operates in unconditional compliance with the prudential ratios set by the National Bank of the Republic of Belarus. The limits are capped at the maximum risk tolerance, which should not exceed the available capital of the Bank (for the year 2023 the Board of Directors approved a threshold of 85% of the Bank's available capital).

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The Management Board and committees of the Bank make decisions aimed at optimization of risk levels accepted by the Bank and set limits for maximum risk for particular activities. They also set maximum risk levels at which the activity bearing the risk is suspended and steps aimed at risk minimization and mitigation are taken. The Asset and Liability Management Committee sets limits for lines of business and divisions, for certain active and passive transactions performed by the divisions of the Bank, interest rate level associated with them, limits on active transactions with financial institutions, limits on transactions with securities, industry limits of credit risk. The Credit Committees approve aggregate limits and sub-limits on certain types of active transactions with corporate customers, limits on the amount of borrowers financing and the terms for financing.

The Management Board distributes and approves limits by type of risk (Level 1 limits) and the aggregate risk limit in accordance with strategic priorities and analysis of the existing trends in the Bank and their possible future changes prepared by the risk management function.

The Bank's Asset and Liability Management Committee sets limits by lines of business and risk-generating divisions (Level 2 and 3 limits) taking into account the risk-adjusted return on capital (RAROC) by individual lines of business, limits on certain types of active and passive transactions performed by the Bank's divisions, interest rate level associated with them, aggregate limits and sublimits on certain types of active transactions with financial institutions, limits for insurance organizations, industry limits for accepted credit risk, values of parameters and thresholds (limits) used in the process of managing market and liquidity risks, etc.

Regional offices must adhere to the principles of risk management accepted by the Bank. Control over compliance with the set limits is performed on an on-going basis. Such control is performed by the employees who execute banking transactions in an ordinary course of business, by the Internal Control and Audit Department in the course of audits, by the Risk Management Department in the course of risk assessment and monitoring, by the Reporting Department and during preparation of prudential financial statements.

Information obtained on all types of activities is studied and processed for the purpose of analysis, control and early detection of risks and for risk reporting. The risk reports are submitted to the Board of Directors, the Risk Committee of the Board of Directors, the Management Board, committees of the Bank responsible for management of certain risks and to the managers of structural departments of the Bank. The reports contain information on the Bank's capital adequacy, risk profile, the levels of aggregate risk and certain risk types, major factors influencing these levels, risk indicators, compliance with established limits and changes in risk level. The Management Board receives a detailed quarterly report on risks with the information necessary for risks evaluation and decision-making. Additionally, each month the Risks Committee of the Board of Directors and the Management Board are informed about the amount of the economic and available capital of the Bank and on the Bank's capital adequacy, as well as about the facts of violation of established limits.

The system of risk reporting implemented in the Bank enables access of all departments to the accurate information required for managerial decisions.

Excessive concentration of credit risks

Risk concentration occurs in case a number of counterparties perform similar activities or activities taking place in one geographical region, or parties have similar economic characteristics. As a result of changes in economic, political and other conditions risk concentration has similar impact on the ability of these parties to meet their contractual obligations. Risk concentrations reflect the relative sensitivity of the Bank's performance to changes in conditions that affect a particular industry or geographic region.

In order to avoid excessive risk concentration, the Bank's policies and procedures include guidelines and limits aimed at maintaining diversified portfolios, including by types of active transactions, industries, the sources of funds, currency types.

Credit risk

Credit risk is the risk that the Bank will incur losses in case its customers or counterparties do not meet their contractual obligations. The Bank manages credit risk by setting maximum risk it is ready to accept for certain counterparties, geographical and industry risk concentration, as well as by monitoring compliance with the credit limits set.

Credit risk is managed in three areas: transactions with corporate customers, transactions with retail customers, transactions of the investment banking business.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Levels of credit risk assumed are managed by the following procedures:

- segregation of duties between authorized management bodies in decision-making process;
- limits setting for operations with the purpose of credit risk minimization;
- regular analysis of debtors' financial position and their ability to meet credit obligations;
- requirement of collateral for credit transactions in order to limit risk exposure;
- constant monitoring of the level and status of the risks taken and preparation of appropriate risk reports to the Board of Directors, the Risk Committee of the Board of Directors, the Management Board, shareholders of the Bank and other stakeholders;
- evaluating and ensuring available capital adequacy necessary for coverage of risks taken by the Bank in the course of business;
- ongoing internal control over compliance with laws and local regulations of the Bank regulating the operations, risks assessment and management carried out by the Internal Control and Audit Department.

Off-balance-sheet credit commitments are undrawn credit lines, guarantees, including those under concluded master agreements (contracts), and uncovered letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. In relation to credit risk associated with off-balance sheet financial instruments the Bank potentially carries loss which equals the total amount of unused credit lines. However, the probable amount of loss is less than the total amount of unused credit lines since in the majority of cases loan commitments arise if the customers meet certain creditworthiness indicators. The Bank applies the same credit policy to credit related commitments as it does to loans, which is based on the procedures of approval of loans granted, setting of risk limits and constant monitoring.

Maximum credit risk exposure

For financial assets recognized in the balance sheet, the maximum exposure to credit risk equals the carrying amount of those assets, net of expected credit losses. For financial guarantees and other financial credit related commitments, the maximum amount of credit risk is the maximum amount that the Bank would have to pay if it becomes necessary to pay the guarantee or if loans are received through open credit lines.

The maximum amount of credit risk of the Bank may vary significantly depending on individual risks of different assets and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and financial credit related commitments:

	31 December 2023	*31 December 2022*
Cash and cash equivalents (excluding cash on hand)	823,018	871,281
Securities at fair value through profit and loss	108,737	89,993
Derivative financial instruments	36	108
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	43,340	29,767
Loans to customers	2,894,429	2,336,480
Investment securities (excluding equity investments)	538,608	461,652
Other financial assets	58,330	75,498
Financial guarantees issued and similar commitments	34,594	11,083
Total	**4,501,092**	**3,875,862**

When measuring credit risk and expected credit losses the Bank assesses whether the credit risk of a financial asset has increased significantly since initial recognition.

Significant increase in credit risk

When determining whether the credit risk on a financial asset has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs, which manifest in a downgraded rating, and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure of a financial asset has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank recognizes a significant increase in credit risk using the following list of qualitative characteristics:

- internal rating of the debtor since initial recognition of a credit liability has decreased by 2 or more grades of the internal credit rating;
- seizure of the debtor's current accounts (suspension of operations) as at the reporting date;
- occurrence of other significant risk factors that attest to an increase in the level of credit risk, provided that such factors did not exist at the time of initial recognition of the financial asset;
- the onset of force majeure circumstances, as defined in the agreements;
- restructuring of debt on a financial asset not related to restructuring caused by default;
- full or partial (more than 50%) loss by a major corporate debtor of property, property rights (other collateral), with the corresponding changes recorded in accounting books, provided that they are not replaced during one quarter with other liquid property (collateral) to the level of security not lower than the previous one or 100%;
- imposition of sanctions on a counterparty bank by controlling authorities or regulators;
- non-compliance with capital requirements, including capital adequacy and liquidity, established by the supervisory authority of the country of incorporation of the bank;
- establishment of the temporary administration in the bank;
- loss of the ability to dispose of financial assets if less than 365 days have passed since the loss;
- the long-term credit rating of financial institutions (except for residents of the Republic of Belarus) as at the reporting date was below B- in accordance with the master scales of rating agencies considered by the Bank.

Thus, as at 31 December 2023, the effect of the transition of all financial assets previously classified by the Bank to Stage 1 to Stage 2 when any of the criteria attesting to a significant increase in the credit risk of the corporate portfolio were met would lead to an increase in allowance for expected credit losses by BYN 23,043.1 thousand, or by 21.8%.

As at 31 December 2022, the effect of the transition of all financial assets previously classified by the Bank to Stage 1 to Stage 2 would have increased the allowance for expected credit losses by BYN 2,455 thousand, or 1.6%.

The significant increase in the effect of the transition of all financial assets previously classified by the Bank to Stage 1 to Stage 2 compared to the assessment as at 31 December 2022 was mainly due to a change in approaches to calculating the probability of default (PD) for debtors with an internal credit rating. The most significant changes in the methodology for calculating credit losses are described below in the expected credit losses model.

