

Reshenie Bank Joint-Stock Company

Financial statements
for the year ended 31 December 2023

June 2024

This document contains 77 pages

CONTENT

INDEPENDENT AUDITOR'S REPORT	3
STATEMENT OF MANAGEMENT'S RESPONSIBILITY	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF COMPREHENSIVE INCOME	11
STATEMENT OF CHANGES IN EQUITY	13
STATEMENT OF CASH FLOWS	14
NOTES TO THE FINANCIAL STATEMENTS	16
1. GENERAL INFORMATION	16
2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES	18
3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS	21
4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS	25
5. SIGNIFICANT ACCOUNTING POLICIES	28
6. CASH AND CASH EQUIVALENTS	42
7. DUE FROM BANKS	43
8. LOANS TO CUSTOMERS	44
9. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	47
10. SECURITIES MEASURED AT AMORTIZED COST	48
11. PROPERTY FOR SALE	49
12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	50
13. RIGHT-OF-USE ASSETS	52
14. OTHER ASSETS	53
15. DUE TO BANKS	54
16. DUE TO CUSTOMERS	54
17. DEBT SECURITIES ISSUED	54
18. LEASE LIABILITIES	55
19. SUBORDINATED LOANS	55
20. OTHER LIABILITIES	56
21. EQUITY	56
21.1 Basic earnings per ordinary share	57
22. NET INTEREST INCOME	57
23. NET COMMISSION INCOME	57
24. NET GAIN FROM TRANSACTIONS WITH FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	58
25. NET GAIN FROM OPERATIONS WITH SECURITIES MEASURED AT AMORTIZED COST	58
26. NET GAIN FROM FOREIGN CURRENCY TRANSACTIONS	58
27. NET OTHER INCOME	58
28. PERSONNEL EXPENSES	59
29. ADMINISTRATIVE EXPENSES	59
30. INCOME TAX EXPENSE	59
31. CONTINGENT ASSETS AND LIABILITIES	61
32. OPERATING SEGMENTS OF THE BANK	63
33. RISK MANAGEMENT	66
34. CAPITAL MANAGEMENT	73
35. FAIR VALUE OF FINANCIAL INSTRUMENTS	74
36. ANALYSIS OF MATURITIES OF ASSETS AND LIABILITIES	76
37. RELATED PARTIES TRANSACTIONS	77
38. SUBSEQUENT EVENTS	77



INDEPENDENT AUDITOR'S REPORT

To the Chairman of the Management Board, Chief Accountant of
Reshenie Bank Joint-Stock Company

Ref. number: 04-05/48/1

Date: 14 June 2024

Opinion

We have audited the accompanying financial statements of Reshenie Bank Joint Stock Company (hereinafter - "R-Bank JSC", "auditee") (location: Republic of Belarus, 220035, Minsk, 11 Ignatenko Str.; date of state registration: Reshenie Bank Joint-Stock Company registered by the National Bank of the Republic of Belarus on 09 November 1994, registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs: 100789114), which comprise:

- ▶ The statement of financial position as at 31 December 2023;
- ▶ The statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and
- ▶ Notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted the audit in accordance with the requirements of the Law of the Republic of Belarus No. 56-Z dated 12 July 2013 "On Auditing Activities", Instructions "On the Regulation of Auditing activities in Banks, Banking Groups and Bank Holdings" approved by Resolution No. 495 of the Board of the National Bank of the Republic of Belarus dated 11 December 2019, National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus, and International Standards on Auditing.

Our responsibilities under those requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We observed the principle of independence in relation to the auditee in accordance with the requirements of the Law of the Republic of Belarus No. 56-Z dated 12 July 2013 "On Auditing Activities", the National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus and the International Code of Ethics for Professional Accountants adopted by the International Ethics Standards Board for Accountants, and we observed other principles of professional ethics in accordance with these requirements.

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



Key audit matters

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

Provision for expected credit losses on loans provided to customers

Determination of a significant increase in credit risk from the date of initial recognition, both on an individual and portfolio basis, as well as for the assessment of expected credit losses in accordance with IFRS 9 "Financial Instruments" (hereinafter - "IFRS 9") require the Bank's management to apply professional judgment and use assumptions. The assessment of the increase in credit risk is based on the relative change in credit ratings, the duration of overdue debts and other objective and subjective factors. The choice of thresholds at which an increase in credit risk is recognized as significant is also subjective.

The calculation of expected credit losses includes valuation techniques that use significant unobservable inputs and factors such as internal credit ratings, as well as comprehensive statistical modeling and expert judgment. These techniques are used to determine the probability of default, the amount of credit requirement at risk of default and the level of losses in default based on available historical data and external information adjusted for forecasts, including forecast macroeconomic variables.

The calculation of expected credit losses for significant financial assets that have been subject to credit impairment on an individual basis requires an analysis of financial and non-financial information and extensive use of assumptions. The assessment of future cash flows is based on initial data such as the borrower's current and projected financial performance, the cost of collateral and an assessment of the likelihood of possible scenarios.

Due to the high level of subjectivity of the judgments used to calculate the corresponding provisions, the calculation of provision for expected credit losses on loans provided to customers is one of the key audit matters. We also noted a high concentration of the loan portfolio of legal entities.

Information on the provision for expected credit losses on loans to customers is provided in Note 8 "Loans to Customers" and Note 33 "Risk Management" (in terms of credit risk) to the financial statements.

Our audit procedures included an assessment of compliance with the requirements of IFRS 9 of methodology and policies of the Bank in relation to the assessment of expected credit losses, including the study of loan agreements, collateral agreements, analysis of assumptions used by the Bank in calculating the provision. During our audit, we paid special attention to the following:

- ▶ assessment of credit risk models and assumptions used to determine key reserve parameters and expected credit losses for the portfolio;
- ▶ assessment of management's judgments regarding the identification of a significant increase in credit risk on an individual and portfolio basis using quantitative and qualitative criteria;



Key audit matters (ending)

- ▶ testing of expected future cash flows, including cash flows originating from collateral, in relation to significant credit-impaired loans to customers;
- ▶ impact of macroeconomic indicators in the assessment of expected credit losses.

We assessed the reasonableness of the credit risk factors and thresholds selected by management to determine a significant increase in credit risk on an individual and portfolio basis, and evaluated the sequence of application of the criteria selected by management.

In testing portfolio-based impairment, we analysed the underlying statistical models, key inputs and assumptions, as well as forward-looking information used in calculating expected credit losses. For the selected significant, individually analysed loans, we conducted a random review of loan agreements, an audit of internal credit ratings, credit risk factors and classification by stage. For our selected significant corporate loans, we have analysed assumptions regarding future cash flows, including the cost of collateral. We reviewed the results of the Bank's subsequent testing of models used for the purposes of IFRS 9.

We have analysed the information provided in the notes for completeness and compliance with IFRS requirements.

We have not identified any material misstatements or deficiencies in these matters.

Responsibilities of the Management for the Preparation of the Financial Statements

Management of the auditee is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 ability of the auditee to continue as a going concern and using the going concern basis of accounting unless management either intends to liquidate the auditee or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for the supervision of the preparation of auditee's financial statements.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion expressed in the prescribed form.

Reasonable assurance forms a high level of assurance but is not a guarantee that an audit conducted in accordance with the requirements of Law of the Republic of Belarus No. 56-Z dated 12 July 2013 "On Auditing Activities", Instructions "On the Regulation of Auditing activities in Banks, Banking Groups and Bank Holdings" approved by Resolution No. 495 of the Board of the National Bank of the Republic of Belarus dated 11 December 2019, National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus, and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements.

As part of an audit in accordance with the requirements of Law of the Republic of Belarus No. 56-Z dated 12 July 2013 "On Auditing Activities" Instructions "On the Regulation of Auditing activities in Banks, Banking Groups and Bank Holdings" approved by Resolution No. 495 of the Board of the National Bank of the Republic of Belarus dated 11 December 2019, National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus, and International Standards on Auditing, the auditor exercises professional judgment and maintains 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;



Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- ▶ Obtain an understanding of the internal control system relevant to the audit of the financial statements 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 internal control system;
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures of the financial statements made by the auditee;
- ▶ 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 auditee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. Or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the auditee 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.

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

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

From the matters communicated with those charged with governance, we determine the matters that were most relevant to the audit of the financial statements for the current period and, therefore, are key audit matters.

Auditor's Responsibilities for the Audit of the Financial Statements (ending)

We describe these issues in our audit report, except in cases where public disclosure of information about these issues is prohibited by law or when, in extremely rare cases, we conclude that information about any issue should not be disclosed in our report, as it can reasonably be assumed that the negative consequences of such information communication will exceed the socially significant benefit of its communication.

Engagement Partner
(Power of Attorney
No. 15-07/23 dated
25.10.2023)



Engagement Manager

Dmitry Bekeshko
(certificate on conformity with
qualification requirements for performance
of audit activity in banks No. 71 dated
09.10.2013;
qualification certificate of the auditor
No. 0002114 dated 27.06.2013,
reg. No. 1935)

Ivan Kovalenko
(certificate on conformity with
qualification requirements for performance
of audit activity in Banks No. 73 dated
04.12.2013;
qualification certificate of the auditor
No. 0002117 dated 27.06.2013,
reg. No. 1938)

Auditor's report date: 14 June 2024

Place of issue: Minsk, Republic of Belarus

Date of receipt by the auditee: 14 June 2024

Position, Full name

Chief Accountant
T.V. Dorafei

Signature

INFORMATION ABOUT THE AUDITOR:

Name:	Business Assurance LLC
Location:	103 Pobediteley ave., floor 8, office 7, Minsk, 220020, Republic of Belarus
Date of state registration	Certificate on the state registration issued by Minsk City Executive Committee dated 04.07.2022
Registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs:	190241132
Registration number in the register of audit entities	10028

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management of R-Bank JSC is responsible for the preparation of financial statements of the Bank. The financial statements on pages 10 to 77 represent fairly the financial position of the Bank as at 31 December 2023, the results of its operations and cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

The Management of the Bank confirms that proper accounting principles had been consistently applied during the reporting period. Reasonable and prudent judgments and estimates have been made in the preparation of the financial statements of the Bank. The Management also confirms that financial statements have been prepared on a going concern basis.

The Management of the Bank is responsible for proper accounting, taking necessary measures to protect the property of the Bank and detecting and preventing instances of fraud and other abuse. The Management of the Bank is also responsible for the management of the Bank in accordance with the legislation of the Republic of Belarus, including the rules established by the National Bank of the Republic of Belarus (hereinafter – “the National Bank”).

The financial statements for the year ended 31 December 2023 are authorized for issue on 14 June 2024 and are signed on behalf of the Management of the Bank.

On behalf of the Management of the Bank:

Chairman of the Management Board
S.D. Budnikov



Minsk
14 June 2024

Chief Accountant
T.V. Dorofei



STATEMENT OF FINANCIAL POSITION

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6	88,246	82,175
Due from banks	7	22,859	28,758
Loans to customers	8	155,000	113,056
Financial assets measured at fair value through other comprehensive income	9	19,723	34
Securities measured at amortized cost	10	21,229	21,104
Property for sale	11	159	230
Property and equipment and intangible assets	12	23,918	14,085
Right-of-use assets	13	274	62
Other assets	14	5,955	3,088
TOTAL ASSETS		337,363	262,592
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	15	18,386	8,059
Due to customers	16	207,552	171,252
Debt securities issued	17	9,106	11,067
Lease liabilities	18	279	18,620
Subordinated loans	19	21,621	61
Deferred tax liability	30	2,612	-
Other liabilities	20	4,782	4,645
Total liabilities		264,338	213,704
Equity			
Share capital	21	73,639	73,639
Revaluation reserve for financial assets measured at fair value through other comprehensive income	9	268	-
Revaluation reserve for property, plant and equipment	12	10,225	-
Unrecovered loss		(11,107)	(24,751)
Total equity		73,025	48,888
TOTAL LIABILITIES AND EQUITY		337,363	262,592

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairman of the Management Board
S.D. Budnikov

Minsk
14 June 2024

Chief Accountant
T.V. Dorofei

STATEMENT OF COMPREHENSIVE INCOME

	Note	2023	2022
Interest income		20,559	20,138
Interest expenses		(7,583)	(10,299)
Net interest income	22	12,976	9,839
Commission income		28,799	20,128
Commission expenses		(18,770)	(15,262)
Net commission income	23	10,029	4,866
Net gain from transactions with financial assets measured at fair value through profit or loss	24	-	(797)
Net gain from operations with securities measured at amortized cost	25	(130)	(276)
Net gain from foreign currency transactions	26	18,703	16 981
Net accrual of allowances for other assets, including:		(513)	(490)
<i>Net accrual of allowances for credit related commitments</i>	31	<i>(188)</i>	<i>(298)</i>
Income from disposal of equity shares	9	275	-
Net other income	27	982	2,173
Total operating income		42,647	32,488
Net accrual of allowance for impairment of financial assets:	6-10, 14	(389)	(11,412)
Personnel expenses	28	(10,370)	(9,064)
Amortization/Depreciation	12, 13	(1,928)	(1,945)
Negative revaluation of office property through profit or loss	12	(2,561)	-
Expenses from disposal of property		(163)	(107)
Administrative expenses	29	(8,059)	(6,031)
Profit before tax		19,177	3,929
Income tax expense	30	(5,533)	(793)
Net profit for the year		13,644	3,136
Basic earnings per ordinary share	21.1	0.9306	0.2139

	Note	Translation from the original into English	
		2023	2022
OTHER COMPONENTS OF TOTAL INCOME			
Other comprehensive income that will not be subsequently reclassified to profit or loss			
Net change in the fair value of property, plant and equipment as a result of revaluation	12	10,941	-
Tax effect of changes in the fair value of property, plant and equipment	30	(716)	-
Total other comprehensive income that will not be subsequently reclassified to profit or loss		10,225	-
Other comprehensive income that will be subsequently reclassified to profit or loss			
Net change in the fair value of financial assets measured at fair value through other comprehensive income	9	(76)	-
Net change in the provision for expected credit losses on financial assets measured at fair value through other comprehensive income	9	344	-
Total other comprehensive income that will be subsequently reclassified to profit or loss		268	-
TOTAL COMPREHENSIVE INCOME		24,137	3 136

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairman of the Management Board
S.D. Budnikov

Minsk
14 June 2024

Chief Accountant
T.V. Dorofei

STATEMENT OF CHANGES IN EQUITY

	Примечание	Share capital	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Revaluation reserve for property, plant and equipment	Unrecovered Loss	Total Equity
Balance as at 31 December 2021		73,639	(1,120)	-	(26,767)	45,752
Total comprehensive income		-	1,120	-	2,016	3,136
Net profit for the year		-	-	-	3,136	3,136
Other comprehensive expenses for the year	9	-	1,120	-	(1,120)	-
Balance as at 31 December 2022		73,639	-	-	(24,751)	48,888
Total comprehensive income		-	268	10,225	13,644	24,137
Net profit for the year		-	-	-	13,644	13,644
Other comprehensive expenses for the year	9,12	-	268	10,225	-	10,493
Balance as at 31 December 2023		73,639	268	10,225	(11,107)	73,025

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairman of the Management Board
S.D. Budnikov

Chief Accountant
T.V. Dorofei

Minsk
14 June 2024

STATEMENT OF CASH FLOWS

	Note	2023	2022
<i>Cash flow from operating activities:</i>			
Interest income received		21,645	20,446
Interest expenses paid		(7,655)	(10,552)
Commission income received		28,778	20,109
Commission expenses paid		(19,477)	(14,254)
Realized results of foreign exchange, precious metals and gemstones operations		21,372	15,533
Realized results of operations with financial assets measured at fair value through profit or loss		(121)	(280)
Other income received		2,956	4,104
Personnel expenses	28	(10,370)	(9,064)
Administrative expenses paid		(7,784)	(6,013)
Cash flows from operating activities before changes in operating assets and liabilities		29,344	20,029
<i>Increase/(decrease) in operating assets</i>			
Due from banks		1 861	(20,445)
Loans to customers		(41,612)	11,310
Financial assets measured at fair value through profit or loss		-	72
Financial assets measured at fair value through other comprehensive income		(19,335)	10,553
Other assets		3,126	759
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		9,965	(6,918)
Due to customers		19,022	25,324
Debt securities issued		(1,852)	(1,135)
Financial liabilities measured at fair value through profit or loss		-	(864)
Other liabilities		485	167
Net cash flows from operating activities before tax		1,004	38,852
Income tax paid		(3,482)	(1,106)
Net cash flow from operating activities		(2,478)	37,746
<i>Cash flow from investing activities:</i>			
Acquisition of property and equipment and intangible assets		(3,460)	(1,581)
Purchase of property and equipment and intangible assets		14	174
Acquisition of securities accounted at amortized cost		(4,545)	(3,817)
Redemption (realization) of securities measured at amortized cost		7,093	5,100
Net cash flow from investing activities		(898)	(124)
<i>Cash flow from financing activities</i>			
Payments in respect of the amount of the lease liability	18	(121)	(43)
Net cash flow from financing activities		(121)	(43)
Net increase/ (decrease) in cash and cash equivalents		(3,497)	35,579

	Note	Translation from the original into English	
		2023	2022
Effect of changes in foreign exchange rates on cash and cash equivalents		11,837	3,635
Cash and cash equivalents at the beginning of the year (before deduction of allowance)	6	83,767	42,553
Cash and cash equivalents at the end of the year (before deduction of allowance)	6	92,107	83,767

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairman of the Management Board
S.D. Budnikov

Minsk
14 June 2024



Chief Accountant
T.V. Dorofei



NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Reshenie Bank Joint-Stock Company (hereinafter – the “Bank”) is a commercial bank established on 09 November 1994 as a closed joint stock entity with participation of foreign capital in accordance with the legislation of the Republic of Belarus.

