2023 Annual Report

TCS GROUP HOLDING PLC

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TINKOFF — A PIONEERING FINANCIAL ECOSYSTEM

TINKOFF GROUP STANDS OUT AS AN INNOVATIVE PROVIDER OF DIGITAL FINANCIAL AND LIFESTYLE SERVICES. ESTABLISHED IN 2006, THE GROUP HAS DEVELOPED A COMPREHENSIVE ARRAY OF TECHNOLOGICAL SOLUTIONS ENCOMPASSING INTERNET BANKING, BROKERAGE SERVICES, TRADE ACQUIRING, AND OTHER MERCHANT SERVICES, INSURANCE, SME BANKING AND OTHERS.

On 14 March 2024, the Group unveiled its 2023 IFRS Consolidated Financial Statements. The Management Board of the Group believes that the information contained in the 2023 Financial Statements furnishes a relevant and holistic depiction of the Group's operations, business structure and efficacy, critical risks, HR management approach, and describes the corporate governance specifics, and the responsibilities of the Board of Directors and its committees.

All financial data presented in this report is derived from the Consolidated Financial Statements of TCS Group Holding PLC and adheres to the International Financial Reporting Standards endorsed by the European Union, as well as the stipulations of the Cyprus Companies Law, Chapter 113. The information relates to the year ending 31 December 2023 and is included in this report. For a detailed description of the financial and ancillary data, please refer to page F-1 of this report.

2nd

Largest Bank in Russia by Number of Active Retail Customers

33,5%

Return on Equity (ROE)

2023

Total customers
40M
32% YoY

Revenue (RUB bn)
488
33% YoY

Assets (RUB tn)
2,3
42% YoY

Active customers
28M
30% YoY

Net profit (RUB bn)
80,9
4x YoY

Customer funds (RUB tn)
1,7
44% YoY

Active SME customers
0,7M
27% YoY

Active products per customer
1,8
20% YoY

Net loan portfolio (RUB tn)
1,0
60% YoY

Management Report

Address from the Chairman of the Board of Directors

Dear Esteemed Shareholders,

This is my first time addressing you in my capacity as the Chairman of the Board of Directors, which saw significant transformations in 2023. Allow me to extend profound appreciation on behalf of the Board of Directors to all members of the Board whose dedication has served as the cornerstone of our Group's achievements throughout the years.

In 2023, our Board of Directors and management meticulously scrutinised the developmental trajectories of our Group. This thorough assessment encompassed our past accomplishments and a contemplation of future avenues, taking into account the economic and geopolitical landscapes. In early 2024, in alignment with your esteemed selves, we collectively decided to relocate the headquarters from the Republic of Cyprus to the Russian Federation. The successful redomiciliation of our Group and the establishment of a full-fledged corporate governance framework have empowered us to launch strategic initiatives aimed at outperforming business expansion, including inorganic growth.

Despite the uncertainties of the external environment, 2023 proved the soundness of the strategic path charted in 2021. Our unwavering commitment to customer-centricity, technological innovation, and financial resilience continues to serve as the bedrock of our endeavors. The Tinkoff Group has laid a sturdy groundwork for further solidification of its foothold in the Russian financial landscape and aims to further increase its market share and return on equity.

Alexey Malinovskiy,

Chairman of the Board, TCS GROUP HOLDING PLC

Address from the CEO/Chairman of the Management Board

Dear Esteemed Shareholders, Partners, Customers, and Colleagues,

In April 2021, we laid out Tinkoff's strategic vision to 2023, with a commitment to doubling the size of the business. It is with great pride that we report the accomplishment of this objective, surpassing even our most ambitious projections.

The Tinkoff customer base has now exceeded 40 million individuals, with 28 million active customers. This broad clientele has enabled us to efficiently expand the cross-selling of products within our ecosystem. The average number of products per customer has risen from 1.5 in 2022 to 1.8 in 2023, including profitable loan products.

The Group's net profit nearly quadrupled YoY compared to 2022 and soared to nearly 81 billion rubles, marking a historic high for Tinkoff. Despite challenging macroeconomic conditions and increased funding expenses, we delivered growth in return on equity and earned a 33.5% ROE, once again accentuating the resilience of our business model.

The loan portfolio surged by more than 1.5 times YoY compared to 2022, surpassing the 1 trillion ruble milestone. By the end of 2023, we ranked 4th in the country in terms of retail loan portfolio size. Tinkoff's non-interest income exceeded 50% in 2023, underscoring our successful revenue diversification efforts.

In 2023, capitalising on higher interest rates, we intensified our focus on deepening out penetration into our customers' “savings wallets”. Tinkoff managed to increase the total customers' funds in the bank to 1.7 trillion rubles, and with the funds invested by customers in our brokerage business, it reached 2.5 trillion rubles.

Tinkoff also continued to expand its range of financial services for entrepreneurs, leading to a rise in Tinkoff Business's active base to 700 thousand customers. By the end of the year, the small and medium enterprise segment had brought together more than 1.2 million clients with a total cash balance of 268 billion rubles in their accounts. In late 2023, Tinkoff launched a merchant lending service on all major marketplaces, and the loan portfolio grew fourfold compared to 2022.

We would like to emphasise the priorities of 2023 that will remain relevant in the years ahead.

The first and foremost is the relocation of the headquarters to the Russian jurisdiction. All preparatory measures were completed throughout 2023, and in early 2024, a new chapter began in Tinkoff's history as a public company. This decision will help strengthen corporate governance, expand opportunities for inorganic growth and distribution of profits among shareholders.

The second priority is the implementation of machine learning and robotisation to enhance the customer experience and operational efficiency of business. In 2023, we continued our work on specialised Large Language Models to widely integrate artificial intelligence into our ecosystem products. Our aim is to develop specialised technologies to compete where it is truly necessary.

We take pride in leading in fraud protection technologies and enhancing the reliability of our ecosystem for customers. We launched the market's first service to protect against phone scammers with refunds — "Protect or Refund." The bank's and Tinkoff Mobile operator's protective technologies allow us to detect fraud during phone conversations with over 99% probability. We are so confident in our product's quality that we guarantee compensation for losses in the event that customers still become prey to fraudulent activities.

The third priority is the importance of talents, recruiting, and retaining the best specialists. In 2023, Tinkoff became a partner of the Central University — the first private university in Russia based on the STEM (Science, Technology, Engineering, Mathematics) model. This combines science, technology, engineering, and mathematics to create a holistic approach to education. The university will help train human resources for the Russian IT sector, including Tinkoff.

We also continue to actively collaborate with leading universities, IT summer schools, and math competitions to attract highly qualified professionals. To support our employees' growth, we offer extensive training and wellbeing support programmes, a flexible working environment, and cultivate a strong corporate culture at Tinkoff.

Once again, the achievements of 2023 were made possible by the teams that made the impact of sanctions imperceptible to customers and developed innovative solutions for the market.

As a responsible corporate citizen, we strive to support vulnerable and socially disadvantaged segments of the population. In 2023, through joint initiatives with charitable and educational organisations, the Group and its customers invested 3.1 billion rubles in Russian non-profit organisations. Our genuine interest in addressing current social issues combined with cutting-edge technologies enables us to fulfil our mission and have a positive impact on society.

Given our exceptional performance in 2023, we expect to maintain our outperforming business growth rates, high return on equity and maximise Tinkoff's shareholder value.

Stanislav Blizniuk,

CEO/Chairman of the Management Board, Tinkoff Bank JSC

Key Events

Innovative Products and Services

- The Tinkoff Pay service, which was launched back in 2021, became available for all Android-based smartphones in 2023 and emerged as a reliable alternative to Google Pay, which ceased operations in Russia.
- In order to broaden the range of payment options for customers, Tinkoff introduced transfers in Indian rupees, Thai baht, and Brazilian reals, with expanded transfer opportunities in the currencies of Azerbaijan, Belarus, Kyrgyzstan, and Tajikistan.
- In 2023, the Tinkoff ID secure online authorisation technology was integrated into third-party platforms, including the Avito classified ads service, the Rustore app store, and the Moscow Exchange's e-services. Building upon Tinkoff ID, the first unbranded banking solution for phone number authentication was launched, with such online retailers as Technopark and Brandshop already adopting this innovative feature.
- Tinkoff introduced the "Business Investments" service for companies to invest surplus funds in stocks and bonds, along with the "Compass" free geoservice, aiding entrepreneurs in discovering optimal business locations through big data analysis.

Ecosystem Reliability and Security

- Tinkoff launched the industry's pioneering service to safeguard against phone scammers with refund capabilities. This service merges the bank's security technologies with those of Tinkoff Mobile, identifying fraud during phone conversations with over 99% probability. Should a customer fall prey to scammers and transfer funds to them, the bank will reimburse any losses incurred.
- In 2023, the Humanoid Robot Factory was launched began operations, deploying a range of robot characters resembling real human beings to engage scammers, prolonging interactions to avert potential fraud. Within only three months of its inception, these robots detained almost 87,000 phone scammers, engaging in approximately 575,000 minutes of interaction. The average conversation duration increased by 1.5 times, nearly reaching 4 minutes.
- Tinkoff deployed special mobile teams comprising Tinkoff Security staff to dissuade victims from transferring money to scammers. With the help of technology and staff, Tinkoff Security prevented the theft of over 21 billion rubles from customers who were targeted by scammers.
- Tinkoff became the first bank to launch a public bug bounty program. Throughout 2023, the bank expanded the number of public platforms for white hat hackers that feature the Tinkoff bug bounty program.

Artificial Intelligence

In 2023, scientists from the Tinkoff Research's Artificial Intelligence Research Lab made a series of scientific discoveries related to Reinforcement Learning and recommender systems. The discoveries were recognised by the global scientific community and accepted to the world's most prestigious AI conferences (NeurIPS, ICML, ACM RecSys). These discoveries include:

- the most efficient AI training and adapting algorithms compared to global analogues, and
- an algorithm for more accurate prediction of online consumer purchases considering the timing and periodicity of purchases.

- Tinkoff's Artificial Intelligence Technology Centre also announced the development of proprietary specialised Large Language Models (LLMs) for widespread AI integration into ecosystem products, and throughout the year, helped launch numerous products based on other AI technologies.

Attracting and retaining IT talents

- In 2023, Tinkoff became a partner of the Central University — the first private university in Russia based on the STEM (Science, Technology, Engineering, Mathematics) model. This combines science, technology, engineering, and mathematics to create a holistic approach to education. The university will help train human resources for the Russian IT sector, including Tinkoff.
- Throughout the year, IT's Tinkoff Solution Cup extensive competitions for experienced IT developers and analyst and IT's Tinkoff Capture the Flag sports hacking competitions were held in Russia and Belarus.

- In 2023, more than 13,000 students participated in the annual scholarship programme for talented students, with 200 winners from 29 Russian universities receiving financial support from Tinkoff. This assistance enabled them to concentrate on their studies and achieve exceptional academic results.

- The newly opened Tinkoff Space headquarters in 2023, located in the heart of Moscow, represents a new benchmark for integrating work and daily life. Designed as "a city within a city," this space features cafes, restaurants, a medical clinic, fitness amenities, household services, and a panoramic terrace for work and relaxation.

Social Initiatives

- In 2023, the Tinkoff ecosystem allowed charitable, educational and other non-profit organisations in Russia to receive RUB 3.1 billion. The number of customers actively involved in the Group's projects surpassed 3 million.

- Tinkoff continues to prioritise social investments directed at improving the quality of education and creating opportunities for talented individuals in Russia. Participation in the establishment of the Central University and Tinkoff Education's federal projects has benefitted over 15,000 individuals nationwide.

- Under the Group's sponsorship, a comprehensive two-year online course called "Math Solves It" was launched for students in grades 4–6. Additionally, a grant competition named "Contribution to the Generation" was held for proficient mathematics and computer science teachers, offering grants of up to 150,000 rubles.

Public Recognition

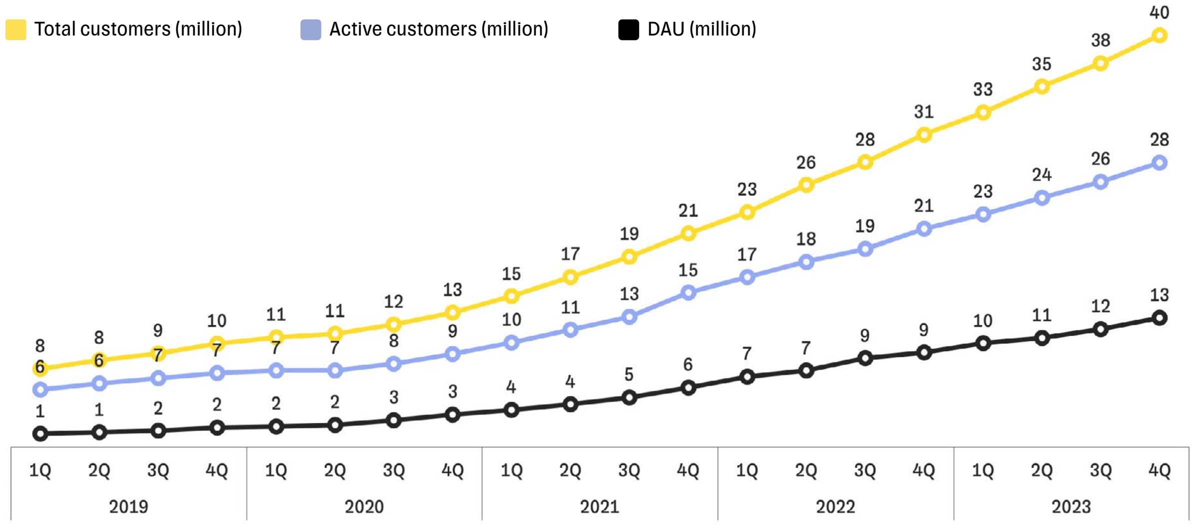
- Tinkoff was acknowledged as the most user-friendly online bank for daily operations, winning the Frank Debit Cards Award 2023. It also received recognition from the expert community for its premium customer services, securing the "High Loyalty of Premium Customers" award as ranked at Frank Premium Banking 2023.
- The Tinkoff mobile app was honored with the Best Mobile App Award at the Annual Banki.ru Awards, and the Tinkoff Pay payment sticker emerged victorious in the "Project of the Year in the Banking Sector" category at the Compare Awards.
- Tinkoff was ranked by ECOVIS and Habr as the top fintech employer of 2023.
- In the Forbes Employer Ranking, Tinkoff achieved a platinum — top — status, showing an improvement in its performance from the previous year by securing a platinum award in two of the three categories ("Employees and Society" and "Corporate Governance") at once. Furthermore, Tinkoff earned a gold award in the "Environment" category.
- Tinkoff was placed in the first — top — group in the RBC Employer Ranking. The results were evaluated based on the following criteria: "employees and working conditions", "business efficiency and innovative development", "social responsibility", "company's business reputation", and "employee feedback".

Overview of Financial and Operating Performance

In 2023, the Group witnessed a 33% YoY growth in total revenue, amounting to 487.7 billion rubles (compared to 366.0 billion rubles in 2022).

The Group continued to diversify its revenue sources. Non-lending activities contributed to 52% of the revenue by the end of 2023.

The total number of customers in 2023 saw a 32% increase, reaching 40.4 million (compared to 30.7 million in 2022). The number of active customers increased by 30% to around 28 million individuals.



The Super App is the primary driver of user engagement and sales

13м
DAU

28м
MAU

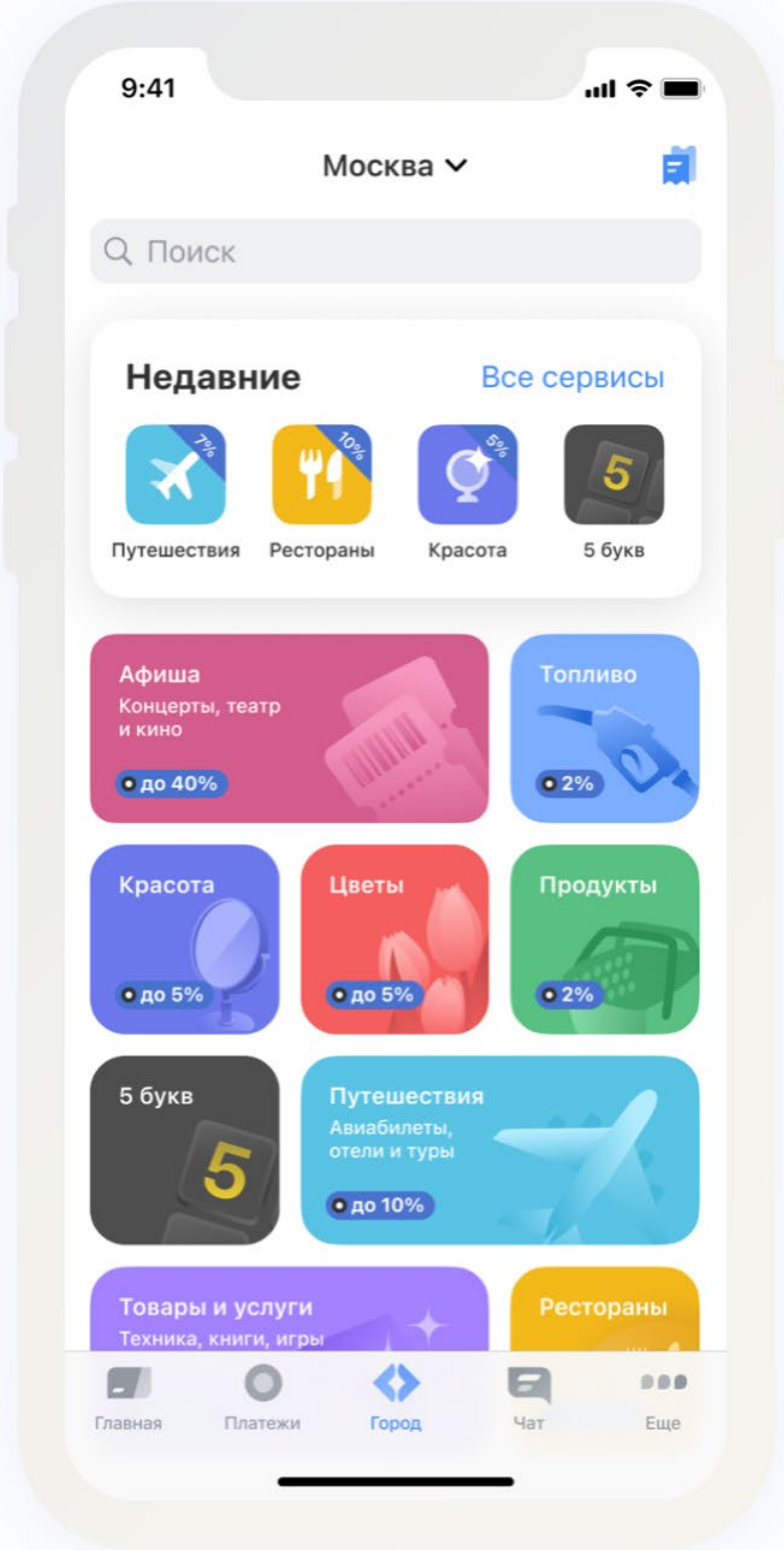
45%
sticky factor (DAU / MAU)

90%
active customers log in every month

8,5 minutes
average time spent in the app

>6 million
applications through the app per month

>350 million
payments per month



Overview of Financial and Operating Performance (continued)

The broad customer base allowed us to effectively expand cross-selling of various products within the Tinkoff ecosystem. During the past year, the Group managed to elevate the average number of products per customer from 1.5 to 1.8, with a strategic emphasis on profitable loan products.

As of the end of 2023, the Group's service coverage included:

- Current accounts of 33.5 million+ customers with a cumulative balance of 1.347 trillion rubles in current accounts and deposits;
- 1.2 million+ customers in the Small and Medium Enterprise (SME) segment holding a total balance of 268 billion rubles in their accounts;
- 3.5 million+ users of Tinkoff Investments services.

The gross interest income surged by 46% YoY, totaling 300.3 billion rubles, driven by a substantial growth in the customer base. Interest expenses increased in 2023 by 12% YoY, amounting to 64.4 billion rubles, due to growth in the customer base and an increase in interest rates by the end of the year. The net interest income in 2023 experienced a notable upsurge of 60% YoY, reaching 230.3 billion rubles.

The fee and commission income grew by 9% to 128.1 billion rubles, driven by expansion of customer base and product portfolio. Nonetheless, the net fee and commission income in 2023 witnessed a 5% decline to 73.1 billion rubles primarily due to a high base in early 2022.

With the stabilization of the macroeconomic environment, the cost of risk decreased to 6.2% in 2023 (compared to 9.9% in 2022).

The Group's total operating expenses in 2023 escalated by 43% YoY, reaching 193.3 billion rubles owing to customer base growth and investments in IT infrastructure and human resources.

The net profit in 2023 increased by 3.9 times YoY to 80.9 billion rubles (compared to 20.8 billion rubles in 2022), marking a historic high for the Group.

The return on equity in 2023 surged to 33.5% (compared to 10.9% in 2022), despite challenging macroeconomic conditions and increased funding expenses.

The Group's total assets expanded by 42% YoY in 2023, reaching 2.270 trillion rubles (compared to 1.597 trillion rubles as of 31 December 2022).

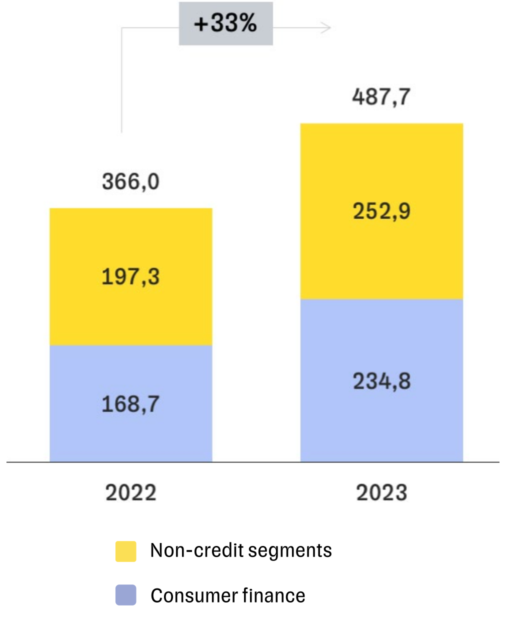
The Group's net loan portfolio, excluding provisions, surged by 60% YoY to 972 billion rubles (compared to 606 trillion rubles as of 31 December 2022). The Group's gross loan portfolio grew by 53% to 1.121 trillion rubles (compared to 732 billion rubles as of 31 December 2022).

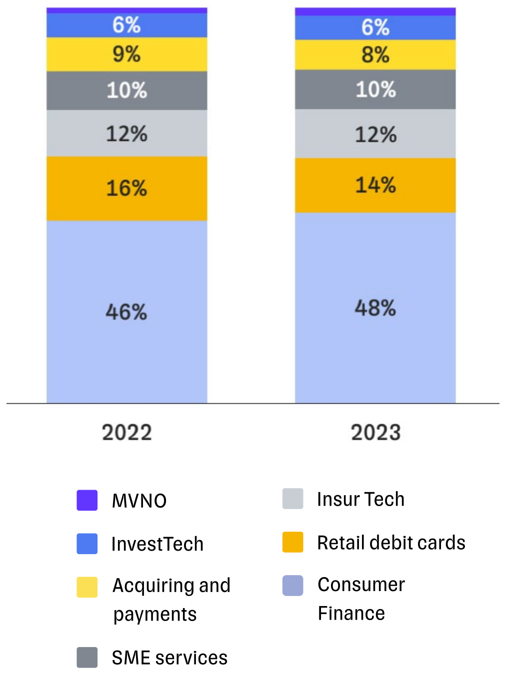
The proportion of non-performing loans in the Group's loan portfolio stood at 9.5%, indicating a YoY improvement (compared to 12.1% as of 31 December 2022). The loan loss provisions to non-performing loans ratio was 140.2% as of 31 December 2023 (compared to 141.5% as of 31 December 2022).

The funds in the Group's customer accounts surged by 44%, reaching 1.713 trillion rubles as of 31 December 2023 (compared to 1.192 trillion rubles as of 31 December 2022). Considering customer funds invested in the brokerage business, the total volume of customer funds under the Group's management reached 2.5 trillion rubles.

The Group's equity surged by 38% to 284 billion rubles (compared to 206 billion rubles as of 31 December 2022) due to the capitalisation of net profit.

Revenue



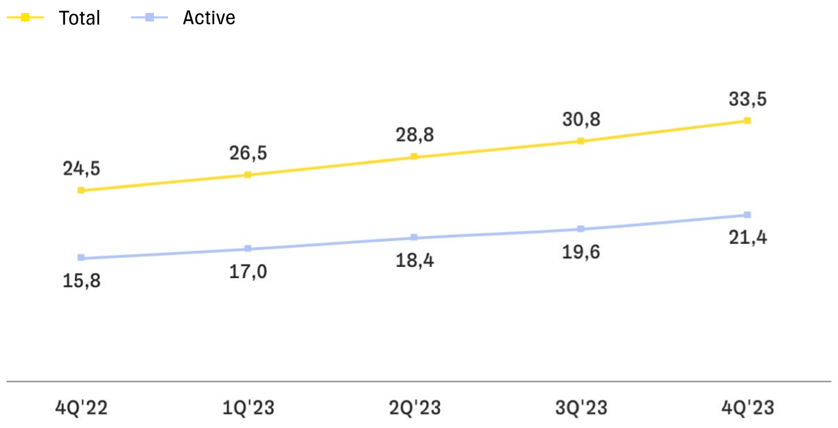


All figures are in RUB billion, unless otherwise stated

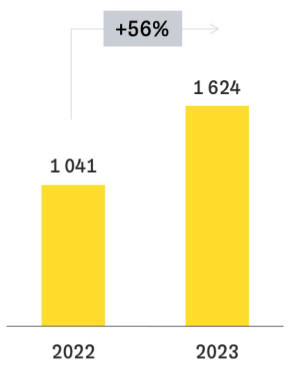
Overview of Financial and Operating Performance (continued)

Retail Debit cards

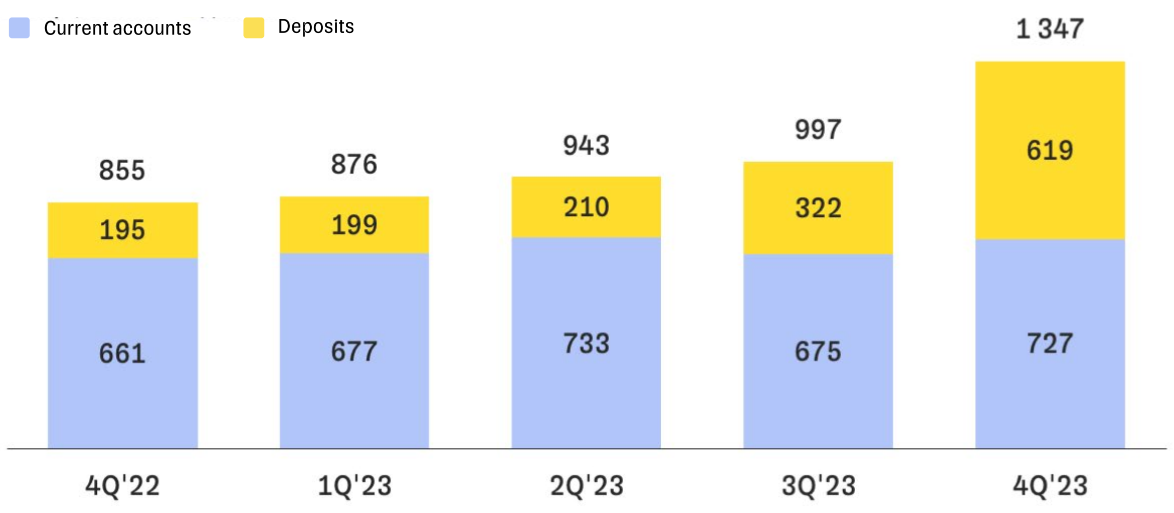
Customers (millions)



Volume of purchases with debit cards (RUB billion)



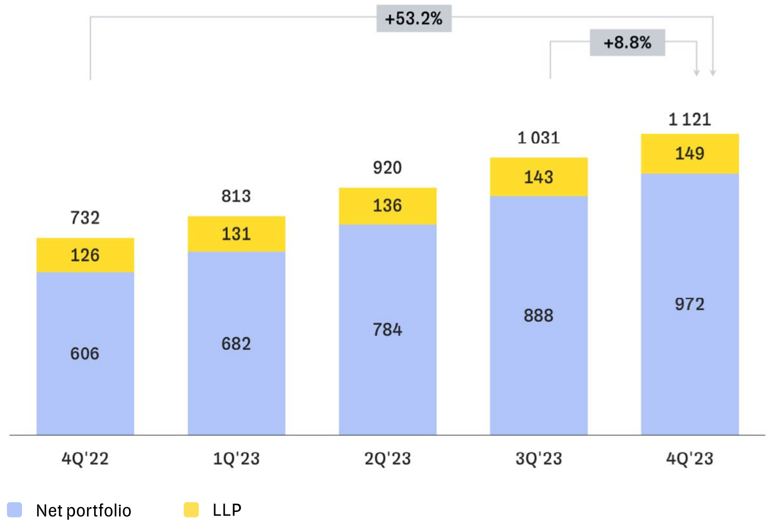
Customer accounts (RUB billion)



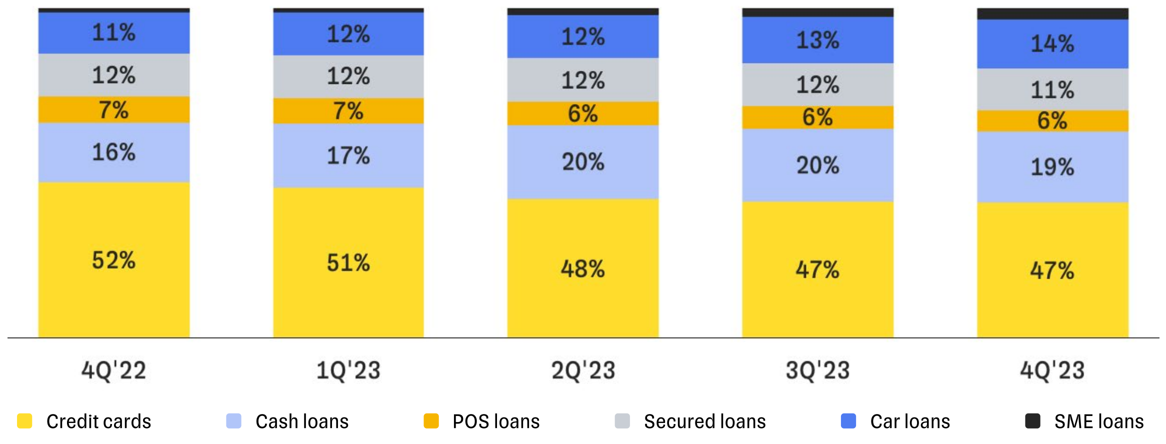
All figures are in RUB billion, unless otherwise stated