The Bank considers that credit risk of a financial asset has increased significantly from the time of its initial recognition if the outstanding principal and/or interest on that asset is overdue from 31 to 90 days or up to 7 days on assets with counterparty banks and securities issuers. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Impairment of financial instruments

Impairment events include the following factors:

- existence as at the reporting date of principal and/or interest payable to the Bank under a contract that are overdue by 90 or more days for corporate customers and individuals and for more than 7 days for counterparty banks and securities issuers;
- loss of the ability to dispose of financial assets if 365 or more days have passed since that loss;
- outstanding principal receivable on off-balance accounts of the Bank;
- recognition of property on the Bank's balance sheet against repayment of the debt;
- loss of a counterparty bank exceeding 25% of its capital as at the last quarter date;
- decrease of the debtor's internal rating to "D" grade;
- default restructuring has taken place;
- the debtor has been recognized as insolvent (bankrupt);
- bankruptcy and/or liquidation proceedings have been opened against the debtor;
- an authorized body of the Bank has decided to early collect the debtor's debt;
- revocation of the operating license from a counterparty bank that may affect the performance of obligations.

Purchased or originated credit-impaired financial asset (POCI asset)

The need to classify financial assets as POCI is assessed in the following cases:

- origination of a new financial asset issued by the Bank as part of a credit-impaired asset restructuring;
- origination of a financial asset on derecognition of a credit-impaired financial asset due to a significant modification of original terms;
- purchase of a financial asset with indication of impairment and/or with grounds for classification into Stage 3.

Definition of default

The Bank considers a financial asset to be in default when:

- the customer has been recognized as insolvent (bankrupt);
- bankruptcy and/or liquidation proceedings have been opened against the customer;
- the customer failed to fulfill the Bank's request by the deadline set by the decision of the authorized body for early collection of debt;
- the customer fails to fulfill its obligations to repay the principal and/or interest to the Bank for more than 90 calendar days as at the rating calculation date, except for counterparty banks and securities issuers;
- within 12 months preceding the rating calculation date, the authorized body decided to recognize the customer's debt as restructured in accordance with a local regulation on the procedure for classifying and creating special allowances in the Bank, provided that the present value of the revised estimated future cash flows decreases by more than 10% in accordance with international financial reporting standards.

Expected credit losses model

For the purpose of creating an allowance for the Bank's financial assets, the Bank applies the expected credit losses model to record changes in credit quality of a financial asset since initial recognition taking into account reasonable and appropriate historical information, factors specific to the debtor, current conditions and future economic situation.

The allowances calculated according to the model of expected credit losses will be estimated as follows:

- based on 12-month ECL (12-month ECL are the portion of the lifetime ECL that represents expected credit losses arising due to default events related to a financial asset that are possible within 12 months after the reporting date); or
- based on lifetime expected credit losses in case of a significant increase of credit risk for the instrument since its initial recognition, as well as in case of its impairment.

35. Risk management policy (continued)

The Bank defines the following stages depending on the degree of credit risk change since initial recognition:

- Stage 1 – "Satisfactory assets" – includes assets that are exposed to credit risk with no indicators of a significant increase in credit risk and impairment (12-month expected credit losses are calculated);
- Stage 2 – "Assets with a significant increase in credit risk" – includes assets that are exposed to credit risk and with indicators of a significant increase in credit risk and with no indicators of impairment (lifetime expected credit losses are calculated). A financial asset is reclassified into Stage 1 in future periods if there are no indicators of impairment and a significant increase in credit risk. 12-month ECL are recognized in case of such reclassification.
- Stage 3 – "Impaired assets" – includes assets that are exposed to credit risk and with indicators of impairment (lifetime expected credit losses are calculated).
- POCI assets – "Assets impaired on initial recognition".

In subsequent reporting periods, the migration of financial assets from Stage 3 to Stage 2 or Stage 1 resulting from the recovery of the credit quality of a financial asset is subject to certain recovery conditions for restructured and non-restructured debt. POCI assets cannot migrate to other Stages.

Measurement of ECL

The expected credit loss allowance is calculated based on the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

Upon initial recognition, POCI assets have no ECL allowance. Subsequently, expected credit losses for POCI assets are measured at an amount equal to the lifetime expected credit losses taking into account the effective interest rate adjusted for credit risk. The amount in which allowances are recognized is equal to the difference in the present value of cash flows taking into account credit losses calculated as at the valuation date and the present value of cash flows taking into account credit losses calculated at the time of recognition of POCI assets. At the same time, changes in the expected cash flow associated with the formation of overdue debt or early repayment are fully recognized through a change in the impairment allowance.

Loss given default (LGD) is determined individually for each POCI asset taking into account the probability that the debtor will perform its obligations and the assessed possible recovery from the sale of the debtor's collateral.

The following groups of financial instruments are distinguished when measuring expected credit losses:

- cash equivalents;
- loans (to corporate customers and individuals);
- due from the National Bank of the Republic of Belarus, banks and other financial institutions;
- financial credit related commitments (guarantees, letters of credit, undrawn loan facilities etc.);
- accounts receivable and other financial assets;
- claims to sovereign and sub-sovereign debtors;
- debt securities.

Loans to individuals

Expected credit losses for loans to individuals are calculated on a portfolio basis. The annual PD for loans to individuals is determined by multiplying monthly migration matrices of overdue debt developed for a period of at least 12 months preceding the reporting date. Mathematical extrapolation methods are used to calculate PD profiles for multiple years.

The cash recovery rate is used to calculate LGD for loans to individuals. The cash recovery rate after default is calculated by comparing the principal amounts under defaulted loans with the principal amount as at the default date for the period of at least 3 years and, based on this comparison, the determination of the repayment cash flow for the loan for a year, which is compared to the principal amount upon default after being discounted using the effective interest rate. The resulting data is used to calculate the average cash recovery rate for defaulted loans.

35. Risk management policy (continued)

Exposure at default is an expected amount exposed to credit risk upon default, taking into account the Bank's commitments to provide cash to debtors as at the default date. For overdraft loans the Bank calculates the loan conversion ratio based on statistical information on the average ratio of the customers' debt to the overdraft limit for the period of at least 1 year. After that, the ratio is applied to the overdraft limit to calculate EAD.

Loans to corporate customers

The Bank measures expected credit losses for corporate customers' debt based on credit debt quality categories.

The assessment based on credit debt quality categories uses the analysis of credit debt servicing quality, as well as the credit history and other information about the debtor's business available without undue cost or effort, and includes:

- analysis of the credit debt servicing discipline;
- distribution between stages depending on the degree of the credit risk change;
- analysis of property specified as collateral under the loan agreement (property that, according to the expectations of a responsible department employee, is hard to sell in case of the debtor's default is not accepted as collateral);
- applying professional judgment when redistributing financial assets between stages (except for POCI assets);
- applying an individual approach to assessing the level of losses on impaired financial assets (except for POCI assets);
- calculation of allowance in accordance with the expected credit losses model.

Probability of default

Approaches to determining the annual probability of default depend on whether the debtor is subject to rating in accordance with the Bank's requirements.
The annual probability of default for financial assets of debtors subject to internal rating is a discrete value of the probability of default corresponding to the assigned internal rating of the debtor. For other financial assets of debtors, annual probability is determined based on matrices of migration of overdue credit debt (Markov chain), which implies:
monthly building of matrices of the number of transfers of overdue debt for groups of homogeneous loans during 1 year depending on the age of overdue debt (0 days, 1–30 days, 31–60 days, 61–90 days, 90+ days);
calculation of the 12-month probability of default (PD_{12M}) by multiplying migration matrices calculated as the ratio (division) of the actual number of transfers of credit debt in this group of overdue debt to the total number of transfers of credit debt in this group of overdue debt.

Mathematical extrapolation methods are used to calculate PD profiles for multiple years.

To calculate expected credit losses as at 31 December 2023, the Bank updated the methodology for calculating certain indicators under the expected credit losses model. Below is a comparative factor analysis of the impact of certain most significant changes compared to the calculation as at 31 December 2022:

- as part of calculating loss given default (LGD), cash recovery rate (RR) and recovery upon sale of collateral (CR) were determined as an arithmetic average, rather than a weighted average. The effect of the changed approach on the amount of expected credit losses is – (minus) BYN 12,851.4 thousand;
- when calculating probability of default (PD), individual internal credit ratings assigned to debtors were used (previously, assigned internal credit ratings were grouped into 5 risk classes for PD calculation purposes). The effect of the changed approach on the amount of expected credit losses is (plus) BYN 29,434.1 thousand;
- a criterion for restoring credit quality for restructured financial assets was updated, which did not exist as at 31 December 2022. The effect of the credit quality restoration criterion on the amount of expected credit losses is – (minus) BYN 25,564.0 thousand.