The previous name of the Bank is Closed Joint-Stock Company “Trustbank”. The Bank was renamed on 08 June 2016 in accordance with the decision of the General Meeting of Shareholders.

The Bank is registered in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 100789114.

The main objectives of the Bank are:

- assistance in the development of commodity-money relations by providing the Bank's clients with a full range of banking services permitted by the current legislation of the Republic of Belarus;
- assistance to the development of entrepreneurship in the Republic of Belarus, expansion of production, achievement of a higher standard of living of the population;
- foreign trade financing;
- making a profit by the Bank and its shareholders.

During the reporting period, the Bank operated on the basis of the following licenses:

- license No. 14 dated 21 September 2021 for banking activities issued by the National Bank;
- license No. 14 dated 31 March 2023 for banking activities issued by the National Bank
- special permit (license) to carry out professional and exchange activities on securities No. 02200/5200-246-1099 issued by the Ministry of Finance of the Republic of Belarus on 14 April 1995;
- special permit (license) to carry out professional and exchange activities in securities No. 02200/5200-246-1099, issued by the Ministry of Finance of the Republic of Belarus dated 14 April 1995;
- special permit (license) to carry out activities related to precious metals and precious stones No. 02200/21-00055, issued by the Ministry of Finance of the Republic of Belarus on the basis of Decision No. 110 dated 17 March 2004;
- special permit (license) to carry out security activities No. 33030/355, issued by the Ministry of Internal Affairs of the Republic of Belarus on the basis of Decision No. 355 dated 21 September 1999.

In accordance with the banking license No. 14 dated 31 March 2023, issued by the National Bank of the Republic of Belarus, the Bank can carry out the following banking operations:

- procurement of funds from individuals and legal entities to accounts and deposits;
- placement of attracted funds of individuals and legal entities into accounts and deposits on their own behalf and at their own expense on the terms of repayment, payment and urgency;
- opening and maintaining bank accounts of individuals and legal entities;
- opening and maintaining accounts in precious metals;
- provision of settlement and bank cash services to individuals and legal entities, including correspondent banks;
- currency exchange operations;

- purchase and sale of precious metals and precious stones in cases provided for by the National Bank;
- raising and placement of precious metals and precious stones in deposits of individuals and legal entities;
- issuance of bank guarantees;
- trust management of funds under the agreement of fiduciary management of funds;
- issuance of bank payment cards and other payment instruments requiring the opening and maintenance of accounts and settlement transactions for payments accepted when using such payment instruments;
- issuance of securities confirming the attraction of funds to deposits and their placement in accounts;
- financing for the assignment of a monetary claim (factoring);
- providing individuals and legal entities with special premises or safes located in them for bank storage of documents and valuables (cash, securities, precious metals and precious stones, etc.);
- transportation of cash, precious metals and precious stones and other valuables between banks and non-bank financial institutions, their separate structural divisions, as well as delivery of such valuables to customers of banks and non-bank financial institutions;
- settlement operations.

After the reporting date, the National Bank issued banking license No. 14 dated 10 January 2024, on the basis of which the right to transport cash, precious metals and precious stones and other valuables between banks and non-bank credit and financial organizations, their separate and structural divisions is excluded from the Bank's powers as well as delivery of such values to customers of banks and non-bank financial institutions.

The Bank's registered legal address is 11 Ignatenko Str., 220035, Minsk, Republic of Belarus.

As at 31 December 2023, the Bank's geographically distributed network is represented by 7 Banking Service Centers: BSC No. 01/01 Brest, 02/01 Vitebsk, 03/01 Gomel, 04/03 Grodno, 08/01 Mogilev, 07/01 Minsk, 07/02 Minsk.

As a result of changes in the structure of the Bank and the movement of personnel (in 2023, 67 people were hired, 74 were fired), the payroll number of Bank employees compared to last year decreased by 7 units and amounted to 243 people as at 31 December 2023 (of which on parental leave until the child reaches the age of 3 years – 11 people). As at 31 December 2022, the payroll number was 250 people.

The information on the shareholders of the Bank is presented below:

	Share (%) 2023	Share (%) 2022
Alm Investments FZE (United Arab Emirates Free Zone Ras Al Khaimah, Ras A1 Khaimah)	68.3	68.3
Joint venture "Intersportproekt" Limited (Republic of Belarus)	18.3	18.3
Joint venture "Saturn-Info" Limited (Republic of Belarus)	13.4	13.4
Total	100.0	100.0

The ultimate controlling owner of the Bank as at 31 December 2023 and 31 December 2022 is Mohammad Ahmad Salem Khalifa Alzaraim Al Suwaidi, resident of UAE, Dubai.

2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES

The Bank's activities are carried out on the territory of the Republic of Belarus. The economy of the Republic of Belarus manifests some of the characteristics inherent in developing markets. The legal, tax and administrative systems are subject to frequent changes and allow for different interpretations. The tense geopolitical situation, as well as international sanctions imposed on a number of Belarusian companies, banks and individuals, have had a negative impact on the economic situation in the Republic of Belarus. The Management of the Bank believes that all appropriate measures have been taken to maintain economic sustainability of the Bank in the current conditions.

These trends may have a significant impact on the results of activities and financial position of the Bank in the future, at present it is difficult to predict exactly what this impact will be. The future economic and regulatory situation and its impact on the results of the activities of the Bank may differ from the current expectations of management. In addition, factors such as a decrease in real incomes of the population, a decrease in liquidity and profitability of companies, as well as an increase in bankruptcy cases of legal entities and individuals may affect the ability of Bank borrowers to repay debts to the Bank.

The functioning of the economy of the Republic of Belarus in 2023 was largely determined by the influence of a group of external factors. The most significant factor that had a significant impact on the functioning of the Belarusian economy was the increased sanctions pressure against the Republic of Belarus and the Russian Federation in connection with the aggravation of the geopolitical situation in the world after the beginning of a special military operation in February 2022.

Restrictive measures have been introduced against the Belarusian financial sector. Thus, since 2022 the inclusion in the sanctions lists of most of the systemically important banks has limited their ability to carry out foreign economic activities. A number of Belarusian banks and their subsidiaries were disconnected from the SWIFT international financial messaging system, and Mastercard and American Express payment systems suspended their cooperation with a number of banks. Restrictions were also imposed on certain types of transactions, including blocking the funds of business entities in accounts with foreign banks and blocking payments on Eurobonds of the Republic of Belarus.

However, thanks to the Government measures taken, the economy and banks continued to adapt and were able to work effectively in the new conditions. Economic ties were being rebuilt, and commodity flows were being redirected to the markets of friendly countries. All this contributed to maintaining the positive dynamics of foreign trade. With a relatively stable new geographical structure, there is a gradual expansion of foreign trade with a group of friendly countries. The position of the Chinese yuan has strengthened while reducing the dollar's share in servicing the country's foreign trade.

According to the results of 2023, the coordinated actions of the National Bank and the Government of the Republic of Belarus ensured the fulfillment of the inflation target. The increase in consumer prices amounted to 5.8% with a target of 7-8%. At the same time, prices and tariffs included in the calculation of core inflation, increased by 3.8% over the year. For most of the last year, the dynamics of inflationary processes in the Republic of Belarus was formed under the influence of the following factors:

- reduction of inflation expectations;
- adaptation to new conditions of logistics of supplies of foreign-made goods to the domestic market;
- dynamics of consumer prices in the Russian Federation;

Translation from the original into English

- strengthening of the Belarusian ruble against the Russian ruble, the currency of the main trading partner;
- reduction of world prices for raw materials and food.

Since the beginning of 2023, against the background of slowing inflation, the refinancing rate has been gradually reduced by 2.5 percentage points and amounted to 9.5% per annum in June 2023. Since July, its level has remained unchanged due to the expected acceleration of price growth against the background of a weakening influence of disinflationary factors. Also, throughout 2023, the decision of the National Bank to suspend its regular operations to withdraw and provide liquidity to banks was in effect. As a result, in conditions of a steady excess of ruble liquidity in the banking sector, interest rates on the money market were at a low level. Thus, the average interbank loan rate for 2023 was 1.95%.

The average interest rate on new bank loans granted to legal entities in Belarusian rubles decreased from 14.3% per annum on average in 2022 to 8.5% per annum in 2023. The average interest rate on new loans granted to individuals decreased from 12.5% per annum on average in 2022 to 10.3% per annum in 2023. As a whole, the above-mentioned factors contributed to a rapid increase in demand for credit resources from business entities and the population.

At the same time, trends related to changes in the currency structure of demand for borrowed funds continued in 2023. In order to reduce currency risks, organizations rapidly reduced debt on credit resources denominated in foreign currencies of unfriendly countries and showed increased demand for resources in national currency. As a result, lending to the economy was carried out by banks mainly in Belarusian rubles. In 2023, banks' demands on the economy in national currency increased by 35.4%. Taking into account foreign exchange financing, the requirements for the economy increased by 19.1%, which is significantly higher than the same indicators in 2022 and fully corresponds to the forecast parameters of 2023.

The total amount of credit support for the real sector of the economy from banks in 2023 reached 144.6 billion rubles in ruble equivalent, which is 29.1% more than in 2022, of which 131.5 billion rubles were issued to business entities. The banks' long-term loan portfolio has grown significantly. The volume of long-term loans issued increased by 47.4% and by the end of 2023 amounted to 27.3 billion rubles, including 24.1 billion rubles in national currency.

As a result, the pursued monetary policy, along with the measures of the Government of the Republic of Belarus, contributed to the increase in economic activity in the country in 2023. During the reporting year, the gross domestic product increased in real terms by 3.9% (with a decrease of 4.7% in 2022). At the same time, industry in comparable prices increased by 7.7%, agriculture – by 1.1%. The increase in investments in fixed assets for the reporting year amounted to 14.8% at comparable prices. Retail trade turnover increased by 8.5%, which was largely facilitated by the positive dynamics of household incomes. Last year, in real terms, the wages of employees increased by 11%, the growth of disposable income of the population for 11 months amounted to 6.1%.

The average exchange rate of the Belarusian ruble in annual terms (December 2023 to December 2022): to the Russian ruble – increased by 10.5%, to the US dollar – decreased by 24%, to the Chinese yuan - decreased by 21.4%. The exchange rate of the Belarusian ruble at the end of December 2023 was: to the Russian ruble – 3.4991 rubles per 100 Russian rubles; to the US dollar – 3.1775 rubles per 1 US dollar; to the Chinese yuan – 4.4414 rubles per 10 Chinese yuan.

The rates on liquidity provision operations (overnight credit, SWAP transactions) did not change and amounted to 10.5% per annum, the rates on liquidity withdrawal operations (overnight deposit) remained at 8.5% per annum.

Translation from the original into English

These financial statements reflect the current assessment by the Bank's management of the impacts that the economic situation has on the Bank's operations and financial position. The future development of the economy in the Republic of Belarus depends to a large extent on the effectiveness of measures taken by the Government and other factors, including legislative and political events beyond the control of the Bank. Adjustments related to this risk have not been included in the accompanying financial statements.

The Bank's management takes all necessary measures to ensure the sustainability of the Bank's activities.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee.

Going concern

These financial statements have been prepared upon the assumption, that the Bank will continue as a going concern.

The Bank has prepared these financial statements based on the principle of continuity of operations, taking into account the impact of the complication of the geopolitical and economic situation in the Republic of Belarus on its financial position. The Bank has no intention or need to significantly reduce the volume of operating activities.

The Bank considers its current financial position and liquidity position sufficient for sustainable operation. The Bank monitors its liquidity position on a daily basis and assumes that, if necessary, it can use the available liquidity support tools provided by the National Bank.

According to the results of the annual financial statements of 2023 prepared in accordance with the Belarusian legislation, the regulatory capital of the Bank as at 31 December 2023 amounted to 82,247 thousand rubles, which is higher than the minimum amount required by the National Bank. For the year ended 31 December 2023, the Bank earned a profit in the amount of 13,644 thousand rubles.

In the current situation, the Bank continues to fully provide banking services to customers. At present the Bank believes it will be able to continue as a going concern despite material uncertainty in the measurement. The formed business model of the Bank is resistant to changes in economic conditions. According to the estimates of the Management of the Bank, there is no significant uncertainty to continue as a going concern.

Functional and reporting currency

The Belarusian ruble is the functional currency of the Bank. These financial statements are presented in thousands of Belarusian rubles (unless otherwise specified).

Foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rate of the National Bank effective on the date of the transaction. All monetary assets and liabilities, including off-balance sheet claims and liabilities denominated in foreign currencies, are translated into Belarusian rubles at the exchange rate in effect at the reporting date.

Gains or losses arising from currency fluctuations on monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income in the period in which these fluctuations occur. Differences arising from the translation of transactions in foreign currencies are recognized through profit or loss, except for differences arising from the translation of available-for-sale assets carried at fair value, which are recognized in other comprehensive income.

Translation from the original into English

The table below shows the exchange rates of the Belarusian ruble against the US dollar, euro and Russian ruble:

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

Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair or original cost are translated into Belarusian rubles at the exchange rate of the National Bank on the date of the transaction or the determination of the fair value.

Use of estimates and assumptions

Preparation of financial statements in accordance with IFRSs requires the Management of the Bank to develop estimates and assumptions affecting the reported amounts of assets and liabilities of The Bank, to disclose contingent assets and liabilities as at the reporting date and the reported amounts of income and expenses for the reporting period. Estimates and related assumptions are based on historical information and other factors that are reasonable where the value of assets and liabilities in the statement of financial position cannot be defined in another way. Although Management estimates and assumptions are based on knowledge of the current situation and operations of the Bank, actual results may differ from these estimates.

Estimates and key assumptions are revised on an ongoing basis. Revision of accounting estimates is recognized in the periods in which the estimates are revised and in future periods to which they relate.

Professional judgments that have the most significant impact on the amounts reported in the financial statements and the estimates that may result in significant adjustments to the book value of assets and liabilities in the following financial year are presented below.

Allowance for impairment

Classification of financial assets

Assessment of the business models that are applied to the assets and an assessment of whether the contractual terms of the financial asset are solely a payment of the principal amount of the debt and interest on the principal amount of the debt, is disclosed in Note 5 "Significant Accounting Policies".

Impairment of financial instruments

At each reporting date, the Bank estimates the amount of allowance for expected credit losses on financial assets based on historical loss experience for portfolios of financial assets, current conditions and future expectations.

In assessing whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort.

At each reporting date, the Bank analyzes and incorporates forward-looking information in its assessment of expected credit losses. The Bank uses expert judgment, when appropriate, in evaluating forward-looking information obtained from external sources. External sources of information include economic data and forecasts published by government agencies, international organizations, and other sources of information that have a high degree of confidence in the content.

Measurement of the estimated allowance for expected credit losses (ECL)

Measurement of the estimated allowance for expected credit losses for financial assets measured at amortized cost and measured at fair value through other comprehensive income (hereinafter – “FVTOCI”) is an area that requires complex models and significant assumptions about future economic conditions and credit behavior (e.g. the probability of default of customers and arising losses). A number of material judgments are also required when applying accounting requirements for ECL measurement, such as:

- Determination of criteria for significant increase in credit risk;
- Selection of suitable models and assumptions for ECL measurement;
- Setting the number and relative weights of future scenarios for each product/market type and the corresponding ECL; and
- Creation of groups of homogeneous financial assets for ECL valuation purposes.

Initial data for estimating expected losses

The main baseline data for estimating expected credit losses are the temporary structures of the following variables:

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

These indicators are derived from statistical models, other historical data and available sources of information used by the Bank.

Estimates of probability of default (PD) are estimates on a given date that are calculated on the basis of rating models and are evaluated using estimation tools, adapted to different categories of counterparties and positions exposed to credit risk. Where possible, the Bank uses external data. The probability of default is estimated taking into account the contractual maturities of the positions exposed to credit risk. If there are default events, the PD is set in the amount of 100%. In order to improve the quality of credit risk assessment, PD is adjusted to take into account the impact of macroeconomic factors.

The amount of loss given default (LGD) is the amount of probable loss given default, taking into account the repayment of the debt when the default event occurs. Recoverability (RR) is determined based on information on the receipt of cash when implementing collateral for debt by analyzing historical repayments for defaulted debt, or by a combination of calculation methods.

The exposure at default (EAD) is the expected value of the position exposed to credit risk on the date of default. This indicator is calculated by the Bank on the basis of the current value of EAD and its possible changes permitted under the contract, including depreciation/amortization and early repayment. For a financial asset, the value of the EAD is the gross book value in the event of default.