Credit business

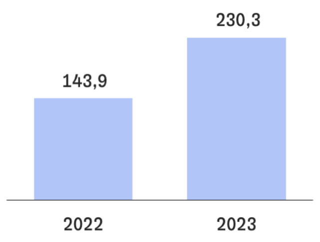
Gross loans



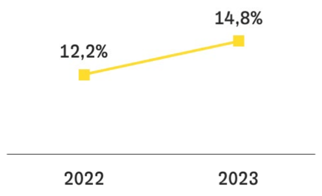
Net loans breakdown



Net interest income



Net interest margin

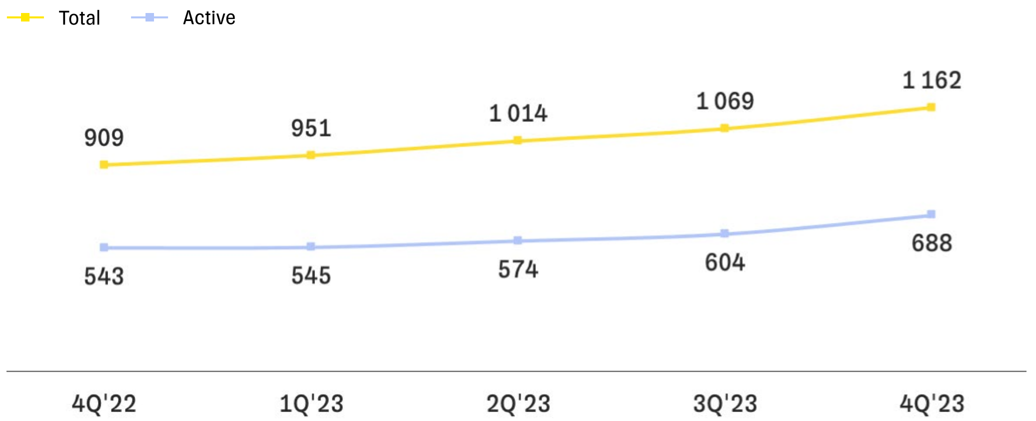


All figures are in RUB billion, unless otherwise stated

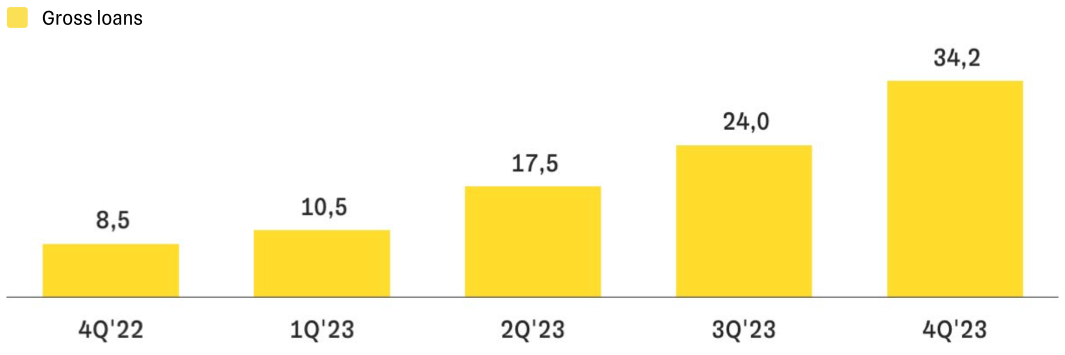
Overview of Financial and Operating Performance (continued)

SME Services

Customers (thousands)



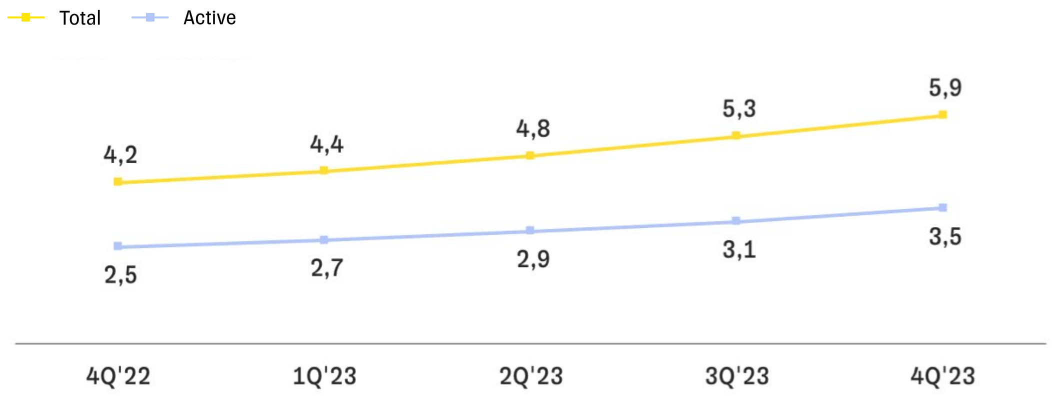
Loan portfolio (RUB billion)



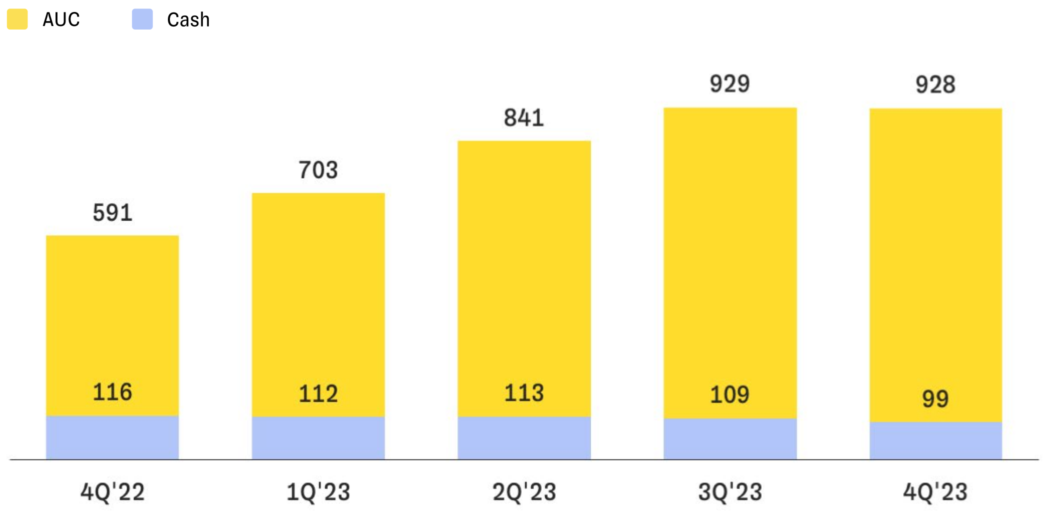
All figures are in RUB billion, unless otherwise stated

InvestTech

Customers (millions)



Assets under custody

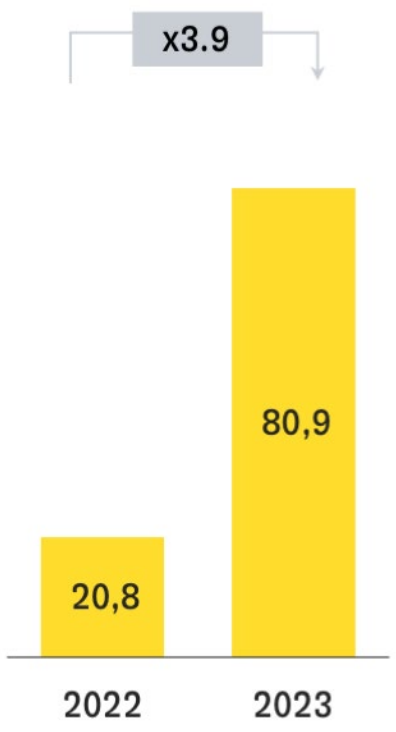


All figures are in RUB billion, unless otherwise stated

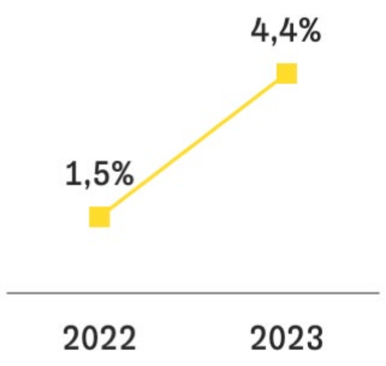
Performance Overview (continued)

Net profit

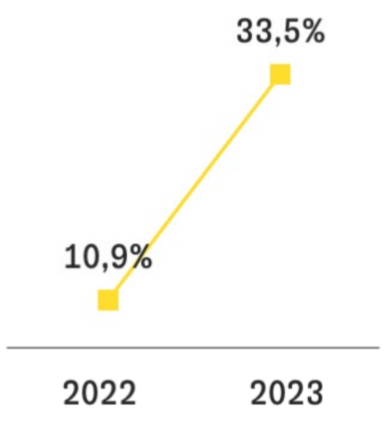
Net profit



Return on assets



Return on equity



All figures are in RUB billion, unless otherwise stated

31 DECEMBER 2023

TCS Group Holding PLC

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

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Board of directors and other officers

Board of directors

Except where stated otherwise, all directors served throughout 2023 and through to the date of these consolidated financial statements.

Director	Role	Retirement/ Resignation	Appointment
Sergey Arsenyev	Independent Non-Executive Director	19 November 2023	-
Constantinos Economides	Chairman of the Board, Executive director	3 November 2023	-
Margarita Hadjitofi	Independent Non-Executive Director	16 February 2023	-
Alexander Isaev	Independent Non-Executive Director	-	20 December 2023
Tatiana Kuznetsova	Independent Non-Executive Director	-	22 September 2023
Alexey Malinovskiy	Chairman of the Board, Independent Non-Executive Director	-	21 July 2023
Maria Pavlou	Executive director	16 February 2023	-
Vitaly Pyltsov	Independent Non-Executive Director	29 September 2023	22 September 2023
Dmitry Trembovolsky	Independent Non-Executive Director	19 November 2023	22 September 2023
Mary Trimithiotou	Executive director	13 December 2023	-
Daniel Wolfe	Independent Non-Executive Director	13 December 2023	-

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2024 on the basis of the composition of the Board at the relevant date.

Registered office

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

Till 14 December 2023 Company Secretary Caelion Secretarial Limited

25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus)

Since 14 December 2023 Company Secretary Paula Tanasie

Ellanikou Street,
Myria Court, 102,
3071, Limassol, Cyprus

31 DECEMBER 2023

Consolidated Management Report

The Board of directors presents its report together with the audited consolidated financial statements of TCS Group Holding PLC (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

Principal activities and nature of operations of the Group

1. The Group's principal activities are mainly undertaken within the Russian Federation and consist of on-line financial services, through its subsidiaries JSC "Tinkoff Bank" (the "Bank"), LLC Microfinance company "T-Finance", LLC "Phoenix" and other operations through its subsidiaries, such as insurance operations through JSC "Tinkoff Insurance" (the "Insurance Company").

2. The Bank specialises in consumer finance, retail banking for individuals, individual entrepreneurs ("IE"), small and medium enterprises ("SME"), acquiring and payments services and brokerage services. The Bank which is fully licensed by the Central Bank of Russia, launched its operations in the summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. As at 31 December 2023 in accordance with IFRS 10 definition of control the Group has no ultimate controlling party (refer to Note 3).

Changes in the Group's structure

3. On 15 January 2024, at an Extraordinary General Meeting, the Company's shareholders approved the deregistering of the Company from the Register of the Registrar of Companies in Cyprus and the registering of the Company as a continuing company in the Russian Federation (redomiciliation) in the form of international public joint-stock company without being dissolved and without being re-incorporated. On the same date, the shareholders also approved amendments to the Company's Articles of Association that allow the parent structure to continue operating in the jurisdiction other than Cyprus. For further information about redomiciliation, please refer to the section below "Any important events for the Group that occurred after the end of the financial year" in the Consolidated Management Report.

4. In November 2023 the Group established a new company, LLC "Tinkoff Insurance Future", which is part of an insurance group with JSC "Tinkoff Insurance".

Review of developments, position and performance of the Group's business

5. The Group operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending upon the availability of funding and market conditions. The Bank's primary customer acquisition channels are Internet and Mobile, but it also uses direct sales agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank's virtual network, afford it a geographic reach across Russia resulting in a highly diversified portfolio.

6. The Bank is included to the Bank of Russia's list of systemically important banking institutions due to the Bank's growing presence in the financial market and expanding customer base of its ecosystem. As a result, the Bank is obliged to comply with the additional capital adequacy buffers, as well as advanced risk management requirements. The Bank is operating with ample liquidity and capital buffers above regulatory minimums and intends to continue meeting all applicable requirements comfortably.

7. The key offerings of JSC "Tinkoff Insurance" are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP) (Note 22). The Insurance Company focuses on online sales.

8. Since February 2022 the economic situation in the Russian Federation has been and is still affected by the escalated military and political conflict and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. In 2023, the following sanctions were imposed on the Bank:

- On 25 February 2023, the Bank became subject to an asset freeze in the EU under the Council Implementing Regulation (EU) No 2023/429, implementing Council Regulation (EU) No 269/2014 (the "EC Regulation 269").
- On 19 May 2023, the Bank became subject to an asset freeze in the UK under the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855).
- On 20 July 2023, the Bank became subject of the USA and Canada updated sanctions list.

The Company and its controlled subsidiary undertakings (other than the Bank and any controlled subsidiary undertakings of the Bank) are not subject to an asset freeze pursuant to stated above regulations. Taking into account the consequences of sanctions, management of the Group continues the transformation of the business and operating models to improve the efficiency of processes and the profitability of products.

9. As a result of the sanctions, the Bank's ability to make interest payments under its Eurobonds issued in 2017 and 2021 through the usual channels was undermined by the assets freeze restrictions. In this regard, the Bank cancelled interest payments for the two coupon periods (March and June 2023) under its Eurobonds to avoid discrimination between bondholders and to focus on finding a practical and lawful solution to remedy this situation by the time of the next scheduled coupon payment. On 20 September and 20 December 2023 the Group resumed payment of coupons for the 3rd and 4th quarters in fulfilment of its obligations under a subordinated loan notes to the holders whose rights are recorded in the Russian depository infrastructure. The fulfilment of Eurobond coupon payment obligations to holders whose rights are registered in foreign depository infrastructure or foreign brokers remains technically impossible due to imposed sanctions. The Group is exploring all options available in the current circumstances for making payments to all categories of investors.

On 27 November 2023 the Group replaced USD 146.2 million of Eurobonds issued in 2017. The replacement share represents 48.74% of the original volume with a nominal value of USD 300 million, with coupon rate of 11.99% and no stated maturity.

On 30 November 2023 the Group replaced USD 288.7 million of Eurobonds issued in 2021. The replacement share represents 48.11% of the original volume with a nominal value of USD 600 million, with coupon rate of 6.0% and no stated maturity.

Holders of Eurobonds whose rights are recorded in the Russian depositories may participate in the replacement. The nominal, coupon rate and maturity of the replacement bonds remained the same. All coupon payments on replacement bonds will be made in Russian rubles at the Central Bank exchange rate on the payment date.

10. In terms of financial performance the profit of the Group for the year ended 31 December 2023 was RR 80,932 million (2022: RR 20,760 million). Such a strong increase in profit by 290%, on the one side, was driven by the growth of loan portfolio and expansion of our customer base, on the other side, by the recovery after a year of adaptation to sanctions and new operating environment caused by geopolitical tensions and macroeconomic uncertainty in 2022. Net interest income increased by 60% to RR 230,323 million (2022: 8.66% to RR 143,897 million). The Group's net loan portfolio increased by 60% year-on-year to RR 972,412 million (2022: RR 606,455 million), while the gross loan portfolio grew by 53% to RR 1,121,435 million (2022: RR 732,185 million). The 90 days plus overdue loans ratio ("NPL") decreased to 9.5% as at 31 December 2023 (2022: 12.1%). Cost of risk was 6.2% as at 31 December 2023, down from 9.9% in the end of 2022.

Total operating expenses increased by 30% in 2023 (2022: 24%), driven by Group's long-term strategy to expand customer base and investments in IT platforms and personnel.

Environmental matters

11. The Group, an online-only financial institution, prioritizes addressing climate change and integrating sustainability into our business practices. We also adhere to the precautionary principle, taking proactive measures to minimize potential environmental impacts and ensuring responsible decision-making in the face of uncertain or emerging risks.

12. The Group aligns with global standards such as the United Nations Environment Program Finance Initiative (UNEP FI). Our Sustainability Reports are prepared in line with leading GRI and SASB standards, and we follow the Partnership for Carbon Accounting Financials (PCAF) and the Task Force on Climate-related Financial Disclosures (TCFD). We use the GHG Protocol methodology to analyze emissions.

13. The Group conducts assessments of both physical and transitional climate risks. This involves evaluating the likelihood and impacts of climate-related risks within specific countries and sectors. Our existing methodology for assessing climate risks is constantly being revised and enhanced to align with a more comprehensive understanding of the industry's factors influencing climate risks and the associated consequences.

14. As of December 31, 2023, we considered the RCP8.5 IPCC AR5 scenario as the current and most likely scenario for mid-term (until 2040) physical climate change.

15. The Group is committed to environmental conservation and climate action, actively contributing to sustainable business practices and a healthier planet.

Human resources

16. Empowerment is an important ingredient in the success of our organization. To achieve this, decision-making is delegated to levels deep below the management team, discussion, idea generation and exchange and transparency are actively promoted and encouraged and an open leadership style ensures that information can move freely. The Group applies all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Group offers clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation.

17. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators as well as to provide feedback which can be used for their career development and to determine incentive compensation.

18. Prior to its IPO in 2013, the Group set up share-based management long term incentive plans as retention and motivational tools for key and senior managers. In March 2016, the Group announced a consolidated management long-term incentive and retention plan (MLTIP). Since then the Group has announced an expansion of MLTIP each year by adding new participants to the program. The MLTIP programs are designed to grow the Group's value by aligning more closely managers' interests with those of shareholders. The Group believes that participation in its share capital is an effective motivation and retention tool. The MLTIP programs embrace a growing number of managers, for two main reasons: firstly, internal pro-

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motions as some employees were promoted to key managerial positions in line with the growth of the Group; and, secondly, as part of its expansion and transformation into a financial marketplace, the Group has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security. The total size of the unvested pool of the expanded MLTIP programs was 2.7% of the Group's share capital as at 31 December 2023 (2022: 3.5%).

Non-Financial Information and Diversity Statement

19. The Group's policies and other information that provide an understanding of the development, performance, position and impact of the Group's activities in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters can be found in the Group's most recently published Non-Financial Information and Diversity Statement (Sustainability Report). The Group will publish its Sustainability Report for the year ended 2023, if it forms part of an integrated annual report on the website (www.tinkoff-group.com), no later than 30 June 2024.

Principal risks and uncertainties

20. The Group's business and financial results are impacted by uncertainties and volatilities in the Russian economic environment which can be impacted by global factors and/or by national factors as disclosed in Note 2 to the consolidated financial statements.

21. The Group is subject to a number of principal risks which might adversely impact its performance. The principal activities of the Group are banking and insurance operations and so it is within this area that the principal risks occur. Management considers that those principal risks are financial risks, operational risks and legal risks. Financial risk comprises market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

22. The Board has put in place arrangements to identify, evaluate and manage the principal risks and uncertainties faced by the Group. The Group has an established risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. This is overseen by a dedicated Risk Management function, which works with senior management of the operating companies in Russia as well as the Board of directors in this area. The primary objectives of the financial risk management function are to establish acceptable risk limits, and then ensure that the exposures remain within those limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures that minimize operational and legal risks. The risk management strategy is established so as to identify, assess, monitor and manage the risks arising from Group's activities.

These risks as well as other risks and uncertainties which affect the Group and how these are managed, are presented in Notes 26 and 28 of the consolidated financial statements.

23. Analysis of impact of the current geopolitical situation in the region on the Group is disclosed in Note 2 to the consolidated financial statements.

Contingencies

24. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Future developments

25. The Group's strategic objective is to grow its customer base profitably by building the most comprehensive, engaging, innovative, and sustainable financial and lifestyle ecosystem in the world.

Results

26. The Group's results for the year are set out on page 2 of the consolidated financial statements.

27. There were no dividends declared or paid by the Company during the years ended 31 December 2023 and 2022.

Any important events for the Group that occurred after the end of the financial year

28. On 15 January 2024, at an Extraordinary General Meeting, the Company's shareholders approved the deregistering of the Company from the Register of the Registrar of Companies in Cyprus and the registering of the Company as a continuing company in the Russian Federation (redomiciliation) in the form of international public joint-stock company without being dissolved and without being re-incorporated. The vast majority of the Company's assets are located and generate revenue in Russia. Therefore, the reasons for redomiciling to Russia include, among other things, maintaining the Company's strategic focus on the Russian market, preserving the equity value for all shareholders, and ensuring execution of their rights.

29. The full name of the Company will be "International Public Joint-Stock Company TCS Holding" (IPJSC TCS Holding). The place of residence of the Company shall be changed to: Russkiy Island, Vladivostok Urban Okrug, Primorsky Krai, Russia.

30. The par value of the Company's shares in RR shall be equivalent to the par value of the shares of the Company in U.S. dollar (USD 0.04) at the official exchange rate set by the Bank of Russia as of 12 December 2023 (1 USD = 90.9846 RUB). The charter capital of the Company shall consist of 199,305,492 issued ordinary shares, and the amount the charter capital of the Company shall be equal to RR 725 million.

31. On 31 January 2024 the Company cancelled the listing of its GDRs on the Official List of the Financial Conduct Authority of the United Kingdom and the GDRs' admission to trading on the LSE's Main Market (delisting).

32. On 1 March 2024, the Bank became subject of the Japan's updated sanctions list.

Share capital

33. On 28 April 2022 The New Rigi Trust, a major shareholder of the Company, disposed of its entire interest in the Company. IC "Interros Capital", a leading Russian investment group with a diverse portfolio of assets including in banking, has acquired an interest in the Group, and consequently now holds approximately 35.08% of the outstanding shares in the Company. The deal was approved by the Central Bank of the Russian Federation. As a result of the aforementioned deal Mr Vladimir Potanin, ultimate beneficiary owner of IC "Interros Capital", became a minority shareholder with a total shareholding of 35.08%.

34. As at 31 December 2023 and 2022 in accordance with IFRS 10 definition of control the Group has no ultimate controlling party. Refer to Note 3 for more information.

Treasury shares

35. At 31 December 2023 the Group held 602,975 (2022: 602,975) of its own GDRs, equivalent to approximately RR 1,885 million (2022: RR 1,885 million) and which represent 0.3% (2022: 0.3%) of the issued shares.

36. Treasury shares are GDRs of TCS Group Holding PLC and include those that are held by a special purpose trust which has been specifically created for the long-term incentive program for the MLTIP (see Note 34 for further information).

37. During 2023 no GDRs were repurchased by the Group (2022: same).

Research and development activities

38. During the years ended 31 December 2023 and 2022 the Group has undertaken research and development activities related to software development including greater use of biometrics, voice assistant, social networking, machine learning and intelligence.

39. During the year ended 31 December 2023 the Group was actively developing internal software to replace the providers that have ceased operations in Russia.

Board of directors

40. The members of the Board of directors as of 31 December 2023 and at the date of this report are presented above.

41. There were significant changes in the structure and assignment of responsibilities of the Board of directors. The composition of directors was completely renewed during 2023. The new list of the Board of directors is presented above.

Branches

42. The Group did not operate through any branches during the year (2022: same).

Independent auditor

43. The Independent auditor, Kiteserve Limited, has expressed its willingness to remain in office for the statutory audit of the Company's consolidated and separate financial statements for the year ended 31 December 2023 and to not seek re-appointment as the Company's statutory auditor. The shareholders at the Annual General Meeting (AGM) authorized the Board of directors to approve the remuneration in accordance with their terms of engagement.

Going concern

44. The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements based on the fact that, after making enquiries and following a review of the Group's business plan and budget for 2024-2025, including cash flows and funding facilities, the Directors consider that the Group has adequate resources to continue in operation for the foreseeable future. This assessment was made based on the information available to the Group as at the date of approving the consolidated financial statements. The Directors also considered the decision of the Company's shareholders on 15 January 2024, to deregister the Company from the Register of the Registrar of Companies in Cyprus and they ascertained that the Company is going to be registered as a continuing company in the Russian Federation (redomiciliation) in the form of international public joint-stock company without being dissolved and without being re-incorporated.

Corporate Governance Statement

Global Depository Receipts (GDRs) of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24th October 2013 with JPMorgan Chase Bank N.A. as depositary representing one ordinary share, during the year ended 31 December 2023 were listed on London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are listed on any other exchange.

On 31 January 2024 the standard listing of the Group's GDRs and

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the admission of the GDRs to trading on the LSE's main market for listed securities have been canceled.

The Company was required until 31 January 2024 to comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on the London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

As the shares themselves are not listed on the Cyprus Stock Exchange, the Cypriot corporate governance regime, which only relates to companies that are listed on the Cyprus Stock Exchange, does not apply to the Company and accordingly the Company does not monitor its compliance with that regime.

All shares are ordinary shares, each ranking pari passu for all purposes and in all respects with all other existing shares.

The Company's Home State, for EU regulatory purposes, is Cyprus.

A description of the terms and conditions of the GDRs can be found at "Terms and Conditions of the Global Depositary Receipts", "Summary of the Provisions relating to the GDRs whilst still in Master Form" and "Description of Arrangements to Safeguard the Rights of the Holders of the GDRs" in the Prospectus issued by the Company dated 22 October 2013 and on the website at www.tcsgh.com.cy.

Copies of the Articles of Association of the Company adopted on 21 November 2023, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the website www.tinkoff-group.com, at the Company's main website www.tcsgh.com.cy and at the official site of the Department of Registrar of Companies, Cyprus (http://www.mcit.gov.cy).

The Board of directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met. The Board operates under a formal schedule of matters reserved to the Board for its decision making process, adopted in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current Board of directors is comprised of three independent non-executive directors. The changes in the composition of the Board during the year are disclosed above.

The Group has established four Committees of the Board. Specific responsibilities have been delegated to those committees as described below.

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its committees and of its individual directors. That review was recently initiated, in-house, in relation to 2023, looking at overall performance. All directors were invited to provide feedback on the Board's, the committees' and individual director's performance. Analysis of the resultant feedback will be discussed at a meeting of the Board of directors scheduled for early 2024.

The Board has not appointed a senior independent director. As of the year ended 2023 there were three independent non-executive directors, of whom at least one must retire each year.

Number of directors

Unless and until otherwise determined by the Company in general meeting, the number of directors shall be no less than two.

The Articles of Association of the Company provide for the retirement by rotation of one-third (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) of directors at each AGM.

Committees of the Board of directors

The Company has established four Committees of the Board of directors: the Audit Committee, the Remuneration Committee, the Strategy Committee and the Risk and Emerging Risk (Sustainability) Committee. Their terms of reference are summarized below. The Audit Committee and the Remuneration Committees were formed in October 2013, whereas the other two were formed in 2021. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee comprises one independent non-executive director. A chair is appointed on a meeting by meeting basis.

The Remuneration Committee comprises two independent non-executive directors, and is chaired by Mrs Tatiana Kuznetsova.

The Risk and Emerging Risk (Sustainability) Committee comprises two independent non-executive directors. A chair is appointed on a meeting by meeting basis.

The Strategy Committee comprises one independent non-executive director, and is chaired by Mr Alexey Malinovskiy.

All the chairs are (or will be) independent. The current terms of reference of all Committees are available to the public and can be found on the Group's websites. A short summary of them is set out below.

Role of the Audit Committee

The Audit Committee's primary purpose and responsibility is to assist the Board in its oversight responsibilities. In executing this role the Audit Committee monitors the integrity of the consolidated financial statements of the Group prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and any formal announcements relating to the Group's and the Company's financial performance, reviewing significant financial reporting judgments contained in them, oversees the financial reporting controls and procedures implemented by the Group and monitors and assesses the effectiveness of the Company's internal financial controls, risk management systems, internal audit function, the independence and qualifications of the independent auditor and the effectiveness of the external audit process. The Audit Committee is required to meet at appropriate times in the reporting and audit cycle but in practice meets more often as required.

Under its terms of reference, the Audit Committee is required, at least once each year, to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Audit Committee operates a structured framework around the extensive work it carries out on specific, non-financial statements related areas within its terms of reference.

Role of the Remuneration Committee

The Remuneration Committee is responsible for determining and reviewing among other things the framework of remuneration of the executive directors, senior management and its overall cost and the Group's remuneration policies. The objective is to ensure that the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contributions to the success of the Group. The Remuneration Committee's terms of reference include reviewing the design and determining targets for any performance related pay schemes and reviewing the design of all share incentive plans for approval by the Board. The Remuneration Committee is required to meet at least twice a year but in practice meets far more often.

The Remuneration Committee continued with its work into 2023 on an ongoing review of the operation of the Group's MLTIP which launched in 2016 and in considering additional awards to existing and new participants for this and subsequent years. It also with the assistance of external consultants carried out an in-depth review of chief executive officer level compensation packages. Under its terms of reference the Remuneration Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval.

Role of the Risk and Emerging Risk (Sustainability) Committee

The primary purpose and responsibility of the Sustainability Committee is to oversee management and advise the Board of the Company on matters required to enable the Group to (a) operate on a sustainable basis for the benefit of current and future generations; (b) embed sustainable practices and adopt best industry practices across the full range of the Group's businesses; (c) to enhance the Company's reputation as a good corporate citizen; (d) drive sustainable growth by maintaining and enhancing the Group's economic, environmental, human, technological and social capital in the long term; and (e) the effective management of the Group's sustainability-related risks.

In this context sustainable and sustainability encompass the following elements (which are all of equal importance): social, environmental and governance, including climate change; health and safety; security and cybersecurity; diversity and inclusion; responsible lending and sustainable finance; relationships with employees; relationships with communities and other stakeholders; and ethical, elements affecting, or relevant to, the Group's business or operations. Under its terms of reference the Sustainability Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval.

Role of the Strategy Committee

The primary purpose and responsibility of the Strategy Committee is (i) to assess the strategic development plans, business plans, major financing and investment proposals and other material issues that affect the development of the Group; (ii) define top-priority areas, strategic targets and major principles of strategic development of the Group and its sustainable development; and (iii) to provide fresh perspectives on strategy and economic trends, act as a sounding board for new ideas, to look at big picture, long range trends, disruptive new technologies and their potential to be or become opportunities or threats to the Group. Under its terms of reference the Strategy Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval.

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Appointment, retirement, rotation and removal of directors

The directors of the Company are appointed by the general meeting of shareholders with the sanction of an ordinary resolution. Such an appointment may be made to fill a vacancy or as an additional director. But no director may be appointed unless nominated by the Board of directors or a committee duly authorised by the Board of directors or by a shareholder or shareholders together holding or representing shares which in aggregate constitute or represent at least 5% in number of votes carried or conferred by the shares giving a right to vote at a general meeting.

The Board of directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director and every such director shall hold office only until the next following annual general meeting and shall not be taken into account in determining the directors who are to retire by rotation.

One third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third) shall retire by rotation at every annual general meeting. Directors holding an executive office are excluded from retirement by rotation.

Directors may be removed from office by the shareholders at a general meeting with the sanction of an ordinary resolution, subject to giving 28 days' notice to that director in accordance with the Articles of Association.

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- becomes prohibited from being a director by reason of any court order made under Section 180 (disqualification from holding the position of director on the basis of fraudulent or other conduct) of the Cyprus Companies Law; or
- becomes, or may be, of unsound mind; or
- resigns his office by notice in writing to the Company left at the registered office; or
- is absent from meetings of the board for six consecutive months without permission of the Board of directors and his alternative director (if any) does not attend in his place and the Board of directors resolves that his office be vacated.

Changes in the top management team

The were no changes in the top management team in 2023, except for the changes in the Board of Directors that are presented above.

Significant direct/indirect holdings

For the significant direct and indirect shareholdings held in the share capital of the Company, please refer to Note 1 to the consolidated financial statements.

Internal control and risk management systems in relation to the financial reporting process

Policies, procedures and controls exist around financial reporting. Management is responsible for executing and assessing the effectiveness of these controls.

Financial reporting process

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113, and for such internal control as the Board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the Board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board has delegated to the Audit Committee the responsibility for reviewing the consolidated financial statements to ensure that they are in compliance with the applicable framework and legislation and for recommending these to the Board for approval. The Audit Committee is responsible for overseeing the Group's financial reporting process.

Internal Controls and Risk Management

Management is responsible for setting the principles in relation to risk management. The risk management organization is divided between Policy Making Bodies and Policy Implementation Bodies. Policy Making Bodies are responsible for establishing risk management policies and procedures, including the establishment of limits. The main Policy Making Bodies are the Board of directors, the Management Board, the Finance Committee, the Credit Committee and the Business Development Committee.

The policy implementation level of the Group's risk management organization consists of the Finance Department, the Risk Management Department, the Collections Department and the Internal Control Service.