Internal rating model

The internal rating of a debtor is determined in accordance with internal methods of the Bank and falls into 21 categories. The rating is determined by comparing the estimated value of probability for a debt to be classified into the "Bad" category, which is calculated by using the model, with fixed probability intervals determined using the following scale for the respective rating grades assigned based on available information.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Discrete value of probability for a debt to be classified into the "Bad" category	*Probability for a debt to be classified into the "Bad" category*		*Internal rating grade*	
	Floor	*Cap*	*Numerical value*	*Letter identifier*
0.08%	0.00%	0.13%	21	AAA
0.18%	0.13%	0.30%	20	AA+
0.41%	0.30%	0.66%	19	AA
0.92%	0.66%	1.48%	18	AA-
2.05%	1.48%	2.28%	17	A+
2.51%	2.28%	2.79%	16	A
3.08%	2.79%	3.42%	15	A-
3.77%	3.42%	4.19%	14	BBB+
4.62%	4.19%	5.13%	13	BBB
5.65%	5.13%	6.29%	12	BBB-
6.93%	6.29%	7.70%	11	BB+
8.48%	7.70%	9.44%	10	BB
10.39%	9.44%	11.56%	9	BB-
12.73%	11.56%	14.16%	8	B+
15.59%	14.16%	17.35%	7	B
19.10%	17.35%	21.25%	6	B-
23.40%	21.25%	26.03%	5	CCC
28.66%	26.03%	31.88%	4	CC
35.11%	31.88%	65.94%	3	C
67.55%	65.94%	100.00%	2	RD
100.00%	100.00%	100.00%	1	D

The following table shows information on the credit quality of loans to corporate customers:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*POCI assets*	*31 December 2023*
Loans to corporate customers					
The Bank's A risk class	624	-	-	-	**624**
The Bank's A- risk class	93,279	734	-	-	**94,013**
The Bank's BBB+ risk class	316,450	415	-	-	**316,865**
The Bank's BBB risk class	278,106	12,201	-	-	**290,307**
The Bank's BBB- risk class	83,563	20.661	-	-	**104,224**
The Bank's BB+ risk class	387,351	18,545	-	-	**405,896**
The Bank's BB risk class	328,095	116.774	-	-	**444,869**
The Bank's BB- risk class	19,990	27,800	-	-	**47,790**
The Bank's B+ risk class	10,730	5.715	-	-	**16,445**
The Bank's B risk class	61.608	12.488	-	-	**74,096**
The Bank's B- risk class	2,228	25,791	-	-	**28,019**
The Bank's CCC risk class	30,572	8,247	-	-	**38,819**
The Bank's CC risk class	7,923	43,305	-	-	**51,228**
The Bank's C risk class	76,718	90,499	-	-	**167,217**
The Bank's RD risk class	2,930	1,467	-	-	**4,397**
The Bank's D risk class	-	-	82,120	3.103	**85,223**
Not rated	134,000	4,269	12,887	-	**151,156**

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	POCI assets	31 December 2023
Net finance lease investments, corporate customers					
The Bank's A- risk class	547	–	–	–	**547**
The Bank's BBB+ risk class	–	–	–	–	**–**
The Bank's BBB risk class	420	–	–	–	**420**
The Bank's BBB- risk class	148	–	–	–	**148**
The Bank's BB- risk class	32	10	–	–	**42**
The Bank's B+ risk class	9	–	–	–	**9**
The Bank's B risk class	18	554	–	–	**572**
Total loans to corporate customers	**1,835,341**	**389,475**	**95,007**	**3,103**	**2,322,926**
Less loss allowance	(27,364)	(17,588)	(57,472)	–	**(102,424)**
Total loans to corporate customers	**1,807,977**	**371,887**	**37,535**	**3,103**	**2,220,502**

The following table shows information on the credit quality of loans to corporate customers:

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	POCI assets	31 December 2022
Loans to corporate customers					
The Bank's A risk class	1,725	–	–	–	**1,725**
The Bank's A- risk class	57,935	4,579	–	–	**62,514**
The Bank's BBB+ risk class	215,318	39,967	–	–	**255,285**
The Bank's BBB risk class	183,870	76,363	–	–	**260,233**
The Bank's BBB- risk class	75,306	51,557	–	–	**126,863**
The Bank's BB+ risk class	57,548	229,362	–	–	**286,910**
The Bank's BB risk class	33,132	89,601	–	–	**122,733**
The Bank's BB- risk class	16,416	97,066	–	–	**113,482**
The Bank's B+ risk class	5,391	192,789	–	–	**198,180**
The Bank's B risk class	9,018	114,220	–	–	**123,238**
The Bank's B- risk class	2,114	3,447	–	–	**5,561**
The Bank's CCC risk class	548	38,696	–	–	**39,244**
The Bank's CC risk class	2,795	67,225	–	–	**70,020**
The Bank's C risk class	1,693	8,759	–	–	**10,452**
The Bank's D risk class	–	–	229,643	613	**230,256**
Not rated	83,895	26,730	3,201	–	**113,826**
Net finance lease investments, corporate customers					
The Bank's BBB+ risk class	721	–	–	–	**721**
The Bank's BB risk class	–	44	–	–	**44**
The Bank's BB- risk class	–	29	–	–	**29**
The Bank's CCC risk class	–	48	–	–	**48**
Not rated	144	–	–	–	**144**
Total loans to corporate customers	**747,569**	**1,040,482**	**232,844**	**613**	**2,021,508**
Less loss allowance	(2,409)	(15,211)	(139,624)	(95)	**(157,339)**
Total loans to corporate customers	**745,160**	**1,025,271**	**93,220**	**518**	**1,864,169**

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The following table shows information on the credit quality of financial credit related commitments:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total as at 31 December 2023*
Financial guarantees				
The Bank's A- risk class	1,400	–	–	**1,400**
The Bank's BBB+ risk class	5,249	–	–	**5,249**
The Bank's BB risk class	47	–	–	**47**
The Bank's CCC+ risk class	50	–	–	**50**
The Bank's CCC risk class	632	–	–	**632**
The Bank's CCC- risk class	–	12,819	–	**12,819**
The Bank's CC risk class	9,000	–	–	**9,000**
The Bank's C risk class	5,249	–	–	**5,249**
Not rated	148	–	–	**148**
Total financial guarantees	**21,775**	**12,819**	**–**	**34,594**
Allowance for impairment	(2,439)	(3)	–	**(2,442)**
Commitments on loans and unused credit lines, corporate customers				
The Bank's A risk class	700	–	–	**700**
The Bank's A- risk class	46,128	–	–	**46,128**
The Bank's BBB+ risk class	151,640	46	–	**151,686**
The Bank's BBB risk class	136,264	3,222	–	**139,486**
The Bank's BBB- risk class	36,480	1,791	–	**38,271**
The Bank's BB+ risk class	25,137	540	–	**25,677**
The Bank's BB risk class	116,022	8,604	–	**124,626**
The Bank's BB- risk class	5,133	2,317	1	**7,451**
The Bank's B+ risk class	5,435	363	–	**5,798**
The Bank's B risk class	2,061	6,094	–	**8,155**
The Bank's B- risk class	655	289	–	**944**
The Bank's CCC risk class	303	17	–	**320**
The Bank's CC risk class	871	7,871	–	**8,742**
The Bank's C risk class	374	211	–	**585**
Not rated	21,693	75	6	**21,774**
Total commitments on loans and unused credit lines, corporate customers	**548,896**	**31,440**	**7**	**580,343**
Allowance for impairment	(2,446)	(642)	–	**(3,088)**
Commitments on loans and unused credit lines, individuals				
The Bank's A* risk class	162,988	–	–	**162,988**
The Bank's B* risk class	949	–	–	**949**
The Bank's C* risk class	–	143	–	**143**
The Bank's E* risk class	–	42	–	**42**
The Bank's D* risk class	–	–	46	46
Not rated	–	–	–	–
Total commitments on loans and unused credit lines, individuals	**163,937**	**185**	**46**	**164,168**
Allowance for impairment	(263)	–	–	**(263)**