As described above, provided that a maximum 12-month probability of default is used for financial assets for which credit risk has not been significantly increased, the Bank estimates the expected credit losses taking into account the risk of default during the maximum period under the contract during which the financial asset is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period.

From 2022, the Bank's management decided to use an average rating based on the ratings assigned by international agencies Standard & Poor's, Fitch, Moody's, as well as Russian rating agencies ACRA and Expert RA to assess the probability of default on state administration bodies, the National Bank, banks and non-bank financial institutions.

Fair value measurement of financial instruments

The Bank estimates fair value using the following structure of fair value, which reflects the nature of the data used in the evaluation:

- Level 1:** Quotations of active market (unadjusted) for identical instruments.
- Level 2:** Valuation techniques based on the observed data, obtained either directly (i.e., prices) or indirectly (i.e. derivatives from prices). This category includes instruments measured using quotations in active markets for similar instruments; quotations for identical or similar instruments in markets that are less active, or other valuation techniques in which all relevant data are directly or indirectly available.
- Level 3:** Valuation techniques based on the unobserved data. This category includes instruments that are evaluated on the basis of quotations for similar instruments when significant unobserved adjustments or assumptions are necessary to reflect the difference between the instruments.

The fair value of financial assets and liabilities traded in an active market is based on market quotes or OTC quotes. For all other financial instruments, the Bank determines fair value using valuation methods.

Determining the fair value of financial assets and liabilities for which there is no market quotation requires the use of the valuation methods described in the relevant accounting policies. For financial instruments that do not have an active market, the determination of fair value is less objective and requires the application of judgments based on liquidity, concentration, uncertainty market factors, cost assumptions and other factors affecting the financial instrument. The purpose of the valuation methods is to determine the fair value, which reflects the value of the financial instrument at the reporting date, which would be determined by market participants acting independently of each other.

Determination of deferred tax assets

Deferred tax assets and liabilities are provided for all temporary differences except to the extent that the temporary differences arise from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

A recognized deferred tax asset is the amount of income tax that can be set off against future income taxes and is recognized in the statement of financial position.

A deferred tax asset is recognized only to the extent that the relevant tax benefit is likely to be used. The determination of future taxable profits and the amount of tax benefits likely to occur in the future is based on the forecasts of the Management of the Bank.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments in standards applicable to annual reporting periods beginning on or after 1 January 2023

IFRS 17 “Insurance Contracts”

IFRS 17 “Insurance Contracts” (IFRS 17) addresses issues of recognition and measurement, presentation and disclosure of information about insurance contracts and replaces IFRS 4 “Insurance Contracts”. IFRS 17 applies to all types of insurance contracts, regardless of the type of organization that issues them, as well as to certain guarantees and financial instruments with discretionary participation conditions. However, the standard contains a number of exceptions to its scope of application. In particular, it does not apply to the following operations:

- to the guarantees provided by the manufacturer, dealer or retailer in connection with the sale of their goods or services to the buyer;
- to the assets and obligations of employers under employee compensation programmes;
- to contractual rights or contractual obligations that depend on the future use or right to use a non-financial object (for example, for some license fees, royalties, royalties, variable and other conditional lease payments and similar items);
- to the liquidation value guarantees provided by the manufacturer, dealer or retailer, and the liquidation value guarantees provided by the lessee, if they are embedded in the lease terms;
- to financial guarantee contracts, except in cases where the party that issued them had previously explicitly stated that it considered such contracts as insurance contracts and accounted for them in the manner applicable to insurance contracts. This party must decide whether to apply either IFRS 17 to such financial guarantee agreements, or IAS 32 “Financial Instruments: Presentation”, IFRS 7 “Financial Instruments: Disclosures” and IFRS 9 “Financial Instruments”. The party that issued the contract may make such a decision with respect to each contract separately, but the decision made on each contract cannot be subsequently revised. The Bank applies to them the requirements of IAS 32, IFRS 7 and IFRS 9;
- to contingent consideration payable or receivable in a business combination transaction;
- to insurance contracts for which the organization is the policyholder, except in cases where such contracts are withheld reinsurance contracts.

Thus, the specified new standard is not applicable to the Bank.

Amendments to IAS 1 “Presentation of Financial Statements” (formation of judgments on materiality)

The amendments to the standard provide guidance and examples to help organizations apply materiality judgments when disclosing accounting policies. The amendments replace the requirement for organizations to disclose “significant provisions” of accounting policies with the requirement to disclose “material information” about accounting policies, and also introduce additional guidance on how organizations should apply the concept of materiality when making decisions on disclosure of accounting policies.

The adoption of these amendments did not result in significant changes in the volume and composition of the accounting policy information disclosed by the Bank in the financial statements, as its current practice generally complied with the new requirements.

Translation from the original into English

*Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”
(definition of accounting estimates)*

The amendments introduced the definition of “accounting estimates”, as well as clarified the difference between changes in accounting estimates and changes in accounting policies and correction of errors, and how organizations use measurement methods and baseline data for the development of accounting estimates.

These amendments did not have a significant impact on the Bank’s financial statements.

Amendments to IAS 12 “Income Taxes” (deferred tax related to assets and liabilities that arise from a single transaction)

According to these amendments, the initial recognition exception does not apply to transactions that, upon initial recognition, result in the recognition of taxable and deductible differences in equal amounts. The application of the exception under the amendments is limited to situations where, upon initial recognition of an asset in the form of a right of use and a lease obligation or an obligation for the cost of decommissioning the asset and a corresponding increase in the value of the asset, taxable and deductible differences arise in different amounts. At the same time, even if equal taxable and deductible differences arise as a result of the transaction, it is possible to recognize deferred tax liabilities and deferred tax assets in unequal amounts with the difference being attributed to profit or loss for the period. In particular, this may be a consequence of the non-recoverability of a deferred tax asset or different tax rates applied to deductible and taxable differences.

These amendments did not have a significant impact on the Bank’s financial statements.

Amendments to IAS 12 “Income Taxes” (international tax reform – Pillar 2 model rules)

The amendments provide for mandatory temporary exemption from deferred taxes arising from the introduction of the Pillar 2 model rules into legislation; as well as disclosure requirements that will help users of the financial statements of an organization subject to new legislation to better understand how it is affected by the income tax provided for by this legislation according to Pillar 2, including the number before its entry into force. The amendment on mandatory temporary release takes effect immediately, but its application must be reported.

These amendments had no impact on the Bank’s financial statements.

Revised IFRS effective after 1 January 2024

Amendments to IAS 1 “Presentation of Financial Statements”

In October 2022, the IASB published amendments “Long-term Liabilities with Covenants” to IAS 1 “Presentation of Financial Statements”. These amendments were aimed at improving the information that an organization provides when its right to defer repayment of an obligation depends on compliance with conditions within 12 months after the reporting date. These amendments to IAS 1 supplement the previous amendments “Classification of Liabilities as Current or Long-term”, published in January 2020, which clarified that liabilities are classified as current or long-term depending on the rights existing at the end of the reporting period.

Liabilities should be classified as long-term if the organization has a substantial right to postpone repayment for at least 12 months at the end of the reporting period. The amendments come into force on 1 January 2024, their early adoption is allowed.

The Bank does not expect that the application of these amendments will have a significant impact on the financial statements.

Amendments to IFRS 16 “Leases”

On September 22, 2022, the IASB published amendments “Lease Obligation under Sale with Leaseback” to IFRS 16. The amendments introduce a new accounting model that affects how the seller-lessee accounts for variable lease payments arising from a purchase and sale with leaseback. The amendments clarify that, upon initial recognition, the seller-lessee includes variable lease payments in assessing the lease liability arising from a purchase and sale transaction with a leaseback. After initial recognition, the seller-lessee applies the general requirements for the subsequent accounting of lease obligations in such a way as not to recognize any gains or losses related to the right of use retained by him. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

The Bank does not expect that the application of these amendments will have a significant impact on the financial statements.

IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures”

The amendments introduce disclosure requirements that will increase the transparency of supplier financing mechanisms and their impact on the company’s liabilities and cash flows. The amendments apply to supplier financing agreements, which are also called supply chain financing, accounts payable financing, or reverse factoring.

Key amendments include disclosure requirements:

- the carrying amount of financial liabilities that are part of supplier financing agreements and the items in which these liabilities are presented;
- the balance sheet value of financial liabilities for which suppliers have already received payment from financial service providers;
- the range of payment terms for both financial obligations that are part of these agreements and comparable trade payables that are not part of such agreements.

According to the amendments, companies must also disclose the type and impact of non-monetary changes in the balance sheet amount of financial liabilities that are part of a supplier financing agreement. All organizations using vendor financing agreements will be required to provide new information, provided that it is tangible. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, no comparative information is required for the first year.

The Bank does not expect that the application of these amendments will have a significant impact on the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash, funds in the National Bank of the Republic of Belarus (excluding mandatory reserves) and funds in credit institutions with an initial maturity of up to 90 days, which can be freely converted into an appropriate amount of money within a short period of time, with the exception of guarantee deposits and other funds limited for use.

Derivative financial instruments

In the course of its ordinary operations, the Bank uses various derivative financial instruments (including forwards, swaps) in foreign exchange markets. These financial instruments are held for trading and are initially recognized at fair value. Fair value is determined on the basis of market quotations or valuation models based on current market and contractual values of corresponding underlying instruments and other factors. Derivative financial instruments with a positive fair value are recognized as assets, and those with a negative fair value – as liabilities.

Income and expenses from transactions with these instruments are recognized in the statement of comprehensive income.

Financial assets and liabilities

Recognition

Financial assets and liabilities are reflected in the statement of financial position when the Bank becomes a party to the contract in respect of the financial instrument concerned.

Financial assets and liabilities are initially recognized at fair value and financial assets and liabilities not classified as measured at fair value through profit or loss are recognized at fair value plus transaction costs directly associated with the acquisition or issuance of a financial asset or financial liability.

All regular way purchases and sales of financial assets are recognized using the accounting method on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Classification and subsequent measurement of financial instruments: categories of measurement

The Bank classifies financial instruments using the following categories of measurement:

- measured at fair value through profit or loss (FVPL),
- measured at fair value through other comprehensive income (FVTOCI), and
- measured at amortized cost.

The classification and subsequent measurement of financial assets depend on the business model used by the Bank for asset management and the characteristics of cash flows on the asset.

Translation from the original into English

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

- the asset is held within the framework of a business model that seeks to retain assets to obtain contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows, which are solely a payment on the principal amount of the debt and interest accrued on the outstanding part of the principal amount.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

- the asset is held within the framework of a business model, the purpose of which is achieved both through the receipt of contractual cash flows and through the sale of financial assets;
- the contractual terms of the financial asset provide for cash flows, which are solely a payment on the principal amount of the debt and interest accrued on the outstanding part of the principal amount.

Classification and subsequent measurement of financial assets: business model

The business model reflects the way the Bank uses to manage assets in order to receive cash flows, depending on whether the Bank's goal is:

- only to receive contractual cash flows from assets ("retention of assets to receive contractual cash flows") or
- to receive contractual cash flows and cash flows arising from the sale of assets ("retention of assets to receive contractual cash flows and to carry out sales").

If the paragraphs above are not applicable, financial assets are classified as "other" business models and are measured at fair value through profit or loss.

The Bank's business units by line of business define a business model for financial assets at a level that reflects how groups of financial assets are managed to achieve a specific business goal, that is, the way the Bank manages its financial assets in order to generate cash flows. The analysis of contractual terms for compliance with the SPPI criterion (cash flows represent the payment of only the principal amount and interest on the outstanding part of the principal amount) is carried out, as a rule, by considering standard forms of contracts/basic agreements/issue prospectuses, as well as on the basis of a common understanding of contracts/agreements that are concluded in the banking sector, taking into account the requirements of legislation the Republic of Belarus and practices.

Interest includes reimbursement for the time value of money, credit risk in respect of outstanding principal, other common risks (such as liquidity risk), reimbursement of costs associated with lending as well as profit margin.

Loans to customers that meet the SPPI criterion are withheld to receive the contractual cash flows and are measured at amortized cost.

Impairment of loans measured at amortized cost or at fair value through other comprehensive income is determined using the forecast model of expected credit losses.

Impairment of financial assets: estimated allowance for expected credit losses (ECL)

Based on forecasts, the Bank estimates expected credit losses related to debt financial assets measured at amortized cost and fair value through other comprehensive income, and risks arising from credit related commitments and financial guarantee contracts.

The Bank estimates the expected credit losses and recognizes the estimated allowance for credit losses at each reporting date. Estimation of expected credit losses reflects:

- an unbiased and probable amount determined by assessing the range of possible results;
- the time value of the money;
- reasonable and corroborated information on past events, current conditions and projected future economic conditions available at the reporting date without excessive cost or effort.

Debt financial assets measured at amortized cost are presented in the statement of financial position less the estimated allowance for expected credit losses. For debt instruments measured at fair value through other comprehensive income, the estimated allowance for expected credit losses is recognized as profit or loss and affects the profit or loss on changes in fair value recognized in other comprehensive income rather than on the book value of those instruments.

The Bank applies the impairment accounting model under IFRS 9 based on changes in credit quality since initial recognition.

A financial asset that is not impaired on initial recognition for which there was no significant increase in credit risk during the reporting period is classified as relating to Stage 1. For Stage 1 financial assets, the expected credit losses are estimated to be equal to the portion of the expected credit losses for the entire term that arise as a result of defaults that may occur within the next 12 months (12-month expected credit losses), or to maturity if it is less than 12 months from the reporting date.

If the Bank detects a significant increase in credit risk from the moment of initial recognition, the asset is transferred to Stage 2 and the expected credit losses are estimated on the basis of expected credit losses for the entire term (expected credit losses for the entire term).

If the Bank determines that a financial asset is impaired (the borrower is defaulted), the asset is transferred to Stage 3 and the expected credit losses are assessed as expected credit losses for the entire term.

The estimated values of expected credit losses can be adjusted for allowances based on expert opinion. The decision to apply adjustments is made by the Management of the Bank when significant economic and other factors that affect the amount of allowances are identified.

Determination of a significant increase in credit risk

The Bank has developed an assessment methodology that includes both quantitative and qualitative information to determine a significant increase in credit risk for a particular financial instrument from the moment of its initial recognition.

The Bank believes that a significant increase in credit risk occurs if, in relation to a financial instrument, any one of the following events occurs at the reporting date:

- overdue debt from 31 to 90 days (for legal entities and individuals) / overdue debt from 7 to 30 days (for banks, non-bank credit and financial organizations, government agencies, the National Bank); or
- restructured debt (for legal entities and individuals); or

Translation from the original into English

- the presence of a calculated internal credit rating score in the range from 25 to 40 inclusive in accordance with the Regulations on the procedure and methodology for assessing the creditworthiness of legal entities and individual entrepreneurs in R-bank JSC (for legal entities); or
- reduction of the counterparty's credit rating established by rating agencies by two or more levels, but not lower than the level established for the event of default (for banks, non-bank credit and financial organizations, government agencies, the National Bank).

The Bank verifies the effectiveness of the criteria used to identify a significant increase in credit risk by conducting an adequacy assessment at least once a year.

Determination of default

A financial asset is classified by the Bank as a financial asset for which the default event occurred, in the following cases:

- the borrower's debt on any of the Bank's significant loan liabilities is overdue for more than 90 days (for legal entities and individuals)/ the borrower's debt on any of the Bank's significant loan liabilities is overdue for more than 30 days (for banks, non-bank credit and financial organizations, government agencies, the National Bank); or
- presence of principal debt written off to off-balance sheet accounts (for legal entities and individuals); or
- the presence of a calculated internal credit rating score in the range from 0 to 25 inclusive in accordance with the Regulations on the procedure and methodology for assessing the creditworthiness of legal entities and individual entrepreneurs in R-Bank JSC, as well as the lack of information for calculating the internal credit rating score (for legal entities) ; or
- assignment of a credit rating by Moody's Investor Service "Ca" and below, and (or) Standard & Poor's "CC" and below, and (or) Fitch Ratings "CC" and below.

The initial data in assessing the occurrence of a default event on a financial instrument and its significance may change over time to reflect changes in circumstances.

Forecast information

In order to improve the quality of credit risk assessment, the Bank adjusts the probability of default (PD) taking into account the impact of macroeconomic factors (forecast information).

The composition and number of macroeconomic indicators used are determined by the Bank independently. As such indicators, the amount of inflation, changes in GNP, changes in foreign exchange rates, real disposable incomes of the population and other indicators can be used.

For the purpose of accounting for the impact of macroeconomic factors on PD, three scenarios are used (basic, moderate shock, and strong shock). The calculation uses a weighted average scenario with the following specific weights, which can be adjusted based on internal forecast data as well as external information:

- 80% basic scenario;
- 15% - moderate shock;
- 5% - strong shock.

PD adjustment is carried out taking into account the influence of forecast values of macroeconomic indicators published in official sources.