In addition the Group has implemented an online analytical processing management system based on a common SAS data warehouse that is updated on a daily basis. The set of daily reports includes but is not limited to sales reports, application processing reports, reports on the risk characteristics of the card portfolios, vintage reports, transition matrix (roll rates) reports, reports on the pre-, early and late collections activities, reports on compliance with CBR requirements, capital adequacy and liquidity reports, operational liquidity forecast reports and information on intra-day cash flows.

Diversity policy

The Group is committed to offering equal opportunity to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment.

Recruitment, training and promotion are exclusively based on merit. All the Group employees involved in the recruitment and management of staff are responsible for ensuring the policy is fairly applied within their areas of responsibility. The Group applies this approach throughout, at all levels. This includes its administrative, management and supervisory bodies, including the Board of directors of the Company.

The composition and diversity information of the Board of directors of the Group as at 31 December 2023 is set out below:

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Name	Age	Male/Female	Educational/professional background
Alexander Isaev	32	Male	Bayes Business School, MS in International Finance and Banking, Plekhanov Russian University of Economics, Bachelor in Accounting, Analysis and Audit, CFA, experienced in M&A and investments management
Tatiana Kuznetsova	55	Female	Moscow State University, Psychologist, experience in HR and organizational development
Alexey Malinovskiy	48	Male	Moscow Aviation Institute, MS in mathematics, Association of chartered directors, Certified Independent Director, experienced in payments and fintech

Further details of the corporate governance regime of the Company can be found on the website: https://tinkoff-group.com/corporate-governance/.

By Order of the Board

Malinovskiy Alexey
Chairman of the Board
Limassol

13 March 2024

Kiteserve Ltd

Kiteserve Limited, Correspondence Address: 6, Karaiskakis Street, City House, 3rd floor,CY-3032, Limassol, Cyprus

Kiteserve Limited is a private company registered in Cyprus (Reg. No. 435188). A list of the company's directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 31 Gladstonos Street, CY-1095 Nicosia, and appears on the company's web site.

Kiteserve Ltd

Independent Auditor’s Report

To the Members of TCS Group Holding PLC

Report on the Audit of the Consolidated Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of TCS Group Holding PLC (the “Company”) and its subsidiaries (together the “Group”) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the consolidated financial statements which are presented in pages 1 to 133 and comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of material accounting policy information.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Kiteserve Ltd

Materiality	• Overall group materiality: Russian Rubles (“RR”) 5 680 million, which represents approximately 2% of net assets.
Audit scope	• We planned and conducted our audit to cover the two largest business components of the Group, being Banking and Insurance operations, for which we performed full scope audits of each of their complete financial information. • For the other components, we performed substantive audit procedures where necessary
Key audit matters	We have identified the following key audit matter: • Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 “Financial Instruments”.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	RR 5 680 million
How we determined it	Approximately 2% of net assets.
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the net financial position of the Group is most commonly measured by the users of the consolidated financial statements, and it is a generally accepted benchmark in particular during periods of volatility of earnings. We chose 2%, which in our experience is an acceptable quantitative threshold for this materiality benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RR 284 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

TCS Group Holding PLC is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of TCS Group Holding PLC.

Considering our ultimate responsibility for the opinion on the Group’s consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group has two primary business components, being Banking (which includes retail business for individuals and small and medium-sized entities business) and Insurance operations, both of which operate primarily in the Russian Federation. The Banking business comprises a number of reporting units being primarily JSC Tinkoff Bank, LLC Microfinance company T-Finans and LLC Phoenix.

The Insurance business comprises primarily JSC Tinkoff Insurance. Full scope audit procedures were performed in respect of the Banking and Insurance operations.

Other Group business reporting components are not considered to be primary business components for audit purposes. Where necessary, additional substantive audit procedures were carried out across these non-primary components at the financial statement item level in order to achieve the desired level of audit evidence. The consolidated financial statements are a consolidation of all of the above business reporting components.

We determined the level of involvement we needed to have in the audit work at the business reporting components to be able to conclude whether sufficient appropriate audit evidence was obtained as a basis for our opinion on the consolidated financial statements as a whole. We worked with other audit firms in relation to the activities of the Group in the Russian Federation. Overall, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters

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

Key Audit Matter	***How our audit addressed the Key Audit Matter***
Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 "Financial Instruments".	
This is a complex accounting standard for which models have been developed by the Group as a basis to calculate expected credit losses ("ECL"). These calculations involve the application of significant management judgement and estimates. Therefore, we applied focus to the "expected credit loss" models used by the Management for the purpose of compliance with IFRS 9. These models are described in more detail in Note 35 "Material Accounting Policy Information" and Note 26 "Financial and Insurance Risk Management" to the consolidated financial statements. An assessment of the credit loss allowance for loans and advances to customers is performed on a portfolio basis, with the key assumptions being the probability of an account falling into arrears and subsequently defaulting (which is impacted by the definitions of "significant increase in credit risk" and "default"), the estimated recoveries from defaulted loans and the lifetime period for revolving credit facilities. Statistical models are used for the assessment of the probability of default, recovery rate and the lifetime period for revolving credit facilities. In addition, calculation of the expected credit loss allowance incorporates forward-looking information, taking into consideration different macro-economic scenarios and adjusting the probability of default.	In relation to the ECL models for measuring credit loss allowance we assessed the appropriateness of the key assumptions used in the methodologies and models of the Group and their compliance with the requirements of IFRS 9. We reviewed the Group's back-testing of probabilities of default estimated on the basis of the models by comparing them to the actual default rates evidenced in the loan portfolios. In addition, we performed our own back-testing of default probabilities based on actual movements into the Stage 3 category of loans in 2023 to ensure the reasonableness of the application of the policies and models used. For a sample of inputs into estimation of recovery rate, we tested them for accuracy and criteria for inclusion into the calculation. With regard to the controls relating to the credit loss allowance calculation process, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss data and calculations. These key controls included those over classification of certain loans by loan portfolios, allocation of cash received from customers to respective loans and advances to customers, identification of the overdue loans and the data transfer from source systems to the credit loss allowance models. We assessed if and to what extent we could place reliance upon these key controls for the purposes of our audit. In addition, we performed testing, on a sample basis, of the accuracy of allocation of loans to the different "stages" and the completeness of restructured credit- impaired loans.

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Key Audit Matter	***How our audit addressed the Key Audit Matter***
	We assessed the appropriateness of the applied methodology for the post model accounting adjustments and assessed the appropriateness and reasonableness of the source data used, the key assumptions made and consistency with prior periods in the context of the economic environment that is affected by the overall geopolitical situation in the region. We assessed if the disclosures made in the consolidated financial statements comply with the relevant accounting standards in terms of completeness and accuracy. The results of the above procedures were satisfactory for the purposes of our audit.

Reporting on Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report including the Corporate Governance Statement, which we obtained prior to the date of this auditor's report, and the Group's complete Annual Report and Non-Financial Information and Diversity Statement, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report and Non-Financial Information and Diversity Statement, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

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

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement

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when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Consolidated Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Consolidated Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the Consolidated Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.

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- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Olga Menelaou.

Olga Menelaou
Certified Public Accountant and Registered Auditor for and on behalf of

Kiteserve Limited
Certified Public Accountants and Registered Auditors

13 March 2024

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Consolidated Statement of Financial Position

In millions of RR	Note	31 December 2023	31 December 2022*	1 January 2022*
ASSETS				
Cash and cash equivalents	5	724 154	511 561	316 476
Mandatory cash balances with the CBRF		3 189	1 690	8 589
Due from other banks	6	5 312	450	542
Investments in securities	7	332 923	325 802	215 311
Repurchase receivables	7	845	-	5 826
Precious metals		12 015	9 982	-
Loans and advances to customers	8	972 412	606 455	606 308
Financial derivatives	31	2 983	1 020	5 963
Brokerage receivables	9	42 345	26 747	49 138
Guarantee deposits with payment systems		-	6	15 171
Insurance contract assets	16	1 463	693	14
Current income tax assets	24	2 336	109	3 524
Deferred income tax assets	24	212	1 946	-
Tangible fixed assets and right-of-use assets	10	43 823	34 890	13 964
Intangible assets	10	36 391	24 097	15 069
Other financial assets	11	52 557	37 219	52 744
Other non-financial assets	11	36 839	14 208	8 078
TOTAL ASSETS		**2 269 799**	**1 596 875**	**1 316 717**
LIABILITIES				
Due to banks	12	6 843	2 060	11 313
Customer accounts	13	1 713 272	1 191 986	945 723
Debt securities in issue		-	301	21 680
Other borrowed funds	14	1 061	2 199	3 806
Financial derivatives	31	9	217	90
Brokerage payables	9	9 416	8 258	9 634
Current income tax liabilities	24	1 337	2 437	125
Deferred income tax liabilities	24	2 396	7	1 860
Subordinated debt	15	58 538	45 913	59 657
Insurance contract liabilities	16	21 860	15 223	9 785
Other financial liabilities	17	129 620	89 873	68 946
Other non-financial liabilities	17	41 532	32 488	7 817
TOTAL LIABILITIES		**1 985 884**	**1 390 962**	**1 140 436**

The notes № 1-38 are an integral part of these Consolidated Financial Statements.

*See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

In millions of RR	Note	31 December 2023	31 December 2022*	1 January 2022*
EQUITY				
Share capital	18	230	230	230
Share premium	18	26 998	26 998	26 998
Treasury shares	18	(1 885)	(1 885)	(2 567)
Share-based payment reserve		2 433	2 731	4 745
Retained earnings		261 354	180 864	159 668
Revaluation reserve for investments in debt securities		(5 434)	(3 214)	(13 131)
Translation reserve		4	243	-
Other reserves		43	2	13
Equity attributable to shareholders of the Company		**283 743**	**205 969**	**175 956**
Non-controlling interest		**172**	**(56)**	**325**
TOTAL EQUITY		**283 915**	**205 913**	**176 281**
TOTAL LIABILITIES AND EQUITY		**2 269 799**	**1 596 875**	**1 316 717**

Approved for issue and signed on behalf of the Board of directors on 13 March 2024.

Malinovskiy Alexey
Director

Tatiana Kuznetsova
Director

The notes № 1-38 are an integral part of these Consolidated Financial Statements.

*See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

In millions of RR	Note	2023	2022*
Interest income calculated using the effective interest rate method	19	300 099	205 603
Other similar income	19	162	149
Interest expense calculated using the effective interest rate method	19	(62 175)	(56 772)
Other similar expense	19	(2 265)	(1 007)
Expenses on deposit insurance programme	19	(5 498)	(4 076)
Net interest income	19	**230 323**	**143 897**
Credit loss allowance for loans and advances to customers and credit related commitments	8	(51 777)	(65 431)
Credit loss allowance reversal/(charge) for debt securities at FVOCI and AC	7	1 538	(2 071)
Total credit loss allowance for debt financial instruments		**(50 239)**	**(67 502)**
Net interest income after credit loss allowance		**180 084**	**76 395**
Fee and commission income	20	128 112	118 023
Fee and commission expens	20	(55 047)	(40 973)
Customer acquisition expense	21	(70 445)	(41 712)
Net gains/(losses) from derivatives revaluation		1 604	(8 156)
Net gains from foreign exchange translation		1 981	5 335
Net gains/(losses) from operations with foreign currencies		1 454	(380)
Net gains/(losses) from precious metals revaluation		4 234	(3 785)
Net losses from disposals of investments in securities		(120)	(130)
Net gains/(losses) from financial assets at FVTPL		419	(7 185)
Insurance revenue	22	56 558	41 311
Insurance service expense	22	(17 997)	(14 147)
Administrative and other operating expenses	23	(122 854)	(93 717)
Other provisions charge and impairment loss		(7 641)	(6 608)
Net gains from repurchase of subordinated debt	15	263	4 564
Other operating income		2 744	935
Profit before tax		**103 349**	**29 770**
Income tax expense	24	(22 417)	(9 010)
Profit for the year		**80 932**	**20 760**

The notes № 1-38 are an integral part of these Consolidated Financial Statements.

*See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

In millions of RR	Note	2023	2022*
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Debt securities at FVOCI and Repurchase receivables:			
- Net losses arising during the year, net of tax		(2 316)	(2 081)
- Reversal of revaluation reserve, net of tax		-	11 894
- Net losses reclassified to profit or loss upon disposal, net of tax		96	104
Currency translation differences		(239)	243
Other reserves		41	(11)
Other comprehensive (loss)/income for the year, net of tax		**(2 418)**	**10 149**
Total comprehensive income for the year		**78 514**	**30 909**
Profit/(loss) is attributable to:			
- Shareholders of the Company		80 490	20 982
- Non-controlling interest		442	(222)
Total comprehensive income/(loss) is attributable to:			
- Shareholders of the Company		78 072	31 131
- Shareholders of the Company		442	(222)
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)	**18**	**405,08**	**105,59**
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)	**18**	**395,24**	**102,35**

The notes № 1-38 are an integral part of these Consolidated Financial Statements.

*See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

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Consolidated Statement of Changes in Equity

In millions of RR	Attributable to shareholders of the Company									Non-control-ling interest	Total equity
	Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Translation reserve	Other reserves	Total		
Balance at 31 December 2021	**230**	**26 998**	**4 745**	**(13 131)**	**(2 567)**	**159 491**	**-**	**-**	**175 766**	**325**	**176 091**
Effect of initial application of IFRS 17	-	-	-	-	-	177	-	13	190	-	190
Balance at 1 January 2022*	**230**	**26 998**	**4 745**	**(13 131)**	**(2 567)**	**159 668**	**-**	**13**	**175 956**	**325**	**176 281**
Profit/(loss) for the period*	-	-	-	-	-	20 982	-	-	20 982	(222)	20 760
Other comprehensive (loss)/ income:											
Revaluation of investments in debt securities at FVOCI and Repurchase receivables	-	-	-	(1 977)	-	-	-	-	(1 977)	-	(1 977)
Reversal of revaluation reserve	-	-	-	11 894	-	-	-	-	11 894	-	11 894
Currency translation differences	-	-	-	-	-	-	243	-	243	-	243
Reserve against changes in discount rates	-	-	-	-	-	-	-	(11)	(11)	-	(11)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**9 917**	**-**	**20 982**	**243**	**(11)**	**31 131**	**(222)**	**30 909**
Share-based payment reserve	-	-	(2 014)	-	682	214	-	-	(1 118)	-	(1 118)
Changes from business combinations and assets acquisitions	-	-	-	-	-	-	-	-	-	(159)	(159)
Balance at 31 December 2022	**230**	**26 998**	**2 731**	**(3 214)**	**(1 885)**	**180 864**	**243**	**2**	**205 969**	**(56)**	**205 913**

The notes № 1-38 are an integral part of these Consolidated Financial Statements.

*See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

In millions of RR	Attributable to shareholders of the Company									Non-control-ling interest	Total equity
	Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Translation reserve	Other reserves	Total		
Balance at 31 December 2022	**230**	**26 998**	**2 731**	**(3 214)**	**(1 885)**	**180 864**	**243**	**2**	**205 969**	**(56)**	**205 913**
Profit for the year	-	-	-	-	-	80 490	-	-	80 490	442	80 932
Other comprehensive (loss)/ income:											
Revaluation of investments in debt securities at FVOCI and Repurchase receivables	-	-	-	(2 220)	-	-	-	-	(2 220)	-	(2 220)
Currency translation differences	-	-	-	-	-	-	(239)	-	(239)	-	(239)
Reserve against changes in discount rates	-	-	-	-	-	-	-	41	41	-	41
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(2 220)**	**-**	**80 490**	**(239)**	**41**	**78 072**	**442**	**78 514**
Share-based payment reserve	-	-	(298)	-	-	-	-	-	(298)	-	(298)
Changes from business combinations and assets acquisitions	-	-	-	-	-	-	-	-	-	(214)	(214)
Balance at 31 December 2023	**230**	**26 998**	**2 433**	**(5 434)**	**(1 885)**	**261 354**	**4**	**43**	**283 743**	**172**	**283 915**

The notes № 1-38 are an integral part of these Consolidated Financial Statements.

*See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

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Consolidated Statement of Cash Flows

In millions of RR	Note	2023	2022*
Cash flows from/(used in) operating activities			
Interest income received calculated using the effective interest rate method		298 190	205 096
Other similar income received		151	136
Interest expense paid calculated using the effective interest rate method		(57 820)	(57 499)
Recoveries from written-off loans	8	6 651	5 660
Expenses on deposits insurance paid		(4 951)	(3 874)
Fees and commissions received		127 825	120 629
Fees and commissions paid		(53 465)	(35 712)
Customer acquisition expense paid		(68 338)	(37 774)
Gains/(losses) from operations with foreign currencies		1 733	(2 532)
Losses from operations with derivatives paid		(204)	(1 194)
Insurance premiums received		61 564	44 134
Insurance claims paid		(18 309)	(9 655)
Recoveries from the purchased loans received	8	4 971	3 902
Other operating income received		1 327	1 403
Administrative and other operating expenses paid		(90 737)	(82 761)
Income tax paid		(20 261)	(9 525)
Windfall tax paid		(924)	-
Cash flows from operating activities before changes in operating assets and liabilities		**187 403**	**140 434**
Changes in operating assets and liabilities			
Net (increase)/decrease in CBRF mandatory reserves		(1 499)	6 899
Net (increase)/decrease in due from banks		(4 862)	92
Net increase in loans and advances to customers		(425 459)	(75 511)
Net (increase)/decrease in brokerage receivables		(15 598)	22 391
Net decrease in debt securities measured at FVTPL		617	3 509
Net decrease in guarantee deposits with payment systems		8	17 568
Net decrease/(increase) in precious metals		2 201	(13 767)
Net (increase)/decrease in other financial assets		(17 865)	3 844
Net increase in other non-financial assets		(19 731)	(6 394)
Net increase/(decrease) in due to banks		4 587	(9 924)
Net increase in customer accounts		484 105	269 993
Net increase/(decrease) in brokerage payables		1 158	(1 376)
Net increase in other financial liabilities		34 436	18 098
Net decrease in non-financial liabilities		(23)	(185)
Net cash from operating activities		**229 478**	**375 671**

The notes No 1-38 are an integral part of these Consolidated Financial Statements.

In millions of RR	Note	2023	2022*
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(12 699)	(2 656)
Acquisition of intangible assets		(24 510)	(15 622)
Acquisition of investments in securities, repurchase receivables and other investments		(22 168)	(114 997)
Proceeds from sale and redemption of investments in securities		26 187	15 686
Net cash used in investing activities		**(33 190)**	**(117 589)**
Cash flows used in financing activities			
Repayment of debt securities in issue	25	(331)	(21 098)
Repayment of securitisation	25	(1 135)	(1 604)
Repayment of principal of lease liabilities	10,25	(3 365)	(659)
Repayment of subordinated debt	25	(892)	(4 427)
Net cash used in financing activities		**(5 723)**	**(27 788)**
Effect of exchange rate changes on cash and cash equivalents		22 028	(35 209)
Net increase in cash and cash equivalents		**212 593**	**195 085**
Cash and cash equivalents at the beginning of the year	**5**	**511 561**	**316 476**
Cash and cash equivalents at the end of the year	**5**	**724 154**	**511 561**

The notes No 1-38 are an integral part of these Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2023 for TCS Group Holding PLC (the "Company") and its subsidiaries (together referred to as the "Group"), and in accordance with the requirements of the Cyprus Companies Law, Cap.113.

The Company was incorporated, and is domiciled, in Cyprus in accordance with the provisions of the Companies Law, Cap. 113.

On 15 January 2024 at an Extraordinary General Meeting, the Company's shareholders approved the deregistering of the Company from the Register of the Registrar of Companies in Cyprus and the registering of the Company as a continuing company in the Russian Federation (redomiciliation) in the form of international public joint-stock company without being dissolved and without being re-incorporated. On the same date, the shareholders also approved amendments to the Company's Articles of Association that allow the parent structure to continue operating in the jurisdiction other than Cyprus.

Till 14 December 2023 the Company Secretary was Caelion Secretarial Limited, 25 Spyrou Araouzou, 25 Berengaria, 5th floor, Limassol 3036, Cyprus. Since 14 December 2023 the Company Secretary is Paula Tanasie, Ellanikou Street, Myria Court, 102, 3071, Limassol, Cyprus.

At 31 December 2023 the share capital of the Company is comprised of ordinary shares (31 December 2022: same). Each ordinary share has a nominal value of USD 0.04 per share and carries one vote. As at 31 December 2023 the number of issued ordinary shares is 199,305,492 (31 December 2022: same). Refer to Note 18 for further information on the share capital. On 25 October 2013 the Group completed an initial public offering of its ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Group completed a secondary public offering (SPO) of its shares in the form of GDRs. On 28 October 2019 the Group's GDRs started trading also on the Moscow Exchange. As at 31 December 2023 in accordance with IFRS 10 definition of control the Group has no ultimate controlling party (31 December 2022: same). Refer to Note 3 for further information.

On 28 April 2022 The New Rigi Trust, a major shareholder of the Company, disposed of its entire interest in the Company. IC "Interros Capital", a leading Russian investment group with a diverse portfolio of assets including in banking, has acquired an interest in the Group, and consequently now holds approximately 35.08% of the outstanding shares in the Company. The deal was approved by the Central Bank of the Russian Federation. As a result of the aforementioned deal Mr Vladimir Potanin, ultimate beneficiary owner of IC "Interros Capital", became a minority shareholder with a total shareholding of 35.08%. The free float of the Company amounts to approximately 64.92% of the Company's issued share capital and Guaranty Nominees Limited is the company that holds the ordinary shares of the Company for which GDRs were issued up until 31 January 2024 under a deposit agreement made between the Company and JPMorgan Chase Bank, N.A. (JPM) signed in October 2013.

The Company has notified JPM, the depositary bank for the GDRs, of its intention to change the depositary bank. RCS Issuer Services S.AR.L. ("RCS") has been selected as the new depositary bank.

Following the delisting of the Company's GDRs from the LSE and until the termination of the GDR program, these securities outside Russia will only be available for over-the-counter (OTC) transactions. In fact, this situation existed since 03 March 2022, when the LSE suspended trading of the Company's GDRs. At the same time, the Company is taking measures to ensure that the GDRs continue to be traded on the Moscow Exchange.

Following the Company's registration as International Public Joint-Stock Company TCS Holding in Russian Federation the Company will be required to take steps to discontinue its GDR program. TCS Holding shares will be listed on the Moscow Exchange.

GDRs accountable for within Russian depositories will be automatically converted into TCS Holding shares in accordance with the procedure and terms approved by the Board of Directors of the Central Bank of the Russian Federation.

GDRs accountable for within foreign depositories are not subject to the procedure of automatic conversion of GDRs into TCS Holding shares. Voluntary conversion must be carried out with the assistance of investors' brokerage firm and/or depositary bank. A GDR holder whose rights are accountable for by a foreign depositary may have to apply for a forced conversion of the GDRs. GDR holders may claim compensation if GDRs are not converted.

The material subsidiaries of the Group are set out below. The Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 31 December 2023 and 2022.

JSC "Tinkoff Bank" (the "Bank") provides on-line retail financial services in Russia, such as retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, retail debit cards, investment services, SME services, acquiring and payments, other lifestyles and travel services to individuals.

JSC "Tinkoff Insurance" (the "Insurance Company") provides insurance services such as accident, property, travellers', financial risks and auto insurance.

LLC "Microfinance company "T-Finans" provides micro-finance services.

LLC "Phoenix" is a debt collection agency.

Principal activity. The Group's principal business activities are retail banking to private individuals, individual entrepreneurs' and small and medium enterprises' ("SME") accounts and banking services, brokerage services, insurance operations, acquiring and payments' services mainly within the Russian Federation through the Bank and the Insurance Company. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation ("CBRF") on 8 December 2006. This license was re-issued on 11 April 2022 due to changes in requirements related to certain banking operations. The Insurance Company operates under an insurance license No. 0191 issued by the CBRF.

The Bank participates in the state deposit insurance scheme, which was introduced by Federal Law No. 177-FZ "Deposits insurance in banks of the Russian Federation" dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of up to RR 1.4 million per individual, individual entrepreneur and small enterprise deposits in case of the withdrawal of a license of a bank or a CBRF-imposed moratorium on payments.

Registered address and place of business. Registered address and place of business. The Company's registered address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, 3036, Cyprus. The Bank's and the Insurance Company's registered address is 2-nd Khutorskaya Street, 38A, building 26, 127287, Moscow, Russian Federation. The Group's principal activities are undertaken mainly within the Russian Federation.

Presentation currency. These consolidated financial statements are presented in millions of Russian Rubles (RR).

2 Operating Environment of the Group

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations.

In 2023, a significant geopolitical tension persisted. Some countries introduced and continue introducing significant sanctions against Russian individuals and legal entities, including major Russian companies and entire industries, which resulted in disruptions in the global financial markets. Moreover, a number of multinational groups suspended or terminated their business activity in the Russian Federation. Despite the trade volume recovery, the financial and commodity markets continue to demonstrate instability.

In 2023, the Russian economy demonstrated a recovery, with a growth of GDP by 5.1%. To limit inflation risks (up to 7.4% in the end of 2023) in the context of gradual recovery of economic activity, the Central Bank of Russian Federation more than once increased the key rate: on 24 July 2023 – from 7,5% to 8,5%, on 15 August 2023 – from 8,5% to 12%, on 18 September 2023 – from 12% to 13%, on 27 October 2023 – from 13% to 15%, on 18 December 2023 – from 15% to 16%. In 2023, the exchange rates to Russian ruble increased significantly compared to the exchange rates valid at 31 December 2022.

On 3 June 2022, the European Union imposed sanctions against the National Settlement Depository (NSD) as the largest securities depository in Russia. As a result, the Bank's funds in euros were blocked on the correspondent account in NSD, and all payments on matured coupons and bonds were frozen. The management of the Group made a decision to reclassify these amounts to other financial assets and to create a provision for impairment for these blocked amounts. Refer to Note 11.

On 2 November 2023, the US Treasury imposed sanctions against the St. Petersburg Exchange and added it to the SDN list. As a result, the Group transferred blocked funds in central counterparty St. Petersburg clearing to other financial assets and created a provision for impairment for these blocked amounts. Refer to Note 11.

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Notes to the Consolidated Financial Statements

2 Operating Environment of the Group (Continued)

On 25 February 2023, the international sanctions list was expanded, with the Bank becoming subject to an asset freeze in the EU under the Council Implementing Regulation (EU) No 2023/429, implementing Council Regulation (EU) No 269/2014 (the "EC Regulation 269"). The Company and its controlled subsidiary undertakings (other than the Bank and any controlled subsidiary undertakings of the Bank) are not subject to an asset freeze pursuant to EC Regulation 269 or to other EU sanctions.

On 19 May 2023, the Bank became subject to an asset freeze in the UK under the Russia (Sanctions) (EU Exit) Regulations 2019 (S.I. 2019/855). The Company and its controlled subsidiary undertakings (other than the Bank and any controlled subsidiary undertakings of the Bank) are not subject to an asset freeze pursuant to stated above Regulations S.I. 2019/855.

On 20 July 2023, the Bank became subject of the USA and Canada updated sanctions list.

Taking into account the consequences of sanctions and risks, the transformation of business and operating models continues to improve the efficiency of processes and the profitability of products.

As of 31 December 2023 the Group complied with all the required ratios including capital adequacy and liquidity ratios. The Group has formed a liquidity reserve in advance, including cash balances in Russian rubles and foreign currencies, which will ensure the stability of the customer service and stability of the Group. All necessary measures have been taken to ensure uninterrupted non-cash payments and meet the needs of the Group's customers, backing ATMs with cash banknotes.

Depending on the stress scenario, the Group provides for liquidity recovery plan that includes a wide range of measures aimed at protecting funds, assets and interests of the customers, as well as ensuring the regular operation of all functions.

The Group maintains adequate capital and liquidity levels and closely monitors its foreign exchange position and cash flows, also it has all the necessary technological capabilities for maintaining of its operations without interruptions.

The Group regularly performs stress testing of its business to assess the sustainability of its liquidity and capital positions. These tests demonstrate that the Group's current levels of capital and liquidity are more than sufficient to absorb operational impacts from potential economic shocks and market volatility.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the existing circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Ultimate controlling party. As per IFRS 10 "Consolidated Financial Statements", an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control is presumed to exist when an investor holds, directly or indirectly through subsidiaries, 50% or more of the voting power of the investee. In cases where the investor's shareholding is less than 50%, judgement is required in determining whether the investor exercises control on the investee. In performing this assessment, the Management considers the investor's representation in the board of directors or other governing body of the Group which could impact the investor's voting rights, the investor's participation in policy-making processes and exercise of the voting rights at the Group's general meetings of shareholders, including participation in decisions about dividends and other distributions as well as any material transactions.

In making this judgment, Management considered that the Group's directors have sole responsibility for decisions over the Group's relevant activities and dividend distributions and are independent of the shareholders, among whom none is the owner of preference shares, providing any special rights to its' holders. Hence as of 31 December 2023 in accordance with IFRS 10 "Consolidated Financial Statements" definition of control the Group has no ultimate controlling party.

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement and involves methodology, models and data inputs. The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and their weights) and loss given default ("LGD"). The Group makes estimates and judgments, which are constantly analysed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances.

An increase or decrease in PDs by 0.5% compared to PDs used in the ECL estimates calculated at 31 December 2023 would result in an increase or decrease in credit loss allowances of RR 5.1 billion (31 December 2022: by 0.5% RR 3.4 billion).

An increase or decrease in LGDs by 1% compared to LGDs used in the ECL estimates calculated at 31 December 2023 would result in an increase or decrease in credit loss allowances of RR 1.5 billion (31 December 2022: by 1% RR 1.3 billion).

In 2022, given the high degree of uncertainty associated with the current geopolitical situation, the Group has assessed the impact of the economic environment on the applicable estimates used in calculating ECLs. In determining the amount of impairment, the Group uses forward looking information based on forecasts and data received in the previous economic crisis, which results in a direct adjustment to the probability of default. As with any forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. The effect of the revision of forecast data led to an increase in the amount of the credit loss allowance by RR 15.1 billion of additional credit loss allowance as at 31 December 2022.

Credit exposure on revolving credit facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits).

For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for stage 2 and stage 3 loans and advances to customers, refer to Note 26.

Perpetual subordinated debts. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion). A perpetual subordinated loan participation notes issue in September 2021 was initially recognised in the amount of USD 600 million (RR 43.5 billion). Both issues represented by the funds received from investors less issuance costs. Subsequent measurement of these instruments is consistent with the accounting policy for debt securities in issue. Interest expense on these instruments is calculated using the effective interest rate method and recognised in profit or loss for the year.

In the event the accrued interest is paid, the payment decreases the balance of the liability. A cancellation of accrued interest for a given period results in its conversion, at the Group's option, into equity and therefore the respective amount of the liability is reclassified to equity. Foreign exchange translation gains and losses on the bond are recognised in profit or loss for the period. Application of this approach requires judgement: the Group has taken into consideration that there are contingent settlement provisions that could genuinely arise and as such has classified the perpetual subordinated debts instrument in its entirety as a liability, rather than equity, on the basis of the terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer.

If the Group had recognized these instruments as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

The Group also from time to time invests in perpetual subordinated debts issued by third parties. The Group has taken into consideration that there are genuine contingent settlement provisions that could arise and as such has classified the investments in perpetual subordinated debts as investments in debt securities on the basis of terms of issue which stipulate the possible redemption of the instrument in several cases other than liquidation of the issuer.

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes.

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Notes to the Consolidated Financial Statements

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Interest income recognition. The effective interest method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income. Refer to Note 35.

Unbundling of loans products. Certain loans issued by the Group are forgivable upon events such as the borrower's death, or the borrower becoming unemployed because the borrower had opted to purchase the Insurance Company's products to cover repayments of the related loan products issued by the Bank in such cases. The Group is able to measure the loans separately. Also the borrowers are able to take a loan without insurance at the time of issuance with no different interest rate and the borrowers can cancel the insurance products at any time, separately from the loan. Accordingly, the Group unbundles the loans from the insurance arrangement.