* *Credit rating class is assigned depending on the group of overdue debt*

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL not credit-impaired)*	*Stage 3 (lifetime ECL credit-impaired)*	*Total as at 31 December 2022*
Financial guarantees				
The Bank's A- risk class	10,972	–	–	**10,972**
Not rated	111	–	–	**111**
Total financial guarantees	**11,083**	**–**	**–**	**11,083**
Allowance for impairment	(41)	–	–	**(41)**
Commitments on loans and unused credit lines, corporate customers				
The Bank's A risk class	556	–	–	**556**
The Bank's A- risk class	13,057	149	–	**13,206**
The Bank's BBB+ risk class	48,445	16,235	–	**64,680**
The Bank's BBB risk class	45,621	4,152	–	**49,773**
The Bank's BBB- risk class	3,311	1,379	–	**4,690**
The Bank's BB+ risk class	20,103	50,230	–	**70,333**
The Bank's BB risk class	4,547	2,761	–	**7,308**
The Bank's BB- risk class	980	16,157	7	**17,144**
The Bank's B+ risk class	135	4,689	–	**4,824**
The Bank's B risk class	8,753	169	–	**8,922**
The Bank's B- risk class	523	309	–	**832**
The Bank's CCC risk class	396	19		**415**
The Bank's CC risk class	–	1	–	**1**
The Bank's C risk class	139	937	–	**1,076**
Not rated	23,495	1,410	10	**24,915**
Total commitments on loans and unused credit lines, corporate customers	**170,061**	**98,597**	**17**	**268,675**
Allowance for impairment	(295)	(374)	–	**(669)**
Commitments on loans and unused credit lines, individuals				
The Bank's A* risk class	177,082	–	–	**177,082**
The Bank's B* risk class	1,220	–	–	**1,220**
The Bank's C* risk class	–	254	–	**254**
The Bank's E* risk class	–	117	–	**117**
The Bank's D* risk class	–	–	4	**4**
Total commitments on loans and unused credit lines, individuals	**178,302**	**371**	**4**	**178,677**
Allowance for impairment	(452)	–	–	**(452)**

** Credit rating class is assigned depending on the group of overdue debt*

Loss given default

Loss given default (LGD) is estimated taking into account the forecast cash recovery rate and recovery from existing collateral. The approach towards the calculation of the total amount of LGD for an individual financial asset is assessing the portion of the asset that would not be recovered through the expected cash recovery and recovery from existing collateral. For financial assets assigned to Stage 1 and Stage 2, the forecast cash recovery rate is applied at the level calculated on the basis of recovery statistics by customers that had an internal rating at the time of default and that did not have an internal rating at the time of default and were in default for no more than 1 year. For financial assets assigned to Stage 3, the cash recovery rate calculated based on the statistics of recovery by customers in default for the respective number of years (if the customer defaults for more than 4 years, the LGD is 100%), except for financial assets of major corporate debtors for which an individual approach to assessing the cash recovery rate is applied.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The cash recovery rate for a debtor is determined using the method of exponential smoothing of the cash recovery rates for 1-year period averaged over a 6-month horizon. The individual approach involves determining the cash recovery rate based on the strategy of interaction with the debtor (if any) and a reasoned judgment formed taking into account the information available to the Bank on the debtor's liabilities and cash flows.

Due from financial institutions

Banks with an international rating (except for residents of the Russian Federation and the Republic of Belarus) are classified according to that rating. Information on international ratings and the corresponding probability of default obtained from external official sources is used. Ratings that were assigned using Moody's, S&P and Fitch methodologies are taken into account. For resident banks of the Russian Federation and the Republic of Belarus, information obtained from external official sources on ratings assigned by the national rating agencies ACRA and Expert RA (the "national rating agencies") is used. For banks for which the international (national) rating has not been determined, the rating of the bank's country of residence is used as downgraded by one position. In the absence of a country rating, the rating of the financial instrument issued by the country of the incorporation of the financial institution is used as downgraded by no more than three positions.

To calculate loss given default, the Bank uses information from external official sources available to the Bank as at the reporting date regarding the level of outstanding liabilities upon default on the principal debt for funds placed with financial institutions.

As at 31 December 2023, PD corresponding to the estimated pre-default value was applied to Stage 2 financial institutions. If the agreement does not establish the expected life of the financial instrument, the one and a half-year probability of default obtained by extrapolating the annual probability of default is used.

The following table shows information on the credit quality of cash equivalents*:

	Stage 1 (12-month ECL)	*Stage 2*	*31 December 2023*	*Stage 1 (12-month ECL)*	*Stage 2*	*31 December 2022*
International rating A+	2	–	**2**	455	–	**455**
International rating A	84,444	–	**84,444**	5,243	–	**5,243**
International rating A-	6,472	–	**6,472**	3,849	–	**3,849**
International rating BBB+	–	–	–	9,153	–	**9,153**
International rating BB	267	–	**267**	38	–	**38**
International rating BB-	210,501	–	**210,501**	176,363	–	**176,363**
International rating B+	26,392	–	**26,392**	33,844	–	**33,844**
International rating B	64,496	–	**64,496**	–	–	–
International rating B-	–	–	–	66,212	–	**66,212**
International rating CCC+	342,190	–	**342,190**	–	–	–
International rating CCC	2,599	–	**2,599**	561,814	–	**561,814**
International rating CCC-	–	86,510	**86,510**	–	14,830	**14,830**
	737,363	**86,510**	**823,873**	**856,971**	**14,830**	**871,801**
Less loss allowance	(138)	(717)	**(855)**	(397)	(123)	**(520)**
Total cash equivalents surplus	**737,225**	**85,793**	**823,018**	**856,574**	**14,707**	**871,281**

** Credit rating of the international rating agency S&P (for financial institutions other than residents of the Republic of Belarus and the Russian Federation) or credit rating of the national rating agencies adjusted to the rating of international rating agencies to ensure comparability of data (for financial institutions that are residents of the Republic of Belarus and the Russian Federation).*

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The following table shows information about the credit quality of amounts due from the National Bank of the Republic of Belarus, banks and other financial institutions:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL not credit-impaired)*	*31 December 2023*	*Stage 1 (12-month ECL)*	*Stage 2 (lifetime ECL not credit-impaired)*	*31 December 2022*
International rating AA*	–	–	**–**	5,387	–	**5,387**
International rating AA-*	6,585	–	**6,585**	–	–	**–**
International rating A*	590	–	**590**	137	–	**137**
International rating B*	754	–	**754**	–	–	**–**
International rating B-*	–	–	**–**	372	–	**372**
International rating CCC+*	35,430	–	**35,430**	–	–	**–**
International rating CCC*	–	–	**–**	23,940	–	**23,940**
International rating CCC-*	–	200	**200**	–	200	**200**
	43,359	**200**	**43,559**	**29,836**	**200**	**30,036**
Less loss allowance	(172)	(47)	**(219)**	(168)	(101)	**(269)**
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**43,187**	**153**	**43,340**	**29,668**	**99**	**29,767**

* *Credit rating of the international rating agency S&P (for financial institutions other than residents of the Republic of Belarus and the Russian Federation) or credit rating of the national rating agencies adjusted to the rating of international rating agencies to ensure comparability of data (for financial institutions that are residents of the Republic of Belarus and the Russian Federation).*

Investment securities

The annual PD value of S&P corresponding to the rating assigned to the sovereign debtor is used when measuring the impairment of claims towards sovereign debtors. In case a debtor is not rated by S&P, the most recent rating of other international or national agencies is used after being adjusted to the S&P international rating using the compatibility table.