Translation from the original into English

The historical PD found is adjusted for the weighted average macroeconomic indicator by extrapolation, the applied extrapolation method is determined by the Bank independently, however, the chosen method should provide an acceptable relationship with the macroeconomic factor. A relationship for which the coefficient of determination R^2 is 0.5 or higher is considered acceptable. If it is impossible to build a robust model of the impact of macroeconomic indicators with an acceptable level of interconnection, the Bank applies the historical PD.

Modified financial assets

The Bank seeks, to the extent possible, to revise the contractual terms of loans agreed by the parties, such as extending the contractual terms of payment, to agree on new loan terms, or otherwise modify the contractual cash flows.

The Bank derecognizes a financial asset, such as a loan to a customer, if the renegotiation results in a significant change in cash flows, which is a material modification of the financial asset.

A significant modification results in the redemption of the initial financial asset and recognition of the new financial asset, while classifying the new financial asset in accordance with IFRS 9 (including cash flow testing using the SPPI test). Upon initial recognition, new financial assets are assigned to Stage 1 for the purpose of the ECL valuation, unless the new financial asset is considered to be a POCI asset. Factors that lead to the derecognition of a financial asset include:

- changing the currency of a financial asset;
- exchanging a fixed interest rate for a floating interest rate and vice versa;
- replacement of the debtor (counterparty) under the agreement.

If the modification of contractual cash flows does not result in the derecognition of the financial asset, this is an insignificant modification. Insignificant modifications include changes in the term of the contract, changes in the periodicity of principal and interest payments, and other changes in the terms of the contract that are not significant modifications.

The Bank recognizes profit or loss from modification calculated on the basis of changes in cash flows discounted at the initial effective interest rate in the statement of comprehensive income before the impairment loss is recognized.

In the case of a modification that does not result in derecognition, the Bank also reassesses whether the credit risk on a financial asset has increased significantly since its initial recognition, taking into account all reasonable and corroborated information, including forecast information, and, depending on the degree of deterioration in credit quality from the date of initial recognition, assigns financial instruments to one of the following reservation stages:

- stage 1 – financial assets that do not have factors which indicate a significant increase in credit risk and do not show signs of impairment for which expected credit losses are calculated within one year;
- stage 2 – financial assets that have factors which indicate a significant increase in credit risk, but without signs of impairment, for which the expected credit losses are calculated for the entire life of the financial asset;
- stage 3 – financial assets that show signs of impairment and for which the expected credit losses are calculated for the entire life of the financial asset.

Translation from the original into English

The Bank recognizes as debt restructuring any changes in the terms and conditions of the agreement in terms of changes in the term of repayment (repayment) of the principal debt, and (or) changes in the term of interest payment, and (or) changes in the schedule of repayment of the principal debt (terms and amounts), and (or) changes in the interest rate, as well as the conclusion of a new agreement providing for the Bank gaining an asset exposed to credit risk, and leading to the termination of obligations between the Bank and the debtor under the previously concluded agreement, the debtor for which is the same person or entity due to the inability of the debtor to fulfill its obligations to the Bank, carried out in order to create conditions that ensure the timely and full execution of the debtor's obligations to the Bank.

The ECL calculation model provides for the possibility of recovery after the occurrence of a default event (except in cases of bankruptcy of the counterparty, in which recovery is impossible) and (or) a significant increase in credit risk. Recovery of a financial asset is the termination of recognition of a default event and (or) a significant increase in credit risk on a financial asset, taking into account the end of the observation period for the recovery of a financial asset.

The observation period for the recovery of a financial asset is a period equal to 12 months from the date of repayment of all overdue debts on the financial asset or the date from which the criteria for default and (or) a significant increase in credit risk are not identified in relation to the financial asset.

Accounting for POCI assets

POCI assets are assets that are credit-impaired upon initial recognition. POCI assets include the following assets of the Bank:

- new financial assets issued by the Bank as part of the restructuring of the credit-impaired asset (replacement of the credit-impaired asset with other assets with the same degree of credit risk, loan issuance on repayment of previously issued and credit-impaired loan, etc.);
- an asset that arose upon derecognition of a financial asset due to a substantial modification of contract terms as part of the restructuring of the credit-impaired assets;
- acquired credit-impaired assets.

When POCI assets are initially recognized, they do not have an allowance for impairment. Instead, the amount of expected credit losses for the entire period is included in the calculation of the effective interest rate.

To calculate EIR on acquired or created credit-impaired financial assets, the expected cash flows are used, taking into account the initial estimate of expected credit losses for the entire period – that is, the estimated amount of contractual cash flows on the asset is reduced by the amount of expected credit losses for the entire term of its validity. The effective interest rate thus calculated is called the effective risk-adjusted interest rate.

To determine fair value, expected cash flows are discounted at the market rate upon initial recognition.

The expected credit loss on POCI-assets is always measured at an amount equal to the expected credit loss over the entire period. However, the value in which the estimated allowance for loss for such assets is recognized is not equal to the total amount of expected credit losses for the entire term, but to the amount of changes in the expected credit losses for the entire period from initial recognition of the asset involved.

An amount reflecting positive changes in expected credit losses over the entire period is recognized as impairment gain, even if the amount of these changes is greater than the amount which was previously recognized as an impairment loss in profit or loss, if any.

Reclassification of financial assets

Reclassification of financial assets is carried out only in cases of changes in the business model used for the management of financial assets, the Bank must reclassify all affected financial assets, with the reclassified financial asset being assessed in a perspective from the reclassification date, previously recognized gains, losses (including impairment gains or losses) or interest is not recalculated.

Such changes are expected to occur very rarely. Such changes should be determined by the senior management of the Bank as a consequence of external or internal changes and should be significant for the Bank's operations and obvious to external parties.

The classification of liabilities after initial recognition is not subject to change.

Derecognition of financial assets

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

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

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

Financial liabilities

All financial liabilities are classified as financial liabilities carried at amortized cost, except for the following types of liabilities:

- financial liabilities recognized at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement accounting principle is applied;
- financial guarantee contracts.

Financial liabilities measured at amortized cost are initially recognized at fair value less transaction costs incurred. Subsequently, they are accounted for at amortized cost.

If a liability is issued at interest rates higher (lower) than market ones, the difference between the fair and nominal value of the liability is reflected in the statement of comprehensive income as the effect of initial recognition of financial instruments at fair value. Subsequently, the value of the liability recognized in the statement of financial position is adjusted for depreciation of the original expenses and the related expenses are reflected as interest expenses in the statement of comprehensive income.

The financial liabilities measured at amortized cost include amounts due to banks, amounts due to customers and issued debt securities.

Derecognition of financial liabilities

A financial liability is derecognized when the relevant liability has been performed, cancelled or expired.

Translation from the original into English

A change is recognized as significant if the present value of the cash flows under the new terms differs from the present value of the remaining cash flows of the original financial liability by more than 10%.

Offsets of financial assets and liabilities

Financial assets and liabilities shall be set off and the statement of financial position shall recognize the net value only where there is a statutory right to produce the offset of the amounts recognized, and the intention to either set off or to dispose of the asset and settle the liability at the same time.

Investment property

Investment property is represented by premises used by the Bank in order to obtain long-term rental income and (or) increase in their value. The investment property is initially recognized at actual cost, including transaction costs.

These items of property are accounted for at fair value when it can be determined; changes in fair value are recognized in the statement of comprehensive income, are not tested for impairment. If it is impossible to determine fair value, it is carried at cost less accumulated depreciation and accumulated impairment losses, the residual value is assumed to be zero.

Investment property is amortized using the straight-line method. Useful life is 35 to 100 years.

Subsequent costs are capitalized only if the Bank is likely to receive appropriate future economic benefits and it is possible to estimate costs in a reliable manner. All other repair and maintenance costs are attributed to expenses as incurred.

Property and equipment

Property and equipment, other than office buildings and intangible assets, acquired after 01 January 2015 are recorded at cost less accumulated depreciation and accumulated impairment losses (if any). Property and equipment, other than office buildings, acquired before 01 January 2015, are recorded at cost, taking into account the effects of hyperinflation, less accumulated depreciation and accumulated impairment losses (if any).

Since 2023, office buildings, after actual recognition at cost, are recorded at revalued cost, which is the fair value at the date of revaluation less accumulated depreciation and subsequent accumulated impairment losses. Revaluation is performed frequently enough (but at least once every three years) to avoid significant discrepancies between the fair value of the revalued asset and its carrying amount.

The tax effect resulting from the revaluation of property and equipment is recognized and disclosed in accordance with IAS 12 "Income Taxes".

At each reporting date, the Bank determines whether there are any signs of impairment of property and equipment. If such signs exist, the Bank makes an estimate of the recoverable value, which is defined as the largest of the net value of the sale of property and equipment and the value derived from their use, which is the current value of expected future cash flows. If the value of property and equipment in the statement of financial position exceeds their estimated recoverable value, the value of property and equipment in the statement of financial position is reduced to the recoverable value and the difference is recognized in the statement of comprehensive income as an expense on impairment of property and equipment.

Gains and losses arising from disposals of property and equipment are determined on the basis of their value in the statement of financial position and recognized as operating expenses in the statement of comprehensive income.

Translation from the original into English

Repair and maintenance costs are reflected in the statement of comprehensive income at the time they arise.

Depreciation of a property and equipment item begins from the moment of its commissioning.

Depreciation is calculated on a straight-line basis using the following annual rates based on estimated useful lives:

	Annual depreciation rate
Buildings and structures	1% - 12%
Computers	8% - 25%
Motor vehicles	10% - 20%
Furniture and other property and equipment	8% - 25%

The depreciation method, the residual value of the assets and the useful life of the assets are reviewed and, if necessary, adjusted for each reporting date.

Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical shape. An intangible asset is recognized if:

- it is likely that the Bank will receive future economic benefits related to the asset;
- the value of the asset can be reliably measured.

Intangible assets include software, licenses and other intangible assets.

Intangible assets acquired separately are shown at acquisition cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets acquired separately are initially measured at cost. The actual value of intangible assets acquired as part of business combinations represents their fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses.

Intangible assets with a limited useful life are amortized using a straight-line method over the useful life of 2 to 10 years and are analyzed for impairment whenever there is an indication of possible impairment of an intangible asset. Amortization periods and methods for intangible assets with limited useful lives are reviewed at least at each reporting year-end.

Profit or loss on disposal of intangible assets is defined as the difference between the net income on disposal and the value of the assets recognized in the statement of financial position and is recognized in the statement of comprehensive income as "Net other income".

Repossessed assets

In the ordinary course of business, the Bank receives a title for non-financial assets, which were initially represented as collateral for a loans.

When the Bank acquires (i.e. gains a complete ownership) non-financial assets in this way, the asset's classification follows the nature of its intended use by the Bank. Such assets are initially recognized at the value of appropriate loans recorded in the statement of financial position.

Subsequently such assets are usually classified as other assets and accounted for in accordance with IAS 2 at the lower of cost and net realizable value.

These policies are also applicable to property acquired by the Bank as loan repayment through repossession of collateral or as compensation for credit and other contracts, and intended solely for subsequent sale or for renovation and resale (by decision of the authorized body of the Bank on the implementation of such reconstruction).

Translation from the original into English

Net realizable value is the estimated selling price for repossessed assets in the ordinary course of business less the estimated sales costs.

At each reporting date the Bank revises the net realizable value and compares it with the cost of repossessed assets recorded in the statement of financial position.

If the cost of such assets is not recoverable due to damage or obsolescence of assets, market prices decline or increase in the estimated costs of completion and sales costs, the Bank writes such assets down to their net realizable value and recognizes the write down in operating expenses in the period such write down occurs or losses take place.

Subsequently, if the circumstances which led to the write down of assets change or if there is an evidence of net realizable value growth, the amount of write down is reversed so that the revised amount recorded in the statement of financial position would be the lower of net realizable value and cost.

Repossessed assets initially intended for purposes other than sale in the ordinary course of business are subsequently valued according to the accounting policy based on the classification of such assets in the statement of financial position.

Leases

Lease transactions are accounted for in accordance with the requirements of IFRS 16 “Leases”.

Finance lease – Bank as lessee

The Bank recognizes lease agreements as right-of-use assets and related liabilities in the statement of financial position on the date when the asset is available for use by the Bank.

Subsequently, the Bank assesses the lease liability by increasing the book value to reflect interest on the lease liability and reducing the book value to reflect lease payments made.

The Bank recognizes a right-of-use asset at the amount equal to the lease liability, adjusted for the amount of pre-paid or accrued lease payments related to such a lease that is recognized in the statement of financial position immediately prior to the date of first-time adoption.

Subsequently, the Bank measures the right-of-use asset at cost less accumulated amortization and accumulated impairment losses.

The Bank applies the standard using practical simplifications for short-term leases (with a maximum term of 12 months or less) and leases where the underlying asset has a low value (no more than 5,000 US dollars) at the time of initial recognition. In this case, the Bank recognizes lease payments under such leases as an expense using the straight-line method over the lease term.

Finance lease – Bank as lessor

Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. As a lessor, the Bank recognizes in the statement of financial position financial lease assets and presents them as receivables, equal to net lease investments.

The beginning of the finance lease term is considered to be the date when the agreement is concluded or the corresponding liabilities arise, whichever date is earlier.

For the purposes of this definition, the liability must be in writing, signed by the finance lease participants, and contain a description of the lease terms.

The Bank recognizes finance income over the lease term on a schedule that reflects a constant periodic rate of return on the lessor’s net investment in the lease.

Translation from the original into English

The lessor distributes finance income over the entire lease term, attributing the lease payments for the period to a decrease in the gross investment in the lease, reducing both the principal and unearned finance income.

If a net investment in a finance lease is impaired, an appropriate allowance is made for impairment losses. A net investment in a finance lease is impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the lease payments due. Net investment in finance leases is carried in the statement of financial position less allowance for impairment losses.

Operating lease – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating lease – Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the statement of comprehensive income on a straight-line basis over the lease term as other income.

The Bank recognizes costs, including depreciation and amortization costs incurred in obtaining rental income as an expense.

Impairment of non-financial assets

Book value of non-financial assets of the Bank, excluding deferred tax assets, is reviewed at each reporting date to determine signs of impairment. If there are any such signs of impairment, the cost of recovering the asset is estimated.

The cost of recovering other non-financial asset is the highest value of its fair value less the cost of selling and the cost of its use. In estimating the cost of use, the expected future cash flows are discounted to the present value, using a pre-tax discount rate that reflects the current market estimate of the time value of money and risks specific to the asset. For an asset that does not generate cash flows independently of other assets, the cost of recovery is determined for the cash-generating unit to which the asset relates.

All impairment losses on non-financial assets are recognized as expenses in the statement of comprehensive income and are refunded only if there have been changes in the estimates used to determine the cost of recovery. Any impairment loss shall be recovered only to the extent that the book value of the asset does not exceed the book value that would have been determined after deduction of depreciation, if there was no recognition of impairment losses.

Share capital

Ordinary shares are classified as equity.

Share capital is recognized at cost. Expenses for services to third parties directly related to the issue of shares are accounted in equity as a deduction from the amount received during the issue of shares.

Provisions

Provisions are recognized in accounting if the Bank has current liabilities (defined by law or implied) arising from past events, the repayment of which is likely to require the disposal of resources with economic benefits, and the amount of such liabilities can be estimated with sufficient accuracy.

Provisions are measured at the present value of the lowest expected value, which reflects the current market estimate of the time value of cash and, where applicable, the risks inherent in the liability.

Current employee benefits

Current employee benefits are measured at undiscounted value and are attributed to costs during the period in which the services were rendered or the work was performed.

According to the requirements of the legislation of the Republic of Belarus, the Bank makes mandatory payments to the Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus from the accrued wages of its employees.

The Bank has no other pension liabilities to retired employees or to former employees.

Credit related commitments

The Bank assumes credit related commitments, including financial guarantees, letters of credit and loan commitments. Guarantees are the Bank's irrevocable commitments to perform payments when the customer does not fulfill his obligations to third parties and have the same level of credit risk as loans. Letters of credit are the Bank's written commitments to make payments on behalf of customers in agreed amount when certain conditions are met; they are collateralized with the corresponding deliveries of goods or deposits and, accordingly, have lower risk level, than direct lending.

Loan commitments represent an unused part of loans, guarantees or letters of credit authorized for issue. In respect of the loan commitments, the Bank potentially has the risk to sustain losses in the amount equal to the total amount of the unused commitments. The Bank controls maturity terms for credit related commitments, as usually long-term liabilities bear higher credit risk level than the short-term ones.

Financial guarantees are initially recognized in the financial statements at fair value in "Other liabilities" being the commission received. Subsequent to initial recognition, the group's liability for each guarantee contract is measured at the higher of the amortized fee, or the best estimate of the costs required to settle the financial liability arising under the guarantee. Increases in the liability associated with financial guarantee contracts are recognized in the statement of comprehensive income. The commission received is recognized on a straight-line basis over the life of the guarantee.

Provisions for potential losses on financial guarantees and other liabilities are recognized when losses are considered probable and can be measured reliably. Such provisions are recognized in other liabilities.

Taxation

Income tax expenses are the sum of current and deferred tax expenses. The amount of expenses on current income taxes is determined taking into account the amount of taxable profit for the year calculated in accordance with the legislation of the Republic of Belarus.