Financial assets sales and securitisations. Group's securitisation activities involve home equity loans and are predominantly transacted using SPEs. In a typical securitisation, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt certificates and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and consolidated on the Group's consolidated statement of financial position, unless the accounting requirements for sale were met. At 31 December 2023 the Group has not made a securitisation transaction that resulted in derecognition of transferred assets. The Group assessed that its secured loan portfolio meets the criteria for held to collect business model and determined that the past securitisation transactions have not resulted in derecognition of the assets and therefore are not inconsistent with the held to collect business model.

The Group may have intention to sell home equity loans under securitisation, in this case the derecognition requirements should be applied. The derecognition test is performed in 2 steps:

1) Pass-through arrangement. All the following conditions have to be met to conclude that pass-through arrangements meet the criteria:

- An entity has no obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances by the entity to the eventual recipients with the right of full recovery of the amount lent plus accrued interest from the amounts eventually payable to the eventual recipients at market rates do not violate this condition.
- An entity is prohibited by the transfer contract's terms from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- An entity has an obligation to remit any cash flows that it collects on behalf of the eventual recipients without material delay (up to 3 months).

2) Risk-reward assessment. If a transfer meets the pass-through requirements the transferor still needs to assess whether it has transferred sufficient risks and rewards associated with the asset to achieve derecognition. If, as a result of the assessment, majority of risks and associated rewards are deemed to be transferred, the asset is derecognized. Otherwise the sale is accounted for as a finance deal.

Investments in securities and repurchase receivables classification. As a result of attaining systemically important status, management made a decision to create a portfolio of investments into debt securities managed under a "hold to collect" business model. These securities were accounted for at amortised cost, as opposed to fair value, as they will be held until full maturity and will not be susceptible to market price fluctuations. Initially this portfolio was created from the Bank's existing portfolio of high-grade bonds, consisting of Russian government bonds. The described change in accounting treatment of the securities managed under hold to collect model is effective starting from 1 January 2022. Refer to Note 7.

Investments in securities and repurchase receivables FV measurement. During the year ended 31 December 2023 revaluation of investments in securities has been calculated according to the accounting policy of the Group due to the market recovery. In March 2022 due to the absence of an active market of foreign currency OFZs and corporate eurobonds, the fair value of these securities measured at FVOCI and FVTPL, for which market quotes were unavailable, was calculated by discounting cash flows, taking into account the transfer of expected coupons to receive in the flow. Refer to Note 32.

Restricted assets. Restricted assets are receivables from settlements with banks and other financial institutions which are currently subject to restrictions, and securities blocked in foreign depositories due to imposed sanctions and therefore unavailable to the Group. The Group performed transactions with these counterparties either directly or as an agent. The Group makes all possible efforts to obtain access to those assets and reinstate their payment schedules. Refer to Note 11.

The provision from restricted assets was estimated by weighting the estimates of expected credit losses for different possible outcomes against probabilities of each outcome. The Group defined at least two possible scenarios for each separate deal, one of which leads to a loss. Individual assessment is mainly based on the expert opinion of the Group's management, including official projections.

Tax legislation. Russian and Cypriot tax, currency and customs legislation are subject to varying interpretations. Refer to Note 28.

Insurance contracts. The following estimates and assumptions are used for accounting of insurance contracts.

Unit of account. For collective personal accident and property insurance contracts of individuals, where the insurance contract is legally concluded with the Bank, the analysis of the scope of the contracts is based on the terms of the individual policies of the insured, and not on the terms of the contract with the Bank, i.e. the accounting unit for such contracts is the combination of policies of insured individuals with the same start and end term dates of the contract within the framework of one monthly register of concluded insurance contracts.

Aggregation of insurance contracts. For obligatory motor third party liability insurance of motor vehicle owners (hereinafter – "OMTPL") the Group applies the right to include onerous contracts in one group with profitable contracts, contracts that at initial recognition have no significant possibility of becoming onerous subsequently, because due to regulatory restrictions on OMTPL tariff corridors, the Group has no practical opportunity to set different tariffs or the level of benefits for policyholders with different characteristics.

Measurement model. For contracts measured under the premium allocation approach (PAA) with a coverage period of more than one year the Group verified that contracts meet the PAA eligibility criteria and established that such a simplification would produce a measurement of the liability for remaining coverage (LRC) that would not differ materially from the one that would be produced by applying the general measurement model (GMM).

Estimates of future cash flows to fulfil insurance contracts. The estimates of future cash flows are based on probability weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions and forecasts of future conditions.

The forecast of the future cash flow is calculated using mathematical modeling methods as a weighted average of the probability of realization of the size of individual cash flows.

Where estimates of expenses related cash flows are determined at the portfolio level or higher, corresponding to allocation drivers: the amount of the premium, the amount of claims costs, number of claims, labor hours by type of activity and similar indicators. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature.

Acquisition cash flows are typically allocated to groups of contracts based on gross premiums written. The Group allocates acquisition cash flows to both existing and future groups of insurance contracts.

Claims settlement-related expenses are allocated to groups of insurance contracts using actuarial methods or based on the average claim costs.

The Group forecasts of an estimate of future expenses related to insurance contracts are based on the current level of expenses. Expenses include expenses that are directly attributable to groups of contracts, including allocation of fixed and variable expenses of the Group.

Directly attributable expenses of an administrative policy maintenance nature are allocated by a relevant driver, while not directly attributable expenses are allocated to groups of contracts based on insurance revenue within the certain group.

Uncertainty in the estimation of future claims and benefit payments and premium receipts arises primarily from the unpredictability of claims amount and future inflation rates that lead to expenses growth.

In determining the assumptions for estimation of future cash flows, the Group used reasonable consistent approaches. Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

Estimates of liability for incurred claims. The Group estimates insurance liabilities in relation to claims incurred on accident period basis as ultimate cost of outstanding claims. Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred. The most common methods used to estimate property damage claims incurred are the chain-ladder, the Bornhuetter-Ferguson and Expected loss ratio methods.

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Notes to the Consolidated Financial Statements

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

The chain-ladder technique is the most appropriate for those accident periods and classes of business that have reached a relatively stable development pattern. The chain-ladder technique is less suitable in cases in which the Group does not have a developed claims history for a particular type of claim. Also, the chain-ladder technique is best suited for estimation of more matured accident periods.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure, such as gross premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined, using a formula that gives more weight to the experience-based estimate as time passes. This technique is best suited for estimation of more recent accident periods.

The Expected loss ratio method assumes the estimation of ultimate level of losses in relation to gross earned premiums. This technique can be used in situations in which claims experience is not available for the projection.In certain instances, different techniques or a combination of techniques have been selected for individual accident periods within the same type of contract.

The Group estimates future claim handling costs on incurred claims separately. Under motor own damage insurance ("CASCO") insurance contracts the Group has the right to pursue third parties for payment of some or all costs. Estimates of subrogation reimbursements are based on historical data of corresponding income.

4 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the Group. The functions of CODM are performed by the management of the Bank and the management of the Insurance Company.

Description of products and services from which each reportable segment derives its revenue

As a result of a rapid change in macroeconomic environment, the management of the Group adopted new eco-system review approach of its business. Thus the management highlights 4 segments: consumer financial services, retail daily and lifestyle transaction services, SME financial services and other investments. Each segment comprises certain services and business lines, thanks to the interaction of which synergy is achieved and the efficiency of the Group's business as a whole is ensured. This impacted overall composition of the comparative information.

Description of 4 main business segments:

Consumer financial services - representing risk-taking services provided to individuals, including retail loans such as credit cards, cash loans, consumer loans, car loans, secured loans, as well as other associated insurance services.

Retail daily and lifestyle transaction services - representing transactional financial and daily lifestyle services provided to retail customers, including mobile app experience, current accounts, debit cards, savings and investments services, loyalty programs, co-branded offers, telecommunications and also daily lifestyle and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in customer funds and investments in securities, treasury transactions, other financial and non-financial assets.

SME financial services - representing financial services provided to SME customers and merchants. It includes customer current accounts, deposits, transactional and software services and loans to individual entrepreneurs and small to medium businesses. It also includes providing merchants and businesses the ability to process and acquire payments using online and offline channels. Assets of the segment are represented by placements of the funds attracted from customers into investments in securities, treasury transactions, other financial and non-financial assets.

Other investments - representing investments in companies and equity instruments that fall outside of the scope of the other segments. The CODM made a decision to allocate such investments into a separate business segment.

The Group's principal activities are mainly undertaken within the Russian Federation. Given the retail nature of business of the segments, the Group does not have any significant revenue stream from any single customer.

Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different services to the customers of the Group. Their performance is analysed separately by the CODM and they are managed separately because each business unit requires different marketing strategies and represents different types of businesses.

Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on international financial reporting standards adjusted to meet the requirements of internal reporting. The CODM evaluates performance of each segment based on profit before tax.

Information about reportable segment assets and liabilities, profit or loss

Segment reporting of the Group's assets and liabilities as at 31 December 2023 is set out below:

In millions of RR	Consumer financial services	Retail daily and lifestyle transaction services	SME financial services	Other investments	Eliminations	Total
Reportable segment assets	1 352 080	716 124	189 945	16 381	(4 731)	2 269 799
Reportable segment liabilities	780 679	930 095	279 841	-	(4 731)	1 985 884

Segment reporting of the Group's assets and liabilities as at 31 December 2022* is set out below:

In millions of RR	Consumer financial services	Retail daily and lifestyle transaction services	SME financial services	Other investments	Eliminations	Total
Reportable segment assets	857 710	611 019	131 040	12 092	(14 986)	1 596 875
Reportable segment liabilities	346 742	844 319	214 887	-	(14 986)	1 390 962

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

All jointly used assets, such as fixed assets, rights of use assets and intangible assets were allocated to the segments on the basis of detailed analysis of usage of those assets by segments.

Segment reporting of the Group's capital expenditures for the year ended 31 December 2023 is set out below:

In millions of RR	Consumer financial services	Retail daily and lifestyle transaction services	SME financial services	Total
Intangible assets	13 495	8 824	3 634	25 953
Tangible fixed assets and right-of-use assets	9 828	4 290	800	14 918
Total capital expenditure	**23 323**	**13 114**	**4 434**	**40 871**

Segment reporting of the Group's capital expenditures for the year ended 31 December 2022 is set out below:

In millions of RR	Consumer financial services	Retail daily and lifestyle transaction services	SME financial services	Total
Intangible assets	8 608	5 615	2 426	16 649
Tangible fixed assets and right-of-use assets	19 388	6 532	2 018	27 938
Total capital expenditure	**27 996**	**12 147**	**4 444**	**44 587**

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4 Segment Analysis (Continued)

Segment reporting of the Group's income and expenses for the year ended 31 December 2023 is set out below:

In millions of RR	Consumer financial services	Retail daily and lifestyle transaction services	SME financial services	Other invest-ments	Elimina-tions	Total
External revenues						
Interest income	228 904	49 909	21 389	59	-	300 261
Fee and commission income						
- Fee and commission income on cards' and current accounts' services	4 208	19 480	26 148	-	-	49 836
- Acquiring commission	-	840	36 611	-	-	37 451
- MVNO and investments services	-	25 496	-	-	-	25 496
- Other fees receivable	3 310	11 065	954	-	-	15 329
Timing of fee and commission income recognition:						
- At point in time	2 470	39 829	53 807	-	-	96 106
- Over time	5 048	17 052	9 906	-	-	32 006
Total fee and commission income	7 518	56 881	63 713	-	-	128 112
Insurance revenue	56 558	-	-	-	-	56 558
Other operating income	2 197	420	127	-	-	2 744
Total external revenues	**295 177**	**107 210**	**85 229**	**59**	**-**	**487 675**
Revenues from other segments						
Interest income	-	35 955	9 401	-	(45 356)	-
Total revenues from other segments	**-**	**35 955**	**9 401**	**-**	**(45 356)**	**-**
TOTAL REVENUES	**295 177**	**143 165**	**94 630**	**59**	**(45 356)**	**487 675**
Interest expense	(76 852)	(30 702)	(7 740)	-	45 356	(69 938)
Credit loss allowance charge	(45 910)	(1 495)	(2 445)	(389)	-	(50 239)
Fee and commission expense	(4 220)	(31 183)	(19 644)	-	-	(55 047)
Insurance service expense	(17 997)	-	-	-	-	(17 997)
Administrative and other operating expenses	(39 139)	(54 997)	(28 718)	-	-	(122 854)
Other gains/(losses)	4 124	(5 552)	(1 342)	4 964	-	2 194
Segment result before acquisition expenses	**115 183**	**19 236**	**34 741**	**4 634**	**-**	**173 794**
Customer acquisition expense	(25 727)	(35 417)	(9 301)	-	-	(70 445)
SEGMENT RESULT	**89 456**	**(16 181)**	**25 440**	**4 634**	**-**	**103 349**

Segment reporting of the Group's income and expenses for the year ended 31 December 2022* is set out below:

In millions of RR	Consumer financial services	Retail daily and lifestyle transaction services	SME financial services	Other invest-ments	Elimina-tions	Total
External revenues						
Interest income	164 765	30 109	10 867	11	-	205 752
Fee and commission income						
- Fee and commission income on cards' and current accounts' services	3 939	32 532	24 792	-	-	61 263
- Acquiring commission	-	283	30 787	-	-	31 070
- MVNO and investments services	-	17 469	-	-	-	17 469
- Other fees receivable	876	6 788	557	-	-	8 221
Timing of fee and commission income recognition:						
- At point in time	2 367	48 580	51 686	-	-	102 633
- Over time	2 448	8 492	4 450	-	-	15 390
Total fee and commission income	4 815	57 072	56 136	-	-	118 023
Insurance revenue	41 311	-	-	-	-	41 311
Other operating income	690	84	161	-	-	935
Total external revenues	**211 581**	**87 265**	**67 164**	**11**	**-**	**366 021**
Revenues from other segments						
Interest income	218	19 854	6 131	-	(26 203)	-
Total revenues from other segments	**218**	**19 854**	**6 131**	**-**	**(26 203)**	**-**
TOTAL REVENUES	**211 799**	**107 119**	**73 295**	**11**	**(26 203)**	**366 021**
Interest expense	(56 173)	(28 351)	(3 534)	-	26 203	(61 855)
Credit loss allowance charge	(63 842)	(2 002)	(1 658)	-	-	(67 502)
Fee and commission expense	(2 689)	(21 136)	(17 148)	-	-	(40 973)
Insurance service expense	(14 147)	-	-	-	-	(14 147)
Administrative and other operating expenses	(30 641)	(39 437)	(23 639)	-	-	(93 717)
Other losses	(4 493)	(4 054)	(1 456)	(6 342)	-	(16 345)
Segment result before acquisition expenses	**39 814**	**12 139**	**25 860**	**(6 331)**	**-**	**71 482**
Customer acquisition expense	(11 364)	(22 816)	(7 532)	-	-	(41 712)
SEGMENT RESULT	**28 450**	**(10 677)**	**18 328**	**(6 331)**	**-**	**29 770**

* Подробная информация о пересмотре учетной политики в связи с применением МСФО 17 с 1 января 2023 года раскрыта в Примечании 36.

Notes to the Consolidated Financial Statements

4 Segment Analysis (Continued)

Fee and commission income on cards' and current accounts' services include SME services commission, SMS fee, interchange fee, foreign currency exchange transactions fee, fee for money transfers, cash withdrawal fee and replenishment fee.

Interest income and interest expense from other segments for the year ended 31 December 2023 amounted to RR 45,356 million (2022: RR 26,203 million) are calculated using the funds transfer pricing curve.

5 Cash and Cash Equivalents

In millions of RR	31 December 2023	31 December 2022
Cash on hand	78 905	56 895
Cash balances with the CBRF (other than mandatory reserve deposits)	71 283	106 693
Placements with other banks and non-bank credit organizations with original maturities of less than three months	573 966	347 973
Total cash and cash equivalents	**724 154**	**511 561**

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 476,063 million as at 31 December 2023 (31 December 2022: RR 252,399 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2023:

In millions of RR	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	71 283	4 168	75 451
Good	-	565 023	565 023
Monitor	-	4 775	4 775
Total cash and cash equivalents, excluding cash on hand	**71 283**	**573 966**	**645 249**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2022:

In millions of RR	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent	106 693	3 385	110 078
Good	-	326 901	326 901
Monitor	-	17 687	17 687
Total cash and cash equivalents, excluding cash on hand	**106 693**	**347 973**	**454 666**

The carrying amount of cash and cash equivalents at 31 December 2023 and 2022 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 26 for the description of the risk grades.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2023 the fair value of collateral under reverse sale and repurchase agreements was RR 493,162 million (31 December 2022: RR 254,683 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents.

Refer to Note 32 for the disclosure of the fair value of cash and cash equivalents. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 26.

6 Due from Other Banks

The table below discloses the credit quality of due from banks balances based on credit risk grades:

In millions of RR	31 December 2023	31 December 2022
Placements with other banks with original maturities of more than three months	5 312	450
Good	2 112	100
Monitor	3 200	350
Total due from other banks	**5 312**	**450**

The carrying amount of due from other banks at 31 December 2023 and 2022 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 26 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement due from other banks balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for due from other banks.

Refer to Note 32 for the disclosure of the fair value of due from other banks. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 26.

Notes to the Consolidated Financial Statements

7 Investments in Securities and Repurchase Receivables

In millions of RR	31 December 2023	31 December 2022
Securities measured at fair value through other comprehensive income	206 376	199 892
Securities measured at amortised cost	120 136	121 283
Securities measured at fair value through profit or loss	6 411	4 627
Total investments in securities	**332 923**	**325 802**
Repurchase receivables at amortised cost	845	-
Total investments in securities and repurchase receivables	**333 768**	**325 802**

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. As at 31 December 2023 repurchase receivables were RR 845 million, short-term and matured in January 2024 (31 December 2022: nil).

Refer to Note 12 for the related liabilities. Refer to Note 32 for the disclosure of the fair value of repurchase receivables. Securities reclassified to repurchase receivables continue to be carried at value in accordance with accounting policies for these categories of assets.

As a result of the imposed sanctions against Russian financial system, receivable cash on redeemed bonds and related coupon payments have been postponed, thus the Group reclassified all these receivables to Other financial assets. Refer to Note 11 for more information.

1) Investments in securities measured at fair value through other comprehensive income

The table below discloses investments in debt securities measured at FVOCI by classes:

In millions of RR	31 December 2023	31 December 2022
Investments in securities		
Russian government bonds	113 124	106 918
Corporate bonds	86 758	80 559
Municipal bonds	5 656	7 811
Foreign government bonds	838	4 604
Total investments in securities measured at FVOCI	**206 376**	**199 892**
Including credit loss allowance	(1 130)	(2 132)

The corporate bonds portfolio mainly includes securities from the following sectors: financial, energy, basic materials and industrial.

The table below contains an analysis of the credit risk exposure of investments in securities measured at FVOCI at 31 December 2023, for which an ECL allowance is recognised, based on credit risk grades:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds			
Excellent	115 010	-	115 010
Total AC gross carrying amount	115 010	-	115 010
Credit loss allowance	(120)	-	(120)
Fair value adjustment from AC to FV	(1 766)	-	(1 766)
Carrying value	**113 124**	**-**	**113 124**
Corporate bonds			
Excellent	69 949	-	69 949
Good	19 501	-	19 501
Monitor	402	-	402
Doubtful	-	2 257	2 257
Total AC gross carrying amount	89 852	2 257	92 109
Credit loss allowance	(232)	(528)	(760)
Fair value adjustment from AC to FV	(4 878)	287	(4 591)
Carrying value	**84 742**	**2 016**	**86 758**
Municipal bonds			
Excellent	2 028	-	2 028
Good	3 317	-	3 317
Monitor	779	-	779
Total AC gross carrying amount	6 124	-	6 124
Credit loss allowance	(38)	-	(38)
Fair value adjustment from AC to FV	(430)	-	(430)
Carrying value	**5 656**	**-**	**5 656**
Foreign government bonds			
Doubtful	-	886	886
Total AC gross carrying amount	-	886	886
Credit loss allowance	-	(212)	(212)
Fair value adjustment from AC to FV	-	164	164
Carrying value	**-**	**838**	**838**

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Notes to the Consolidated Financial Statements

7 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities measured at fair value through other comprehensive income (Continued)

The table below contains an analysis of the credit risk exposure of investments in securities measured at FVOCI at 31 December 2022, for which an ECL allowance is recognised, based on credit risk grades:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds			
Excellent	109 575	-	109 575
Total AC gross carrying amount	109 575	-	109 575
Credit loss allowance	(628)	-	(628)
Fair value adjustment from AC to FV	(2 029)	-	(2 029)
Carrying value	**106 918**	**-**	**106 918**
Corporate bonds			
Excellent	56 565	-	56 565
Good	18 248	155	18 403
Monitor	8 427	11	8 438
Sub-standard	687	-	687
Doubtful	-	211	211
Total AC gross carrying amount	83 927	377	84 304
Credit loss allowance	(997)	(119)	(1 116)
Fair value adjustment from AC to FV	(3 161)	532	(2 629)
Carrying value	**79 769**	**790**	**80 559**
Municipal bonds			
Excellent	2 694	-	2 694
Good	3 461	-	3 461
Monitor	1 886	-	1 886
Total AC gross carrying amount	8 041	-	8 041
Credit loss allowance	(90)	-	(90)
Fair value adjustment from AC to FV	(140)	-	(140)
Carrying value	**7 811**	**-**	**7 811**
Foreign government bonds			
Excellent	2 214	-	2 214
Sub-standard	1 917	-	1 917
Doubtful	-	709	709
Total AC gross carrying amount	4 131	709	4 840
Credit loss allowance	(93)	(205)	(298)
Fair value adjustment from AC to FV	(46)	108	62
Carrying value	**3 992**	**612**	**4 604**

There are no stage 3 investments in securities during the year and as at 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements

7 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities measured at fair value through other comprehensive income (Continued)

Refer to Note 26 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to investments in securities at FVOCI. The investments at FVOCI are not collateralised. Refer to Note 32 for the disclosure of the fair value.

The following table explains the changes in the credit loss allowance and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2023:

	Credit loss allowance			Gross carrying amount		
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds						
At 31 December 2022	**628**	**-**	**628**	**109 575**	**-**	**109 575**
Movements with impact on credit loss allowance charge:						
New originated or purchased	5	-	5	6 971	-	6 971
Foreign exchange gains	8	-	8	12 236	-	12 236
Redemption during the year	(88)	-	(88)	(12 210)	-	(12 210)
Disposal during the year	(1)	-	(1)	(378)	-	(378)
Interest income accrued	7	-	7	8 014	-	8 014
Interest received	(9)	-	(9)	(9 198)	-	(9 198)
Other movements	(430)	-	(430)	-	-	-
Total movements with impact on credit loss allowance charge	**(508)**	**-**	**(508)**	**5 435**	**-**	**5 435**
At 31 December 2023	**120**	**-**	**120**	**115 010**	**-**	**115 010**
Corporate bonds						
At 31 December 2022	**997**	**119**	**1 116**	**83 927**	**377**	**84 304**
Movements with impact on credit loss allowance charge:						
New originated or purchased	51	-	51	24 344	-	24 344
Transfers: - to lifetime (from Stage 1 to Stage 2)	(42)	42	-	(1 576)	1 576	-
Foreign exchange gains	18	100	118	8 866	491	9 357
Redemption during the year	(50)	(3)	(53)	(8 603)	(150)	(8 753)
Disposal during the year	(90)	-	(90)	(16 761)	-	(16 761)
Interest income accrued	10	14	24	4 921	69	4 990
Interest received	(11)	-	(11)	(5 060)	(6)	(5 066)
Other movements	(651)	256	(395)	(206)	(100)	(306)
Total movements with impact on credit loss allowance charge	**(765)**	**409**	**(356)**	**5 925**	**1 880**	**7 805**
At 31 December 2023	**232**	**528**	**760**	**89 852**	**2 257**	**92 109**

	Credit loss allowance			Gross carrying amount		
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Municipal bonds						
At 31 December 2022	**90**	**-**	**90**	**8 041**	**-**	**8 041**
Movements with impact on credit loss allowance charge:						
Redemption during the year	(7)	-	(7)	(1 749)	-	(1 749)
Interest income accrued	2	-	2	500	-	500
Interest received	(2)	-	(2)	(668)	-	(668)
Other movements	(45)	-	(45)	-	-	-
Total movements with impact on credit loss allowance charge	**(52)**	**-**	**(52)**	**(1 917)**	**-**	**(1 917)**
At 31 December 2023	**38**	**-**	**38**	**6 124**	**-**	**6 124**
Foreign government bonds						
At 31 December 2022	**93**	**205**	**298**	**4 131**	**709**	**4 840**
Movements with impact on credit loss allowance charge:						
New originated or purchased	-	-	-	69	-	69
Transfers: - to lifetime (from Stage 1 to Stage 2)	(92)	92	-	(1 917)	1 917	-
Foreign exchange gains	-	39	39	143	716	859
Redemption during the year	-	-	-	(69)	-	(69)
Disposal during the year	-	-	-	(2 372)	-	(2 372)
Interest income accrued	-	8	8	15	91	106
Other movements	(1)	(132)	(133)	-	(2 547)	(2 547)
Total movements with impact on credit loss allowance charge	**(93)**	**7**	**(86)**	**(4 131)**	**177**	**(3 954)**
At 31 December 2023	**-**	**212**	**212**	**-**	**886**	**886**

Other movements of the credit loss allowance in the tables above are represented mainly by the reversal of ECL for debt securities due to the application the new ECL approach according to the ACRA rating system.

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Notes to the Consolidated Financial Statements

7 Investments in Securities and Repurchase Receivables (Continued)

1) Investments in securities measured at fair value through other comprehensive income (Continued)

The following table explains the changes in the credit loss allowance and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2022:

In millions of RR	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Total
Russian government bonds						
At 31 December 2021	**79**	**-**	**79**	**17 873**	**-**	**17 873**
Movements with impact on credit loss allowance charge:						
New originated or purchased	425	-	425	86 847	-	86 847
Foreign exchange gains	30	-	30	5 680	-	5 680
Redemption during the year	-	-	-	(12)	-	(12)
Disposal during the year	(1)	-	(1)	(566)	-	(566)
Interest income accrued	11	-	11	2 312	-	2 312
Interest received	(12)	-	(12)	(2 559)	-	(2 559)
Other movements	96	-	96	-	-	-
Total movements with impact on credit loss allowance charge	**549**	**-**	**549**	**91 702**	**-**	**91 702**
At 31 December 2022	**628**	**-**	**628**	**109 575**	**-**	**109 575**
Corporate bonds						
At 31 December 2021	**333**	**15**	**348**	**77 807**	**465**	**78 272**
Movements with impact on credit loss allowance charge:						
New originated or purchased	205	-	205	25 541	-	25 541
Transfers: - to lifetime (from Stage 1 to Stage 2)	(6)	6	-	(233)	233	-
Foreign exchange gains	-	(2)	(2)	1 231	(12)	1 219
Redemption during the year	(17)	(6)	(23)	(7 136)	(300)	(7 436)
Disposal during the year	(46)	-	(46)	(9 487)	-	(9 487)
Interest income accrued	37	4	41	4 187	29	4 216
Interest received	(39)	(3)	(42)	(4 062)	(29)	(4 091)
Other movements	530	105	635	(3 921)	(9)	(3 930)
Total movements with impact on credit loss allowance charge	**664**	**104**	**768**	**6 120**	**(88)**	**6 032**
At 31 December 2022	**997**	**119**	**1 116**	**83 927**	**377**	**84 304**

In millions of RR	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Total	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Total
Municipal bonds						
At 31 December 2021	**46**	**-**	**46**	**8,747**	**-**	**8,747**
Movements with impact on credit loss allowance charge:						
New originated or purchased	3	-	3	476	-	476
Redemption during the year	(6)	-	(6)	(1,167)	-	(1,167)
Interest income accrued	6	-	6	584	-	584
Interest received	(6)	-	(6)	(599)	-	(599)
Other movements	47	-	47	-	-	-
Total movements with impact on credit loss allowance charge	**44**	**-**	**44**	**(706)**	**-**	**(706)**
At 31 December 2022	**90**	**-**	**90**	**8,041**	**-**	**8,041**
Foreign government bonds						
At 31 December 2021	**39**	**-**	**39**	**2,408**	**-**	**2,408**
Movements with impact on credit loss allowance charge:						
New originated or purchased	2	-	2	4,913	-	4,913
Transfers: - to lifetime (from Stage 1 to Stage 2)	(22)	22	-	(762)	762	-
Foreign exchange gains	(4)	(9)	(13)	227	(37)	190
Redemption during the year	(1)	-	(1)	(2,044)	-	(2,044)
Disposal during the year	(1)	-	(1)	(1,024)	-	(1,024)
Interest income accrued	2	8	10	60	30	90
Interest received	-	-	-	(32)	(12)	(44)
Other movements	78	184	262	385	(34)	351
Total movements with impact on credit loss allowance charge	**54**	**205**	**259**	**1,723**	**709**	**2,432**
At 31 December 2022	**93**	**205**	**298**	**4,131**	**709**	**4,840**

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Notes to the Consolidated Financial Statements

7 Investments in Securities and Repurchase Receivables (Continued)

2) Investments in securities and repurchase receivables measured at amortised cost

In millions of RR	31 December 2023	31 December 2022
Russian government bonds		
Gross carrying amount	120 262	121 946
Credit loss allowance	(126)	(663)
Total investments in securities measured at AC	**120 136**	**121 283**
Repurchase receivables		
Gross carrying amount	846	-
Credit loss allowance	(1)	-
Total repurchase receivables measured at AC	**845**	**-**
Total investments in securities and repurchase receivables measured at AC	**120 981**	**121 283**

For the purpose of the credit risk analysis investments in securities and repurchase receivables measured at AC are included in Excellent level.

For the purpose of ECL measurement investments in securities and repurchase receivables measured at AC are included in Stage 1.

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at AC for the year ended 31 December 2023:

	Credit loss allowance			Gross carrying amount		
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR))	Total
Russian government bonds						
At 31 December 2022	**663**	**-**	**663**	**121 946**	**-**	**121 946**
Movements with impact on credit loss allowance charge:						
Interest income accrued	6	-	6	6 631	-	6 631
Interest received	(7)	-	(7)	(7 469)	-	(7 469)
Other movements	(535)	-	(535)	-	-	-
Total movements with impact on credit loss allowance charge	**(536)**	**-**	**(536)**	**(838)**	**-**	**(838)**
At 31 December 2023	**127**	**-**	**127**	**121,108**	**-**	**121,108**

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at AC for the year ended 31 December 2022:

	Credit loss allowance			Gross carrying amount		
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
In millions of RR						
Russian government bonds						
At 1 January 2022	**212**	**-**	**212**	**122 805**	**-**	**122 805**
Movements with impact on credit loss allowance charge:						
Interest income accrued	31	-	31	6 629	-	6 629
Interest received	(35)	-	(35)	(7 488)	-	(7 488)
Other movements	455	-	455	-	-	-
Total movements with impact on credit loss allowance charge	**451**	**-**	**451**	**(859)**	**-**	**(859)**
At 31 December 2022	**663**	**-**	**663**	**121 946**	**-**	**121 946**

3) Securities measured at fair value through profit or loss

The table below discloses investments in securities measured at FVTPL by classes:

In millions of RR	31 December 2023	31 December 2022
Investments in securities		
Corporate shares	4 151	2 278
Corporate bonds	2 057	2 349
Russian government bonds	203	-
Total investments in securities measured at FVTPL	**6 411**	**4 627**

Corporate shares are measured at FVTPL mandatorily, corporate bonds and russian government bonds are measured at FVTPL designated.

The table below discloses the movements in securities at FVTPL for the year ended 31 December 2023 and 2022:

In millions of RR	2023	2022
Carrying amount at 1 January	**4 627**	**8 136**
Purchases	3 469	2 116
Disposals	(3 094)	(1 158)
Interest income accrued	138	129
Interest received	(157)	(136)
Foreign exchange gain/(loss)	398	(80)
Revaluation gain/(loss) through profit or loss	1 030	(4 380)
Carrying amount at 31 December	**6 411**	**4 627**

Notes to the Consolidated Financial Statements

Investments in securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralized. Interest rate, maturity and geographical risk concentration analysis of investment in securities are disclosed in Note 26.