To calculate LGD the Bank uses information from official external sources on the degree of failed liabilities upon default for the principal amount, for debt securities of corporate issuers and sovereign organizations that is available for the Bank as at the calculation date.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The following table shows the credit quality of debt investment securities as at 31 December 2023 and 2022:

Investment securities at FVOCI	*Stage 1 (12-month ECL)*	*31 December 2023*
International rating CCC+**	523,182	523,182
International rating CCC**	7,253	7,253
Total debt securities at FVOCI	**530,435**	**530,435**
Allowance for impairment*	(57,608)	(57,608)
Carrying amount – fair value of investment securities at FVOCI*	**530,435**	**530,435**

** Debt investment securities at FVOCI are stated at fair value, while loss allowance is recognized in OCI.*

Investment securities at amortized cost		
International rating CCC+**	8,969	8,969
Allowance for impairment	(796)	(796)
Total debt securities at amortized cost	**8,173**	**8,173**

*** The credit rating of the national rating agencies is adjusted to the rating of international rating agencies to ensure comparability of data.*

Investment securities at FVOCI	*Stage 1 (12-month ECL)*	*31 December 2022*
International rating CCC+**	446,763	446,763
International rating CCC**	7,300	7,300
Total debt securities at FVOCI	**454,063**	**454,063**
Allowance for impairment*	(41,254)	(41,254)
Carrying amount – fair value of investment securities at FVOCI*	**454,063**	**454,063**

** Debt investment securities at FVOCI are stated at fair value, while loss allowance is recognized in OCI.*

Investment securities at amortized cost		
International rating CCC+**	8,243	8,243
Allowance for impairment	(654)	(654)
Total debt securities at amortized cost	**7,589**	**7,589**

*** The credit rating of the national rating agencies is adjusted to the rating of international rating agencies to ensure comparability of data.*

Other financial assets

The Bank assesses the probability of non-repayment of other financial assets and calculates expected credit losses using allowance matrices, which are the ratio of the corresponding amount of accounts receivable 360+ days overdue to outstanding balances of accounts receivable (balances of outstanding accounts receivable that have migrated to the next group of overdue debts) broken down by age and homogeneous portfolios. The Bank applies allowance matrices to assess accounts receivable and accrued fee and commission income, forfeits and financial assets.

The limitation period of the analyzed data for calculating the allowance matrices for other financial assets is at least 2 years.

As accounts receivable and accrued fee and commission income and forfeits are usually of a short-term nature and are being repaid during the entire short-term period of 1 year, the Bank classifies the overdue group "360+" as the event of default as at the reporting date.

Incorporation of forward-looking information

If necessary, the Bank uses expert judgment to assess forward-looking information from external sources. External sources of information include economic data and forecasts published by state authorities, international organizations, as well as other information sources with a high degree of credibility.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The Bank has determined and documented the list of key factors affecting the credit risk and credit losses assessment for each portfolio of financial assets and, through the analysis of historical data, has analyzed the relationship between macroeconomic variables, credit risk and credit losses.

The following key factors were identified as at 31 December 2023:

- for loans to corporate customers and amounts due from financial institutions: projections on GDP growth rate and changes in BRENT oil prices;
- for loans to individuals: projections on the real salary growth rate.

To prepare a scenario for macroeconomic indicators, macroeconomic projections data from several sources is used, assigning a specific weight to each of those sources and "optimistic" (25%), "base" (45%), "negative" (30%) statuses to record expert expectations regarding macroeconomic projections.

Taking into account that the credit risk of the Bank is concentrated in the Republic of Belarus, the economic scenarios of the growth rate of GDP and BRENT oil price with respect to legal entities and the real salary growth rate with respect to individuals used as at 31 December 2023 included the following values for the Republic of Belarus:

	Value, p.p.	*Scenario, %*
GDP growth rate for 2024	0.8	negative, 30
	2.0	base, 45
	3.8	optimistic, 25
	Value, USD	***Scenario, %***
BRENT oil price for 2024	80.0	negative, 30
	88.2	base, 45
	93.0	optimistic, 25
	Value, p.p.	***Scenario, %***
Growth rate of real disposable income for 2024	-3.7	negative, 30
	3.9	base, 45
	6.1	optimistic, 25

Forecast relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on regression analysis of historical data. The influence of the projected macroeconomic factors is taken into account in the calculation of expected credit losses by adjusting the probability of default by the relevant macroeconomic coefficient.

Credit risk is constantly monitored to ensure compliance with established limits in accordance with the risk and capital management policy approved by the Bank and to control the creditworthiness of clients.

The macroeconomic adjustment applied to the probabilities of default in estimating expected credit losses on loans to customers as at 31 December 2023 was 0.92 for loans to individuals and 1.04 for loans to legal entities.

Collateral

A major portion of loans is either collateralized or secured with guarantees from institutions or individuals. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are regularly updated regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are presented in Note 17.

The fair value of collateral is measured at the date the loan is issued. Monitoring of the market value of collateral is performed on a regular basis, its results are reported to the management of the Bank. If necessary, borrowers are requested to provide additional collateral in accordance with the underlying agreement.

Geographic concentration

The Bank regularly controls the risk associated with changes in legislation, economic development and financial sphere of countries where the Bank's counterparties reside and assesses its impact on the Bank's operations (Note 30). This approach is aimed at minimization of possible losses from investment climate changes in the respective countries. The Asset and Liability Management Committee manages country risks of the Bank.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The geographical concentration of financial assets and liabilities is set out below:

	Belarus	*The CIS*	*OECD countries*	*Other countries*	*31 December 2023 Total*
Financial assets					
Cash and cash equivalents	637,774	316,627	9,214	81,703	**1,045,318**
Securities at fair value through profit and loss	108,737	–	–	–	**108,737**
Derivative financial instruments, assets	36	–	–	–	**36**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	36,166	–	6,584	590	**43,340**
Loans to customers	2,894,325	10	–	94	**2,894,429**
Investment securities	540,006	–	14,288	–	**554,294**
Other financial assets	54,562	2,598	956	214	**58,330**
Total financial assets	**4,271,606**	**319,235**	**31,042**	**82,601**	**4,704,484**

	Belarus	*The CIS*	*OECD countries*	*Other countries*	*31 December 2023 Total*
Financial liabilities					
Due to banks and other financial institutions	275,751	89,539	24	–	**365,314**
Due to customers	3,170,676	80,734	14,100	2,956	**3,268,466**
Debt securities issued	28,824	–	–	–	**28,824**
Other financial liabilities	21,431	23	117	1,046	**22,617**
Subordinated debt	–	179,062	–	–	**179,062**
Total financial liabilities	**3,496,682**	**349,358**	**14,241**	**4,002**	**3,864,283**
Open position	**774,924**	**(30,123)**	**16,801**	**78,599**	

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

	Belarus	*The CIS*	*OECD countries*	*Other countries*	*31 December 2022 Total*
Financial assets					
Cash and cash equivalents	741,255	224,756	14,261	4,543	**984,815**
Securities at fair value through profit and loss	89,993		–	–	**89,993**
Derivative financial instruments, assets	–	108	–	–	**108**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	24,264	–	5,366	137	**29,767**
Loans to customers	2,336,351	7	–	122	**2,336,480**
Investment securities	462,736	–	10,033	–	**472,769**
Other financial assets	35,653	4,493	35,352	–	**75,498**
Total financial assets	**3,690,252**	**229,364**	**65,012**	**4,802**	**3,989,430**
Financial liabilities					
Derivative financial instruments, liabilities	–	3	–	–	**3**
Due to banks and other financial institutions	201,677	528,193	13,179	–	**743,049**
Due to customers	2,232,117	30,553	16,295	14,154	**2,293,119**
Debt securities issued	22,080	–	–	–	**22,080**
Other financial liabilities	34,240	390	704	1,967	**37,301**
Subordinated debt	–	192,584	–	–	**192,584**
Total financial liabilities	**2,490,114**	**751,723**	**30,178**	**16,121**	**3,288,136**
Open position	**1,200,138**	**(522,359)**	**34,834**	**(11,319)**	

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A system of managing liquidity risks arranged in the Bank helps evaluate probability, causes and effects of changes in time structure of assets and liabilities, as well as take measures aimed at mitigating liquidity risk. The Bank has developed and approved the authorization system and appointed officers responsible for certain stages of risk management.

The management manages assets and liabilities by taking into account liquidity, risk of simultaneous withdrawal and daily monitoring of future cash flows. The process comprises evaluation of expected cash flows, availability of high-quality collateral, which may be used for obtaining additional funds if required. Short-term liquidity is managed by the Treasury of the Bank, which carries out operations on the money market for the purpose of current liquidity maintenance and future cash flows optimization.

The Bank holds a diversified assets portfolio that can be realized in case of unforeseen termination of cash inflow. Besides, in accordance with the legislation, the Bank has an obligatory reserve deposit with the National Bank. The amount of the deposit depends on the level of deposits attracted from clients.