Current tax payments are calculated on the basis of taxable profit for the year, using income tax rates that were in effect during the reporting period.

Translation from the original into English

Balance on current tax liabilities are amounts payable to the state budget or reimbursed from the state budget in respect of taxable profits and deductible current and prior expenses.

Deferred tax is future tax claims or liabilities to recover the difference between the value of assets and liabilities in the financial statements and the corresponding tax base, used in the calculation of taxable profits.

Deferred tax liabilities are generally recognized for all temporary differences, and deferred tax assets are recognized on the likelihood of future taxable profits, from which temporary differences accepted for tax purposes may be deducted.

The value of deferred tax assets in the statement of financial position is reviewed at each reporting date and reduced to the extent that there is no longer a possibility that the benefit of the tax claim is sufficient to recover the asset in full or in part will be received.

Deferred taxes are calculated at rates effective at the reporting date. Deferred taxes are recognized in the statement of comprehensive income, unless the deferred tax relates to items directly reflected in other comprehensive income, in which case the deferred tax is recognized in other comprehensive income.

Expenses for taxes other than income tax applied to the Bank are recognized in operating expenses.

Recognition of income and expenses

Interest income and expenses are recognized in the statement of comprehensive income on an accrual basis using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized value of a financial asset or financial liability and allocating interest income and interest costs to the relevant period.

Effective interest rate is the discount rate for estimated future cash payments or receipts for the expected term of the financial instrument, or for a shorter period, up to a net value of the financial asset or financial liability recognized in the statement of financial position.

When calculating the effective interest rate, the Bank evaluates cash flows taking into account all contractual terms for the financial instrument but does not take into account future losses on loans. Such calculation includes all fees and commissions paid and received by the parties to the contract, which form an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

If a financial asset or a group of homogeneous financial assets has been written off (partially written off) as a result of impairment, interest income is determined by taking into account the interest rate used for discounting future cash flows for the purpose of calculating impairment losses.

Commission income and expense. All other fees, commissions and other items of income and expense are generally recorded on an accrual basis over the period during which the services are provided as a customer and both receive and consume the benefits of the Bank's performance, generally on a straight-line basis.

The Bank considers whether there are separate circumstances in the contract for which a part of the transaction price should be allocated. When determining the transaction price, the Bank takes into account the impact of variable compensation, a significant financing component available, non-monetary compensation and compensation payable to the client.

Translation from the original into English

As a rule, the Bank agreements do not contain the above components, nevertheless, the Bank regularly analyzes agreements for relevant components and makes the appropriate adjustments, if necessary.

An agreement with a customer, the result of which is a recognized financial instrument in the financial statements of the Bank, may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Bank first applies IFRS 9 to separate and evaluate the part of the contract that falls within the scope of IFRS 9, and then applies IFRS 15 to the remainder of this agreement.

Foreign exchange transactions

Foreign exchange transactions are accounted at the exchange rate of the National Bank effective on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies other than functional currency are converted into Belarusian rubles at the exchange rate effective at the reporting date.

The difference between the contractual exchange rate for a transaction in foreign currency and the official rate of the National Bank at the date of such transaction is included in net income from transactions in foreign currency.

Non-monetary assets and liabilities recognized at fair value in foreign currency are translated into Belarusian rubles at the exchange rate of the National Bank effective on the date of determination of fair value.

Non-monetary assets and liabilities, recognized at historical value in foreign currency, are translated at the exchange rate of the National Bank effective on the date of acquisition.

Foreign exchange differences arising from monetary financial assets in foreign currencies that are measured at fair value are included in foreign currency revaluation gains and losses.

Exchange differences arising from non-monetary assets and liabilities at fair value through profit or loss are recognized as part of gains and losses on revaluation at fair value. Foreign exchange differences on non-cash financial assets available for sale are credited to equity in the revaluation reserve for financial assets available for sale.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2023	31 December 2022
Correspondent accounts and overnight deposits in financial organizations	36,622	36,137
Balances on current accounts with the National Bank (other than mandatory reserves)	25,079	16,956
Cash	27,527	27,305
Term interbank deposits placed for 90 days or less	2,879	3,369
Total cash and cash equivalents	92,107	83,767
Less allowance for impairment	(3,861)	(1,592)
Total net cash and cash equivalents	88,246	82,175

As at 31 December 2023 and 31 December 2022 cash and cash equivalents have been placed in the National Bank and other resident banks of the Republic of Belarus, as well as non-resident banks of the Republic of Belarus with a credit rating CCC+, BB-, BB, BB+, B-, B, B+ or no credit rating.

As at 31 December 2023 the correspondent network of the Bank includes 65 Nostro accounts in foreign currency (as at 31 December 2022 – 55 accounts).

As at 31 December 2023 and 31 December 2022 the Bank had no balances on correspondent accounts and overnight deposits with other banks which exceeded 10% of the Bank's capital.

There are no funds blocked and (or) restricted for use.

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for cash and cash equivalents					
Balance as at 31 December	(1,381)	(211)	-	(1,592)	(159)
New originated	(539)	-	-	(539)	-
Transfers to Stage 1	-	211	(1,670)	(1,459)	-
Transfers to Stage 2	(211)	-	-	(211)	-
Transfers to Stage 3	1,670	-	-	1,670	-
Accrual / (recovery) of an allowance	(2,143)	-	-	(2,143)	-
Derecognition	413	-	-	413	-
Depreciation	-	-	-	-	-
Balance as at 31 December	(2,191)	-	(1,670)	(3,861)	(1,592)

7. DUE FROM BANKS

	31 December 2023	31 December 2022
Obligatory provisions in the National Bank of the Republic of Belarus	2,292	1,484
Unimpaired and non-overdue loans and other amounts due from financial institutions	21,025	31,707
Total amounts due from banks	23,317	33,191
Less allowance for impairment	(458)	(4,433)
Total net amounts due from banks	22,859	28,758

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for amounts due from banks					
Balance as at 31 December	(259)	(4,174)	-	(4,433)	(4,433)
New originated	(313)	-	-	(313)	(313)
Transfers to Stage 1	-	1,828	-	1 828	1,828
Transfers to Stage 2	(1,828)	-	-	(1,828)	(1,828)
Transfers to Stage 3	-	-	-	-	-
Accrual / (recovery) of an allowance	1,733	(96)	-	1,637	1,637
Derecognition	209	2,442	-	2,651	2,651
Depreciation	-	-	-	-	-
Balance as at 31 December	(458)	-	-	(458)	(458)

Belarusian credit organizations are required to maintain an interest-free cash deposit (obligatory provision) in the National Bank, the amount of which depends on the amount of funds raised by the credit organization. The legislation provides for significant restrictions on the possibility of withdrawing this deposit by the Bank.

a) Restricted cash in financial organizations (less cash in the obligatory reserve fund of the National Bank)

As at 31 December 2023 and 31 December 2022 amounts due from banks included guarantee deposits placed by the Bank in JSC “ASB Belarusbank” for operations with letters of credit and bank payment cards in the amount of 1,819 thousand Belarusian rubles and 1,563 thousand Belarusian rubles, respectively, and JSC “Belarusian Currency and Stock Exchange” as a contribution to the guarantee fund of the foreign exchange market of the Republic of Belarus in the amount of 100 thousand Belarusian rubles as at 31 December 2023 and 31 December 2022.

There are no blocked funds in banks.

b) Concentration of amounts due from banks

As at 31 December 2023 and 31 December 2022, the Bank had no balances in financial organizations exceeding 10% of the capital of the Bank.

8. LOANS TO CUSTOMERS

	31 December 2023	31 December 2022
Loans to corporate customers	109,327	75,339
Loans to individuals	55,750	42,129
Total loans to customers	165,077	117,468
Less allowance for impairment	(10,077)	(4,412)
Total net loans to customers	155,000	113,056

Quality of loans to corporate customers

The table below provides information on the quality of the corporate customer loan portfolio:
as at 31 December 2023

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2023
Loans to corporate customers				
Amount of loans	99,846	3,783	5,698	109,327
Allowance for impairment	(1,291)	(1,251)	(3,666)	(6,208)
Book value	98,555	2,532	2,032	103,119

as at 31 December 2022

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2022
Loans to corporate customers				
Amount of loans	63,357	8,720	3,262	75,339
Allowance for impairment	(300)	(1,298)	(2,418)	(4,016)
Book value	63,057	7,422	844	71,323

a) Analysis of collateral for corporate customer loan portfolio (less the allowance for impairment):

The table below provides the analysis of loans to corporate customers by types of collateral as at 31 December 2023 and 31 December 2022:

	31 December 2023	Share in the loan portfolio, %	31 December 2022	Share in the loan portfolio, %
Real estate	4,392	4.02%	16,786	22.28%
Other collateral	31,393	28.71%	27,730	36.81%
Guarantees	30,064	27.5%	10,301	13.67%
Equipment and vehicles	26,382	24.13%	6,831	9.07%
Unsecured loans	17,096	15.64%	13,691	18.17%
Total loans to corporate customers	109,327	100.00%	75,339	100.00%

In order to reduce credit risk, the Bank requires borrowers to provide collateral, the size and type of which depends on the assessment of the counterparty's credit risk. The main types of collateral received when lending to corporate customers is Real estate.

Translation from the original into English

b) Analysis of ageing of the impaired loans to corporate customers (less allowance for impairment):

	31 December 2023	31 December 2022
Unexpired	105,818	72,258
Overdue less than 1 year	3,509	3,081
Total loans to corporate customers	109,327	75,339

c) Analysis of the corporate customer loan portfolio by method of loan provision (less allowance for impairment):

	31 December 2023	31 December 2022
Credit line, including:	80,962	63,303
<i>Revolving credit line</i>	28,966	30,729
<i>Non-revolving credit line</i>	51,996	32,574
One-time loan	28,365	12,036
Total loans to customers	109,327	75,339

d) Analysis of corporate customer loan portfolio by types of business activity (less allowance for impairment):

	31 December 2023	Share in the loan portfolio, %	31 December 2022	Share in the loan portfolio, %
Manufacturing	29,991	27.43%	15,445	20.50%
Wholesale and retail trade, car and motorcycle repair	20,051	18.34%	27,937	37.08%
Operations with real estate	11,132	10.18%	2,958	3.93%
Construction	1,006	0.92%	2,138	2.84%
Transportation, warehousing, postal and courier activities	4,176	3.82%	985	1.31%
Agriculture, forestry and fisheries	112	0.10%	34	0.05%
Other	42,859	39.20%	25,842	34.30%
Total loans to corporate customers	109,327	100.00%	75,339	100.00%

Quality of loans to individuals

The following table provides information on the quality of loans to individuals:

as at 31 December 2023

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2023
Loans to individuals				
Amount of loans	51,814	622	3,314	55,750
Allowance for impairment	(953)	(255)	(2,661)	(3,869)
Book value	50,861	367	653	51,881

Translation from the original into English

as at 31 December 2022

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2022
Loans to individuals				
Amount of loans	41,168	477	484	42,129
Allowance for impairment	(4)	(114)	(278)	(396)
Book value	41,164	363	206	41,733

All loans to individuals were impaired on a collective basis.

a) Analysis of collateral for loans to individuals (before impairment):

	31 December 2023	31 December 2022
Loans secured by penalties and guarantees	55,746	42,050
Loans secured by pledge of vehicles	-	58
Loans secured by pledge of property	4	21
Total loans to customers	55,750	42,129

The above amounts represent the value of the loans reflected in the statement of financial position and not the fair value of the collateral.

b) Analysis of ageing of impaired loans (less allowance for impairment):

	31 December 2023	31 December 2022
Unexpired	50,849	41,652
Overdue less than 1 month	1,046	50
Overdue from 1 to 6 month	981	322
Overdue from 6 month to 1 year	2,874	105
Total loans to individuals	55,750	42,129

Loan impairment

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for loans to customers					
Balance as at 31 December	(304)	(1,412)	(2,696)	(4,412)	(2,698)
New originated	(1,998)	(472)	(2,999)	(5,469)	(4,109)
Transfers to Stage 1	-	(5)	(6)	(11)	(2)
Transfers to Stage 2	5	-	(321)	(316)	7
Transfers to Stage 3	6	321	-	327	(5)
Accrual / (recovery) of an allowance	(107)	(966)	3,124	2,051	(2,432)
Derecognition	154	1028	355	1,537	2,550
Depreciation	-	-	(3,784)	(3,784)	2,277
Balance as at 31 December	(2,244)	(1,506)	(6,327)	(10,077)	(4,412)

Significant credit exposures

As at 31 December 2023 and 31 December 2022, the Bank had one and one corporate borrowers, respectively, with loan debt exceeding 10% of the Bank's capital. The total value of these loans as at 31 December 2023 and 31 December 2022 was 9,215 thousand rubles and 8,389 thousand rubles, respectively.

Maximum exposure to credit risk

The maximum exposure to credit risk of loans to customers equals to the book value of the loans recorded in the statement of financial position.

9. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Investments in debt securities	19,697	-
Investments in equity securities	26	34
Total net financial assets measured at fair value through other comprehensive income	19,723	34

Investments in equity securities (shares) as at 31 December 2023 and 31 December 2022 are as follows:

Name	Type of activity	Country of registration	Share in the share capital	31 December 2023	31 December 2022
JV "Venbelcom S.A."	Foreign trade activity	Venezuela	19,60	26	26
JV "MAZ-MAN"	Manufacturing	Republic of Belarus	-	-	8
CJSC "ViaSETrade" (previously - JSV "Belzarubezhstroy")	Construction	Republic of Belarus	10,00	-	-
Total				26	34

As at 31 December 2023 and 31 December 2022, the fair value of the equity instrument of CJSC "ViaSETrade" amounted to zero rubles (as at the reporting date, the issuer worked with negative net assets).

During the reporting period (12 January 2023), the transaction for the sale of long-term financial investments in the authorized capital of the JV MAZ-MAN was completed. The Bank sold all the shares of the above company. Gain from the transaction amounted to 275 thousand rubles.

In 2023-2022 the Bank received insignificant dividends.

Investments in debt securities as at 31 December 2023 and 31 December 2022 are presented as follows:

	Average rate	Maturity and currency	31 December 2023	31 December 2022
Bonds issued by republican state administrative bodies	4.36%	2024-2029 USD	11,633	-
Bonds issued by resident banks	9.00%	2028-2029 BYN	7,712	-
Interest income on bonds accrued			352	-
Total investments in debt securities			19,697	-

Translation from the original into English

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for amounts financial assets measured at fair value through other comprehensive income					
Balance as at 31 December	-	-	-	-	(1 120)
New originated	(344)	-	-	(344)	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Accrual / (recovery) of an allowance	-	-	-	-	1 120
Derecognition	-	-	-	-	-
Depreciation	-	-	-	-	-
Balance as at 31 December	(344)	-	-	(344)	-

10. SECURITIES MEASURED AT AMORTIZED COST

The balances of securities accounted for at amortized cost are presented as follows:

	31 December 2023	31 December 2022
Debt securities held to maturity	21,472	21,239
Total securities measured at amortized cost	21,472	21,239
Less allowance for impairment	(286)	(135)
Total net securities measured at amortized cost	21,758	21,104

Information on the type of securities, interest rate, currency and maturity is presented below.

	Averaged rate	Term of circulation and currency	31 December 2023	31 December 2022
Bonds issued by republican government bodies	4.60%	2028 USD	17,532	15,091
Bonds issued by commercial entities	6.90%	2028 USD	3,234	5,465
Bonds issued by commercial entities	13.50%	2025 BYN	440	440
Accrued interest income on bonds			266	243
Total investments in debt securities			21,472	21,239

Translation from the original into English

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for securities measured at amortized cost					
Balance as at 31 December	(135)	-	-	(135)	-
New originated	(1)	-	-	(1)	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Accrual / (recovery) of an allowance	(236)	-	-	(236)	(135)
Derecognition	129	-	-	129	-
Depreciation	-	-	-	-	-
Balance as at 31 December	(243)	-	-	(243)	(135)

11. PROPERTY FOR SALE

The movement of property for sale for the years ended 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023	31 December 2022
Balance as at 1 January	230	2
Acquisition	31	-
Disposal	(20)	(2)
Impairment	(70)	-
Internal transfer	(11)	230
Balance as at 31 December	159	230

In 2023, the property for sale included real estate (administrative premises and parking spaces), reclassified in connection with the intention of selling from investment real estate to property for sale.

The Bank's management has developed and approved a plan for the sale of these assets. Management is taking active steps to find buyers. Transactions on the sale of these assets are scheduled to be completed in 2024.

In 2023 the Bank carried out an impairment test, as a result of which an impairment in the total amount of 70 thousand rubles was recognized.