8 Loans and Advances to Customers

In millions of RR	31 December 2023	31 December 2022
Gross carrying amount of loans and advances to customers at AC	1 121 138	731 602
Less credit loss allowance	(149 023)	(125 730)
Total carrying amount of loans and advances to customers at AC	**972 115**	**605 872**
Loans and advances to customers at FVTPL	297	583
Total loans and advances to customers	**972 412**	**606 455**

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement.

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2023 and 2022 are disclosed in the table below:

	31 December 2023			31 December 2022		
In millions of RR	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	548 062	(90 996)	457 066	399 196	(81 394)	317 802
Cash loans	216 849	(29 436)	187 413	121 267	(22 898)	98 369
Other loans	356 227	(28 591)	327 636	211 139	(21 438)	189 701
Car loans	147 205	(15 473)	131 732	79 177	(11 141)	68 036
Secured loans	114 620	(3 800)	110 820	75 607	(3 597)	72 010
POS loans	60 217	(4 663)	55 554	47 893	(4 913)	42 980
Loans to IE and SME	34 185	(4 655)	29 530	8 462	(1 787)	6 675
Total loans and advances to customers at AC	**1 121 138**	**(149 023)**	**972 115**	**731 602**	**(125 730)**	**605 872**

Credit cards are issued to customers for cash withdrawals or payment for goods or services, within the range of limits established by the Bank. These limits may be increased or decreased from time-to-time based on management decision. Credit card loans are not collateral-ized.

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Car loans represent loans for the purchase of a vehicle which is used as collateral under the loan.

Secured loans represent loans secured with a real estate (home equity loans) or a car. As at 31 December 2023 home equity loans under securitisation amounted to RR 1,857 million (31 December 2022: RR 2,958 million). Refer to Note 14 for details of the securitisation of home equity loans.

POS ("Point of sale") loans represent loans to fund online and offline purchases through internet and offline shops for individual borrowers, including Buy-Now-Pay-Later (BNPL) loans.

Loans to IE and SME represent loans provided by the Bank to individual entrepreneurs and small and medium businesses for the purpose of working capital management.

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors. The main movements in the tables presented below are described as follows:

- new originated or purchased category represents the gross carrying amounts and the related ECL of purchased loans and loans issued during the reporting period (and withdrawals of limits of new credit card borrowers) as at the end of the reporting period or as at the date of transfer of loan out of Stage 1 (whichever date is earlier);
- transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL. Transfers present the amount of credit loss allowance charged or recovered at the moment of transfer of a loan among the respective stages;
- movements other than transfers and new originated or purchased loans category represent all other movements of ECL in particular related to changes in gross carrying amounts (including drawdowns, repayments, and accrued interest), as well as updates of inputs to ECL model in the period;
- write-offs of allowances are related to assets that were written-off during the period;
- unwinding of discount (for Stage 3) category represents adjustment to credit loss allowance and gross carrying amount for Stage 3 loans to increase it to discounted amount of the expected cash shortfalls to the reporting date using the effective interest rate;

Changes to ECL measurement model assumptions and estimates for three months ended 31 March 2023 represent a refined approach to calculation of the car loan recovery rate, as well as impact of the economic environment. The refined approach is that the Group has applied its own car loan portfolio statistics accumulated in sufficient volume, which makes the assessment more precise. Except stated above there were no changes in ECL measurement. Refer to Notes 2 and 3 for more information.

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Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount				
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Purcha-sed/ Origina-ted credit impaired**	**Total**
Credit card loans									
At 31 December 2022	**25 461**	**9 480**	**46 453**	**81 394**	**314 534**	**14 539**	**69 657**	**466**	**399 196**
Movements with impact on credit loss allowance charge for the year									
New originated or pur-chased	13 005	-	-	13 005	156 318	-	-	-	156 318
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(4 921)	9 957	-	5 036	(16 669)	16 669	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(7 908)	(7 488)	33 483	18 087	(30 561)	(10 223)	40 784	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	732	(1 648)	(42)	(958)	2 475	(2 422)	(53)	-	-
Changes to ECL measure-ment model assumptions and estimates	(242)	(528)	(162)	(932)	-	-	-	-	-
Movements other than transfers and new origi-nated or purchased loans	495	881	(22)	1 354	24 491	(1 381)	(3 980)	(218)	18 912
Total movements with impact on credit loss allowance charge for the year	**1 161**	**1 174**	**33 257**	**35 592**	**136 054**	**2 643**	**36 751**	**(218)**	**175 230**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	7 347	7 347	-	-	7 347	-	7 347
Write-offs	-	-	(29 872)	(29 872)	-	-	(29 872)	-	(29 872)
Sales	-	-	(2 263)	(2 263)	-	-	(2 637)	-	(2 637)
Modification of original cash flows without derecognition	-	-	(1 202)	(1 202)	-	-	(1 202)	-	(1 202)
At 31 December 2023	**26 622**	**10 654**	**53 720**	**90 996**	**450 588**	**17 182**	**80 044**	**248**	**548 062**

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Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purcha-sed/ Origina-ted credit impaired	Total
Credit card loans									
At 31 December 2021	**15 028**	**7 562**	**30 397**	**52 987**	**270 113**	**11 986**	**51 396**	**399**	**333 894**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	4 891	-	-	4 891	75 273	-	-	138	75 411
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(3,742)	8 574	-	4 832	(14 680)	14 680	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(7,259)	(6 251)	32 931	19 421	(32 709)	(8 828)	41 537	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	422	(1 115)	(29)	(722)	1 661	(1 622)	(39)	-	-
Changes to ECL measure-ment model assumptions and estimates	4 623	18	2 298	6 939	-	-	-	-	-
Movements other than transfers and new origi-nated or purchased loans	11 498	692	(983)	11 207	14 876	(1 677)	(5 009)	(71)	8 119
Total movements with impact on credit loss allowance charge for the year	**10 433**	**1 918**	**34 217**	**46 568**	**44 421**	**2 553**	**36 489**	**67**	**83 530**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	6 659	6 659	-	-	6 659	-	6 659
Write-offs	-	-	(19 630)	(19 630)	-	-	(19 630)	-	(19 630)
Sales	-	-	(1 317)	(1 317)	-	-	(1 384)	-	(1 384)
Modification of original cash flows without derecognition	-	-	(3 873)	(3 873)	-	-	(3 873)	-	(3 873)
At 31 December 2022	**25 461**	**9 480**	**46 453**	**81 394**	**314 534**	**14 539**	**69 657**	**466**	**399 196**

Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purcha-sed/ Origina-ted credit impaired	Total
Cash loans									
At 31 December 2022	**7 125**	**4 206**	**11 567**	**22 898**	**98 620**	**6 707**	**14 930**	**1 010**	**121 267**
Movements with impact on credit loss allowance charge for the year									
New originated or purchased	11 262	-	-	11 262	160 734	-	-	216	160 950
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(3 138)	9 006	-	5 868	(9 673)	9 673	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2 534)	(2 733)	9 267	4 000	(6 823)	(3 203)	10 026	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	173	(515)	(9)	(351)	1 282	(1 271)	(11)	-	-
Changes to ECL measure-ment model assumptions and estimates	102	264	1	367	-	-	-	-	-
Movements other than transfers and new origi-nated or purchased loans	(2 455)	(4 479)	(38)	(6 972)	(52 747)	(3 386)	(2)	(367)	(56 502)
Total movements with impact on credit loss allowance charge for the year	**3 410**	**1 543**	**9 221**	**14 174**	**92 773**	**1 813**	**10 013**	**(151)**	**104 448**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	1 004	1 004	-	-	1 004	-	1 004
Write-offs	-	-	(6 861)	(6 861)	-	-	(6 861)	-	(6 861)
Sales	-	-	(688)	(688)	-	-	(812)	-	(812)
Modification of original cash flows without derecognition	-	-	(136)	(136)	-	-	(136)	-	(136)
Other	(451)	(143)	(361)	(955)	(1 564)	(146)	(351)	-	(2 061)
At 31 December 2023	**10 084**	**5 606**	**13 746**	**29 436**	**189 829**	**8 374**	**17 787**	**859**	**216 849**

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Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Purcha-sed/ Origina-ted credit impaired**	**Total**
Cash loans									
At 31 December 2021	**4 575**	**2 990**	**6 556**	**14 121**	**109 540**	**6 392**	**9 441**	**922**	**126 295**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	2 917	-	-	2 917	60 803	-	-	365	61 168
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(1,498)	4 653	-	3 155	(7 788)	7 788	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,616)	(2 548)	9 271	5 107	(6 979)	(3 107)	10 086	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	77	(234)	(5)	(162)	872	(867)	(5)	-	-
Changes to ECL measurement model assumptions and estimates	2 261	959	425	3 645	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	409	(1 614)	(285)	(1 490)	(57 828)	(3 499)	(171)	(277)	(61 775)
Total movements with impact on credit loss allowance charge for the year	**2 550**	**1 216**	**9 406**	**13 172**	**(10 920)**	**315**	**9 910**	**88**	**(607)**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	987	987	-	-	987	-	987
Write-offs	-	-	(4 000)	(4 000)	-	-	(4 000)	-	(4 000)
Sales	-	-	(564)	(564)	-	-	(590)	-	(590)
Modification of original cash flows without derecognition	-	-	(818)	(818)	-	-	(818)	-	(818)
At 31 December 2022	**7 125**	**4 206**	**11 567**	**22 898**	**98 620**	**6 707**	**14 930**	**1 010**	**121 267**

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Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Secured Loans								
At 31 December 2022	**769**	**1 584**	**1 244**	**3 597**	**65 037**	**7 810**	**2 760**	**75 607**
Movements with impact on credit loss allowance charge for the year								
New originated or purchased	751	-	-	751	66 555	-	-	66 555
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(271)	2 184	-	1 913	(6 599)	6 599	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(84)	(446)	1 113	583	(935)	(1 055)	1 990	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	56	(248)	(9)	(201)	2 637	(2 619)	(18)	-
Changes to ECL measurement model assumptions and estimates	-	12	-	12	-	-	-	-
Movements other than transfers and new originated or purchased loans	(316)	(1 740)	(311)	(2 367)	(23 492)	(2 784)	(778)	(27 054)
Total movements with impact on credit loss allowance charge for the year	**136**	**(238)**	**793**	**691**	**38 166**	**141**	**1 194**	**39 501**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	205	205	-	-	205	205
Write-offs	-	-	(701)	(701)	-	-	(701)	(701)
Modification of original cash flows	-	-	8	8	-	-	8	8
At 31 December 2023	**905**	**1 346**	**1 549**	**3 800**	**103 203**	**7 951**	**3 466**	**114 620**

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Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Secured Loans								
At 31 December 2021	**538**	**788**	**660**	**1 986**	**65 478**	**4 907**	**1 658**	**72 043**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	253	-	-	253	26 679	-	-	26 679
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(216)	2 247	-	2 031	(7 239)	7 239	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(57)	(302)	938	579	(1 023)	(756)	1 779	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	25	(124)	(10)	(109)	1 234	(1 211)	(23)	-
Changes to ECL measurement model assumptions and estimates	276	471	62	809	-	-	-	-
Movements other than transfers and new originated or purchased loans	(50)	(1 496)	(262)	(1 808)	(20 092)	(2 369)	(510)	(22 971)
Total movements with impact on credit loss allowance charge for the year	**231**	**796**	**728**	**1 755**	**(441)**	**2 903**	**1 246**	**3 708**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	175	175	-	-	175	175
Write-offs	-	-	(403)	(403)	-	-	(403)	(403)
Modification of original cash flows	-	-	84	84	-	-	84	84
At 31 December 2022	**769**	**1 584**	**1 244**	**3 597**	**65 037**	**7 810**	**2 760**	**75 607**

	Credit loss allowance				Credit loss allowance				
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Purchased/ originated credit impaired**	**Total**
POS loans									
At 31 December 2022	**1 343**	**744**	**2 826**	**4 913**	**42 490**	**1 667**	**3 329**	**407**	**47 893**
Movements with impact on credit loss allowance charge for the year									
New originated or purchased	1 573	-	-	1 573	54 154	-	-	1	54 155
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(327)	1 829	-	1 502	(2 745)	2 745	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(359)	(442)	1 832	1 031	(1 555)	(621)	2 176	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	16	(53)	(4)	(41)	215	(211)	(4)	-	-
Movements other than transfers and new originated or purchased loans	(978)	(1 456)	(433)	(2 867)	(37 680)	(1 922)	(545)	(223)	(40 370)
Total movements with impact on credit loss allowance charge for the year	**(75)**	**(122)**	**1 395**	**1 198**	**12 389**	**(9)**	**1 627**	**(222)**	**13 785**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	140	140	-	-	140	-	140
Write-offs	-	-	(1 424)	(1 424)	-	-	(1 424)	-	(1 424)
Sales	-	-	(70)	(70)	-	-	(83)	-	(83)
Modification of original cash flows without derecognition	-	-	(94)	(94)	-	-	(94)	-	(94)
At 31 December 2023	**1 268**	**622**	**2 773**	**4 663**	**54 879**	**1 658**	**3 495**	**185**	**60 217**

Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount				
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Purchased/ originated credit impaired**	**Total**
POS loans									
At 31 December 2021	**851**	**537**	**1 217**	**2 605**	**56 530**	**1 891**	**1 538**	**389**	**60 348**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	582	-	-	582	37 955	-	-	150	38 105
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(211)	1 080	-	869	(2 838)	2 838	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(262)	(529)	2 454	1 663	(2 065)	(783)	2 848	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	10	(35)	(1)	(26)	219	(219)	-	-	-
Changes to ECL measurement model assumptions and estimates	667	258	36	961	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(294)	(567)	(123)	(984)	(47 311)	(2 060)	(298)	(132)	(49 801)
Total movements with impact on credit loss allowance charge for the year	**492**	**207**	**2 366**	**3 065**	**(14 040)**	**(224)**	**2 550**	**18**	**(11 696)**

	Credit loss allowance				Gross carrying amount				
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Purchased/ originated credit impaired**	**Total**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	159	159	-	-	159	-	159
Write-offs	-	-	(789)	(789)	-	-	(789)	-	(789)
Sales	-	-	(39)	(39)	-	-	(41)	-	(41)
Modification of original cash flows without derecognition	-	-	(88)	(88)	-	-	(88)	-	(88)
At 31 December 2022	**1 343**	**744**	**2 826**	**4 913**	**42 490**	**1 667**	**3 329**	**407**	**47 893**

Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Car Loans								
At 31 December 2022	**2 637**	**2 830**	**5 674**	**11 141**	**66 293**	**5 786**	**7 098**	**79 177**
Movements with impact on credit loss allowance charge for the year								
New originated or purchased	4 138	-	-	4 138	101 205	-	-	101 205
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(1 165)	4 161	-	2 996	(5 886)	5 886	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1 277)	(1 333)	5 151	2 541	(4 025)	(1 786)	5 811	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	129	(404)	(15)	(290)	1 555	(1 536)	(19)	-
Changes to ECL measurement model assumptions and estimates	-	(24)	-	(24)	-	-	-	-
Movements other than transfers and new originated or purchased loans	(469)	(2 172)	(307)	(2 948)	(28 529)	(1 898)	(669)	(31 096)
Total movements with impact on credit loss allowance charge for the year	**1 356**	**228**	**4 829**	**6 413**	**64 320**	**666**	**5 123**	**70 109**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	488	488	-	-	488	488
Write-offs	-	-	(2 099)	(2 099)	-	-	(2 099)	(2 099)
Sales	-	-	(11)	(11)	-	-	(11)	(11)
Modification of original cash flows without derecognition	-	-	(459)	(459)	-	-	(459)	(459)
At 31 December 2023	**3 993**	**3 058**	**8 422**	**15 473**	**130 613**	**6 452**	**10 140**	**147 205**

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Car Loans								
At 31 December 2021	**1 712**	**1 533**	**2 097**	**5 342**	**71 174**	**3 769**	**2 939**	**77 882**
Movements with impact on credit loss allowance charge for the year								
New originated or purchased	1 011	-	-	1 011	30 102	-	-	30 102
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(736)	3 035	-	2 299	(5 714)	5 714	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(690)	(1 153)	4 104	2 261	(3 452)	(1 541)	4 993	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	52	(163)	(8)	(119)	722	(712)	(10)	-
Changes to ECL measurement model assumptions and estimates	798	700	114	1 612	-	-	-	-
Movements other than transfers and new originated or purchased loans	490	(1 122)	(161)	(793)	(26 539)	(1 444)	(352)	(28 335)
Total movements with impact on credit loss allowance charge for the year	**925**	**1 297**	**4 049**	**6 271**	**(4 881)**	**2 017**	**4 631**	**1 767**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	358	358	-	-	358	358
Write-offs	-	-	(643)	(643)	-	-	(643)	(643)
Sales	-	-	(5)	(5)	-	-	(5)	(5)
Modification of original cash flows without derecognition	-	-	(182)	(182)	-	-	(182)	(182)
At 31 December 2022	**2 637**	**2 830**	**5 674**	**11 141**	**66 293**	**5 786**	**7 098**	**79 177**

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Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to IE and SME								
At 31 December 2022	**400**	**246**	**1 141**	**1 787**	**6 418**	**777**	**1 267**	**8 462**
Movements with impact on credit loss allowance charge for the year								
New originated or purchased	796	-	-	796	17 745	-	-	17 745
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(194)	1 146	-	952	(3 920)	3 920	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(146)	(181)	976	649	(835)	(244)	1 079	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	7	(51)	(2)	(46)	219	(217)	(2)	-
Changes to ECL measurement model assumptions and estimates	(173)	(7)	-	(180)	-	-	-	-
Movements other than transfers and new originated or purchased loans	461	949	(448)	962	7 192	1 217	(183)	8 226
Total movements with impact on credit loss allowance charge for the year	**751**	**1 856**	**526**	**3 133**	**20 401**	**4 676**	**894**	**25 971**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	169	169	-	-	169	169
Write-offs	-	-	(434)	(434)	-	-	(434)	(434)
Other	-	-	-	-	-	17	-	17
At 31 December 2023	**1 151**	**2 102**	**1 402**	**4 655**	**26 819**	**5 470**	**1 896**	**34 185**

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Loans to IE and SME								
At 31 December 2021	**261**	**175**	**338**	**774**	**8 809**	**512**	**369**	**9 690**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	85	-	-	85	2 769	-	-	2 769
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(94)	556	-	462	(1 570)	1 570	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(89)	(149)	801	563	(647)	(202)	849	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(10)	(2)	(9)	90	(88)	(2)	-
Changes to ECL measurement model assumptions and estimates	166	33	7	206	-	-	-	-
Movements other than transfers and new originated or purchased loans	68	(359)	(50)	(341)	(3 033)	(1 015)	4	(4 044)
Total movements with impact on credit loss allowance charge for the year	**139**	**71**	**756**	**966**	**(2 391)**	**265**	**851**	**(1 275)**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	193	193	-	-	193	193
Write-offs	-	-	(146)	(146)	-	-	(146)	(146)
At 31 December 2022	**400**	**246**	**1 141**	**1 787**	**6 418**	**777**	**1 267**	**8 462**

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8 Loans and Advances to Customers (Continued)

The credit loss allowance charge during the year ended 31 December 2023 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the period due to RR 6,651 million recovery of amounts previously written-off as uncollectible, due to RR 4,971 million recovery from the purchased loans in excess of their gross carrying amount, and due to RR 2,198 million charge of ECL for credit related commitments.

The credit loss allowance charge during the year ended 31 December 2022 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the period due to RR 5,660 million recovery of amounts previously written-off as uncollectible, due to RR 3,902 million recovery from the purchased loans in excess of their gross carrying amount, and due to RR 3,196 million charge of ECL for credit related commitments.

The amount of the recovery received from written-off loans and purchased loans during the period was credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income.

Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery.

The contractual amount outstanding of loans and advances to customers which were written off during the year ended 31 December 2023 and are still subject to enforcement activity is equal to RR 21,583 million (2022: RR 15,029 million).

The amount of the ECL for credit related commitments is accounted separately from ECL for credit card loans and is included in other financial liabilities in the consolidated statement of financial position.

During the year ended 31 December 2023 the Group sold credit-impaired loans to third parties (external debt collection agencies) by the means of transferring all subsequent risks and rewards without recourse to the buyer, which resulted into derecognition of gross amount of RR 3,543 million and credit loss allowance of RR 3,032 million. The difference between the carrying amount of these loans and the consideration received was recognised as gains in the amount of RR 31 million within credit loss allowance for loans and advances to customers and credit related commitments for the year ended 31 December 2023.

During the year ended 31 December 2022 the Group sold credit-impaired loans to third parties (external debt collection agencies) by the means of transferring all subsequent risks and rewards without recourse to the buyer, which resulted into derecognition of gross amount of RR 2,020 million and credit loss allowance of RR 1,925 million. The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 41 million within credit loss allowance for loans and advances to customers and credit related commitments for the year ended 31 December 2022.

Presented below is an analysis of issued, activated and utilised cards based on their credit card limits as at the end of the reporting period:

In units	**31 December 2023**	**31 December 2022**
Credit card limits		
Up to 20 RR thousand	2 458 199	1 796 428
20-60 RR thousand	2 252 619	1 695 332
60-100 RR thousand	1 859 161	1 494 887
100-140 RR thousand	1 506 701	975 006
140-200 RR thousand	1 552 212	1 193 358
More than 200 RR thousand	1 275 924	585 054
Total number of cards (in units)	**10 904 816**	**7 740 065**

Table above only includes credit cards less than 180 days overdue.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below represents the Group's maximum exposure to credit risk on these loans.

Presented below is an analysis of issued, activated and utilised cash loans based on their checks as at the end of the reporting period:

In units	**31 December 2023**	**31 December 2022**
Cash loans limits		
Up to 100 RR thousand	101 686	73 515
100-150 RR thousand	97 207	64 564
150-250 RR thousand	138 868	92 655
250-350 RR thousand	146 731	104 321
350-600 RR thousand	154 398	115 433
More than 600 RR thousand	105 112	48 507
Total number of cash loans (in units)	**744 002**	**498 995**

Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2023 are disclosed as follows:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	245 207	-	-	-	245 207
- Good	174 636	2 160	-	-	176 796
- Monitor	30 745	5 288	-	-	36 033
- Sub-standard	-	9 734	10 358	-	20 092
- NPL	-	-	69 686	248	69 934
Gross carrying amount	**450 588**	**17 182**	**80 044**	**248**	**548 062**
Credit loss allowance	(26 622)	(10 654)	(53 720)	-	(90 996)
Carrying amount	**423 966**	**6 528**	**26 324**	**248**	**457 066**
Cash loans					
- Excellent	103 944	-	-	-	103 944
- Good	84 636	3 862	-	-	88 498
- Monitor	1 249	1 796	-	-	3 045
- Sub-standard	-	2 716	1 447	-	4 163
- NPLe	-	-	16 340	859	17 199
Gross carrying amount	**189 829**	**8 374**	**17 787**	**859**	**216 849**
Credit loss allowance	(10 084)	(5 606)	(13 746)	-	(29 436)
Carrying amount	**179 745**	**2 768**	**4 041**	**859**	**187 413**
Secured Loans					
- Excellent	82 886	-	-	-	82 886
- Good	18 687	6 122	-	-	24 809
- Monitor	1 630	1 073	-	-	2 703
- Sub-standard	-	756	-	-	756
- NPL	-	-	3 466	-	3 466
Gross carrying amount	**103 203**	**7 951**	**3 466**	**-**	**114 620**
Credit loss allowance	(905)	(1 346)	(1 549)	-	(3 800)
Carrying amount	**102 298**	**6 605**	**1 917**	**-**	**110 820**

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
POS loans					
- Excellent	35 967	-	-	-	35 967
- Good	18 755	973	-	-	19 728
- Monitor	157	319	-	-	476
- Sub-standard	-	366	42	-	408
- NPL	-	-	3 453	185	3 638
Gross carrying amount	**54 879**	**1 658**	**3 495**	**185**	**60 217**
Credit loss allowance	(1 268)	(622)	(2 773)	-	(4 663)
Carrying amount	**53 611**	**1 036**	**722**	**185**	**55 554**
Car loans					
- Excellent	87 694	-	-	-	87 694
- Good	41 358	3 543	-	-	44 901
- Monitor	1 561	1 294	-	-	2 855
- Sub-standard	-	1 615	-	-	1 615
- NPL	-	-	10 140	-	10 140
Gross carrying amount	**130 613**	**6 452**	**10 140**	**-**	**147 205**
Credit loss allowance	(3 993)	(3 058)	(8 422)	-	(15 473)
Carrying amount	**126 620**	**3 394**	**1 718**	**-**	**131 732**
Loans to IE and SME					
- Excellent	14 545	-	-	-	14 545
- Good	11 842	4 511	-	-	16 353
- Monitor	432	345	-	-	777
- Sub-standard	-	614	-	-	614
- NPL	-	-	1 896	-	1 896
Gross carrying amount	**26 819**	**5 470**	**1 896**	**-**	**34 185**
Credit loss allowance	(1 151)	(2 102)	(1 402)	-	(4 655)
Carrying amount	**25 668**	**3 368**	**494**	**-**	**29 530**

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8 Loans and Advances to Customers (Continued)

Loans and advances to customers at 31 December 2022 are disclosed as follows:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	115 502	-	-	-	115 502
- Good	163 907	2 251	-	-	166 158
- Monitor	35 125	4 617	-	-	39 742
- Sub-standard	-	7 671	10 594	-	18 265
- NPL	-	-	59 063	466	59 529
Gross carrying amount	**314 534**	**14 539**	**69 657**	**466**	**399 196**
Credit loss allowance	(25 461)	(9 480)	(46 453)	-	(81 394)
Carrying amount	**289 073**	**5 059**	**23 204**	**466**	**317 802**
Cash loans					
- Excellent	40 434	-	-	-	40 434
- Good	57 294	3 848	-	-	61 142
- Monitor	892	1 203	-	-	2 095
- Sub-standard	-	1 656	1 456	-	3 112
- NPL	-	-	13 474	1 010	14 484
Gross carrying amount	**98 620**	**6 707**	**14 930**	**1 010**	**121 267**
Credit loss allowance	(7 125)	(4 206)	(11 567)	-	(22 898)
Carrying amount	**91 495**	**2 501**	**3 363**	**1 010**	**98 369**
Secured Loans					
- Excellent	44 532	-	-	-	44 532
- Good	18 685	6 042	-	-	24 727
- Monitor	1 820	1 019	-	-	2 839
- Sub-standard	-	749	-	-	749
- NPL	-	-	2 760	-	2 760
Gross carrying amount	**65 037**	**7 810**	**2 760**	**-**	**75 607**
Credit loss allowance	(769)	(1 584)	(1 244)	-	(3 597)
Carrying amount	**64 268**	**6 226**	**1 516**	**-**	**72 010**

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
POS loans					
- Excellent	19 349	-	-	-	19 349
- Good	23 009	982	-	-	23 991
- Monitor	132	300	-	-	432
- Sub-standard	-	385	48	-	433
- NPL	-	-	3 281	407	3 688
Gross carrying amount	**42 490**	**1 667**	**3 329**	**407**	**47 893**
Credit loss allowance	(1 343)	(744)	(2 826)	-	(4 913)
Carrying amount	**41 147**	**923**	**503**	**407**	**42 980**
Car loans					
- Excellent	42 970	-	-	-	42 970
- Good	21 947	3 608	-	-	25 555
- Monitor	1 376	1 014	-	-	2 390
- Sub-standard	-	1 164	-	-	1 164
- NPL	-	-	7 098	-	7 098
Gross carrying amount	**66 293**	**5 786**	**7 098**	**-**	**79 177**
Credit loss allowance	(2 637)	(2 830)	(5 674)	-	(11 141)
Carrying amount	**63 656**	**2 956**	**1 424**	**-**	**68 036**
Loans to IE and SME					
- Excellent	2 638	-	-	-	2 638
- Good	3 738	505	-	-	4 243
- Monitor	42	91	-	-	133
- Sub-standard	-	181	-	-	181
- NPL	-	-	1 267	-	1 267
Gross carrying amount	**6 418**	**777**	**1 267**	**-**	**8 462**
Credit loss allowance	(400)	(246)	(1 141)	-	(1 787)
Carrying amount	**6 018**	**531**	**126**	**-**	**6 675**

Notes to the Consolidated Financial Statements

8 Loans and Advances to Customers (Continued)

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale. Refer to Note 26.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2023 the gross carrying amount of the loans in courts was RR 62,508 million (31 December 2022: RR 52,649 million).

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2023:

In millions of RR	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	84 947	-	84 947
- cars	21 060	104 244	125 304
Total collateralised gross carrying amount (representing exposure to credit risk for each class of loans at AC)	**106 007**	**104 244**	**210 251**

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2022:

In millions of RR	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	63 277	-	63 277
- cars	10 505	54 943	65 448
Total collateralised gross carrying amount (representing exposure to credit risk for each class of loans at AC)	**73 782**	**54 943**	**128 725**

In the disclosure above the difference between collateralised gross carrying amounts and total gross carrying amount of the respective loans represents unsecured exposures of RR 51,574 million (31 December 2022: RR 26,059 million). Unsecured loans arise as a result of the fact that the borrowers have two months to register their cars as collateral for car loans as well as the application of a conservative discount in determining the carrying value of collateral for secured and car loans applied.

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2023 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In millions of RR	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	3 183	9 684	283	176
Car loans	1 980	4 271	8 160	1 880

The effect of collateral on credit impaired assets at 31 December 2022 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In millions of RR	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	2 641	7 211	119	65
Car loans	1 394	2 618	5 704	1 566

The values of collateral considered in this disclosure are after a valuation haircut of 15% (2022: 15%) for residential real estate and 20% (2022: 20%) for cars applied to consider liquidity and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have gains less losses on modification recognised in profit or loss for the year ended 31 December 2023 (2022: same).

Refer to Note 32 for the disclosure of the fair value of loans and advances to customers. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 26. Information on related party balances is disclosed in Note 34.

9 Brokerage Receivables and Brokerage Payables

In millions of RR	31 December 2023	31 December 2022
Amounts receivable from brokers and clearing organizations	42 345	26 747
Total brokerage receivables	**42 345**	**26 747**
Amounts payable to brokers and clearing organizations	9 416	8 258
Total brokerage payables	**9 416**	**8 258**

Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralized by highly liquid securities and have minimal credit risk.

As at 31 December 2023 the fair value of collateral of brokerage receivables was RR 43,244 million (31 December 2022: RR 27,250 million). For the purpose of ECL measurement brokerage receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for brokerage receivables.

Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale.

As at 31 December 2023 the fair value of collateral of brokerage payables was RR 11,126 million (31 December 2022: RR 9,483 million).

ECL measurement approach, interest rate, maturity and geographical risk concentration analysis are disclosed in Note 26. Refer to Note 29 for the disclosure of the offsetting assets and liabilities. Refer to Note 32 for the disclosure of the fair value of brokerage receivables and brokerage payables.