As required by the National Bank of the Republic of Belarus, the Bank assesses liquidity risk using a ratio method (the assessment of the Bank's compliance with the established requirements of secured operations). As at 31 December 2023, the Bank complied with liquidity ratios (31 December 2022: the Bank complied with liquidity ratios).

Below is an analysis of liquidity and interest rate risks that shows a term to maturity calculated for non-discounted cash flows on financial liabilities (principal and interest) at the earliest of the dates when the Bank will be required to repay the liability. The amounts disclosed in these tables do not correspond to the amounts recorded in the statement of financial position as the presentation below includes maturity analysis of financial liabilities that shows remaining total undiscounted contractual payments (including interest payments).

Financial liabilities	*Up to 1 month*	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*31 December 2023*
Interest bearing financial liabilities						
Due to banks and other financial institutions	(82,043)	(3,133)	(79,872)	(76,312)	(1,838)	**(243,198)**
Due to customers	(1,915,945)	(255,744)	(634,447)	(134,003)	(12,928)	**(2,953,067)**
Debt securities issued	(17,426)	–	(50)	(10,730)	–	**(28,206)**
Subordinated debt	(6,611)	–	(5,391)	(201,472)	–	**(213,474)**
Total interest bearing financial liabilities	**(2,022,025)**	**(258,877)**	**(719,760)**	**(422,517)**	**(14,766)**	**(3,437,945)**
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(126,325)	–	(14,416)	–	–	**(140,741)**
Due to customers	(355,145)	–	–	(897)	–	**(356,042)**
Debt securities issued	(1,382)	–	–	–	–	**(1,382)**
Other financial liabilities	(19,564)	(270)	(974)	(1,809)	–	**(22,617)**
Financial guarantees and similar labilities	(34,594)	–	–	–	–	**(34,594)**
Loan commitments	(744,511)	–	–	–	–	**(744,511)**
Total non-interest bearing financial liabilities	**(1,281,521)**	**(270)**	**(15,390)**	**(2,706)**	**–**	**(1,299,887)**
Total financial liabilities	**(3,303,546)**	**(259,147)**	**(735,150)**	**(425,223)**	**(14,766)**	**(4,737,832)**

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Financial liabilities	*Up to 1 month*	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*31 December 2022*
Interest bearing financial liabilities						
Due to banks and other financial institutions	(267,298)	(65,487)	(82,630)	(277,940)	(8,487)	**(701,842)**
Due to customers	(1.085,373)	(166,993)	(560,350)	(221,560)	(13,303)	**(2,047,579)**
Debt securities issued	(318)	–	(18,020)	–	–	**(18,338)**
Subordinated debt	(99,300)	–	(7,716)	(101,878)	–	**(208,894)**
Total interest bearing financial liabilities	**(1,452,289)**	**(232,480)**	**(668,716)**	**(601,378)**	**(21,790)**	**(2,976,653)**
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(109,281)	–	(13,558)	–	–	**(122,839)**
Due to customers	(293,889)	(397)	(472)	(1,218)	–	**(295,976)**
Debt securities issued	(4,288)	–	–	–	–	**(4,288)**
Other financial liabilities	(35,341)	(198)	(680)	(252)	(830)	**(37,301)**
Financial guarantees and similar labilities	(9.053)	–	–	–	–	**(9,053)**
Loan commitments	(458,435)	–	–	–	–	**(458,435)**
Total non-interest bearing financial liabilities	**(910,287)**	**(595)**	**(14,710)**	**(1,470)**	**(830)**	**(927,892)**
Total financial liabilities	**(2,362,576)**	**(233,075)**	**(683,426)**	**(602,848)**	**(22,620)**	**(3,904,545)**
Derivative financial liabilities						
Inflow	9,442	–	–	–	–	**9,442**
Outflow	(9,459)	–	–	–	–	**(9,459)**
Total net cash flows from derivatives	**(17)**	–	–	–	–	**(17)**

The following table shows an analysis of liquidity risk based on carrying amounts of financial assets and liabilities based on their expected maturity. Management estimates expected maturity of financial assets and liabilities based on historical data analysis, existence of an active market and other factors affecting the period of assets and liabilities realization/settlement.

	Up to 1 month	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*Overdue*	*Maturity not identified*	*31 December 2023*
Financial assets								
Cash and cash equivalents	1,045,318	–	–	–	–	–	–	**1,045,318**
Securities at fair value through profit and loss	–	262	83,524	10,967	13,984	–	–	**108,737**
Derivative financial instruments, assets	36	–	–	–	–	–	–	**36**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	726	–	–	–	42,614	**43,340**
Loans to customers	126,480	414,817	628,302	1,365,381	300,600	58,849	–	**2,894,429**
Investment securities	3,226	2,555	23,750	356,173	152,904	–	15,686	**554,294**
Other financial assets	48,394	51	44	911	625	461	7,844	**58,330**
Total financial assets	**1,223,454**	**417,685**	**736,346**	**1,733,432**	**468,113**	**59,310**	**66,144**	**4,704,484**

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

	Up to 1 month	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*Overdue*	*Maturity not identified*	*31 December 2023*
Financial liabilities								
Due to banks and other financial institutions	208,137	1,858	88,381	65,310	1,628	–	–	**365,314**
Due to customers	1,570,684	249,556	620,387	122,635	11,693	–	693,511	**3,268,466**
Debt securities issued	18,761	–	50	10,013	–	–	–	**28,824**
Other financial liabilities	15,167	270	974	1,809	–	–	4,397	**22,617**
Subordinated debts	5,598	–	–	173,464	–	–	–	**179,062**
Total financial liabilities	**1,818,347**	**251,684**	**709,792**	**373,231**	**13,321**	–	**697,908**	**3,864,283**
Liquidity gap	**(594,893)**	**166,001**	**26,554**	**1,360,201**	**454,792**			
Cumulative liquidity gap	(594,893)	(428,892)	(402,338)	957,863	1,412,655			
Cumulative liquidity gap as a percentage of total financial assets	(12.6%)	(9.1%)	(8.6%)	20.4%	30.0%			

	Up to 1 month	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*Overdue*	*Maturity not identified*	*31 December 2022*
Financial assets								
Cash and cash equivalents	984,712	–	–	–	–	–	103	**984,815**
Securities at fair value through profit and loss	–	5,843	722	72,338	11,090	–	–	**89,993**
Derivative financial instruments, assets	108	–	–	–	–	–	–	**108**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	339	–	–	–	29,428	**29,767**
Loans to customers	57,245	446,421	601,698	968,425	249,865	12,826	–	**2,336,480**
Investment securities	2,908	2,374	1,613	334,056	120,701	–	11,117	**472,769**
Other financial assets	71,797	331	319	–	–	256	2,795	**75,498**
Total financial assets	**1,116,770**	**454,969**	**604,691**	**1,374,819**	**381,656**	**13,082**	**43,443**	**3,989,430**
Financial liabilities								
Derivative financial instruments, liabilities	3	–	–	–	–	–	–	**3**
Due to banks and other financial institutions	376,553	59,990	73,322	227,825	5,359	–	–	**743,049**
Due to customers	896,076	161,018	544,213	202,233	11,940	–	477,639	**2,293,119**
Debt securities issued	4,606	–	17,474	–	–	–	–	**22,080**
Other financial liabilities	32,205	198	680	252	830	–	3,136	**37,301**
Subordinated debt	5,022	–	–	93,781	93,781	–	–	**192,584**
Total financial liabilities	**1,314,465**	**221,206**	**635,689**	**524,091**	**111,910**	–	**480,775**	**3,288,136**
Liquidity gap	**(197,695)**	**233,763**	**(30,998)**	**850,728**	**269,746**			
Cumulative liquidity gap	(197,695)	36,068	5,070	855,798	1,125,544			
Cumulative liquidity gap as a percentage of total financial assets	(5.0%)	0.9%	0.1%	21.5%	28.2%			

In order to cover the liquidity deficit formed at a horizon of up to 1 year, the Bank maintains a sufficient amount of securities that can be easily sold or can act as collateral for liquidity support operations both for the National Bank of the Republic of Belarus and on the interbank market. Governmental bonds of the Republic of Belarus and bonds of banks of the Republic of Belarus make up the main share in the Bank's available unencumbered assets.