Translation from the original into English

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The following is the information on the movement of property and equipment for the year ended 31 December 2023:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2022	13,198	222	3,859	8,933	50	26,262
Acquisition including modernization	-	126	296	2,805	4 145	7,372
Disposal	(175)	(11)	36	-	-	36
Revaluation of buildings recognized in other comprehensive income	9,101	(11)	(137)	(122)	(3 901)	(4,346)
Impairment recognized through profit or loss	(4,934)	-	-	-	-	(4,934)
Internal movement	120	-	(120)	-	-	-
Balance as at 31 December 2023	17,310	337	3,898	11,616	294	33,455
Accumulated depreciation						
Balance as at 31 December 2022	(4,010)	(222)	(2,787)	(5,158)	-	(12,177)
Accrued for the year	(185)	(12)	(384)	(1,221)	-	(1,802)
Disposal	34	11	123	61	-	229
Adjustment of accumulated depreciation as a result of revaluation of buildings reflected in other comprehensive income	1,840	-	-	-	-	1,840
Adjustment of accumulated depreciation as a result of impairment of buildings, reflected through profit or loss	2,373	-	-	-	-	2,373
Internal movement	(52)	-	52	-	-	-
Balance as at 31 December 2023	-	(223)	(2,996)	(6,318)	-	(9,537)
Residual value as at 31 December 2023	9,188	-	1,072	3,775	50	14,085
Residual value as at 31 December 2023	17,310	114	902	5,298	294	23,918

Translation from the original into English

The following is the information on the movement of property and equipment for the year ended 31 December 2022:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2021	13,417	315	4,401	7,833	27	25,933
Acquisition	-	-	134	1,425	81	1,640
including modernization	-	-	69	3	-	72
Disposal	(219)	(93)	(676)	(325)	(58)	(1,371)
Balance as at 31 December 2022	13,198	222	3,859	8,933	50	26,262
Accumulated depreciation						
Balance as at 31 December 2021	(3,865)	(314)	(2,876)	(4,317)	-	(11,372)
Accrued for the year	(221)	(1)	(460)	(1,129)	-	(1,811)
Disposal	76	93	549	288	-	1,006
Balance as at 31 December 2022	(4,010)	(222)	(2,787)	(5,158)	-	(12,177)
Residual value as at 31 December 2021	9,552	1	1,525	3,516	27	14,621
Residual value as at 31 December 2022	9,188	-	1,072	3,775	50	14,085

Translation from the original into English

As of 31 December 2023, the buildings owned by the Bank were revalued at fair value. The fair value of the buildings was determined by independent appraisers using primarily a comparative valuation method that reflects the market value of real estate and takes into account information about transactions in the domestic real estate market. As of 31 December 2023, the residual value of buildings as a result of the revaluation increased by 8,380 thousand rubles.

If the valuation of buildings were carried out using the initial cost model, then the book value indicators would look like this:

	<u>31 December 2023</u>
Initial cost	13,198
Accumulated depreciation	(4,213)
Impairment	(2,561)
Internal movement	120
Residual value	<u>6,544</u>

As at the year ended 31 December 2023, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 5,133 thousand rubles.

As of 31 December 2022, fixed assets were accounted for at cost.

In 2022, the Bank conducted an impairment test, as a result of which no signs of impairment of property and equipment and intangible assets were identified.

As at the year ended 31 December 2022, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 5,052 thousand rubles.

13. RIGHT-OF-USE ASSETS

Right-of-use assets are presented as follows:

	Buildings and structures	Balance as at 31 December
Balance as at 31 December 2021	107	107
Acquisition	-	-
Depreciation	(131)	(131)
Disposal	(2)	(2)
Modification	88	88
Balance as at 31 December 2022	62	62
Acquisition	8	8
Depreciation	(126)	(126)
Disposal	-	-
Modification	330	330
Balance as at 31 December 2023	274	274

The terms of the current lease agreements, the asset in the form of a right of use for which is recognized in accordance with IFRS 16, at the reporting date, are 2025.

14. OTHER ASSETS

	31 December 2023	31 December 2022
Accrued commission income	195	398
Accrued lease income	19	42
Allowance for unearned income	139	(345)
Receivables	(74)	188
Allowance for covering possible losses on accounts receivable from economic activities	(13)	(26)
Total other financial assets	266	257
Taxes prepaid	4,266	1,205
Property transferred to the Bank as repayment of debt	669	1,137
Prepayments on capital investments	539	334
Advance payments	215	155
Total other non-financial assets	5,689	2,831
Total other assets	5,955	3,088

The Bank has no restrictions on the sale of available assets and has no contractual obligations for the acquisition, construction or improvement of other property, its repair, technical maintenance or improvement.

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for other financial assets					
Balance as at 31 December	(30)	-	(340)	(371)	(360)
New originated	(7)	-	-	(7)	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Accrual / (recovery) of an allowance	(5)	-	128	123	(1,539)
Derecognition	23	-	99	122	-
Depreciation	-	-	45	45	1 528
Balance as at 31 December	(19)	-	(68)	(87)	(371)

The maximum credit risk for other financial assets is equal to the net value of these assets, recorded in the statement of financial position in other assets.

Translation from the original into English

15. DUE TO BANKS

	31 December 2023	31 December 2022
Funds received from resident banks on REPO transactions	9,069	-
Loans and deposits from other banks	6,318	6,254
Correspondent accounts of banks	2,896	1,799
Accrued interest expenses on other passive transactions with other banks	103	6
Total amounts due to banks	18,386	8,059

As at 31 December 2023 and 31 December 2022, the Bank had no balances of banks exceeding 10% of the capital of the Bank.

16. DUE TO CUSTOMERS

	31 December 2023	31 December 2022
Legal entities		
- time deposits	56,693	51,816
- current (settlement) accounts	107,669	76,332
Individuals		
- time deposits	27,577	34,839
- current (settlement) accounts	15,613	8,265
Total amounts due to customers	207,552	171,252

As of 31 December 2023, the Bank had 3 corporate clients whose account balances exceeded 10% of the Bank's capital. The total amount of these customer funds as of 31 December 2023 amounted to 26,303 thousand rubles. As at 31 December 2022, the Bank had no balances of customer funds exceeding 10% of the capital of the Bank.

17. DEBT SECURITIES ISSUED

	Issue	Maturity	% rate	31 December 2023	31 December 2022
Bonds denominated in foreign currency	13	30.09.2027	2.50%	-	637
BYN-denominated bonds	10	22.03.2023	10.57%	-	1,841
BYN-denominated bonds	11	20.04.2023	11.00%	-	3,885
BYN-denominated bonds	12	25.10.2023	11.00%	-	4,704
BYN-denominated bonds	15	04.09.2028	9.00%	9,106	-
TOTAL				9,106	11,067

Translation from the original into English

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2023 and 31 December 2022 is presented below:

	Debt securities issued
Book value as at 31 December 2021	12,542
Acquisition	13,161
Repayment	(14,896)
Interest paid	(1,617)
Foreign exchange differences	259
Interest accrued	1,618
Book value as at 31 December 2022	11,067
Acquisition	16,994
Repayment	(18,846)
Interest paid	(1,331)
Foreign exchange differences	11
Interest accrued	1,211
Book value as at 31 December 2023	9,106

18. LEASE LIABILITIES

Information on changes in the carrying amount of lease liabilities in cases where the Bank acts as a lessee for 2023 and 2022 is presented as follows:

	Buildings and structures	Total
Balance as at 31 December 2021	104	104
Acquisition	-	-
Interest expenses	7	7
Repayment	(130)	(130)
Foreign exchange differences	(6)	(6)
Disposal	(2)	(2)
Modification	88	88
Balance as at 31 December 2022	61	61
Acquisition	8	8
Interest expenses	12	12
Repayment	(133)	(133)
Foreign exchange differences	-	-
Disposal	-	-
Modification	331	331
Balance as at 31 December 2023	279	279

19. SUBORDINATED LOANS

In June 2015 the Bank received a subordinated loan from the shareholder company Alm Investments FZE in the amount of 3,500,000 and 4,500,000 US dollars. The maturity date in accordance with the agreement is 30 June 2028.

At the reporting date the Bank's balance sheet includes balances of subordinated loans in the amount of 2,304 thousand US dollars and 4,500 thousand US dollars, respectively. Interest expenses on subordinated loans in 2023 amounted to the equivalent of 911 thousand rubles, in 2022 – 912 thousand rubles.

Translation from the original into English

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2023 and 31 December 2022 is presented below:

	Subordinated loans
Book value as at 31 December 2021	17,338
Foreign exchange differences	1,282
Book value as at 31 December 2022	18,620
Foreign exchange differences	3,001
Book value as at 31 December 2023	21,621

20. OTHER LIABILITIES

	31 December 2023	31 December 2022
Accrued commission expenses	676	1,384
Other operating expenses accrued	252	224
Other banking services expenses accrued	15	16
Income of future periods	23	9
Other payables	740	765
Total other financial liabilities	1,706	2,398
Provision for unpaid leave	1,282	1,149
Tax accruals	1,274	739
Allowance for credit related commitments	489	301
Deductions to the Individuals' Deposit Guarantee Fund	22	45
Other	9	13
Total other non-financial liabilities	3,076	2,247
Total other liabilities	4,782	4,645

The movement in the allowance for credit related commitments is presented in Note 31 "Contingent Assets and Liabilities".

21. EQUITY

As at 31 December 2023 and 31 December 2022, the announced, issued and fully paid share capital was presented as follows:

	31 December 2023	31 December 2022
Number of ordinary shares	14,662	14,662
Nominal value of 1 share, rubles	2,455	2,455
Nominal value of shares	35,988	35,988
Hyperinflation effect	37,651	37,651
Total share capital	73,639	73,639

In 2023, no investments were made in the Bank's share capital.

As at 31 December 2023 and 31 December 2022, all ordinary registered shares are fully paid, give the right to one vote, as well as the right to receive dividends and participate in net assets. All ordinary registered shares have equal rights with respect to net assets.

There are no rights, privileges or restrictions on the distribution of dividends and the placement of capital in respect of shareholders of the Bank. In the reporting year and in the year preceding the reporting one, the Bank did not buy or sell its own shares.

Translation from the original into English

In accordance with the Belarusian legislation, the Bank distributes income as dividends or transfers income and retained earnings to fund accounts on the basis of financial statements, prepared in accordance with national accounting rules.

21.1 Basic earnings per ordinary share

Basic earnings per ordinary share are calculated by dividing the profit owned by shareholders holding ordinary shares of the Bank by the average weighted number of ordinary shares in circulation during the period, net of own shares purchased from shareholders.

The Bank does not have its own redeemed shares, as well as ordinary shares potentially diluting profit per share. Thus, diluted earnings per share are equal to basic earnings per share.

	31 December 2023	31 December 2022
Profit for the period owned by shareholders, thousand rubles	13,644	3,136
Average weighted number of ordinary shares in circulation, pieces	14,662	14,662
Basic earnings per ordinary share, thousand rubles	0.9306	0.2139

22. NET INTEREST INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Interest income on financial assets measured at amortized cost, including:		
<i>On amounts due from banks</i>	19,729	18,026
<i>On loans to customers</i>	933	207
<i>On securities measured at amortized cost</i>	17,781	16,972
<i>On financial assets measured at fair value through other comprehensive income</i>	1,015	847
<i>Other interest income</i>	341	603
Total interest income	20,559	20,138
Interest expenses on financial liabilities measured at amortized cost, including:		
<i>On amounts due to banks</i>	(6,656)	(9,034)
<i>On amounts due to customers and subordinated loans</i>	(116)	(525)
<i>On own issued securities</i>	(6,502)	(8,482)
<i>Interest expenses on lease liability</i>	(38)	(27)
<i>Interest expenses on deposit certificates</i>	(12)	(7)
<i>Other interest expenses</i>	(728)	(1,234)
Total interest expenses	(7,583)	(10,299)
Total net interest income	12,976	9,839

23. NET COMMISSION INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Commission income		
Commissions on transactions with customers	16,732	6,611
Commissions on transactions with bank payment cards	11,453	12,813
Other	614	704
Total commission income	28,799	20,128

	Translation from the original into English	
	Year ended 31 December 2023	Year ended 31 December 2022
Commission expenses		
Commissions on transactions with customers	(12,428)	(13,501)
Commissions on transactions with banks	(4,803)	(448)
Commissions on transactions in AIS "Raschet"	(667)	(319)
Commissions on foreign currency transactions	(142)	(113)
Commissions on securities transactions	(25)	(30)
Other	(705)	(851)
Total commission expenses	(18,770)	(15,262)
Total net commission income	10,029	4,866

24. NET GAIN FROM TRANSACTIONS WITH FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2023	Year ended 31 December 2022
Gain from transactions with financial assets measured at fair value through profit or loss	-	48
Loss from transactions with financial assets measured at fair value through profit or loss	-	(845)
Total net gain from transactions with financial assets measured at fair value through profit or loss	-	(797)

25. NET GAIN FROM OPERATIONS WITH SECURITIES MEASURED AT AMORTIZED COST

	Year ended 31 December 2023	Year ended 31 December 2022
Income from transactions with financial instruments measured at amortized cost	257	726
Expense on transactions with financial instruments measured at amortized cost	(387)	(1,002)
Total net gain from operations with securities measured at amortized cost	(130)	(276)

26. NET GAIN FROM FOREIGN CURRENCY TRANSACTIONS

	Year ended 31 December 2023	Year ended 31 December 2022
Loss from exchange differences	257	(1,618)
Profit from foreign currency transactions	(387)	18,599
Total net gain from foreign currency transactions	(130)	16,981

27. NET OTHER INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Fines received	607	1,377
Bonuses and rewards	138	401
Lease proceeds	130	266
Entrance fee to the payment system	93	-
State duties	80	63
Receipts from closed accounts with expired statute of limitations	31	13
Leasing of individuals	30	34
Cumulative differences	3	135
Other income/ (expenses)	(130)	(116)
Total net other income	982	2,173

Translation from the original into English

28. PERSONNEL EXPENSES

	Year ended 31 December 2023	Year ended 31 December 2022
Bank employee benefits	7,850	6,865
Expenditures on contributions to the Social Protection Fund	2,520	2,199
Total personnel expenses	10,370	9,064

29. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2023	Year ended 31 December 2022
Professional services	2,118	1,887
Insurance	1,068	785
Software expenses	1,028	835
Taxes other than income tax	842	588
Repair and maintenance	518	295
Rent, utilities	371	378
Advertising and marketing	370	291
Gifts, donations, gratuitous (sponsorship) assistance	244	125
Security	165	103
Transportation costs	145	128
Communication and information services	115	111
Contributions to the guarantee fund for funds protection	90	213
Office expenses	4	-
Others	981	292
Total administrative expenses	8,059	6,031

30. INCOME TAX EXPENSE

The Bank calculates taxes on the basis of tax accounting, which is conducted in accordance with the tax legislation of the Republic of Belarus, which may differ from IFRSs.

Due to the fact that some types of expenses are not taken into account for taxation purposes, as well as due to the existence of income not subject to taxation, the Bank has certain tax differences.

During the periods ended 31 December 2023 and 31 December 2022, the republican tax rate for the Banks of the Republic of Belarus was 25%.

Below is a comparison of the theoretical tax expense with the actual tax expenditure for the years ended 31 December 2023 and 31 December 2022:

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before tax	19,177	3,929
Estimated value of income tax at the statutory rate (25%)	(4,794)	(982)
Tax effect of income/ (expenses) not involved in taxation	389	1,866
Changes in the amount of the unrecognized deferred tax asset	(1,128)	(1,677)
Total income tax expense	(5,533)	(793)

Translation from the original into English

Income tax expense is presented as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax expense	(3,637)	(788)
Deferred income tax expense	(1,896)	(5)
Total income tax expense	(5,533)	(793)

Temporary differences as at 31 December 2023 and 31 December 2022 are presented as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Deductible temporary differences		
Due from banks	85	4,325
Financial assets measured at fair value through other comprehensive income	428	426
Property for sale	4	4
Property and equipment and intangible assets	144	6,151
Lease assets and liabilities	279	61
Other assets and liabilities	878	955
Total deductible temporary differences	1,818	11,922
Deferred tax asset at tax rate (25%)	454	2,981
Taxable temporary differences		
Cash and cash equivalents	(3,253)	(1,067)
Securities measured at amortized cost	(286)	(808)
Loans to customers	(3,043)	(2,914)
Property and equipment and intangible assets	(2,848)	-
Lease assets and liabilities	(274)	(62)
Total taxable temporary differences	(9,704)	(4,851)
Deferred tax liability at tax rate (25%)	(2,426)	(1,213)
Unrecognized part of the deferred tax asset	640	(1,768)
Total net tax asset	(2,612)	-

Налоговые последствия движения этих временных разниц подробно представлены ниже и отражаются по ставке 25%:

	31 December 2022	Restored/ (attributed) to profit and loss accounts	Recognized in comprehensive income	31 December 2023
Deductible temporary differences				
Due from banks	1,081	(1,060)	-	21
Financial assets measured at fair value through other comprehensive income	107	-	-	107
Property for sale	1	-	-	1
Property and equipment and intangible assets	1,538	(786)	(716)	36
Lease assets and liabilities	15	54	-	69
Other assets and liabilities	239	(19)	-	220
Deferred tax asset at tax rate (25%)	2,981	(1,811)	(716)	454
Taxable temporary differences				
Cash and cash equivalents	(267)	(546)	-	(813)
Securities measured at amortized cost	(202)	130	-	(72)

	31 December 2022	Restored/ (attributed) to profit and loss accounts	Translation from the original into English Recognized in comprehensive income	31 December 2023
Loans to customers	(729)	(32)	-	(761)
Property and equipment and intangible assets	-	(711)	-	(711)
Lease assets and liabilities	(15)	(54)	-	(69)
Deferred tax liability at tax rate (25%)	(1,213)	(1,213)	-	(2,426)
Unrecognized part of the deferred tax asset	1,768	(1,128)	-	640
Total net tax asset	-	(1,896)	(716)	(2,612)

In the reporting period, the Bank decided not to recognize part of the deferred tax asset arising from temporary differences in property, plant and equipment as the Bank believes that they will not be realized in the future. In the previous reporting period, the Bank did not recognize a deferred tax asset due to uncertainties related to the probability of receipt of taxable profit against which the deductible temporary difference can be offset.