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10 Tangible Fixed Assets, Intangible Assets and Right-of-use Assets

	Tangible fixed assets						Intangible assets		
In millions of RR	**Land**	**Building**	**Equip-ment**	**Leasehold improvements**	**Vehicles**	**Total tangible fixed assets**	**Capitalised**	**Acquired**	**Total intangible assets**
Cost									
31 December 2021	**396**	**4 219**	**13 819**	**1 179**	**61**	**19 674**	**8 109**	**16 190**	**24 299**
Additions	-	-	2 826	1 025	21	3 872	13 288	2 482	15 770
Disposals	-	-	(262)	-	(39)	(301)	(486)	(3 117)	(3 603)
31 December 2022	**396**	**4 219**	**16 383**	**2 204**	**43**	**23 245**	**20 911**	**15 555**	**36 466**
Additions	-	878	9 730	92	41	10 741	18 409	7 544	25 953
Disposals	-	-	(342)	-	-	(342)	(4 632)	(2 410)	(7 042)
31 December 2023	**396**	**5 097**	**25 771**	**2 296**	**84**	**33 644**	**34 688**	**20 689**	**55 377**
Depreciation and amortisation 31 December 2021	**-**	**(218)**	**(5 972)**	**(523)**	**(25)**	**(6 738)**	**(2 899)**	**(6 331)**	**(9 230)**
Charge for the year (Note 23)	-	(43)	(1 983)	(170)	(14)	(2 210)	(3 886)	(2 352)	(6 238)
Disposals	-	-	2	1	6	9	339	2 760	3 099
31 December 2022	**-**	**(261)**	**(7 953)**	**(692)**	**(33)**	**(8 939)**	**(6 446)**	**(5 923)**	**(12 369)**
Charge for the year (Note 23)	-	(46)	(2 593)	(136)	(1)	(2 776)	(7 206)	(2 855)	(10 061)
Disposals	-	-	150	-	-	150	2 675	769	3 444
31 December 2023	**-**	**(307)**	**(10 396)**	**(828)**	**(34)**	**(11 565)**	**(10 977)**	**(8 009)**	**(18 986)**
Net book value									
31 December 2022	**396**	**3 958**	**8 430**	**1 512**	**10**	**14 306**	**14 465**	**9 632**	**24 097**
31 December 2023	**396**	**4 790**	**15 375**	**1 468**	**50**	**22 079**	**23 711**	**12 680**	**36 391**

The amortisation of intangible assets charge during the year ended 31 December 2023 presented in the table above differs from the amount presented in the Note 23 due to RR 153 million (2022: RR 74 million) charge included in the insurance service expense according to IFRS 17 requirements. Refer to Note 22.

Intangible assets additions in the amount of RR 18,409 million related to the capitalised software developments by companies of the Group during the year ended 31 December 2023 (2022: RR 13,288 million).

Other intangible assets acquired during the year ended 31 December 2023 and 2022 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

Right-of-use assets and lease liabilities. Right-of-use-assets relate to the office premises leased by the Group. Rental contracts are typically for fixed periods up to 12 years. The Group does not have extension or termination options of its lease agreements other than lease agreements of low value items.

The right of use assets by class of underlying items are analysed as follows:

In millions of RR	**Office premises**
Carrying amount at 31 December 2021	**1 028**
Additions	21 246
Depreciation charge (Note 23)	(1 690)
Carrying amount at 31 December 2022	**20 584**
Additions	4 177
Depreciation charge (Note 23)	(3 017)
Carrying amount at 31 December 2023	**21 744**

In 2022, in accordance with the requirements of IFRS 16, the Group recognized right-of-use-asset amounted to RR 18,531 million and related lease liabilities amounted to RR 18,061 million as a result of the completion of the construction of a new office building, which the Group signed a lease agreement for. Refer to Note 17.

Lease liabilities included in other similar expense were RR 2,265 million during the year ended 31 December 2023 (2022: RR 1,007 million).

Expenses relating to leases of low-value assets and short-term leases in the amount of RR 1,905 million are included in administrative and other operating expenses (2022: RR 2,026 million). Refer to Note 23. Total cash outflow for long-term rental contract leases during the year ended 31 December 2023 was RR 3,365 million (2022: RR 659 million).

11 Other Financial and Non-financial Assets

In millions of RR	**31 December 2023**	**31 December 2022***	**1 January 2022***
Other Financial Assets			
Settlement of operations with plastic cards	29 126	22 014	42 995
Restricted assets	6 604	5 703	-
Trade receivables of the Insurance Company	2 967	1 405	740
Broker commissions and settlement with exchange receivable	4 815	784	142
Trade receivables	3 977	3 899	8 586
Other	5 068	3 414	281
Total Other Financial Assets	**52 557**	**37 219**	**52 744**
Other Non-Financial Assets			
Prepaid expenses	18 923	9 380	5 996
Capital expenditure	15 357	2 926	-
Other	2 559	1 902	2 082
Total Other Non-Financial Assets	**36 839**	**14 208**	**8 078**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Settlement of operations with plastic cards represents settlements with payment systems and payment channels on operations of the customers with banking cards due to be settled within 3 working days. This amount also includes prepayment to the payment systems for operations during holiday period.

Notes to the Consolidated Financial Statements

11 Other Financial and Non-financial Assets (Continued)

Restricted assets represents balances on correspondent and clearing accounts, as well as settlement accounts for payments on matured coupons and bonds blocked in the banks and non-banking organizations under sanctions.

In millions of RR	31 December 2023	31 December 2022
Restricted assets		
Gross carrying amount	19 903	10 985
Provisions charged	(13 299)	(5 282)
Total restricted assets	**6 604**	**5 703**

At 31 December 2023, included in other financial assets are receivables and investments in associates (31 December 2022: same).

As at 31 December 2023 prepaid expenses consist of prepayments for TV advertising, marketing, IT support, plastic cards, rents, security, ATM-service and others (31 December 2022: same).

The table below discloses the credit quality of other financial assets based on credit risk grades:

In millions of RR	31 December 2023	31 December 2022*	1 January 2022*
Excellent	7 982	11 742	29 850
Good	37 693	16 889	21 115
Monitor	6 882	8 588	1 779
Итого прочие финансовые активы	**52 557**	**37 219**	**52 744**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Refer to Note 26 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement settlement of operations with plastic cards balances and other receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 26 for the ECL measurement approach. Refer to Note 32 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of amounts of other financial assets is disclosed in Note 26.

12 Due to Banks

In millions of RR	31 December 2023	31 December 2022
Correspondent accounts and overnight placements of other banks	6 154	2 060
Sale and repurchase agreements with other banks	689	-
Total due to banks	**6 843**	**2 060**

Liabilities of RR 689 million (31 December 2022: nil) represent sale and repurchase agreements with debt securities at AC (Note 7).

At 31 December 2023 collateral for swap contracts was RR 3,003 million and included in the correspondent accounts (31 December 2022: RR 1,250 million).

Refer to Note 32 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity and geographical risk concentration analysis of due to banks is disclosed in Note 26. Refer to Note 29 and 30 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

13 Customer Accounts

In millions of RR	31 December 2023	31 December 2022
Individuals		
- Current/demand accounts	727 314	660 537
- Term deposits	619 325	194 876
- Brokerage accounts	98 620	116 218
IE and SME		
- Current/demand accounts	246 323	207 054
- Term deposits	21 413	13 147
Other legal entities		
- Term deposits	1	150
- Current/demand accounts	276	4
Total customer accounts	**1 713 272**	**1 191 986**

Refer to Note 32 for the disclosure of the fair value of customer accounts. Interest rate, maturity and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 26. Information on related party balances is disclosed in Note 34.

14 Other Borrowed Funds

On 5-6 July 2021 the Group completed the securitisation of home equity loans placed by mortgage agent TB- 1. The placement included Class A and B bonds secured by a portfolio of home equity loans. Class A bonds are represented by senior tranche totaling RR 5,623 million and were placed with private and institutional investors with a coupon of 7.9%. Class B bonds are represented by subordinated junior tranche totaling RR 878 million that was retained by the Bank. This junior tranche absorbs substantially all amount of credit risks related to the portfolio. As a result, the securitised home equity loans amounted to RR 5,638 million failed to meet derecognition criteria set out by IFRS 9 and hence continue to be recognised in the Group's consolidated financial statements.

As at 31 December 2023 the carrying value of borrowings through securitisation transaction amounted to RR 1,061 million (31 December 2022: RR 2,199 million) that are represented by Class A bonds. The carrying value of the securitised home equity loans amounted to RR 1,857 million as at 31 December 2023 (31 December 2022: RR 2,958 million). Refer to Note 8. The fair value of the securitised home equity loans does not differ materially from the carrying value as at 31 December 2023 (31 December 2022: same). The resulting net position amounted to RR 796 million (31 December 2022: RR 759 million).

Notes to the Consolidated Financial Statements

15 Subordinated Debt

In millions of RR	31 December 2023	31 December 2022
Perpetual subordinated loan notes issued in September 2021	38 974	30 817
Perpetual subordinated loan notes issued in June 2017	19 564	15 096
Total subordinated debt	**58 538**	**45 913**

On 20 September 2021 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 600 million (RR 43,536 million) with zero premium. The Group has a right to repay the notes at its discretion starting from 20 December 2026 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 6.00% p.a. payable quarterly starting from 20 December 2021.

On 15 June 2017 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million (RR 17,109 million) with zero premium. The Group has a right to repay the notes at its discretion starting from 15 September 2027 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017. Starting from 15 September 2023 the interest rate increased to 11.99% p.a.

During the three months ended 31 December 2023 the Group repurchased 6,734 subordinated perpetual bonds (TCS-perp) at market price for RR 348 million. The net gains from repurchase of subordinated bonds in the amount of RR 263 million are recognised in the consolidated statement of profit or loss and other comprehensive income.

All perpetual subordinated loan participation notes have no stated maturity, and interest payments may be cancelled by the Group at any time.

The claims of lenders against the Group in respect of the principal and interest on these bonds are subordinated to the claims of other creditors in accordance with the legislation of the Russian Federation.

As a result of the sanctions, the Group's ability to make interest payments to the holders under its Eurobonds issued in 2017 and 2021 through the usual channels was undermined by the assets freeze restrictions. In this regard, the Group cancelled interest payments for the two coupon periods (March and June 2023) under its Eurobonds to avoid discrimination between bondholders and to focus on finding a practical and lawful solution to remedy this situation by the time of the next scheduled coupon payment. On 20 September and 20 December 2023 the Group resumed coupon payments for the 3rd and 4th quarters in fulfilment of its obligations under a subordinated loan notes to the holders whose rights are recorded in the Russian depository infrastructure. The fulfilment of Eurobond coupon payment obligations to holders whose rights are registered in foreign depository infrastructure or foreign brokers remains technically impossible due to the imposed sanctions. The Group is exploring all options available in the current circumstances for making payments to all categories of investors.

On 27 November 2023 the Group replaced USD 146.2 million of Eurobonds issued in 2017. The replacement share represents 48.74% of the original volume with a nominal value of USD 300 million, with coupon rate of 11.99% and no stated maturity.

On 30 November 2023 the Group replaced USD 288.7 million of Eurobonds issued in 2021. The replacement share represents 48.11% of the original volume with a nominal value of USD 600 million, with coupon rate of 6.0% and no stated maturity.

Holders of Eurobonds whose rights are recorded in the Russian depositories may participate in the replacement. The nominal, coupon rate and maturity of the replacement bonds remained the same. All coupon payments on replacement bonds will be made in Russian rubles at the Central Bank exchange rate on the payment date.

The perpetual subordinated loan participation notes are traded on the Moscow Exchange. Interest rate, maturity and geographical risk concentration analysis of subordinated debt is disclosed in Note 26. Refer to Note 32 for the disclosure of the fair value of financial instruments.

16 Insurance Contract Assets and Liabilities

In millions of RR	31 December 2023	31 December 2022*	1 January 2022*
Insurance contract assets:			
- Assets under reinsurance contracts, excluding other previously recognized cash flows	1 463	693	14
Insurance contract assets	**1 463**	**693**	**14**
Insurance contract liabilities:			
- Insurance contract liabilities other than assets for acquisition cash flows and other occurred cash flows	22 119	15 438	9 921
- Assets in relation to acquisition cash flows	(259)	(215)	(136)
Insurance contract liabilities	**21 860**	**15 223**	**9 785**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

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Notes to the Consolidated Financial Statements

16 Insurance contract assets and liabilities (Continued)

Reconciliation of insurance liabilities is presented below:

In millions of RR	**31 December 2023**				**31 December 2022**			
	LRC Excluding loss component	**Loss componen**	**LIC**	**Total**	**LRC Excluding loss component**	**Loss componen**	**LIC**	**Total**
Insurance contract liabilities at 1 January	**9 080**	**275**	**5 868**	**15 223**	**6 422**	**151**	**3 212**	**9 785**
Insurance revenue	**(56 558)**	**-**	**-**	**(56 558)**	**(41 311)**	**-**	**-**	**(41 311)**
Insurance service expenses (except reinsurance)								
Incurred claims and other directly attributable expenses	-	-	16 890	16 890	-	-	12 306	12 306
Changes that relate to past service - adjustments to the LIC	-	-	(1 982)	(1 982)	-	-	(523)	(523)
Losses on onerous contracts and reversal of those losses	-	133	-	133	-	125	-	125
Insurance acquisition cash flows amortisation	2 790	-	-	2 790	2 163	-	-	2 163
Insurance service expenses (except reinsurance)	**2 790**	**133**	**14 908**	**17 831**	**2 163**	**125**	**11 783**	**14 071**
Insurance service result	**(53 768)**	**133**	**14 908**	**(38 727)**	**(39 148)**	**125**	**11 783**	**(27 240)**
Total insurance finance expenses from insurance contracts issued represent-ed by amounts recognised in profit or loss	112	-	227	339	102	-	113	215
Total insurance finance expenses from insurance contracts issued represent-ed by amounts recognised in OCI	-	-	(54)	(54)	-	-	14	14
Insurance finance expenses	**112**	**-**	**173**	**285**	**102**	**-**	**127**	**229**
Total changes in the statement of comprehensive income	**(53 656)**	**133**	**15 081**	**(38 442)**	**(39 046)**	**125**	**11 910**	**(27 011)**

In millions of RR	**31 December 2023**				**31 December 2022**			
	LRC Excluding loss component	**Loss componen**	**LIC**	**Total**	**LRC Excluding loss component**	**Loss componen**	**LIC**	**Total**
Investment components								
Allocation from assets for insurance acquisition cash flows to groups of insurance contracts	(26)	-	-	(26)	(80)	-	-	(80)
Cash flows								
Premiums received	61 661	-	-	61 661	43 646	-	-	43 646
Claims and other directly attributable expenses paid	-	-	(13 541)	(13 541)	-	-	(9 252)	(9 252)
Insurance acquisition cash flows	(3 015)	-	-	(3 015)	(1 865)	-	-	(1 865)
Total cash flows	**58 646**	**-**	**(13 541)**	**45 105**	**41 781**	**-**	**(9 252)**	**32 529**
Net insurance contract liabilities at 31 December	**14 044**	**408**	**7 408**	**21 860**	**9 077**	**276**	**5 870**	**15 223**

Notes to the Consolidated Financial Statements

16 Insurance contract assets and liabilities (Continued)

Reconciliation of insurance assets is presented below:

	2023			2022		
	Remaining coverage	Losses incurred	Total	Remaining coverage	Losses incurred	Total
In millions of RR	Excluding indemnity component			Excluding indemnity component		
Net balance at 1 January	**267**	**426**	**693**	**14**	**-**	**14**
Net income/(expenses) from reinsurance contracts held						
Reinsurance expenses	(1 611)	-	(1 611)	(415)	-	(415)
Claims recovered	-	1 825	1 825	-	491	491
Changes that relate to past service - adjustments to incurred claims	-	(48)	(48)	-	-	-
Net income/(expense) from reinsurance contracts held	**(1 611)**	**1 777**	**166**	**(415)**	**491**	**76**
Finance income from reinsurance contracts held	-	10	10	-	-	-
Insurance finance income	**-**	**10**	**10**	**-**	**-**	**-**
Total amounts recognised in comprehensive income	**(1 611)**	**1 787**	**176**	**(415)**	**491**	**76**
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses paid	1 739	-	1 739	668	-	668
Recoveries from reinsurance	-	(1 145)	(1 145)	-	(65)	(65)
Total cash flows	**1 739**	**(1 145)**	**594**	**668**	**(65)**	**603**
Net balance at 31 December	**395**	**1 068**	**1 463**	**267**	**426**	**693**

17 Other Financial and Non-financial Liabilities

In millions of RR	31 December 2023	31 December 2022*	1 January 2022*
Other financial liabilities			
Settlement of operations with plastic cards	100 547	64 760	48 879
Trade payables	14 408	12 540	11 510
Credit related commitments (Note 28)	8 728	6 530	3 334
Loyalty programs	4 055	3 353	2 802
Other	1 882	2 690	2 421
Total other financial liabilities	**129 620**	**89 873**	**68 946**
Other non-financial liabilities			
Lease liabilities	24 364	21 268	1 052
Taxes payable other than income tax	8 540	2 653	3 167
Accrued administrative expenses	4 268	3 349	3 291
Liabilities under MLTIP	4 247	4 905	-
Other	113	313	307
Total other non-financial liabilities	**41 532**	**32 488**	**7 817**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Settlements of operations with plastic cards include funds that were spent by customers of the Bank by usage of plastic cards but have not yet been compensated to payment systems by the Bank. Taxes payable other than income tax are mainly represented by social tax accruals. Accrued administrative expenses are mainly represented by accrued staff costs.

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17 Other Financial and Non-financial Liabilities (Continued)

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2023:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Gross committed amount
At 31 December 2022	**6 511**	**19**	**6 530**
Movements with impact on provision for credit related commitments charge for the year:			
New originated or purchased	3 684	-	3 684
Transfers:	8 728	6 530	3 334
- to lifetime (from Stage 1 to Stage 2)	(23)	2	(21)
- to 12-months ECL (from Stage 2 to Stage 1)	(35)	(33)	(68)
Changes to ECL measurement model assumptions and estimates	(237)	(4)	(241)
Movements other than transfers and new originated or purchased loans	(1 182)	26	(1 156)
Total charge/(recovery) to profit or loss for the period	**2 207**	**(9)**	**2 198**
At 31 December 2023	**8 718**	**10**	**8 728**

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2022:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Gross committed amount
At 31 December 2021	**3 318**	**16**	**3 334**
Movements with impact on provision for credit related commitments charge for the year:			
New originated or purchased	1 745	-	1 745
Transfers:	8 728	6 530	3 334
- to lifetime (from Stage 1 to Stage 2)	(33)	4	(29)
- to 12-months ECL (from Stage 2 to Stage 1)	(62)	(28)	(90)
Changes to ECL measurement model assumptions and estimates	973	-	973
Movements other than transfers and new originated or purchased loans	570	27	597
Total charge to profit or loss for the year	**3 193**	**3**	**3 196**
At 31 December 2022	**6 511**	**19**	**6 530**

The main movements in the table presented above are described as follows:

- new originated or purchased category represents the day one 12-month ECL for the undrawn part of the purchased loans and loans to new borrowers (for this particular product) before the first payment became due;
- transfers between Stage 1 and Stage 2 due to undrawn limits experiencing significant increases (or decreases) of credit risk and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL. Transfers present the amount of credit loss allowance for loan commitments charged or recovered at the moment of transfer of a loan commitment among the respective stages;
- movements other than transfers and new originated or purchased loans category represents all other movements of ECL for loan commitments in particular related to changes in gross carrying amounts of associated loans and other.

There are no movements in Stage 3, as in case of becoming credit-impaired, undrawn limits will be blocked.

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities is disclosed in Note 26. Refer to Note 32 for disclosure of fair value of other financial liabilities. Refer to Note 26 for analysis of loan commitments by credit risk grades.

18 Share Capital, Share Premium and Treasury Shares

In millions of RR except for the number of shares	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2022	**224 218 678**	**199 305 492**	**230**	**26 998**	**(2 567)**	**24 661**
GDRs and shares transferred under MLTIP	-	-	-	-	682	682
At 31 December 2022	**224 218 678**	**199 305 492**	**230**	**26 998**	**(1 885)**	**25 343**
At 31 December 2023	**224 218 678**	**199 305 492**	**230**	**26 998**	**(1 885)**	**25 343**

At 31 December 2023 the total number of outstanding shares is 199,305,492 shares (31 December 2022: same) with a par value of USD 0.04 per share (31 December 2022: same).

At 31 December 2023 and 2022 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 34.

At 31 December 2023 the total number of treasury shares is 602,975 (31 December 2022: same).

During the year ended 31 December 2023 no GDRs were repurchased by the Group (2022: same).

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share the Group considered the dilutive effect of share options granted under MLTIP.

Earnings per share are calculated as follows:

In millions of RR except for the number of shares	2023	2022
Profit for the year attributable to ordinary shareholders of the Company	80 490	20 982
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation (thousands)	198 703	198 703
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation (thousands)	203 649	205 010
Basic earnings per ordinary share (expressed in RR per share)	**405,08**	**105,59**
Diluted earnings per ordinary share (expressed in RR per share)	**395,24**	**102,35**

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18 Share Capital, Share Premium and Treasury Shares (Continued)

No dividends were declared during the year ended 31 December 2023 and 2022.

Reconciliation of the number of shares used for basic and diluted EPS:

In thousands	Note	2023	2022
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation		**198 703**	**198 703**
Number of shares attributable for MLTIP	34	5 406	7 046
Number of shares that would have been issued at fair value		(460)	(739)
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation		**203 649**	**205 010**

19 Net Interest Income

In millions of RR	2023	2022
Interest income calculated using the effective interest rate method		
Loans and advances to customers, including:	236 754	168 550
Credit card loans	147 579	115 998
Cash loans	35 464	18 802
Car loans	18 412	11 157
Secured loans	14 313	10 158
POS loans	12 353	8 387
Loans to IE and SME	8 633	4 048
Placements with other banks and non-bank credit organizations	33 083	17 438
Debt securities and repurchase receivables at FVOCI	13 734	7 232
Brokerage operations	9 898	5 754
Debt securities and repurchase receivables at AC	6 630	6 629
Total interest income calculated using the effective interest rate method	**300 099**	**205 603**
Other similar income		
Financial assets at FVTPL	162	149
Total interest income	**300 261**	**205 752**

In millions of RR	2023	2022
Interest expense calculated using the effective interest rate method		
Customer accounts, including:	56 734	50 436
Individuals		
- Current/demand accounts	27 396	26 254
- Term deposits	22 359	20 977
IE and SME	6 854	3 054
Other legal entities	125	151
Subordinated debt	4 560	3 784
Due to banks	717	1 234
Other borrowed funds	139	251
RR denominated bonds	25	1 067
Total interest expense calculated using the effective interest rate method	**62 175**	**56 772**
Other similar expense		
Lease liabilities	2 265	1 007
Total interest expense	**64 440**	**57 779**
Expenses on deposit insurance programme	5 498	4 076
Net interest income	**230 323**	**143 897**

Notes to the Consolidated Financial Statements

20 Fee and Commission Income and Expense

In millions of RR	2023	2022
Fee and commission income		
Acquiring commission	37 451	31 070
SME services commission	19 097	14 933
Brokerage fee	15 905	12 702
SMS fee	11 228	6 667
Subscription fee	10 780	5 664
Income from MVNO services	9 591	4 767
Foreign currency exchange transactions fee	6 320	22 647
Fee for money transfers	6 047	9 509
Interchange fee	4 058	4 773
Cash withdrawal fee	1 847	1 631
Lifestyle commission	1 654	754
Replenishment fee	1 239	1 103
Marketing services fee	314	438
Other fees receivable	2 581	1 365
Total fee and commission income	**128 112**	**118 023**

Fee and commission income represents the following main types:

Acquiring commission represents commission for processing card payments from online and offline points of sale.

SME services commission represents commission for services to individual entrepreneurs and small to medium businesses.

Brokerage fee includes trading fee and brokerage account service fee.

SMS fee represents fee for messages sent to the customers for notification and transaction's authentication.

Subscription fee is a payment from a client who has subscribed to receive a discount on card service, more cashback, more income from savings and account balance, special loyalty programs from partners.

Income from MVNO services represents income from providing mobile services such as full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.

Foreign currency exchange transactions fee represents a commission for foreign exchange transactions of the Group's customers.

Fee for money transfers represents commission for money transfers to the bank's account through various payment channels and services.

Interchange fee represents a fee charged to merchants for every credit or debit card transaction.

Cash withdrawal fee represents a fee charged for cash withdrawal transactions.

Lifestyle commission represent income from the customers received for the lifestyle non-financial services provided by a mobile application (online booking of flights, hotels, theater and cinema tickets, etc.).

Replenishment fee is a payment from a client for the replenishing an amount greater than the maximum.

Marketing services fee represents a fee from SME for the advertising and information services.

Fee for selling credit protection was reclassified from the line "Fee and commission income" to the line "Insurance revenue" in the consolidated statement of profit and loss and other comprehensive income due to implementation of IFRS 17. Refer to Note 36 for further information.

Refer to Note 35 that describes the types of revenues recognized on a point in time basis and on the over time basis.

In millions of RR	2023	2022
Fee and commission expense		
Payment system	30 341	28 830
Service fee	11 941	4 383
Costs of MVNO services	6 574	3 102
Banking and other fees	5 726	3 672
Payment channels	465	986
Total fee and commission expense	**55 047**	**40 973**

Payment systems fee represents fee for Mir (National payment card system), through which all transactions on MasterCard, Visa and other payment systems' services are made. Service fee represents fee for statement printing, mailing service, SMS services and others. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming. Banking and other fee represents fee for banking, clearing and depository service fee, encashment and ATM service fee. Payment channels represent fee paid to third parties through whom borrowers make loan repayments.

21 Customer Acquisition Expense

In millions of RR	2023	2022*
Marketing and advertising	41 775	23 704
Staff costs	18 453	11 445
Cards issuing expenses	6 142	3 439
Partnership expenses	1 368	1 246
Credit bureaux	1 242	964
Telecommunication expenses	582	553
Other acquisition	883	361
Total customer acquisition expenses	**70 445**	**41 712**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 4,112 million for the year ended 31 December 2023 (2022: RR 2,443 million).

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22 Insurance Revenue and Insurance Service Expense

In millions of RR	2023	2022*
Insurance revenue		
Insurance revenue from contracts measured under the PAA	56 558	41 311
Total Insurance revenue	**56 558**	**41 311**
Insurance service expense		
Incurred claims and other directly attributable expenses	(16 896)	(12 149)
Changes that relate to past service - adjustments to the LIC	1 983	523
Losses on onerous contracts and reversal of those losses	(133)	(125)
Insurance acquisition cash flows amortisation	(2 789)	(2 249)
Insurance service expense	**(17 835)**	**(14 000)**
Net income/(expense) from reinsurance contracts held		
Reinsurance expenses - contracts measured under the PAA	(1 611)	(415)
Claims recovered	1 836	483
Changes that relate to past service - adjustments to incurred claims	(47)	-
Net income/(expense) from reinsurance contracts held	**178**	**68**
Finance expenses from insurance contracts issued	(340)	(215)
Total Insurance service expense	**(17 997)**	**(14 147)**
Insurance service result	**38 561**	**27 164**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Incurred claims and other directly attributable expenses include amortisation of intangible assets in the amount of RR 153 million for the year ended 31 December 2023 (2022: RR 74 million) according to IFRS 17 requirements.

23 Administrative and Other Operating Expenses

In millions of RR	Note	2023	2022*
Staff costs		85 074	67 768
Amortization of intangible assets	10	9 908	6 164
IT and software support		8 470	4 665
Write-off of fixed and intangible assets		3 524	1 059
Depreciation of right-of-use assets	10	3 017	1 690
Depreciation of fixed assets	10	2 776	2 210
Short-term and low-value lease		1 905	1 985
Professional services		1 815	1 402
Office maintenance and office supplies		1 108	748
Collection expenses		979	604
Communication services		556	481
Security expenses		545	307
Other taxes and levies		533	3 018
Charity		438	266
Other administrative expenses		2 206	1 350
Total administrative and other operating expenses		**122 854**	**93 717**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

The total fees charged by the Company's statutory auditor for the statutory audit of the annual consolidated and separate financial statements of the Company for the year ended 31 December 2023 amounted to RR 9 million (2022: RR 6.4 mln). The total fees charged by the Company's statutory auditor for the year ended 31 December 2023 for other assurance services amounted to RR 0.7 million (2022: nil), for tax compliance services amounted to RR 0.4 million (2022: RR 0.1 million) and for other non-assurance services amounted to RR 0.1 million (2022: RR 0.3 million).

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

In millions of RR	2023	2022
Statutory social contribution to the non-budget funds	15 920	11 391
Total	**15 920**	**11 391**
Share-based remuneration		
- Management long-term incentive program	3 588	7 731
- Key employees retention plan	9	106
Total	**3 597**	**7 837**

Refer to Note 34 for details of each share-based remuneration program.

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 70,414 (2022: 64,857).

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24 Income Taxes

Income tax expense comprises the following:

In millions of RR	2023	2022
Current tax	18 063	15 006
Deferred tax	4 354	(5 996)
Total income tax expense	**22 417**	**9 010**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

On 4 August 2023, the President of the Russian Federation approved Federal Law No. 414-FZ on Windfall Tax. Under the provisions of the Federal Law, the Group is a taxpayer of the windfall tax.

Windfall tax falls in scope of IAS 12 Income Taxes. The amount of the Group's windfall tax expense and payable, calculated at a rate of 10%, is RR 1,848 million. The Group has made a windfall tax security deposit in the amount of RR 924 million, which in the consolidated statement of cash flows is presented adjacent to the line item Income tax paid. As a result of the security deposit paid, the Group is eligible to a windfall tax deduction in the amount of the above security deposit payment. Accordingly, the applicable windfall tax rate was 5%.

The income tax rate applicable to the majority of the Group's income is 20% (2022: 20%). The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company registered in Cyprus is 12.5% (2022: 12.5%).

A reconciliation between the expected and the actual taxation charge is provided below.

In millions of RR	2023	2022*
Profit before tax	**103 349**	**29 770**
Theoretical tax expense at statutory rate of 20% (2022: 20%)	20 670	5 954
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	1 778	3 547
- Other expenses	(51)	190
- Unrecognised tax losses	1	-
Effects of different tax rates:		
- Income on government and corporate securities taxed at different rates	(906)	(676)
- Results of companies of the Group taxed at different statutory rates	1	(5)
Windfall tax	924	-
Income tax expenses for the year	**22 417**	**9 010**

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2022: 20%).

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss.

Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

The deferred tax assets effect of the movements in temporary differences for the year ended 31 December 2023 is detailed below:

In millions of RR	31 December 2022	(Charged)/ credited to profit or loss	31 December 2023
Tax effect of deductible and taxable temporary differences			
Loans and advances to customers	6 187	(6 187)	-
Tangible fixed assets	(914)	914	-
Right-of-use assets	(3 942)	3 942	-
Intangible assets	(313)	329	16
Revaluation of debt investments at FVOCI	(4 656)	4 677	21
Revaluation of debt investments at FVTPL	(1 347)	1 347	-
Accrued expenses and other temporary differences	2 758	(2 976)	(218)
Lease liabilities	4 246	(4 246)	-
Customer accounts	21	(21)	-
Debt securities in issue	(27)	27	-
Financial derivatives	(165)	165	-
Insurance contract liabilities	98	295	393
Deferred tax assets	**1 946**	**(1 734)**	**212**

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24 Income Taxes (Continued)

The deferred tax liabilities effect of the movements in temporary differences for the year ended 31 December 2023 is detailed below:

In millions of RR	31 December 2022	(Charged)/ credited to profit or loss	Credited to OCI	31 December 2023
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	-	3 518	-	3 518
Tangible fixed assets	-	(4 417)	-	(4 417)
Right-of-use assets	-	(3 925)	-	(3 925)
Intangible assets	-	(187)	-	(187)
Revaluation of debt investments at FVOCI	-	(10 146)	231	(9 915)
Revaluation of debt investments at FVTPL	-	148	-	148
Accrued expenses and other temporary differences	(7)	4 840	-	4 833
Lease liabilities	-	4 638	-	4 638
Customer accounts	-	170	-	170
Debt securities in issue	-	265	-	265
Financial derivatives	-	(595)	-	(595)
Insurance provisions	-	-	-	-
Deferred tax liabilities	**(7)**	**(2 620)**	**231**	**(2 396)**

The deferred tax assets effect of the movements in temporary differences for the year ended 31 December 2022 is detailed below:

In millions of RR	31 December 2021	(Charged)/credited to profit or loss	31 December 2022
Tax effect of deductible and taxable temporary differences			
Loans and advances to customers	-	6 187	6 187
Tangible fixed assets	-	(914)	(914)
Right-of-use assets	-	(3 942)	(3 942)
Intangible assets	-	(313)	(313)
Revaluation of debt investments at FVOCI	-	(4 656)	(4 656)
Revaluation of debt investments at FVTPL	-	(1 347)	(1 347)
Accrued expenses and other temporary differences	-	2 758	2 758
Lease liabilities	-	4 246	4 246
Customer accounts	-	21	21
Debt securities in issue	-	(27)	(27)
Financial derivatives	-	(165)	(165)
Insurance contract assets	-	98	98
Deferred tax assets	**-**	**1 946**	**1 946**

The deferred tax liabilities effect of the movements in temporary differences for the year ended 31 December 2022 is detailed below:

In millions of RR	31 December 2021	(Charged)/credited to profit or loss	Credited to OCI	31 December 2022
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	(185)	185	-	-
Tangible fixed assets	(764)	764	-	-
Right-of-use assets	(153)	153	-	-
Intangible assets	(389)	389	-	-
Revaluation of debt investments at FVOCI	1 858	325	(2 183)	-
Revaluation of debt investments at FVTPL	(1 093)	1 093	-	-
Accrued expenses and other temporary differences	(38)	31	-	(7)
Lease liabilities	206	(206)	-	-
Customer accounts	(73)	73	-	-
Debt securities in issue	3	(3)	-	-
Financial derivatives	(1 183)	1 183	-	-
Insurance contract liabilities	(49)	49	-	-
Deferred tax liabilities	**(1 860)**	**4 036**	**(2 183)**	**(7)**

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25 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of the Group's debt and the movements in the Group's debt for each of the periods presented. The debt items are those that are reported as financing in the consolidated statement of cash flows.