The Bank regularly monitors opportunities to attract additional resources (potential interbank loans under open limits, due to customers at interest rates above market ones). The Bank can use a credit line from Gazprombank (Joint Stock Company) in the amount of RUB 6 billion (equivalent to BYN 209,946.0 thousand) for 5 years with a drawdown period of up to 1 year. As at 31 December 2023, the available aggregate sources of additional funds amounted to BYN 899,922.1 thousand equivalent and were assessed by the Bank as sufficient to cover the liquidity deficit for a horizon of up to 1 year.

For the following category of financial liabilities the expected periods differ from the contractual ones.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Due to customers – the Bank's liquidity risk management includes estimation of the minimum balance of current (settlement) accounts of customers, i.e. the amounts raised considering stable relationships with customers, which is determined using statistical methods based on historical data of fluctuations in customer account balances during 365 days before the reporting date, thus, such minimum balances are included in the "Maturity not identified" category in the tables above.

The contractual maturity periods of the above items as at 31 December 2023 and 31 December 2022 are as follows:

	Up to 1 month	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*Overdue*	*Maturity not identified*	***31 December 2023 Total***
Due to customers	2,264,159	249,556	620,387	122,635	11,693	–	36	**3,268,466**
Liquidity gap, considering contractual maturity	(1,288,368)	166,001	26,554	1,360,201	454,792			
Cumulative liquidity gap	(1,288,368)	(1,122,367)	(1,095,813)	264,388	719,180			

	Up to 1 month	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*Overdue*	*Maturity not identified*	***31 December 2022 Total***
Due to customers	1,373,694	161,018	544,213	202,233	11,940	–	21	**2,293,119**
Subordinated borrowings	98,803	–	–	93,781	–	–	–	**192,584**
Liquidity gap, considering contractual maturity	(769,094)	233,763	(30,998)	850,728	269,746	–	–	–
Cumulative liquidity gap	(769,094)	(535,331)	(566,329)	284,399	647,926	–	–	–

The following table provides information on the amount of the Bank's financial credit related commitments:

	Up to 1 month	*1 month to 3 months*	*3 months – 1 year*	*1 year to 5 years*	*More than 5 years*	*Overdue*	*Maturity not identified*	*Total*
31 December 2023	561,260	–	–	–	–	–	217,845	**779,105**
31 December 2022	230,636	–	–	–	–	–	227,799	**458,435**

The Bank's liquidity management includes assessment of the minimum balance of revolving credit liabilities, which is determined using statistical methods applied to historical information on the fluctuations of undrawn credit balances for 365 days preceding the reporting date, therefore the minimum balances are included in the "Maturity not identified" category.

The Bank expects that not all contractual credit related commitments will require settlement before maturity. The Management of the Bank believes that it will be able to sell its liquid assets to settle liabilities on customer accounts in case of demand for repayment before maturity. The Bank Management also believes that if financing from its counterparty banks decreases the Bank will get support from the shareholders by opening credit lines to maintain liquidity. The Bank also has access to permanent liquidity management instruments on the part of the regulator.

For the purpose of early identification and control over liquidity risk the Bank implemented liquidity risk escalation procedure and developed a plan for crisis financing.

Market risk

Market risk is the risk that the value of a financial instrument or future cash flows will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risk due to the impact of general or specific market changes on its claims and liabilities.

The Bank manages market risk through regular estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits.

Market risk includes interest rate risk, currency risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises as a result of a discrepancy between the Bank's interest claims and liabilities in terms of maturity and types of rates, as well as due to a high sensitivity to changes in interest rates on financial instruments stated at fair value.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Interest rate risk management is aimed at reducing the likelihood of a deterioration in the financial position of the Bank due to changes in the level of interest rates on the market and is carried out by managing the Bank's net interest margin, the financial result of transactions with financial instruments, by identifying, measuring, determining an acceptable level of risk and taking measures to maintain it at this level.

The effect of interest rate changes on the Bank's comprehensive income is evaluated based on the data about the amount and term of changes in the rates of financial assets and liabilities with variable interest rates, as well as on amounts of assets carried at fair value with fixed interest rate as at the reporting date. Additionally, the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature. The calculations are based on the assumption that the financial instrument portfolio structure does not change and take into account "the reasonably possible changes in risk variables". The level of these changes is determined by the management and is reported to the key management personnel. The following table presents an analysis of sensitivity of the Bank's comprehensive income to interest rate changes at the year horizon. The analysis was based on the parallel shift of the yield curve for all assets and liabilities, the shift was estimated to be equal to 1 percentage points for all financial instruments regardless their nominal currency. In addition, it was assumed that the change of all types of the interest rates took place at the beginning of the financial year and held constant throughout the reporting period. All other variables were held constant.

	31 December 2023		*31 December 2022*	
	Interest rate/discount rate 1%	***Interest rate/discount rate -1%***	***Interest rate/discount rate 1%***	***Interest rate/discount rate -1%***
Effect on profit before tax				
Assets				
Cash and cash equivalents	2,530	(2,530)	2,376	(2,376)
Securities at fair value through profit and loss	(910)	987	(1,746)	1,746
including:				
effect on net interest income	*528*	*(528)*	*43*	*(43)*
effect on fair value	*(1,438)*	*1,515*	*(1,789)*	*1,789*
Loans to customers	24,649	(24,649)	20,151	(20,151)
Investment securities	91	(91)	(492)	546
Liabilities				
Due to banks and other financial institutions	(1,383)	1,383	(5,022)	5,022
Due to customers	(18,469)	18,469	(10,247)	10,247
Debt securities issued	(163)	163	(110)	110
Effect on profit before tax	**6,345**	**(6,268)**	**4,910**	**(4,856)**
Effect on other comprehensive income				
Investment securities, effect of a discount rate change on fair value	(14,000)	14,715	(14,703)	15,505
Effect on comprehensive income after tax	**(9,224)**	**10,016**	**(14,703)**	**15,505**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates or precious metals prices. Currency risk arises as a result of the existence of an open currency position, is caused by fluctuations in foreign exchange rates (precious metals prices) and occurs when there is a gap between the volume of the Bank's assets and liabilities both in each foreign currency (precious metal) and in the total amount of foreign currencies (precious metals) used.

The Bank manages the currency risk by limiting the open currency position on the basis of the estimated devaluation of the national currency and other macroeconomic indicators. The norms on open foreign currency (precious metal) positions established by the National Bank of the Republic of Belarus are used as thresholds. The Bank establishes additional thresholds (limits) used in the currency risk management process.

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

The Bank's exposure to currency risk is as follows:

	BYN	*USD USD 1 = BYN 3.1775*	*EUR EUR 1 = BYN 3.5363*	*RUB RUB 1 = BYN 0.0350*	*Other currencies*	*31 December 2023 Total*
Financial assets						
Cash and cash equivalents	387,969	206,757	170,817	203,833	75,942	**1,045,318**
Securities at fair value through profit and loss	–	108,737	–	–	–	**108,737**
Derivative financial instruments, assets	36	–	–	–	–	**36**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	36,196	6,713	–	–	431	**43,340**
Due to customers	1,832,024	421,877	140,816	391,204	108,508	**2,894,429**
Investment securities	31,199	304,972	183,966	34,157	–	**554,294**
Other financial assets	21,429	16,511	2,601	20	17,769	**58,330**
Total financial assets	**2,308,853**	**1,065,567**	**498,200**	**629,214**	**202,650**	**4,704,484**

	BYN	*USD USD 1 = BYN 3.1775*	*EUR EUR 1 = BYN 3.5363*	*RUB RUB 1 = BYN 0.0350*	*Other currencies*	*31 December 2023 Total*
Financial liabilities						
Due to banks and other financial institutions	104,922	53,918	1,948	82,248	122,278	**365,314**
Due to customers	1,345,352	998,202	476,286	369,523	79,103	**3,268,466**
Debt securities issued	10,013	13,729	5,082	–	–	**28,824**
Other financial liabilities	15,500	3,549	730	2,322	516	**22,617**
Subordinated debt	–	–	–	179,062	–	**179,062**
Total financial liabilities	**1,475,787**	**1,069,398**	**484,046**	**633,155**	**201,897**	**3,864,283**
Currency position	**833,066**	**(3,831)**	**14,154**	**(3,941)**	**753**	