The tax effect of the revaluation of the Bank's buildings at fair value in 2023 is reflected in other comprehensive income in the net amount, less the corresponding tax effect from the revaluation of these buildings for tax accounting purposes.

31. CONTINGENT ASSETS AND LIABILITIES

Credit related commitments

In the course of its operations, The Bank uses financial instruments with off-balance risks to meet the needs of its customers. These instruments, which carry credit risks of varying degrees, are not reflected in the statement of financial position.

The maximum risk of The Bank on conditional financial liabilities and loan liabilities in case of non-performance by the second party under the transaction of its obligations and impairment of all counterclaims and collateral is equivalent to the contractual value of these instruments.

The Bank applies the same credit policy for contingent liabilities as for financial instruments reflected in the statement of financial position.

The Bank's credit related commitments were as follows:

	31 December 2023	31 December 2022
Unused credit lines	18,968	11,189
Guarantees issued	613	916
Total credit related commitments	19,581	12,105
Less allowance for credit related commitments	(489)	(301)
Total credit related commitments	19,092	11,804

Translation from the original into English

The following is the movement of allowances for 2023 and 2022 in terms of the stages of estimating expected credit losses in accordance with IFRS 9:

	2023			2022	
	12-month period of loss (stage 1)	Period of loss for the whole term – not impaired (stage 2)	Period of loss for the whole term – impaired (stage 3)	Total	Total
Provision for credit related commitments					
Balance as at 31 December	(301)	-	-	(301)	(3)
New originated	(458)	-	-	(458)	-
Transfers to Stage 1	-	-	(44)	(44)	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	44	-	-	44	-
Accrual / (recovery) of an allowance	259	(1)	(1)	257	(298)
Derecognition	12	1	-	13	-
Depreciation	-	-	-	-	-
Balance as at 31 December	(444)	-	(45)	(489)	(301)

Legal proceedings

Occasionally in the course of the operations of the Bank, customers and counterparties make claims against the Bank. Management believes that as a result of the proceedings on them the Bank will not incur significant losses and, accordingly, no provisions have been created in the financial statements.

Pension payments

Bank employees receive a pension in accordance with the legislation of the Republic of Belarus. As at 31 December 2023 and 31 December 2022, the Bank had no liabilities for additional benefits, pension health care, insurance, pension compensation to current or former staff members that would have been required to be charged.

Legislation

Some of the provisions of the Belarusian commercial legislation and tax legislation in particular, can be interpreted in different ways and, consequently, be applied inconsistently. In addition, since the interpretation of the legislation by the Management may differ from the official interpretation, and compliance with the laws can be changed by the controlling authorities, it may result in additional taxes and fees, as well as other preventative measures.

The tax system of the Republic of Belarus is characterized by the complexity and frequent changes of legislative norms, the presence of various official explanations and decisions of supervisory bodies, which at times are contradictory, allowing for an ambiguous interpretation. At the same time, there is no extensive judicial practice in the Republic of Belarus on tax matters.

Tax risks in the Republic of Belarus are higher than in other countries. Based on its understanding of the applicable Belarusian tax legislation, official explanations and decisions of the tax authorities, the Management of the Bank believes that tax liabilities are recognized in the adequate amount. However, the treatment of these provisions by the tax authorities may be different and if the tax authorities are able to prove the lawfulness of their position, it may have a significant impact on these financial statements.

Translation from the original into English

The financial statements presented reflect management's view of the impact of the business environment in the Republic of Belarus on the operations and financial position of The Bank. The actual impact of future business conditions may differ from management's estimates.

32. OPERATING SEGMENTS OF THE BANK

Information on operating segments is disclosed on the basis of management reporting data generated by the main business lines of the Bank.

The Bank has 4 main segments in its operating segments:

1. **Retail banking business.** At present, the Bank provides its customers with universal banking, including a full range of products and services that are most in demand by individuals: lending, cash and settlement services, deposit operations, issuance and maintenance of bank payment cards, money transfers, rental of safes and depository cells.
2. **Corporate banking business.** The Bank's corporate banking business specializes in comprehensive services for legal entities and individual entrepreneurs, providing customers with a wide range of banking products and services, including cash and settlement services, credit operations, currency exchange operations and servicing foreign trade transactions of customers.
3. **Treasury.** The Bank's treasury includes the following main activities: transactions with financial institutions (banks), including loans and placements on the domestic market; transactions with securities of a non-corporate block; transactions with foreign currency (including the purchase and sale of currency by customers and on the stock exchange, except for currency exchange operations related to the product line of the operating segment Electronic money and services.
4. **Electronic money and services, in terms of the provision of electronic payment services and the provision of services for conducting transactions with electronic money.** The operating segment includes: distribution of electronic money (QIWI, iPay) via payment terminals in exchange for cash or non-cash funds; provision of electronic services to customers for accepting payments in favour of foreign providers via AIS "Settlement"; cross-border payments for the payment of services of Belarusian providers, via AIS "Settlement"; transfers to bank payment systems cards of banks of the Russian Federation, banks of the Republic of Belarus.

All the above mentioned segments are classified by the Bank as reporting (the size of the assets of each operating segment is more than 10% of the total size of the assets of all operating segments). The operating segments were not combined.

Since 2022, in addition to the above segments, the operating segment "Electronic Money and Services" is allocated, classified by the Bank as a reportable by the amount of income of the operating segment.

As at 31 December 2023:

Key indicators	Retail business	Corporate business	Treasury	Electronic money and services	Unallocated part	Total
Assets and liabilities						
Cash and cash equivalents; amounts due to banks; loans to customers; financial assets measured at fair value through other comprehensive income and at amortized cost; property for sale; property and equipment and intangible assets; right-of-use assets	79,408	118,653	108,996	-	24,351	331,408
Amounts due to banks; amounts due to customers; debt securities issued; subordinated loans; lease liabilities	42,346	186,536	18,386	9,397	279	256,944
Other assets	-	-	-	-	5,955	5,955
Deferred tax liability	-	-	-	-	2,612	2,612
Other liabilities	-	-	-	-	4,782	4,782
Income and expenses						
Interest income	8,909	8,202	3,448	-	-	20,559
Interest expenses	(3,524)	(2,680)	(1,379)	-	-	(7,583)
Commission income	9,827	5,593	64	13,315	-	28,799
Commission expenses	(3,100)	(2,406)	(186)	(13,078)	-	(18,770)
Net gain on operations with securities measured at amortized cost	-	-	(130)	-	-	(130)
Net income on foreign exchange	-	5,806	4,403	8,494	-	18,703
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	-	-	-	-
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments	(720)	(1,349)	1 254	-	238	(577)
Income from disposal of equity shares, net other income	61	-	275	93	828	1,257
Staff costs, depreciation charges, expenses from disposal of property, revaluation of office property	(1,445)	(1,066)	(95)	(655)	(19,820)	(23,081)
Financial result	10,008	12,100	7,654	8,169	(18,754)	19,177

As at 31 December 2022:

Key indicators	Retail business	Corporate business	Treasury	Electronic money and services	Unallocated part	Total
Assets and liabilities						
Cash and cash equivalents; amounts due to banks; loans to customers; financial assets measured at fair value through other comprehensive income and at amortized cost; property for sale; property and equipment and intangible assets; right-of-use assets	69,034	80,091	96,002	-	14,377	259,504
Amounts due to banks; amounts due to customers; debt securities issued; subordinated loans; lease liabilities	42,281	154,845	8,059	3,813	61	209,059
Other assets	-	-	-	-	3,088	3,088
Deferred tax liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	4,645	4,645
Income and expenses						
Interest income	7,913	9,829	2,396	-	-	20,138
Interest expenses	(5,018)	(2,992)	(2,289)	-	-	(10,299)
Commission income	4,043	2,255	20	13,810	-	20,128
Commission expenses	(1,022)	(304)	(101)	(13,855)	-	(15,262)
Net gain on operations with securities measured at amortized cost	-	-	(276)	-	-	(276)
Net income on foreign exchange	-	-	5,774	11,207	-	16,981
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	(797)	-	-	(797)
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments	60	(2,280)	(5,882)	-	(3,608)	(11,710)
Income from disposal of equity shares, net other income	2	-	-	-	2,171	2,173
Staff costs, depreciation charges, expenses from disposal of property, revaluation of office property	(1,022)	-	-	(222)	(15,796)	(17,040)
Financial result	4,976	6,508	(1,155)	10,940	(17,340)	3,929

33. RISK MANAGEMENT

The Bank manages risks in relation to financial risks (credit, market, country, currency risks, liquidity and interest rate risks), as well as operational risks.

The main task of managing financial risks is to minimize the Bank's exposure to banking risks while ensuring a set level of profitability of operations. The assessment of assumed risk also serves as the basis for the optimal allocation of capital, taking into account risks, pricing on operations and evaluation of performance. Operational and legal risk management should ensure proper compliance with internal regulations and procedures in order to minimize these risks.

Credit risk

Credit risk is the risk of the Bank incurring losses, non-receipt of planned income due to non-fulfillment, untimely or incomplete fulfillment by the debtor of financial and other property liabilities to the Bank in accordance with the terms of the agreement or legislation.

The main strategic goal of the Bank in the field of credit risk management is to ensure the financial reliability, safe operation and sustainable development of the Bank.

To manage the level of credit risk, the Bank regularly monitors credit risk by individual borrower, as well as each contract and for the Bank's loan portfolio as a whole by monthly studying the system of indicators. The Bank controls credit risk by setting limits on one borrower or a group of related borrowers. Actual compliance with the limits is monitored on a daily basis at the level of heads of structural divisions and the Risk Management Department. Credit risk management is carried out through regular analysis of the ability of existing and potential borrowers to repay interest payments and the amount of principal debt, as well as through changing credit limits if necessary. In addition, the Bank manages credit risk, in particular, by obtaining collateral and guarantees of companies and individuals. The Bank carries out loan analysis by maturities and the subsequent control of overdue balances. Due to this, the Management is provided with information on the terms of debt.

Types of activity that are subject to credit risk and bear the corresponding maximum credit risk include:

- (a) providing loans and borrowings to customers and placing deposits in other organizations. In these cases, the maximum credit risk is equal to the value of the relevant financial assets, as presented in the statement of financial position;
- (b) the conclusion of contracts on derivative financial instruments, for example, foreign exchange contracts. The maximum credit risk at the end of the reporting period will be equal to the value as presented in the statement of financial position;
- (c) provision of financial guarantees. In this case, the maximum credit risk is equal to the maximum amount that the Bank can pay if the guarantee is executed;
- (d) the provision of a lending liability that is not subject to cancellation during the term of the validity or is canceled only as a result of a material adverse change. If the issuer is unable to fulfill the loan liabilities using cash or other financial instruments, the maximum credit risk is equal to the full amount of the liability.

Credit risk for financial instruments that are not recognized in the statement of financial position is defined as the probability of loss due to the inability of another participant in a transaction with this financial instrument to fulfill the terms of the contract. Regarding the credit risk of the loan liabilities, the Bank is potentially subject to losses in an amount equal to the total amount of unused liabilities.

Translation from the original into English

However, the estimated amount of losses is less than the total amount of unused liabilities, since most loan liabilities depend on customers who support certain loan standards. The Bank applies the same credit policy with respect to contingent liabilities as it does with financial instruments recognized in the statement of financial position, based on the procedures for approving transactions, using risk limits, and monitoring. The Bank controls the maturity of credit related commitments that are not recognized in the statement of financial position, since the longer is the maturity of contingent liabilities, the higher is the credit risk.

The Bank monitors credit risk by borrower, contracts, market segments and the Bank's loan portfolio as a whole by analyzing risk factors and evaluating local indicators and prudential standards set by the National Bank of Belarus on a monthly basis. For each local indicator, limits are set and approved by the Bank's Management Board annually, which allows to minimize and limit the Bank's credit risks. In addition, the Risk Management Department carries out stress-testing of the level of credit risk on a quarterly basis.

The table below shows an analysis of financial assets by credit quality in accordance with the established credit rating as at 31 December 2023.

31 December 2023	from AAA to A-	from BBB+ to BBB-	from BB+ to B-	CCC and lower	Credit rating not assigned	Total
Financial assets						
Cash and cash equivalents (net of cash on hand)	8,283	-	20,448	1,206	30,782	60,719
Due from banks	1,800	-	15,783	-	5,276	22,859
Loans to customers	-	-	-	-	155,000	155,000
Financial assets measured at fair value through other comprehensive income	-	-	5,005	-	14,718	19,723
Securities measured at amortized cost	-	-	-	-	21,229	21,229
Other financial assets	-	-	-	-	266	266
Total financial assets	10,083	-	41,236	1,206	227,271	279,796

The table below shows an analysis of financial assets by credit quality in accordance with the established credit rating as at 31 December 2022.

31 December 2022	from AAA to A-	from BBB+ to BBB-	from BB+ to B-	CCC and lower	Credit rating not assigned	Total
Financial assets						
Cash and cash equivalents (net of cash on hand)	-	-	45,305	5,406	4,159	54,870
Due from banks	-	-	19,361	9,297	100	28,758
Loans to customers	-	-	-	-	113,056	113,056
Financial assets measured at fair value through other comprehensive income	-	-	-	-	34	34
Securities measured at amortized cost	-	-	15,034	-	6,070	21,104
Other financial assets	-	-	-	-	257	257
Total financial assets	-	-	79,700	14,703	123,676	218,079

Market risk

Market risk is the risk of the Bank's losses, non-receipt of planned income from changes in the value of balance sheet and off-balance sheet positions related to the trading portfolio, as well as positions denominated in foreign currency and goods due to changes in market prices of financial instruments and goods caused by changes in foreign exchange rates, market interest rates and other factors. Market risk includes the interest rate risk of the trading portfolio, stock, currency and commodity risks. The concentration of market risk is manifested in investments in homogeneous financial instruments of one counterparty, trading portfolio, individual currencies, goods, market prices for which change under the influence of the same economic factors.

Country risk

Country risk is the risk of losses of the Bank as a result of the influence of both internal and external factors independent of the financial position of counterparties of the Bank (for example, non-conformity of contracts to the legislation of foreign states; non-fulfillment by foreign counterparties of obligations due to economic, political, social and other changes in the conditions of its activity).

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2023:

31 December 2023	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	72,353	1,206	14,687	88,246
Due from banks	7,076	-	15,783	22,859
Loans to customers	154,600	-	400	155,000
Financial assets measured at fair value through other comprehensive income	19,723	-	-	19,723
Securities measured at amortized cost	21,229	-	-	21,229
Other financial assets	266	-	-	266
Total financial assets	275,247	1,206	30,870	307,323
Financial liabilities				
Due to banks	15,491	-	2,895	18,386
Due to customers	193,317	328	13,907	207,552
Debt securities issued	9,106	-	-	9,106
Lease liabilities	279	-	-	279
Subordinated loans	-	-	21,621	21,621
Other financial liabilities	1,706	-	-	1,706
Total financial liabilities	219,899	328	38,423	258,650
Net balance sheet position	55,348	878	(7,553)	48,673

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2022:

31 December 2022	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	81,243	-	932	82,175
Due from banks	15,520	-	13,238	28,758
Loans to customers	111,244	-	1,812	113,056
Financial assets measured at fair value through other comprehensive income	34	-	-	34
Securities measured at amortized cost	21,104	-	-	21,104
Other financial assets	257	-	-	257
Total financial assets	229,402	-	15,982	245,384

31 December 2022	Translation from the original into English			
	Belarus	OECD countries	Other countries	Total
Financial liabilities				
Due to banks	4,888	1,372	1,799	8,059
Due to customers	154,384	-	16,868	171,252
Debt securities issued	11,067	-	-	11,067
Lease liabilities	61	-	-	61
Subordinated loans	-	-	18,620	18,620
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Other financial liabilities	2,398	-	-	2,389
Total financial liabilities	172,798	1,372	37,287	211,457
Net balance sheet position	56,604	(1,372)	(21,305)	33,927

Currency risk

Currency risk is the probability of the Bank's losses, non-receipt of planned income from changes in the value of the Bank's balance sheet and off-balance sheet positions denominated in foreign currency due to changes in foreign exchange rates.

The Risk Management Department analyzes the state of the Bank's open currency position and its dynamics, the financial result obtained from currency exchange operations, assesses the impact of currency risk on the amount of regulatory capital, and predicts the level of currency risk by calculating VaR indicators. While stress testing, the Risk Management Department evaluates the impact of a given change in the exchange rate of foreign currencies on the Bank's currency position, as well as on the adequacy of the Bank's regulatory capital.