	Liabilities from financing activities				
In millions of RR	**Debt securities in issue**	**Perpetual subordinated debts**	**Securitisation**	**Lease liabilities**	**Total**
At 31 December 2021	**21 680**	**59 657**	**3 806**	**1 052**	**86 195**
Cash flows from repayments	(21 098)	(4 427)	(1 604)	(659)	(27 788)
Foreign exchange adjustments	-	(4 912)	-	-	(4 912)
Other non-cash movements	(281)	(4 405)	(3)	20 875	16 186
At 31 December 2022	**301**	**45 913**	**2 199**	**21 268**	**69 681**
Cash flows from repayments	(331)	(892)	(1 135)	(3 365)	(5 723)
Foreign exchange adjustments	-	12 510	-	-	12 510
Other non-cash movements	30	1 007	(3)	6 461	7 495
At 31 December 2023	**-**	**58 538**	**1 061**	**24 364**	**83 963**

Other non-cash movements for the lease liabilities are presented by the additions of the net present value of the lease payments according to IFRS 16.

26 Financial and Insurance Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks by the management of the Bank and Insurance Company. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimize operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group grants retail loans and SME loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

The management of the Group takes special measures to mitigate growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for the new borrowers etc.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment (Note 28).

The Bank has a credit committee, which establishes general principles for lending to individual borrowers. According to these principles, the minimum requirements for potential customers are listed below:

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a cell-phone;
- Permanent employment;
- Permanent income.

Credit cards are issued with a limit of up to RR 1 million, with monthly debt repayment.

For cash loans, minimum requirements are listed below:

- The requested loan term is up to 5 years;
- Cash loan volume does not exceed RR 5 million.

For POS loans minimum requirements are listed below:

- The requested loan amount should exceed RR 3 thousand;
- The requested loan term is from 3 to 36 months;
- The amount of one POS loan does not exceed RR 500 thousand.

For secured loans minimum requirements are listed below:

- The requested loan secured with a car amount does not exceed RR 7 million, loan term is up to 7 years. The requirement for the car is in good condition of driving with an age not more than 15 years, availability of a vehicle registration certificate and vehicle passport;
- The requested loan secured with a real estate amount does not exceed RR 30 million, loan term is up to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances.

For car loans minimum requirements are listed below:

- The requested loan term is up to 5 years;
- Car loan volume does not exceed RR 8 million;
- The requirement for the car is with an age not more than 18 years and availability of vehicle passport.

For loans to SME minimum requirements are listed below:

- Working capital loan: loan volumes up to RR 10 million and loan term to 6 months;
- Credit line under government contract: loan volumes up to RR 10 million, loan term - until the end of the contract, maximum 12 months;
- Gap financing: a short-term overdrafts to close cash gaps up to RR 10 million, loan term up to 45 days;
- Investment credit line secured by real estate: loan volumes up to RR 15 million and loan term to 10 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- For SME with a turnover from RR 120 million per year: loan volumes up to RR 200 million and loan term to 10 years.

A credit decision process includes:

- Validation of the application data. The system checks the validity of the data provided (addresses, telephone numbers, age, if the applicant already uses any other products of the Bank);
- Phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- Requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories);
- Based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- The approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

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26 Financial and Insurance Risk Management (Continued)

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;

b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;

c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When customers experience serious difficulties with their current debt servicing, they may be offered loan restructuring. In this case the Bank stops accrual of interest, commissions and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments. Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans.

Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

a) the client's account balance was fixed, accrual of interest stopped;

b) information about the client is considered to be up to date;

c) the client denied restructuring program;

d) term of limitation of court actions has not expired;

e) court process is economically justified.

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency. The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

a) loans remain unpaid after all collection procedures were performed (no payment during last 4-6 months);

b) the debtor cannot be either reached or found for the previous 4 months;

c) the debtor has no assets and there is no expectation he/she will have any in the future;

d) the debtor has died and there is no known estate or guarantor;

e) it is determined that it is not cost effective to continue collection efforts.

Credit risk grading system. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by Russian authorized credit rating agency ACRA in case these financial instruments have risk grades estimated by national rating agencies (using ACRA ratings and in case of their absence – Expert RA or National RA ratings adjusting them to ACRA's categories using a reconciliation table).

The Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval 31 December 2023	Corresponding interval 31 December 2022
Excellent	PD < 0.1%	PD < 0.1%
Good	with PD range of or equal to 0.1% and less than 4.8%	with PD range of or equal to 0.1% and less than 2.5%
Monitor	PD in the range of or equal to 4.8% and less 8.8%	PD in the range of or equal to 2.5% and less 12.5%
Sub-standard	PD in the range of or equal to 8.8% and less 20.5%	PD in the range of or equal to 12.5% and less 18.5%
Doubtful	PD in the range of or equal to 20.5% and less 47.4%	PD in the range of or equal to 18.5% and less 30%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – high credit quality with lowest or very low expected credit risk;
- Good - good credit quality with currently low expected credit risk;
- Monitor – adequate credit quality with a moderate credit risk;
- Sub-standard – moderate credit quality with a satisfactory credit risk; and
- Doubtful – facilities that require closer monitoring and remedial management.

For measuring credit risk and grading loans and advances to customers, credit related commitments and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for POS loans and secured loans: not overdue with a probability of default of less than 2.5%; for other types of loans: not overdue with a probability of default of less than 5%.
Good	For credit cards: non-overdue with PD greater than or equal to 5% but less than 25% All non-overdue loans that do not meet the excellent level
Monitor	For credit cards: the PD is greater than or equal to 25%, or from 1 to 30 overdue; for other types of loans: from 1 to 30 days overdue
Sub-standard	From 31 to 90 days overdue, or restructured loans from 0 to 90 days overdue;
NPL	More than 90 days overdue.

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – strong credit quality with minimum expected credit risk;
- Good – adequate credit quality with low expected credit risk;
- Monitor – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- Sub-standard – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- NPL – non-performing loans, credit-impaired loans more than 90 days overdue.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Expected credit loss (ECL) measurement – definitions and description of estimation techniques. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). ECL measurement is based on the following components used by the Group:

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

Probability of Default (PD) – an estimate of the likelihood of default to occur over a given time period.

Exposure at Default (EAD) – an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between debt amount in the event of default and the flows that the Group would expect to receive.

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26 Financial and Insurance Risk Management (Continued)

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For POS loans lifetime period is equal to 36 months, cash loans to 60 months, secured loans to 180 months, car loans to 84 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased or originated credit-impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

Default and credit-impaired assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have “cured”) when it no longer meets any of the default criteria.

Significant increase in credit risk (SICR) - the SICR assessment is performed on an individual basis for all financial assets by monitoring the triggers stated below. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade “Doubtful”;
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due; or
- threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to 12-month PD estimated 18 months ago or as of the date of initial recognition (if it occurred less than 18 months ago) by 3 times and PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision.

For all other loans:

- 30 days past due; or
- if number of overdue payments for the last 6 due dates exceeds 2, or if PD exceeds 50%.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarized in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified as a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), so at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses.

The Group carries out two separate approaches for ECL measurement:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except FVTPL: assessment based on external ratings.

The Group performs an assessment on a portfolio basis for the retail loans. This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as delinquency, the historical data on losses and other.

Principles of assessment on portfolio basis – to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as that exposures to risk within a group are homogeneous.

Examples of shared characteristics include type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in PD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD \times EAD \times LGD \times MR$$

where:

PD — probability of default (can't be higher than 100%);

EAD — exposure at default;

LGD — loss given default;

MR — adjustment to PD and LGD depending on macroeconomic factors.

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26 Financial and Insurance Risk Management (Continued)

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or segment.

The EADs are determined based on the expected payment profile, on an individual basis. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioral characteristics. For other products debt at the time of default is equal to current exposure as there is no credit limit to utilize.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months. This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historic default data using borrower-specific behavioral characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures are allocated to segments to which average PD for the segment is applied.
- Lifetime PDs – the estimated probability of a default occurring over the remaining life of the financial instrument. This parameter is used to calculate lifetime ECLs for Stage 2 and Stage 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods defined above. To calculate Lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure:

- For credit cards, POS loans in stages 1, 2 and 3, also car loans in stages 1, 2, losses in the event of default are calculated using the portfolio approach based on statistics of repayments of defaulted loans for the period for 36 months;
- For cash loans in stages 1, 2 and 3 and car loans in stage 3 losses in the event of default are calculated using the portfolio approach based on statistics of repayments of defaulted loans for the period for 30 months;
- For SME loans - losses in the event of default are calculated using the portfolio approach based on statistics of repayments of defaulted loans for the period for 12 months, for SME overdrafts – 15 months;
- For secured cash loans, credit lines for SME and BNPL loans losses in the event of default are calculated using current market data on expected recoveries.

ECL measurement for loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit limits of credit cards and overdrafts is defined based on statistical analysis of exposures at default.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by national rating agencies - ACRA and in case of rating's absence – Expert RA or National RA (2022: same).

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates forward-looking information.

Starting from 2022, given the high degree of uncertainty associated with the geopolitical situation the Group assesses the impact of the economic environment on the applicable estimates used in calculating ECLs based on actual historical data on defaults in previous crises, as well as using expert estimates based on the duration and strength of the crises. As with any forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Backtesting – the Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed on a quarterly basis.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for refining models and assumptions are defined after discussions between authorised persons.

Market risk. The Group takes on exposure to market risks. Market risks of the Group arise from open positions in (a) currency and (b) interest rate, both of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the year:

	At 31 December 2023				At 31 December 2022			
In millions of RR	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
RR	1 992 953	(1 780 119)	(5 524)	207 310	1 321 780	(1 168 650)	(5 435)	147 695
USD	97 101	(117 330)	8 506	(11 723)	124 168	(130 134)	6 401	435
CNY	28 035	(21 991)	-	6 044	31 620	(20 656)	-	10 964
Euro	14 741	(17 073)	-	(2 332)	23 124	(25 232)	(8)	(2 116)
HKD	1 072	(1 848)	-	(776)	3 158	(3 118)	-	40
GBP	101	(837)	-	(736)	272	(964)	-	(692)
Others	1 197	(1 412)	(8)	(223)	6 501	(7 059)	(155)	(713)
Total	**2 135 200**	**(1 940 610)**	**2 974**	**197 564**	**1 510 623**	**(1 355 813)**	**803**	**155 613**

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure. Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 31.

The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2023		At 31 December 2022	
In millions of RR	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
USD strengthening by 20% (2022: by 20%)	(1 836)	(1 836)	61	61
USD weakening by 20% (2022: by 20%)	1 836	1 836	(61)	(61)
CNY strengthening by 20% (2022: by 20%)	947	947	1 529	1 529
CNY weakening by 20% (2022: by 20%)	(947)	(947)	(1 529)	(1 529)

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26 Financial and Insurance Risk Management (Continued)

Euro strengthening by 20% (2022: by 20%)	(365)	(365)	(295)	(295)
Euro weakening by 20% (2022: by 20%)	365	365	295	295
HKD strengthening by 20% (2022: by 20%)	(122)	(122)	6	6
HKD weakening by 20% (2022: by 20%)	122	122	(6)	(6)
GBP strengthening by 20% (2022: by 20%)	(115)	(115)	(97)	(97)
GBP weakening by 20% (2022: by 20%)	115	115	97	97

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2022: no material impact).

The table below summarizes the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial and insurance assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates:

In millions of RR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	No stated maturity	Total
31 December 2023							
Total financial assets	920 911	317 257	202 124	429 834	261 453	6 604	2 138 183
Total financial liabilities	(949 502)	(358 012)	(199 978)	(274 218)	(158 909)	-	(1 940 619)
Net interest sensitivity gap at 31 December 2023	**(28 591)**	**(40 755)**	**2 146**	**155 616**	**102 544**	**6 604**	**197 564**
31 December 2022							
Total financial assets	639 295	224 438	126 055	268 368	247 784	5 703	1 511 643
Total financial liabilities	(811 128)	(324 587)	(95 087)	(81 722)	(43 506)	-	(1 356 030)
Net interest sensitivity gap at 31 December 2022	**(171 833)**	**(100 149)**	**30 968**	**186 646**	**204 278**	**5 703**	**155 613**

Assets with no stated maturity are represented by the restricted assets.

The Group has no significant risk associated with variable interest rates on loans and advances provided to customers or loans received.

The aim of interest rate risk management is to maintain the risks assumed by the Group within the limits determined by the Group in accordance with its own strategic objectives. The interest rate risk is managed by setting caps and floors in relation to interest rates on financial assets and liabilities depending on their types and maturities and balancing the assets and liabilities which are sensitive to changes in interest rates.

The assessment of the magnitude of interest rate risk is carried out by performing a sensitivity analysis which implies assessment of impact on net interest income of a shift in interest rates by 200 basis points. At 31 December 2023, if interest rates at that date had been 200 basis points lower/higher (31 December 2022: 200 basis points), with all other variables held constant, profit for the year would have been RR 3,951 million (31 December 2022: RR 3,205 million) lower/higher, equity would have been RR 3,951 million (31 December 2022: RR 3,205 million) lower/higher.

The Group monitors interest rates for its financial instruments. The table below summarizes weighted average interest rates for the years 2023 and 2022 based on reports reviewed by key management personnel.

	At 31 December 2023					At 31 December 2022				
In % p.a.	**RR**	**USD**	**EURO**	**CNY**	**Other**	**RR**	**USD**	**EURO**	**CNY**	**Other**
Assets										
Cash and cash equivalents	0,1	0,0	0,1	1,1	0,0	1,0	0,0	-0,1	0,0	-
Loans and advances to customers	30,1	4,0	3,4	-	-	28,2	-	1,7	-	-
Due from banks	10,6	-	-	2,8	-	2,0	-	-	-	-
Investments in securities	7,5	2,8	2,5	-	3,8	5,8	5,4	2,9	3,3	-
Repurchase receivables	7,5	-	-	-	-	-	-	-	-	-
Brokerage receivables	24,6	26,4	-	-	-	23,9	21,1	21,9	-	-
Liabilities										
Due to banks	12,3	-	-	0,3	-	12,1	0,0	-	-	-
Customer accounts	8,1	0,2	0,0	1,1	0,0	5,8	0,9	0,5	-	0,1
Other borrowed funds	7,9	-	-	-	-	7,9	-	-	-	-
Debt securities in issue	-	-	-	-	-	0,0	-	-	-	-
Brokerage payables	23,7	22,0	-	-	-	22,5	21,2	-	-	-
Subordinated debt	-	7,9	-	-	-	-	8,2	-	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

26 Financial and Insurance Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial and insurance assets and liabilities at 31 December 2023 is set out below:

In millions of RR	**Russia**	**OECD**	**Other Non-OECD**	**Listed**	**Total**
Financial assets					
Cash and cash equivalents	717 739	1 361	5 054	-	724 154
Mandatory cash balances with the CBRF	3 189	-	-	-	3 189
Due from other banks	5 312	-	-	-	5 312
Loans and advances to customers	972 115	-	297	-	972 412
Financial derivatives	2 983	-	-	-	2 983
Investments in securities	328 275	-	4 648	-	332 923
Repurchase receivables	845	-	-	-	845
Brokerage receivables	42 345	-	-	-	42 345
Insurance contract assets	1 463	-	-	-	1 463
Other financial assets	45 953	6 604	-	-	52 557
Total financial assets	**2 120 219**	**7 965**	**9 999**	**-**	**2 138 183**
Financial liabilities					
Due to banks	6 843	-	-	-	6 843
Customer accounts	1 713 272	-	-	-	1 713 272
Other borrowed funds	1 061	-	-	-	1 061
Financial derivatives	9	-	-	-	9
Brokerage payables	9 416	-	-	-	9 416
Subordinated debt	-	-	-	58 538	58 538
Insurance contract liabilities	21 860	-	-	-	21 860
Other financial liabilities	129 620	-	-	-	129 620
Total financial liabilities	**1 882 081**	**-**	**-**	**58 538**	**1 940 619**
Credit related commitments (Note 28)	**677 471**	**-**	**-**	**-**	**677 471**

The geographical concentration of the Group's financial and insurance assets and liabilities at 31 December 2022 is set out below:

In millions of RR	**Russia**	**OECD**	**Other Non-OECD**	**Listed**	**Total**
Financial assets					
Cash and cash equivalents	473 552	3 466	34 543	-	511 561
Mandatory cash balances with the CBRF	1 690	-	-	-	1 690
Due from other banks	450	-	-	-	450
Loans and advances to customers	605 872	-	583	-	606 455
Financial derivatives	1 020	-	-	-	1 020
Investments in securities	307 253	13 209	5 340	-	325 802
Brokerage receivables	26 747	-	-	-	26 747
Guarantee deposits with payment systems	-	6	-	-	6
Insurance contract assets	693	-	-	-	693
Other financial assets	37 147	-	72	-	37 219
Total financial assets	**1 454 424**	**16 681**	**40 538**	**-**	**1 511 643**
Financial liabilities					
Due to banks	2 060	-	-	-	2 060
Customer accounts	1 191 986	-	-	-	1 191 986
Debt securities in issue	-	-	-	301	301
Other borrowed funds	2 199	-	-	-	2 199
Financial derivatives	217	-	-	-	217
Brokerage payables	8 258	-	-	-	8 258
Subordinated debt	-	-	-	45 913	45 913
Insurance contract liabilities	15 223	-	-	-	15 223
Other financial liabilities	89 845	-	28	-	89 873
Total financial liabilities	**1 309 788**	**-**	**28**	**46 214**	**1 356 030**
Credit related commitments (Note 28)	**677 471**	**400 898**	**-**	**-**	**400 898**

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held. Balances with Russian counterparties actually outstanding to/from offshore companies of these Russian counterparties, are allocated to the caption "Russia".

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 31 December 2023 and 2022.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. Liquidity risk is managed by the Financial Department and the Risk Management Department on a regular basis.The Group seeks to maintain a stable funding base primarily consisting of amounts due to retail and corporate customer accounts and deposits, debt securities.

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26 Financial and Insurance Risk Management (Continued)

The Group keeps all available cash in diversified portfolios of liquid instruments such as a correspondent account with CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash at all times exceeds all accrued financing costs falling due within half a year plus two months of regular operating costs.

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring balance sheet liquidity ratios against regulatory requirements.

The liquidity analysis takes into account the covenant requirements and ability of the Group to waive any potential breaches within the grace period. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBRF. The Bank has complied with these ratios throughout 2023 and 2022. The CFO and the Head of Risk Management Department receive information about the liquidity profile of the financial assets and liabilities. This includes daily, weekly, monthly and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing activities. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole. Liquidity stress testing is carried out on a regular basis by the Finance Department and the Risk Management Department in accordance with various scenarios, taking into account the models of outflow and inflow of cash on account balances and repayments of credit card debt.

The table below shows liabilities at 31 December 2023 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows and net loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial and insurance liabilities at 31 December 2023 is as follows:

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial liabilities						
Due to banks	6 843	-	-	-	-	6 843
Customer accounts	812 639	192 165	170 140	191 966	374 593	1 741 503
Other borrowed funds	-	-	-	1 061	-	1 061
Financial derivatives	51	-	51	102	6 193	6 397
Brokerage payables	9 416	-	-	-	-	9 416
Subordinated debt	288	855	1 242	2 350	68 356	73 091
Insurance contract liabilities	4 687	3 743	2 757	8 868	1 805	21 860
Other financial liabilities	122 566	1 770	1 830	2 245	1 209	129 620
Lease liabilities	817	2 473	2 504	4 260	27 567	37 621
Credit related commitments (Note 28)	677 471	-	-	-	-	677 471
Total potential future payments for financial obligations	**1 634 778**	**201 006**	**178 524**	**210 852**	**479 723**	**2 704 883**

The maturity analysis of financial and insurance liabilities at 31 December 2022 is as follows:

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial liabilities						
Due to banks	810	-	-	-	1 250	2 060
Customer accounts	753 881	177 987	100 626	85 832	77 387	1 195 713
Debt securities in issue	-	-	-	301	-	301
Other borrowed funds	-	-	-	2 199	-	2 199
Financial derivatives	53	-	49	103	6 397	6 602
Brokerage payables	8 258	-	-	-	-	8 258
Subordinated debt	302	579	772	1 923	43 109	46 685
Insurance contract liabilities	2 643	2 225	1 981	6 330	2 044	15 223
Other financial liabilities	84 644	1 606	1 564	1 435	624	89 873
Lease liabilities	127	352	784	1 721	32 890	35 874
Credit related commitments (Note 29)	400 898	-	-	-	-	400 898
Total potential future payments for financial obligations	**1 251 616**	**182 749**	**105 776**	**99 844**	**163 701**	**1 803 686**

Financial derivatives receivable and payable are disclosed in the Note 31. The tables above present only the gross payables.

Insurance contract liabilities are disclosed in the table above based on their expected maturities.

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with the Russian Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Group takes on exposure to liquidity risk, which is the risk of cash surplus in case of assets-liabilities cash-flow profile mismatch. Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that assume cash payment obligations. The Group uses daily, short-term and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems. The Group is actively increasing the number of counterparties for interbank lending, looks for new wholesale markets, improves and creates additional debit and credit products to have more instruments over cash-flow management. The economic situation of recent years could led to an increase in liquidity risk in the banking system of the Russian Federation, but this did not happen due to the adequate response and support measures of the Bank of Russia.

In response the management of the Group preserves cash safety cushions for possible cash outflows and has planned Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

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26 Financial and Insurance Risk Management (Continued)

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2023 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	No stated maturity	Total
Financial assets								
Cash and cash equivalents	701 854	22 300	-	-	-	-	-	724 154
Mandatory cash balances with the CBRF	1 501	340	305	347	696	-	-	3 189
Due from other banks	-	3 125	2 162	25	-	-	-	5 312
Loans and advances to customers	126 215	128 352	142 301	189 233	341 113	45 198	-	972 412
Financial derivatives	3	-	-	-	2 980	-	-	2 983
Investments in securities	210 535	-	-	-	78 495	43 893	-	332 923
Repurchase receivables	845	-	-	-	-	-	-	845
Brokerage receivables	42 345	-	-	-	-	-	-	42 345
Insurance contract assets	1 463	-	-	-	-	-	-	1 463
Other financial assets	44 680	-	-	-	1 160	-	6 717	52 557
Total financial assets	**1 129 441**	**154 117**	**144 768**	**189 605**	**424 444**	**89 091**	**6 717**	**2 138 183**
Financial liabilities								
Due to banks	6 843	-	-	-	-	-	-	6 843
Customer accounts	805 982	182 907	163 862	186 661	373 860	-	-	1 713 272
Other borrowed funds	-	-	-	1 061	-	-	-	1 061
Financial derivatives	9	-	-	-	-	-	-	9
Brokerage payables	9 416	-	-	-	-	-	-	9 416
Subordinated debt	-	1 143	1 143	2 319	53 933	-	-	58 538
Insurance contract liabilities	4 687	3 743	2 757	8 868	1 805	-	-	21 860
Other financial liabilities	122 566	1 770	1 830	2 245	1 209	-	-	129 620
Total financial liabilities	**949 503**	**189 563**	**169 592**	**201 154**	**430 807**	**-**	**-**	**1 940 619**
Net liquidity gap at 31 December 2023	**179 938**	**(35 446)**	**(24 824)**	**(11 549)**	**(6 363)**	**89 091**	**6 717**	**197 564**
Cumulative liquidity gap at 31 December 2023	**179 938**	**144 492**	**119 668**	**108 119**	**101 756**	**190 847**	**197 564**	**-**

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2022 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	No stated maturity	Total
Financial assets								
Cash and cash equivalents	494 434	17 127	-	-	-	-	-	511 561
Mandatory cash balances with the CBRF	1 027	156	131	139	237	-	-	1 690
Due from other banks	-	-	-	-	450	-	-	450
Loans and advances to customers	83 847	97 928	102 608	112 147	181 607	28 318	-	606 455
Financial derivatives	61	-	-	-	959	-	-	1 020
Investments in securities	202 136	-	-	-	63 583	60 083	-	325 802
Brokerage receivables	26 747	-	-	-	-	-	-	26 747
Guarantee deposits with payment systems	1	1	1	1	2	-	-	6
Insurance contract assets	693	-	-	-	-	-	-	693
Other financial assets	24 266	125	81	71	6 867	-	5 809	37 219
Total financial assets	**833 212**	**115 337**	**102 821**	**112 358**	**253 705**	**88 401**	**5 809**	**1 511 643**
Financial liabilities								
Due to banks	810	-	-	-	1 250	-	-	2 060
Customer accounts	724 102	110 046	92 656	98 110	167 072	-	-	1 191 986
Debt securities in issue	-	-	-	301	-	-	-	301
Other borrowed funds	-	-	-	2 199	-	-	-	2 199
Financial derivatives	194	-	-	23	-	-	-	217
Brokerage payables	8 258	-	-	-	-	-	-	8 258
Subordinated debt	-	880	880	1 760	42 393	-	-	45 913
Insurance contract liabilities	2 643	2 225	1 981	6 330	2 044	-	-	15 223
Other financial liabilities	84 644	1 606	1 564	1 435	624	-	-	89 873
Total financial liabilities	**820 651**	**114 757**	**97 081**	**110 158**	**213 383**	**-**	**-**	**1 356 030**
Net liquidity gap at 31 December 2022	**12 561**	**580**	**5 740**	**2 200**	**40 322**	**88 401**	**5 809**	**155 613**
Cumulative liquidity gap at 31 December 2022	**12 561**	**13 141**	**18 881**	**21 081**	**61 403**	**149 804**	**155 613**	**-**

All current accounts of individuals are classified using outflow curve (2022: same).

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26 Financial and Insurance Risk Management (Continued)

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types.

An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

The Group has developed a Financial Stability Restoration Plan (the “Plan”) in emergency situations. The main purpose of this Plan is, in the event of a liquidity crisis and/or deterioration in the Group’s financial position, to preserve the Group’s capital and identify sources of liquidity replenishment. The plan provides for the formation of effective measures that correspond to stress conditions, which should stabilize the situation and restore the liquidity and financial stability of the Group.

Insurance risk. Insurance risk is the risk associated with insurance contracts, consisting in the possibility of the occurrence of an insurance event and the uncertainty of the amount and time of occurrence of the loss associated with it.

The insurance risk management process covers all stages, from the stage of development of insurance rates to the settlement of losses.

The main steps in the insurance risk management process include:

- Underwriting and regulation of tariff policy;
- Efficiency of the loss settlement process;
- Diversification of the insurance portfolio.

Tariff policy. The process of underwriting and regulation of the tariff policy includes the formation of tariffs for certain areas of activity based on the analysis of results for previous periods, existing market conditions and the Insurance Company's strategy.

The insurance tariff is set on the basis of the analysis of the expected loss ratio based on Group’s insurance portfolio and similar products on the market, the commission ratio based on the analysis of product profitability and commission rates for similar products on the market, and the analysis of the average market rate. When developing tariffs, factors such as expected inflation and changes in the legislation of the Russian Federation are also taken into account.

The Insurance Company monitors the correctness of the calculation of the insurance premium under the insurance contract by analysing, on a regular basis, the deviations of the actual received premiums from the estimated premiums.

Loss settlement process. In accordance with the insurance contract, the policyholder is obliged to notify the insurance company of a loss within a certain period of time. Losses are settled by specialized units, other than selling business units. The insurance claims will be paid only after receiving all the necessary documents confirming the fact of the insured event. Also, if necessary, economic security department and legal department are involved in checking documents for settlement of losses. If at the time of payment of the insurance claims the policyholder had outstanding debt of the insurance premium, the unpaid part is deducted from the amount of compensation.

If there is a third party that caused an insurance loss to the insured client, the Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group.

Diversification of the insurance portfolio. To reduce insurance risk, the Group also uses the diversification of its insurance portfolio - it insures a large number of small risks, which, in particular, is achieved through the remote provision of insurance services almost throughout the Russian Federation. The Insurance Company does not operate outside the Russian Federation and is exposed to risks associated with the geographical features of the regions of the Russian Federation.

Sensitivity analysis. The following analyses the possible changes in the key assumptions used in the calculation of insurance liabilities under contracts other than life insurance, provided that the other assumptions are constant. This analysis reflects the impact on gross and net liabilities, profit before tax and equity of the Group.

Effect of changes in the key assumptions as at 31 December 2023:

In millions of RR except for the number of claims	**Change in assumtions**	**Effect on insurance obligations other than life insurance**	**Effect on the reinsuers' share in insurance obligations other than life insurance**	**Effect on profit before tax**	**Effect on equity**
The average cost of insurance claims	– 10%	(781)	108	673	422
	+ 10%	781	(108)	(673)	(422)
The average number of claims	– 10%	(781)	108	673	422
	+ 10%	781	(108)	(673)	(422)

Effect of changes in the key assumptions as at 31 December 2022:

In millions of RR except for the number of claims	**Change in assumtions**	**Effect on insurance obligations other than life insurance**	**Effect on the reinsuers' share in insurance obligations other than life insurance**	**Effect on profit before tax**	**Effect on equity**
The average cost of insurance claims	– 10%	(500)	27	473	422
	+ 10%	500	(27)	(473)	(422)
The average number of claims	– 10%	(500)	27	473	422
	+ 10%	500	(27)	(473)	(422)

27 Management of Capital

The Group’s objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of the Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group’s ability to continue as a going concern.

The Group considers total capital under management to be total equity as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2023 was RR 283,915 million (31 December 2022: RR 205,913 million).

In October 2021 the Bank was added to the CBRF’s list of 13 systemically important banking institutions due to a recognition of the Bank’s growing presence in the financial market and expanding customer base of its ecosystem. As a result, from 1 January 2022 the Bank is obliged to comply with the additional capital adequacy buffers +1% to the minimum required statutory equity capital adequacy ratio (N1.0).

Compliance with capital adequacy ratios set by the CBRF is monitored daily, and reports with their calculation are reviewed and signed by the Chief Executive Officer and Chief accountant, then submitted to the CBRF in accordance with the deadlines set by the regulator. Other objectives of capital management are evaluated annually. In accordance with information provided internally to key management personnel, the amount of regulatory capital of the Bank calculated in accordance with the methodology set by CBRF as at 31 December 2023 was RR 244,634 million, and the equity capital adequacy ratio (N1.0) was 12.84% (31 December 2022: RR 208,776 million and 16.62%). Minimum required statutory equity capital adequacy ratio (N1.0) was 9% as at 31 December 2023 (31 December 2022: 9%).