	BYN	*USD USD 1 = BYN 2.7364*	*EUR EUR 1 = BYN 2.9156*	*RUB RUB 1 = BYN 0.0378*	*Other currencies*	*31 December 2022 Total*
Financial assets						
Cash and cash equivalents	474,043	333,745	129,432	39,622	7,973	**984,815**
Securities at fair value through profit and loss	–	89,993	–	–	–	**89,993**
Derivative financial instruments, assets	108	–	–	–	–	**108**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	24,264	5,503	–	–	–	**29,767**
Loans to customers	1,275,287	296,148	348,078	416,967	–	**2,336,480**
Investment securities	26,444	251,448	156,427	38,450	–	**472,769**
Other financial assets	13,586	61,409	86	95	322	**75,498**
Total financial assets	**1,813,732**	**1,038,246**	**634,023**	**495,134**	**8,295**	**3,989,430**
Financial liabilities						
Derivative financial instruments, liabilities	3	–	–	–	–	**3**
Due to banks and other financial institutions	343,470	83,598	139,521	176,441	19	**743,049**
Due to customers	683,459	963,599	450,440	185,422	10,199	**2,293,119**
Debt securities issued	–	14,154	7,926	–	–	**22,080**
Other financial liabilities	6,951	2,228	25,509	662	1,951	**37,301**
Subordinated debt	–	–	–	192,584	–	**192,584**
Total financial liabilities	**1,033,883**	**1,063,579**	**623,396**	**555,109**	**12,169**	**3,288,136**
Currency position	**779,849**	**(25,333)**	**10,627**	**(59,975)**	**(3,874)**	

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

Derivative financial instruments and spot contracts with foreign currency

Fair value of derivative financial instruments with foreign currency is included in the presented currency analysis. The following table presents further analysis of currency risk on derivative financial instruments and spot contracts with foreign currency.

	BYN	USD USD 1 = BYN 3.1775	EUR EUR 1 = BYN 3.5363	RUB RUB 1 = BYN 0.0350	Other currencies	31 December 2023 Total
Claims on derivative financial instruments and spot contracts	4,802	–	–	–	–	**4,802**
Liabilities on derivative financial instruments and spot contracts	–	4,766	–	–	–	**4,766**
Net position on derivative financial instruments and spot contracts	**4,802**	**(4,766)**	**–**	**–**	**–**	**36**
Total currency position	**837,868**	**(8,597)**	**14,154**	**(3,941)**	**753**	**840,237**

	BYN	USD USD 1 = BYN 2.7364	EUR EUR 1 = BYN 2.9156	RUB RUB 1 = BYN 0.0378	Other currencies	31 December 2022 Total
Claims on derivative financial instruments and spot contracts	9,442	5,473	–	–	3,089	**18,004**
Liabilities on derivative financial instruments and spot contracts	3,096	–	–	14,828	–	**17,924**
Net position on derivative financial instruments and spot contracts	**6,346**	**5,473**	**–**	**(14,828)**	**3,089**	**80**
Total currency position	**786,195**	**(19,860)**	**10,627**	**(74,803)**	**(785)**	**701,374**

Sensitivity analysis to currency risk

The degree to which changes in exchange rates of the main foreign currencies affect the Bank's financial performance is used internally when preparing reports on currency risk for the Bank's authorized bodies, taking into account changes in risk variables.

The following tables detail the Bank's sensitivity to depreciation and appreciation of the national currency against USD, EUR and RUB as at 31 December 2023 and 31 December 2022. These currency exchange rate changes represent management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency amounts as at the period end that were translated as at the period end using the rates adjusted for the expected amount as compared to the effective rates.

	As at 31 December 2023		As at 31 December 2022	
	BYN/USD 10.0%	BYN/USD -1.0%	BYN/USD 10.0%	BYN/USD -1.0%
Effect on profit before tax	(859)	86	(1,986)	199
Effect on comprehensive income after tax	(644)	65	(1,490)	149

	As at 31 December 2023		As at 31 December 2022	
	BYN/EUR 10.0%	BYN/EUR -1.0%	BYN/EUR 10.0%	BYN/EUR -1.0%
Effect on profit before tax	1,415	(142)	1,063	(106)
Effect on comprehensive income after tax	1,061	(107)	797	(80)

(in thousands of Belarusian Rubles)

35. Risk management policy (continued)

	As at 31 December 2023		As at 31 December 2022	
	BYN/RUB 10.0%	BYN/RUB -1.0%	BYN/RUB 10.0%	BYN/RUB -1.0%
Effect on profit before tax	(394)	39	(7,480)	748
Effect on comprehensive income after tax	(296)	29	(5,610)	561

Limitations of sensitivity analysis

The above interest rate risk and currency risk sensitivity analysis demonstrates the effect of a change in a key assumption mentioned above, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted, that these sensitivities are non-linear, and results should not be interpolated or extrapolated.

The sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary depending on changes in the market. For example, the Bank's financial risk management strategy focuses on managing the risk of market fluctuations. In case of sharp negative price fluctuations in the securities market, management actions could include selling investments, changing investment portfolio composition and other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets held at market value on the balance sheet may be affected significantly. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty. The assumption that all interest rates change similarly also constitutes a limitation.

Operational risk

The Bank is subject to operational risk at all stages of its activities. Operational risk is the risk of losses and/or additional costs incurred by the Bank, failure to receive planned income as a result of non-compliance of the Bank's established practice and procedures for banking and other transactions with the legislation or their violation by the Bank's employees, incompetence or errors of the Bank's employees, non-compliance or failure of the systems used by the Bank, including software, and as a result of external factors.

The Bank uses the "Operational Risk Management" automated system (ORM AS) to collect, accumulate and analyze information on the operational risk incidents. The list of the Bank's realized operational incidents registered in the ORM AS forms the operational incident register. The operational incident register reflects information on the nature and magnitude of losses resulting from realized operational risk by the Bank's lines of business, individual banking transactions (processes), circumstances of their occurrence and identification, and other classifiers.

To assess losses resulting from realized operational risk, the Bank classifies losses as direct or indirect, as well as potential losses, in particular:
direct losses – losses and/or additional costs in operations arising as a result of an operational incident that have a negative effect on the Bank's profit (loss) and/or other comprehensive income, except for: expenses on maintenance of buildings and structures, other property, equipment and inventories; insurance premiums paid to insurers and other similar expenses under insurance contracts; losses and/or additional costs attributable to indirect losses from an operational incident. To assess direct losses, the Bank accounts for direct losses without deducting compensation (losses recorded on accounts upon the occurrence of the operational incident) and direct losses less compensation (losses recorded on accounts upon the occurrence of the operational incident less the compensation received by the Bank for this operational incident);

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35. Risk management policy (continued)

indirect losses – losses and/or additional costs in operations arising as a result of an operational incident that have a negative effect on the quality of the services provided and internal processes, the Bank's reputation, (partially) lost operating income and additional costs on the improvement of operations incurred as a result of the operational incident, including those for the modernization of property, equipment and intangible assets, aimed at preventing the occurrence of similar operational incidents in the future, but not related to overcoming the consequences of this operational incident; potential losses – losses and/or additional costs in operations intended to determine the Bank's greatest exposure to operational risk from the operational incident. They are calculated as a difference between the sum of direct and indirect losses from the operational incident that may have been incurred as a result of its occurrence (less possible reduction) and the sum of direct (less compensation) and indirect (less compensation) losses from the operational incident that resulted from (taking into account) a reduction in the amount of claims against the Bank and/or payments under such claims by court decision; restoring the Bank's performance ahead of the previously planned deadlines; compensation to the Bank of direct and/or indirect losses from the operational incident; other circumstances contributing to the prevention and/or reduction of direct and/or indirect losses from the operational incident.

As part of applying proactive operational risk management methods, the Bank has developed scenarios and has followed operational risk escalation procedures.

The Bank places special emphasis on ensuring business continuity and planning its operations in case of unexpected situations. In order to improve the reliability and business process continuity of the Bank, the Contingency Plan for Belgazprombank has been developed.

The Bank conducts regular stress testing of operational risk to assess the resistance to realization of rare but probable events with high severity of consequences. The results of operational risk assessment, as well as the results of operational risk stress testing, are submitted for consideration to management bodies for managerial decision-making.