The table below provides an analysis of the currency risk of the Bank as at 31 December 2023. The assets and liabilities of the Bank are reflected in the table of value reflected in the statement of financial position by principal currencies:

31 December 2023	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	27,152	6,515	44,513	10,066	88,246
Due from banks	5,284	-	1,792	15,783	22,859
Loans to customers	125,840	6,520	22,053	587	155,000
Financial assets measured at fair value through other comprehensive income	7,997	-	11,726	-	19,723
Securities measured at amortized cost	444	-	20,785	-	21,229
Other financial assets	266	-	-	-	266
Total financial assets	166,983	13,035	100,869	26,436	307,323
Financial liabilities					
Due to banks	15,490	1,264	-	1,632	18,386
Due to customers	86,965	12,608	97,714	10,265	207,552
Debt securities issued	9,106	-	-	-	9,106
Lease liabilities	279	-	-	-	279
Subordinated loans	-	-	21,621	-	21,621
Other financial liabilities	1,706	-	-	-	1,706
Total financial liabilities	113,546	13,872	119,335	11,897	258,650
Net balance sheet position	53,437	(837)	(18,466)	14,539	48,673

Translation from the original into English

The table below provides an analysis of financial assets and liabilities of the Bank as at 31 December 2022:

31 December 2022	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	24,739	5,453	44,411	7,572	82,175
Due from banks	14,419	-	1,510	12,829	28,758
Loans to customers	71,960	14,849	25,203	1,044	113,056
Financial assets measured at fair value through other comprehensive income	34	-	-	-	34
Securities measured at amortized cost	427	-	20,677	-	21,104
Other financial assets	257	-	-	-	257
Total financial assets	111,836	20,302	91,801	21,445	245,384
Financial liabilities					
Due to banks	4,888	2,413	-	758	8,059
Due to customers	58,974	18,165	85,962	8,151	171,252
Debt securities issued	637	-	10,430	-	11,067
Lease liabilities	61	-	-	-	61
Subordinated loans	-	-	18,620	-	18,620
Other financial liabilities	2,391	-	-	7	2,398
Total financial liabilities	66,951	20,578	115,012	8,916	211,457
Net balance sheet position	44,885	(276)	(23,211)	12,529	33,927

The table below presents an analysis of the Bank's sensitivity in 2023 and 2022 to 30% weakening of the national currency rate against the US dollar, Euro and other currencies, respectively. The analysis suggests that other factors, such as interest rates, remain unchanged.

	31 December 2023 30%	31 December 2022 30%
Effect on profit before tax		
USD	(5,540)	(6,963)
EUR	(251)	(83)
Other currencies	4,362	3,759
Effect on total income including taxation		
USD	(4,155)	(5,222)
EUR	(188)	(62)
Other currencies	3,271	2,819

Liquidity risk

Liquidity risk is the probability of the losses, failure to obtain the planned revenues due to the inability to ensure the timely performance of the obligations in full.

The Bank is exposed to the risk due to the daily requirements to have fund for performing settlements transactions in customer accounts, for deposit withdrawals, for loan granting, for settlements on guarantees executed and in derivatives which are settled in cash the Bank does not reserve funds for simultaneous fulfillment of all those obligations based on the practical experience the level of cash and cash equivalents required for meeting obligations can be forecasted with the sufficient probability. The liquidity risk is managed at all levels in the Bank.

Translation from the original into English

The Bank maintains stable financing base, which comprises mainly current accounts and deposits of corporate customers and individuals, loans and other advances from other banks, and invests funds in diversified portfolio of liquid assets in order to have a possibility without delays meet unforeseen liquidity requirements.

The Financial Committee is the main body that determines the Bank's policy on managing active and passive operations aimed at increasing the Bank's interest and non-interest income while maintaining adequate liquidity, consistency of assets and liabilities by maturity, compliance with prudential standards established by the National Bank, and minimizing the impact of risks inherent to the financial market on the Bank, implementing the relevant policy in the field of liquidity, control and decision-making on effective and high-quality liquidity management.

The Financial Committee carries out the general liquidity management and coordinates the work of the business units, takes actions to minimize the imbalance between assets and liabilities with a floating and fixed interest rate.

Constant monitoring (analysis) of the state of short-term liquidity of the Bank's balance and dynamics of its changes, control over the level of liquidity indicators is carried out with the interaction of all participants of the internal control system in accordance with the powers defined in local regulatory legal acts and administrative documents of the Bank.

Information on the maturities of financial assets and liabilities is provided to the Treasury. The Treasury ensures that there is an adequate portfolio of short-term liquid assets, mainly consisting of deposits in banks and other interbank instruments, to maintain a sufficient level of liquidity for the Bank as a whole.

The Treasury controls the daily liquidity position and regularly performs stress-testing on liquidity based on different scenarios, which include ordinary and more negative market conditions.

Economic capital is maintained by the Bank at a level sufficient to cover the liquidity risk assumed by the Bank in the course of its activities under standard conditions and to cover unforeseen losses in the event of non-standard (crisis) situations.

The table below show an analysis representing the remaining maturity of financial liabilities calculated for undiscounted cash flows of financial liabilities (principal debt and interest) at the earliest date when the Bank will be obliged to repay the liability as at 31 December 2023 and 31 December 2022.

31 December 2023	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	18,386	18,386	18,386	-	-	-
Due to customers	207,552	215,931	144,655	26,222	39,620	5,434
Debt securities issued	9,106	13,763	70	337	413	12,943
Lease liabilities	279	279	12	58	70	139
Subordinated loans	21,621	28,797	81	391	480	27,845
Other financial liabilities	1,706	1,706	1,706	-	-	-
Total potential future payments on financial liabilities	258,650	278,862	164,910	27,008	40,583	46,361

Translation from the original into English

The table below shows the analysis of financial liabilities due to their maturities as at 31 December 2022:

31 December 2022	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	8,059	8,059	8,059	-	-	21,101
Due to customers	171,252	188,616	119,724	10,611	37,180	-
Debt securities issued	11,067	11,067	-	1,841	9,226	-
Lease liabilities	61	62	2	14	46	-
Subordinated loans	18,620	22,933	67	322	395	22,149
Other financial liabilities	2,398	2,398	2,398	-	-	-
Total potential future payments on financial liabilities	211,457	233,135	130,250	12,788	46,847	43,250

The Bank has sufficient amount of liquid and current assets to meet its current liabilities as they fall due.

Interest rate risk

Interest rate risk is the risk of changes in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The Bank is exposed to the influence of fluctuations in prevailing market interest rates on its financial position and cash flows. Such fluctuations may result in increase of interest margin, but in case of unexpected changes of interest rates can also decrease the interest margin or generate losses. All financial assets and liabilities of the Bank having a floating interest rate are exposed to interest rate risk.

The Bank is subject to interest rate risk mainly on loans granted at floating interest rates in amount and for period which differ from the amounts and periods of fund raising at floating interest rates. In practice interest rates, as a rule, are set for a short-term period. However, although interest rates are mostly fixed in agreements for both financial assets and liabilities they are often reviewed based on mutual agreement in accordance with the current market situation in the short term.

In order to assess the level of interest rate risk, the Bank uses GAP analysis tools, as well as calculates duration indicators, net interest margin and determines the spread of interest rates, and also conducts stress testing.

Cash flow sensitivity analysis to changes in interest rates

A change in the interest rate by 100 basis points as at the reporting date would have increased /(decreased) income before tax and equity by the amounts indicated below. The analysis implies that all other factors remain constant.

	31 December 2023		31 December 2022	
	Interest rates +100 b.p.	Interest rates -100 b.p.	Interest rates +100 b.p.	Interest rates -100 b.p.
Effect on profit before tax				
Floating interest rate instruments	10,339	(10,339)	3,226	(3,226)
Impact on equity				
Floating interest rate instruments	7,754	(7,754)	2,419	(2,419)

Operational risk

Operational risk is the risk of loss and (or) additional costs incurred by the Bank as a result of non-compliance of the procedures established by The Bank for banking operations and other transactions with legislation or their violation by Bank employees, incompetence or errors of employees of The Bank, inconsistency or failure of the systems used by The Bank, including information systems, as well as a result of external factors.

The Bank's objective is to manage operational risk in order to avoid financial losses and damage to its reputation at minimal cost and to avoid control procedures that constrain initiative and creativity.

In total, 85 operational incidents were identified and registered in the Bank's Database in 2023, for which potential losses amounted to 2.7 thousand rubles, indirect losses incurred amounted to 0.0 thousand rubles, direct losses incurred – 0.29 thousand rubles.

In order to reduce the level of operational risk, the Bank takes the following measures:

- improving the efficiency of the information security system (including exposure to cyber risk), including through the use of modern software;
- expansion of anti-fraud tools;
- continued work on improving the Bank's IT business processes;
- development of corporate culture and improvement of staff motivation policy, as well as provision of staff professional development.

34. CAPITAL MANAGEMENT

The Bank manages its capital to ensure compliance with legal requirements and to ensure the going concern while setting the goal of ensuring profit by optimizing the balance of liabilities and the capital of the Bank.

The Bank reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the regulatory level of capital with quantitatively expressed risks. The Management of the Bank analyses the capital adequacy and risks of each assets' level.

Requirements of the National Bank for the minimum amount of regulatory capital for 31 December 2023 is 60,000 thousand Belarusian rubles (as at 31 December 2022 - 66,660 thousand Belarusian rubles). Under the current capital requirements set by National Bank, banks have to maintain a ratio of regulatory capital to risk-weighted assets ("regulatory capital adequacy ratio") above a prescribed minimum level (10%).

The table below presents the regulatory capital based on the Bank's financial information prepared in accordance with the requirements of the national accounting rules:

	31 December 2023	31 December 2022
Basic capital	38,631	39,693
Tier 2 capital	43,616	33,960
Total regulatory capital	82,247	73,653
Capital adequacy ratio	29.6%	36.1%

35. FAIR VALUE OF FINANCIAL INSTRUMENTS
Financial instruments recognized at fair value

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

Fair value is defined as the amount at which the instrument can be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than forced sale or liquidation. The best evidence of the fair value is the quotation of financial instruments in an active market. As there is no active market for the main part of the financial instruments of the Bank, their fair value is determined based on the current market situation and specific risk attributable to the specific instrument. The estimates presented herein are not necessarily indicative in the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following table below provide the analysis of financial instruments presented at fair value by the level of the hierarchy of sources of fair value:

31 December 2023	Quotes in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets measured at fair value through other comprehensive income	-	19,723	-	19,723
Office property	-	-	17,310	17,310
31 December 2022	Quotes in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets measured at fair value through other comprehensive income	-	34	-	34
Office property	-	-	-	-

Securities measured at fair value through other comprehensive income are measured using valuation techniques or valuation models. The characteristics of comparable financial instruments traded on the market were used as input data for the valuation model.

The fair value of buildings (office property) was determined by independent appraisers using primarily a comparative valuation method that reflects the market value of real estate and takes into account information about transactions in the domestic real estate market.

Financial instruments not recorded at fair value in the statement of financial position

The table below presents the fair value of the Bank's financial instruments. The table does not include the fair values of non-financial assets and non-financial liabilities:

	Book value as at 31.12.2023	Fair value as at 31.12.2023	Book value as at 31.12.2022	Fair value as at 31.12.2022
Financial assets				
Cash and cash equivalents	88,246	88,246	82,175	82,175
Due from banks	22,859	22,859	28,758	28,758
Loans to customers	155,000	159,979	113,056	118,875
Securities measured at amortized cost	21,229	21,229	21,104	21,104
Other financial assets	266	266	257	257
Total financial assets	287,600	292,579	245,350	251,169

	Book value as at 31.12.2023	Fair value as at 31.12.2023	Translation from the original into English	
			Book value as at 31.12.2022	Fair value as at 31.12.2022
Financial liabilities				
Due to banks	18,386	18,386	8,059	8,059
Due to customers	207,552	207,552	171,252	171,252
Debt securities issued	9,106	9,106	11,067	11,067
Lease liabilities	279	279	61	61
Subordinated loans	21,621	21,621	18,620	18,620
Other financial liabilities	1,706	1,706	2,398	2,398
Total financial liabilities	258,650	258,650	211,457	211,457

The methods and assumptions used to determine the fair value of those financial instruments that are not reflected in these financial statements at fair value are described below.

Assets for which fair value approximates their book value

In the case of financial assets and financial liabilities that are liquid or have a short maturity (less than three months), and in the case of financial assets and liabilities, denominated in foreign currency, it is assumed that their fair value is approximately equal to the book value.

This assumption is also applied to demand deposits and savings accounts without a specific maturity. In the case of financial instruments with a floating interest rate, the changes of which are related to changes in the refinancing the National Bank of the Republic of Belarus, it is assumed that their fair value is also approximately equal to their book value.

Fixed and floating rate financial instruments

For quoted debt instruments, fair values are calculated based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using the current interest rate taking into account the remaining maturities for debt instruments with similar terms and credit risk.

36. ANALYSIS OF MATURITIES OF ASSETS AND LIABILITIES

The table below presents assets and liabilities by expected maturities:

	2023		2022		Total	Total
	Within one year	More than one year	Within one year	More than one year		
Assets						
Cash and cash equivalents	88,246	-	82,175	-	88,246	82,175
Due from banks	18,702	4,157	27,095	1,663	22,859	28,758
Loans to customers	10,019	144,981	31,510	81,546	155,000	113,056
Financial assets measured at fair value through other comprehensive income	11,200	8,523	-	34	19,723	34
Securities measured at amortized cost	14,971	6,258	21,104	-	21,229	21,104
Property for sale	159	-	230	-	159	230
Property and equipment and intangible assets	-	23,918	-	14,085	23,918	14,085
Right-of-use assets	-	274	-	62	274	62
Other assets	5,955	-	3,088	-	5,955	3,088
Total assets	149,252	188,111	165,202	97,390	337,363	262,592
Liabilities						
Due to banks	17,118	1,268	6,693	1,366	18,386	8,059
Due to customers	136,652	70,900	148,941	22,311	207,552	171,252
Debt securities issued	-	9,106	-	11,067	9,106	11,067
Finance lease debt	-	21,621	-	-	21,621	-
Lease liabilities	-	279	61	-	279	61
Subordinated loans	2,612	-	-	18,620	2,612	18,620
Other liabilities	4,782	-	4,645	-	4,782	4,645
Total liabilities	161,164	103,174	160,340	53,363	264,338	213,704
Net long balance sheet position	(11,912)	84,937	4,862	44,026	73,025	48,888

Information on the contractual undiscounted liabilities of the Bank before maturity is disclosed in Note 33 "Risk Management".

37. RELATED PARTIES TRANSACTIONS

In the ordinary course of business, the Bank carries out transactions with its shareholders, the Management of the Bank and other related parties. These transactions include settlements, lending, raising of deposits, financing of trade and foreign currency transactions. Based on the Bank's policy all transactions with related parties are carried out on the same terms as those with third parties.

The composition of the controlling party: legal entities – Joint venture “Intersportproekt” Limited, Joint venture “Saturn-Info” Limited, Alm Investment FZE; individuals – members of the Supervisory Board, members of the Management Board, members of the Committees of the Supervisory Board and Management Board.

The amounts included in the statement of financial position on transactions with related parties were as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Loans to customers	8,282	7,080
Allowance for impairment on loans to customers	(411)	(1,166)
Total	<u>7,871</u>	<u>5,914</u>

The following are the funds raised from related parties:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Due to customers	35	467
Subordinated loans	21,621	18,620
Total	<u>21,656</u>	<u>19,087</u>

The amounts included in the statement of comprehensive income on transactions with related parties were as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Interest income	2	45
Interest expenses	(961)	(822)
Total	<u>959</u>	<u>(777)</u>

38. SUBSEQUENT EVENTS

The official exchange rate of the Belarusian ruble against foreign currencies as of the date of approval of these financial statements for issue is: to the US dollar – 3.1971 rubles for 1 US dollar, to the euro – 3.447 rubles for 1 euro, to the Russian ruble – 3.581 rubles for 100 Russian rubles. The Bank carries out constant (daily) monitoring of exchange rates to minimize currency risk and make timely management decisions.

After the reporting date, on 21 February 2024, the Central Bank of the Russian Federation revoked the license for banking operations from the Bank's major partner, JSC “KIWI Bank”, due to that the Bank stopped providing popular services available to the Bank's customers within the framework of cooperation with JSC “KIWI Bank”. In accordance with the decision of the Arbitration Court of Moscow dated 11 April 2024, according to the claim of the Central Bank of the Russian Federation, JSC “KIWI Bank” is subject to compulsory liquidation. The functions of the liquidator are assigned to the State Corporation of the Russian Federation “Deposit Insurance Agency”. The liquidator included the claims submitted by the Bank in the register of creditors' claims of JSC “KIWI Bank” and established the 3rd order of fulfillment of obligations.

In connection with receiving information about the liquidation of the counterparty, the Bank decided that it was necessary to impairment its debt and create a reserve in the amount of 100%.