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27 Management of Capital (Continued)

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter "Basel III"). The composition of the Group's capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III is as follows:

In millions of RR	31 December 2023	31 December 2022
Share capital	230	230
Share premium	26 998	26 998
Treasury shares	(1 885)	(1 885)
Share-based payment reserve	2 433	2 731
Retained earnings	261 354	180 864
Revaluation reserve for investments in debt securities	(5 434)	(3 214)
Translation reserve	4	243
Other reserves	43	2
Less intangible assets	(36 391)	(24 097)
Non-controlling interest	172	(56)
Common Equity Tier 1 (CET1)	**247 524**	**181 816**
Additional Tier 1 (Subordinated debt)	58 538	45 913
Tier 1 capital	**306 062**	**227 729**
Total capital	**306 062**	**227 729**
Risk weighted assets (RWA)		
Credit risk	1 324 997	927 170
Operational risk	450 536	340 046
Market risk	39 103	32 072
Total risk weighted assets (RWA)	**1 814 636**	**1 299 288**
Common equity Tier 1 capital adequacy ratio (CET1 /Total RWA), %	**13,6%**	**14,0%**
Tier 1 capital adequacy ratio (Tier 1 capital /Total RWA), %	**16,9%**	**17,5%**
Total capital adequacy ratio (Total capital /Total RWA), %	**16,9%**	**17,5%**

Starting from 2022 due to the suspension of services by the international rating agency Fitch, the Group applies risk assessments established by the Russian rating agency ACRA to assess credit risk and classify financial instruments according to the level of credit risk. The Group assessed that the effect of the transition is immaterial for both reporting period and comparative information. The Group and the Bank have complied with all externally imposed capital requirements throughout the year ended 31 December 2023 and 2022.

The size of the solvency margin calculated by the Insurance Company in accordance with the requirements of the legislation of the Russian Federation is presented by the standard ratio of capital and assumed liabilities which was 4.87 at 31 December 2023 and 2.64 at 31 December 2022.

28 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods. The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length. Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated, however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian income tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently, however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that may reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge, were it to be successful, cannot be reliably estimated, however, it may be significant to the financial position and/or the overall operations of the Group. As at 31 December 2023 and 2022 no material tax risks were identified.

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 31 December 2023 and 2022.

Capital commitment related to the office construction. The future cash outflows to which the Group is exposed due to the construction and repairs of a new office building and which are not reflected in the liabilities amounted to RR 4,826 million as at 31 December 2023 (31 December 2022: RR 19,222 million).

Условные обязательства, связанные со строительством офиса. Будущие оттоки денежных средств, которые ожидает Группа в связи со строительством и ремонтом нового офисного здания и которые не отражены в обязательствах, составили 4 826 млн руб. по состоянию на 31 декабря 2023 года (31 декабря 2022 года: 19 222 млн руб.).

Credit related commitments and performance guarantees issued. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of credit card loans, guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down.

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28 Contingencies and Commitments (Continued)

Most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit related commitments and performance guarantees are as follows:

In millions of RR	**31 December 2023**	**31 December 2022**
Unused limits on credit card loans	656 648	392 204
Unused limits on SME loans	29 551	15 224
Credit loss allowance	(8 728)	(6 530)
Total credit related commitments, net of credit loss allowance	**677 471**	**400 898**
Performance guarantees issued	-	2
Total performance guarantees issued, net of provisions	**-**	**2**

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 31 December 2023 based on credit risk grades.

In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Credit related commitments				
- Excellent	629 961	-	-	629 961
- Good	48 664	188	-	48 852
- Monitor	6 926	460	-	7 386
Unrecognised gross amount	**685 551**	**648**	**-**	**686 199**
Credit loss allowance	(8 718)	(10)	-	(8 728)
Unrecognised net amount	**676 833**	**638**	**-**	**677 471**

The following table contains an analysis of credit related commitments by credit quality at 31 December 2022 based on credit risk grades.

In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Credit related commitments				
- Excellent	357 170	-	-	357 170
- Good	46 735	152	-	46 887
- Monitor	3 004	367	-	3 371
Unrecognised gross amount	**406 909**	**519**	**-**	**407 428**
Credit loss allowance	(6 511)	(19)	-	(6 530)
Unrecognised net amount	**400 398**	**500**	**-**	**400 898**

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

Mandatory cash balances with the CBRF of RR 3,189 million as at 31 December 2023 (31 December 2022: RR 1,690 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

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29 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2023:

In millions of RR	Gross amounts before offsetting	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of exposure
			Financial instruments	Cash collateral	
ASSETS					
Reverse repurchase agreements	476 063	476 063	493 162	-	-
Brokerage receivables	42 345	42 345	43 244	-	-
Financial derivatives	2 979	2 979	-	6 154	-
Total assets subject to offsetting, master netting and similar arrangement	**521 387**	**521 387**	**536 406**	**6 154**	**-**
LIABILITIES					
Correspondent accounts and overnight placements of other banks	3 003	3 003	2 979	-	24
Sale and repurchase agreements with other banks	689	689	845	-	-
Brokerage payables	9 416	9 416	11 126	-	-
Other borrowed funds	1 061	1 061	1 857	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**14 169**	**14 169**	**16 807**	**-**	**24**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2022:

In millions of RR	Gross amounts before offsetting	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position		Net amount of exposure
			Financial instruments	Cash collateral	
ASSETS					
Reverse repurchase agreements	252,399	252,399	254,683	-	-
Brokerage receivables	26,747	26,747	27,250	-	-
Financial derivatives	937	937	-	2,060	-
Total assets subject to offsetting, master netting and similar arrangement	**280,083**	**280,083**	**281,933**	**2,060**	**-**
LIABILITIES					
Correspondent accounts and overnight placements of other banks	1,250	1,250	937	-	313
Brokerage payables	8,258	8,258	9,483	-	-
Other borrowed funds	2,199	2,199	2,958	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**11,707**	**11,707**	**13,378**	**-**	**313**

As at 31 December 2023 the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default (2022: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

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30 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current periods.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business:

		31 December 2023		31 December 2022	
In millions of RR	**Notes**	**Carrying amount of the assets**	**Carrying amount of the associated liabilities**	**Carrying amount of the assets**	**Carrying amount of the associated liabilities**
Debt securities at FVOCI pledged under repurchase agreements	12	-	689	-	-
Total		**-**	**689**	**-**	**-**

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

		31 December 2023		31 December 2022	
In millions of RR	**Notes**	**Amounts granted under repo agreements**	**Fair value of securities received as collateral**	**Amounts granted unde repo agreements**	**Fair value of securities received as collateral**
Cash and cash equivalents	5	476 063	493 162	252 399	254 683
Brokerage receivables	9	42 345	43 244	26 747	27 250
Total		**518 408**	**536 406**	**279 146**	**281 933**

31 Financial Derivatives

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	31 December 2023		31 December 2022	
In millions of RR	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period, of				
- USD receivable on settlement (+)	8 507	(1)	6 455	(31)
- USD payable on settlement (-)	-	-	-	(23)
- RR payable on settlement (-)	(5 524)	-	(5 435)	-
- EUR receivable on settlement (+)	-	-	-	(8)
- Other currencies receivable on settlement (+)	-	(8)	-	(155)
Fair value of foreign exchange forwards and swaps	**2 983**	**(9)**	**1 020**	**(217)**

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32 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2023				31 December 2022			
In millions of RR	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Investments in securities	194 323	16 217	2 247	212 787	89 267	113 455	1 797	204 519
Precious metals	12 015	-	-	12 015	9 982	-	-	9 982
Loans and advances to customers	-	-	297	297	-	-	583	583
Financial derivatives	-	2 983	-	2 983	-	1 020	-	1 020
Total assets recurring fair value measurements	**206 338**	**19 200**	**2 544**	**228 082**	**99 249**	**114 475**	**2 380**	**216 104**
LIABILITIES AT FAIR VALUE								
Financial derivatives	-	9	-	9	-	217	-	217
Total liabilities recurring fair value measurements	**-**	**9**	**-**	**9**	**-**	**217**	**-**	**217**

Investments in securities categorised in level 2 are represented by liquid debt securities classified in “Good” credit risk grade.

In 2023, the transfer of Investments in securities from level 2 to level 1 occurred as a result of the restoration of market activity, trading volumes rose up following the growth of the Moscow Exchange index after a fall in 2022.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2023 are as follows:

In millions of RR	**Fair value**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE			
Investments in securities	16 217	- Selection of an indicative paired bid and ask Cbonds quotes when comparing preliminary pairs of quotes on exchange trading floors, then comparing with the quotes from OTC market participants; - Observable quotes for comparable securities adjusted by multiplicator depending on the degree of the market activity	- Indicative quotes from the Cbonds price center; - Quotes from the automated fair value system for financial instruments of NSD price center*.
Foreign exchange swaps and forwards	2 983	Discounted cash flows adjusted for counterparty credit risk	Russian ruble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**19 200**		
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	9	Discounted cash flows adjusted for counterparty credit risk	Russian ruble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**9**		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

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32 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2022 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Investments in securities	113 455	- Selection of an indicative paired bid and ask Cbonds quotes when comparing preliminary pairs of quotes on exchange trading floors, then comparing with the quotes from OTC market participants; - Observable quotes for comparable securities adjusted by multiplicator depending on the degree of the market activity	- Indicative quotes from the Cbonds price center; - Quotes from the automated fair value system for financial instruments of NSD price center*.
Foreign exchange swaps and forwards	1 020	Discounted cash flows adjusted for counterparty credit risk	Russian ruble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**114 475**		
LIABILITIES AT FAIR VALUE			
Foreign exchange swaps and forwards	217	Discounted cash flows adjusted for counterparty credit risk	Russian ruble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**217**		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2023.

Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2023:

In millions of RR	Fair value	Valuation technique	Inputs used
Corporate shares	2 247	Market multiplicators based on the similar publicly traded companies	Market capitalization and profitability ratios of similar publicly traded companies
Loans and advances to customers	297	Discounted cash flows adjusted for counterparty credit risk	Expected discounted cash flow. Risk-free rate.
Total recurring fair value measurements at level 3	**2 544**		

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32 Fair Value of Financial Instruments (Continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2022:

In millions of RR	Fair value	Valuation technique	Inputs used
Investments in securities	921	Discounted cash flows	Coupon payment schedule, with the transfer of expected coupons to receive in the flow. All coupons with maturity before 30 June 2025 were postponed to this date. The discount rate is calculated on the basis of foreign exchange quotes on the OTC market, adjusted for the credit spread.
Corporate shares	876	Market multiplicators based on the similar publicly traded companies	Market capitalization and profitability ratios of similar publicly traded companies
Loans and advances to customers	583	Discounted cash flows adjusted for counterparty credit risk	Expected discounted cash flow. Risk-free rate.
Total recurring fair value measurements at level 3	**2,380**		

Changes of the fair value measurements at Level 3 for the year ended 31 December 2023 and 2022 are as follows:

In millions of RR	Loans and advances to customers
Fair value as at 31 December 2021 - Level 3	**3 971**
Other interest income	20
Net losses from foreign exchange translation	(603)
Net losses from revaluation of convertible loan	(2 805)
Fair value as at 31 December 2022 - Level 3	**583**
Additions	144
Other interest income	24
Net gains from foreign exchange translation	157
Net losses from revaluation of convertible loan	(611)
Fair value as at 31 December 2023 - Level 3	**297**

(6) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2023				31 December 2022			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	78 905	-	-	78 905	56 895	-	-	56 895
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	71 283	-	71 283	-	106 693	-	106 693
- Placements with other banks and non-bank credit organizations	-	573 966	-	573 966	-	347 973	-	347 973
Mandatory cash balances with the CBRF	**-**	**3 189**	**-**	**3 189**	**-**	**1 690**	**-**	**1 690**
Due from other banks	-	5 312	-	5 312	-	450	-	450
Investments in securities	**97 663**	**-**	**-**	**120 136**	**102 718**	**-**	**-**	**121 283**
Repurchase receivables	**729**	**-**	**-**	**845**	**-**	**-**	**-**	**-**
Loans and advances to customers	**-**	**-**	**973 202**	**972 115**	**-**	**-**	**606 577**	**605 872**
Guarantee deposits with payment systems	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**6**
Brokerage receivables	**-**	**42 345**	**-**	**42 345**	**-**	**26 747**	**-**	**26 747**
Other financial assets								
Settlement of operations with plastic cards receivable	-	29 126	-	29 126	-	22 014	-	22 014
- Restricted assets	-	-	6 604	6 604	-	-	5 703	5 703
- Trade receivables	-	3 977	-	3 977	-	3 899	-	3 899
- Insurance's financial assets	-	2 967	-	2 967	-	1 405	-	1 405
- Broker commissions and settlement with exchange receivable	-	4 815	-	4 815	-	784	-	784
- Other receivables	-	5 068	-	5 068	-	3 414	-	3 414
Total financial assets carried at amortised cost	**177 297**	**742 048**	**979 806**	**1 920 653**	**159 613**	**515 069**	**612 286**	**1 304 828**

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32 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December 2023				31 December 2022			
In millions of RR	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	**-**	**6 843**	**-**	**6 843**	**-**	**2 060**	**-**	**2 060**
Brokerage payables	**-**	**9 416**	**-**	**9 416**	**-**	**8 258**	**-**	**8 258**
Customer accounts								
Individuals								
- Current/demand accounts	-	727 314	-	727 314	-	660 537	-	660 537
- Term deposits	-	638 583	-	619 325	-	175 360	-	194 876
- Brokerage accounts	-	98 620	-	98 620	-	116 218	-	116 218
SME								
- Current/demand accounts	-	246 323	-	246 323	-	207 054	-	207 054
- Term deposits	-	22 262	-	21 413	-	14 857	-	13 147
Other legal entities								
- Current/demand accounts	-	276	-	276	-	4	-	4
- Term deposits	-	1	-	1	-	150	-	150
Debt securities in issue								
RR Bonds issued on domestic market	-	-	-	-	304	-	-	301
Other borrowed funds								
Borrowings through securitisation transaction	889	-	-	1 061	1 845	-	-	2 199
Subordinated debt								
Perpetual subordinated debts	-	21 244	19 564	58 538	-	12 770	15 096	45 913
Other financial liabilities								
Settlement of operations with plastic cards	-	100 547	-	100 547	-	64 760	-	64 760
Trade payables	-	14 408	-	14 408	-	12 540	-	12 540
Credit related commitments	-	-	-	8 728	-	-	-	6 530
Loyalty programs	-	4 055	-	4 055	-	3 353	-	3 353
Other financial liabilities	-	1 882	-	1 882	-	2 690	-	2 690
Total financial liabilities carried at amortised cost	**889**	**1 891 774**	**19 564**	**1 918 750**	**2 149**	**1 280 611**	**15 096**	**1 340 590**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 31 December 2023 and 2022 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange, where the Group's debt securities are listed and traded.

Weighted average discount rates used in determining fair value as of 31 December 2023 and 2022 are disclosed below:

In % p.a.	**31 December 2023**	**31 December 2022**
Assets	656 648	392 204
Cash and cash equivalents	0,0	1,0
Due from other banks	10,6	2,0
Investments in securities	9,8	8,6
Repurchase receivables	11,5	0,0
Loans and advances to customers	30,1	28,2
Brokerage receivables	24,7	22,9

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32 Fair Value of Financial Instruments (Continued)

Weighted average discount rates used in determining fair value as of 31 December 2023 and 2022 are disclosed below (Continued):

Liabilities	31 December 2023	31 December 2022
Due to banks	12,3	12,1
Customer accounts	4,3	3,6
Debt securities in issue	-	10,3
Other borrowed funds	7,9	7,9
Brokerage payables	23,5	21,8
Subordinated debt	12,0	12,9
Lease liabilities	9,9	10,4

Discount rates used in determining fair value of investments in securities, debt securities in issue, other borrowed funds and subordinated debt represent a weighted average yield as of reporting date. A bond's yield to maturity rises or falls depending on its market value and how many payments remain to be made.

33 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition. The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2023:

In millions of RR	**AC**	**FVTPL**	**FVOCI**	**Total**
Cash and cash equivalents				
- Cash on hand	78 905	-	-	78 905
- Cash balances with the CBRF (other than mandatory reserve deposits)	71 283	-	-	71 283
- Placements with other banks and non-bank credit organizations	573 966	-	-	573 966
Mandatory cash balances with the CBRF	3 189	-	-	3 189
Due from other banks	5 312	-	-	5 312
Loans and advances to customers	972 115	297	-	972 412
Financial derivatives	-	2 983	-	2 983
Investments in securities	120 136	6 411	206 376	332 923
Repurchase receivables	845	-	-	845
Brokerage receivables	42 345	-	-	42 345
Other financial assets				
- Settlement of operations with plastic cards receivable	29 126	-	-	29 126
- Restricted assets	6 604	-	-	6 604
- Insurance's financial assets	2 967	-	-	2 967
- Trade receivables	3 977	-	-	3 977
- Broker commissions and settle-ment with exchange receivable	4 815	-	-	4 815
- Other receivables	5 068	-	-	5 068
TOTAL FINANCIAL ASSETS	**1 920 653**	**9 691**	**206 376**	**2 136 720**

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33 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2022:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	56 895	-	-	56 895
- Cash balances with the CBRF (other than mandatory reserve deposits)	106 693	-	-	106 693
- Placements with other banks and non-bank credit organizations	347 973	-	-	347 973
Mandatory cash balances with the CBRF	1 690	-	-	1 690
Due from other banks	450	-	-	450
Loans and advances to customers	605 872	583	-	606 455
Financial derivatives	-	1 020	-	1 020
Guarantee deposits with payment systems	6	-	-	6
Investments in securities	121 283	4 627	199 892	325 802
Brokerage receivables	26 747	-	-	26 747
Other financial assets	-	-	-	-
- Settlement of operations with plastic cards receivable	22 014	-	-	22 014
- Restricted assets	5 703	-	-	5 703
- Insurance's financial assets	1 405	-	-	1 405
- Trade receivables	3 899	-	-	3 899
- Broker commissions and settlement with exchange receivable	784	-	-	784
- Other receivables	3 414	-	-	3 414
TOTAL FINANCIAL ASSETS	**1 304 828**	**6 230**	**199 892**	**1 510 950**

As of 31 December 2023 and 2022 all of the Group's financial liabilities except derivatives were carried at amortised cost.

34 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The outstanding balances with related parties were as follows:

	31 December 2023		31 December 2022	
In millions of RR	Key management personnel	Associates and other related parties	Key management personnel	Associates and other related parties
ASSETS				
Cash and cash equivalents	-	-	-	186
Loans and advances to customers (average interest rate: 3.4-8% p.a. (31 December 2022: 1.7-3.9% p.a.)):	710	-	849	-
- Gross carrying amount	718	-	884	-
- Credit loss allowance	(8)	-	(35)	-
Other financial assets	-	113	-	106
TOTAL ASSETS	**710**	**113**	**849**	**292**
LIABILITIES				
Due to banks	-	-	-	20
Customer accounts, including brokerage accounts (average interest rate: 4.0-14.1% p.a. (31 December 2022: 5.4-6.8% p.a.))	12 596	49	9 289	4
Other non-financial liabilities	1 517	-	2 787	-
TOTAL LIABILITIES	**14 113**	**49**	**12 076**	**24**
EQUITY				
Share-based payment reserve				
- Management long-term incentive program	1 906	-	2 431	-
TOTAL EQUITY	**1 906**	**-**	**2 431**	**-**

Notes to the Consolidated Financial Statements

34 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

In millions of RR	2023 Key management personnel	2023 Associates and other related parties	2022 Key management personnel	2022 Associates and other related parties
Interest income calculated using the effective interest rate method	148	13	40	48
Other similar income	-	58	-	15
Interest expense calculated using effective interest rate method	(357)	(3)	(126)	-
Net gains/(losses) from foreign exchange translation	-	127	-	(720)
Net losses from financial assets at FVTPL	-	-	-	(2 861)
Credit loss allowance for loans and advances to customers	27	(1 057)	-	-
Administrative and other operating expenses	(5 121)	(7)	(7 428)	-

Key management compensation is presented below:

In millions of RR	2023	2022
Short-term benefits:		
- Salaries	2 414	2 545
- Short-term bonuses	1 251	1 017
- Other related compensation	84	40
- Social tax	566	517
Long-term benefits:		
- Management long-term incentive program	806	3 297
- Key employees retention plan	806	3 297
Total	**5 121**	**7 428**

Management long-term incentive program. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs granted to the management is 21,929 thousand as at 31 December 2023 (31 December 2022: 21,533).

Participants of the program receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are not entitled to the dividends before the vesting date. Participants leaving the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates, each year during 2016-2022, is determined on the basis of market quotes of GDRs as at those dates. Weighted-average fair value of the awards in 2022 was USD 3.2 per 1 GDR. In 2022, the grants introduced during 2016-2020 have been fully vested.

The fair value of the awards granted in 2023 is determined on the basis of market quotes of GDRs in the Moscow Exchange as at those dates. Weighted-average fair value of the awards in 2023 was RR 3,006 per 1 GDR.

Each grant provided in 2021 and 2022 is vested over 5 years. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates, each subsequent 31 May or 30 June.

The only grant provided in 2023 is vested over 3 years. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates, each subsequent 31 May.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

In thousands	Number of GDRs attributable to the MLTIP
At 31 December 2021	**7 019**
Granted	4 293
Vested	(1 733)
Forfeited	(2 533)
At 31 December 2022	**7 046**
Granted	396
Vested	(1 197)
Forfeited	(839)
At 31 December 2023	**5 406**

35 Material Accounting Policy Information

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap.113.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 36. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee.

In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

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Notes to the Consolidated Financial Statements

35 Material Accounting Policy Information (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. When the Group acquires a dormant company with no business operations holding an asset and this asset is the main reason of acquisition of the company such transaction is treated as an asset acquisition. No goodwill is recognized as a result of such acquisition.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Otherwise the Group continue to recognise further losses if it has commitments to fund the associate's operations.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Group's interest in the ordinary shares.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

The price within the bid-ask spread which management considers to be the most representative of fair value for quoted financial assets and liabilities is the weighted average price of a trading day (WAP). WAP calculation takes into account transactions made during main and additional trading session (for securities admitted to additional trading session may differ from the weighted average price of the main trading session). A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 32.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees

Notes to the Consolidated Financial Statements

35 Material Accounting Policy Information (Continued)

deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on**:**

- the Group's business model for managing the related assets portfolio and
- the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is:

1) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
2) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");
3) if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Based on the analysis performed the Group included the following financial instruments in the business model "hold to collect contractual cash flows" since the Group manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems, brokerage receivables and other financial assets.

Debt securities are analysed individually, based on the purpose of the acquisition. Currently, the Group possesses "hold to collect contractual cash flows" and "hold to collect contractual cash flows and sell" and "other" business models for its debt securities portfolio. The Group included financial derivatives in the business model "other".

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Group considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. See below for "Financial assets – modification".

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date.

The measurement of ECL reflects:

1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
2) the time value of money; and
3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

For loan commitments (where those components can be separated from the loan) and financial guarantees, a separate provision for ECL is recognised as a financial liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

Notes to the Consolidated Financial Statements

35 Material Accounting Policy Information (Continued)

The Group applies a “three stage” model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 months ECL”).
2) If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“lifetime ECL”). Refer to Note 26 for a description of how the Group determines when a SICR has occurred.
3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Refer to Note 26 for a description of how the Group defines credit-impaired assets and default.

For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured at a lifetime ECL. Note 26 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 3 for critical judgements applied by the Group in determining the period for measuring ECL.

Financial assets – write-off. Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no gains or losses on derecognition upon sale.

Repayments of written-off loans. Recovery of amounts previously written-off as uncollectible is credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows..

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred.

The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss through a credit loss allowance. Usually modifications of stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due balances.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group’s counterparties held with the Group, such as loan interest income or principal collected by charging the customer’s current account or interest payments or disbursement of loans credited to the customer’s current account, which represents cash or cash equivalent from the customer’s perspective.

Brokerage receivables and brokerage payables. Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale. Brokerage receivables and payables are short-term and accounted at amortised cost.

Mandatory cash balances with the CBRF. Mandatory cash balances with the CBRF are carried at amortised cost and represent non-interest bearing mandatory reserve deposits which are not available to finance the Group’s day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are

Notes to the Consolidated Financial Statements

35 Material Accounting Policy Information (Continued)

carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Certain bank deposits are subject to the "bail-in" legislation that permits or requires a national resolving authority to impose losses on holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument and would apply even if legislation subsequently changes, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for foreign exchange translation gains/(losses) and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Precious metals. The Group holds precious metals for the purpose of generating a profit from fluctuations in price. Precious metals are measured at fair value with gains or losses recognised in profit or loss.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;
2) FVTPL: loans that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

Impairment allowances of the loans measured at AC are determined based on the forward-looking ECL model. Note 26 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Credit related commitments. The Group issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the amount of the loss allowance determined based on the expected credit loss model. For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the consolidated statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of reverse repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee deposits with payment systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the resulting unquoted non-derivative receivable. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of tangible fixed assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Notes to the Consolidated Financial Statements

35 Material Accounting Policy Information (Continued)

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Building	99
Equipment	3 - 10
Vehicles	5 -7
Leasehold improvements	Shorter of their useful economic life and the term of the underlying lease
Others (safes, fireproof cabinets)	20

The residual value of an asset is an estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. Intangible assets are stated at cost less accumulated amortization. The Group's intangible assets other than insurance license have definite useful life and include capitalised acquired computer software and internally developed software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 10 years.

At each reporting date management assesses whether there is any indication of impairment of intangible assets with an indefinite useful life. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for leases by the Group as a lessee. Leases, where the Group is the lessee, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- dismantling and restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis. Short-term leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in tangible fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Finance cost is recognised within other similar expense line of the consolidated statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

Adoption of IFRS 17 "Insurance Contracts". The Group issues insurance contracts without direct participation features.

Unit of account. The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For contracts measured using the PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise. If facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

The Group applies IFRS 17 to all components of the contract. The Group does not have any contracts that require further separation or combination of insurance contracts.

Recognition of insurance contracts. Groups of insurance contracts issued are initially recognized from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and
- when the Group determines that a group of contracts becomes onerous.

All issued insurance contracts of the Group are accounted under the PAA approach.

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35 Material Accounting Policy Information (Continued)

Accounting for contract modification and derecognition. An insurance contract is derecognized when it is:

- extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash flows (FCF), unless the conditions for the derecognition of the original contract are met.

The Group derecognizes the original contract and recognizes the modified contract as a new contract if any of the following conditions are present:

- if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
  - i. is not in scope of IFRS 17;
  - ii. results in different separable components;
  - iii. results in a different contract boundary; or
  - iv. belongs to a different group of contracts;
- the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

Initial and subsequent measurement of groups of insurance and reinsurance contracts

Fulfilment cash flows within contract boundary. The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on a probability weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

The Group adjusts the estimated present value of future cash flow including the compensation that an insurer requires for bearing the uncertainty arising from non-financial risks (Section "Risk adjustment for non-financial risk").

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims (LIC).

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

In the estimation of future cash flows at the date of initial recognition, the Group includes all expected cash inflows and outflows under insurance contracts. The subsequent cash flow assessment consists of cash flows of the remaining part of the insurance coverage and cash flows of the incurred claims.

Contract boundary. The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:
  - (i) the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
  - (ii) the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

Insurance acquisition costs. The Group determines insurance acquisition cash flows as a cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Acquisition cash flows are attributed to the group of contracts on a systematic and rational basis. Insurance acquisition cash flows directly attributable to a group of insurance contracts:

- to that group; and
- to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Acquisition cash flows that are not directly attributable to the group of contracts but are directly attributable to a portfolio of contracts, are attributed to groups of contracts that are already included or are expected to be included in the portfolio.

Risk adjustment for non-financial risk. The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows and reflects the compensation the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

Initial and subsequent measurement - Groups of contracts measured under the PAA.

The Group uses the PAA for measuring contracts with coverage of one year or less, or when the Group reasonably expects that such a simplification would produce a measurement of the LRC that would not differ materially from the one that would be produced by applying the GMM.

For insurance contracts issued, insurance acquisition cash flows are deferred and recognized over the coverage period of contracts in a group. For reinsurance contract held brokerage remuneration is recognized during the period of insurance coverage of the contracts that are the part of the group.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

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35 Material Accounting Policy Information (Continued)

For reinsurance contracts held, on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- the LRC; and
- the LIC, comprising the FCF related to past service allocated to the group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- increased for premiums received in the period;
- decreased for insurance acquisition cash flows paid in the period;
- decreased for the amounts of expected premiums received recognized as insurance revenue for the services provided in the period;
- increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses; and
- increased for the adjustment of the financing component (if any exists).

If a group of contracts becomes onerous, the Group increases the carrying amount of the LRC to the amounts of the FCF determined under the GMM with the amount of such an increase recognized in insurance service expenses. Subsequently, the Group amortizes the amount of the loss component within the LRC by decreasing insurance service expenses. The loss component amortization is based on the passage of time over the remaining coverage period of contracts within an onerous group.

If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Group increasing the FCF to the level, that will be gained by applying the GMM while the amount of such increase is recognized in Insurance service expenses, and a loss component is formed in relation to the amount of the recognized loss.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since insurance contracts mainly issued by the Group and measured under the PAA typically have a settlement period of over one year.

Due to other banks. Amounts due to banks are recorded when money or other assets are advanced to the Group by counterparty banks. Non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to corporate entities and individuals and are carried at amortised cost.

Debt securities in issue. Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of consolidated statement of profit or loss and other comprehensive income as gains/losses from repurchase of debt securities in issue.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Other borrowed funds. Group's securitisation activities involve home equity loans and are predominantly transacted using SPEs. In a typical securitisation, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt certificates and other notes of indebtedness.

These assets and liabilities are recorded on the balance sheet of the SPE and consolidated on the Group's consolidated statement of financial position, unless the accounting requirements for sale were met. At the current reporting date the Group has not made a securitisation transaction that resulted in derecognition of transferred assets. The Group assessed that its secured loan portfolio meets the criteria for held to collect business model and determined that the past securitisation transactions have not resulted in derecognition of the assets and therefore are not inconsistent with the held to collect business model.

Financial derivatives. Financial derivatives represented by forwards and foreign currency swaps are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within Net (losses)/gains from derivatives revaluation. The Group does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Russian legislation and Cyprus legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Windfall tax. On 4 August 2023 the President of the Russian Federation approved Federal Law #414-FZ on Windfall tax which becomes effective on 1 January 2024. Under the provisions of the Federal Law, the Group is a taxpayer of the windfall tax. Windfall tax falls in scope of IAS 12 Income taxes, is recognized as a current income tax and is subject to respective income tax accounting policy as described above.

Windfall tax is a one-off tax. Windfall tax expense and payable are recognized in the consolidated financial statements from the date when the Federal Law was substantively enacted. Windfall tax not settled is recognized as a payable. Windfall tax expense and payable are measured in the amount expected to be paid by the Group to the budget, using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period. When calculating the expected windfall tax rate, the Group considered whether it has paid security deposit. The Group fully paid windfall tax at 31 December 2023.

Uncertain tax positions. The Group's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities.

The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted at the end of reporting period and any known court or other rulings on such issues.

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation

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35 Material Accounting Policy Information (Continued)

that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive program for management of the Group are determined based on the weighted average cost.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the Note 38. The accounting reports of the Group entities are the basis for profit distribution and other appropriations. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Interest income and expense recognition. Interest income and expense calculated using effective interest method are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees (e.g. interchange fee on credit card loans) received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability.

Commitment fees (e.g. annual fee on credit card loans) received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC (net of the ECL provision); and

(б) financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Customer acquisition expense recognition. Customer acquisition expenses are represented by the costs incurred by the Group on services related to attraction of the client, mailing of advertising materials, processing of responses etc. Those costs, which can be directly attributed to the acquisition of a particular client, are included in the effective interest rate of the originated financial instruments; the remaining costs are expensed on the basis of the actual services provided.

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Group's progress towards complete satisfaction of that performance obligation.

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Fee and commission income and expense. Fee and commission income is recognised over time as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes SMS fee, part of SME services commission, part of brokerage fee and income from MVNO services which represents fixed monthly payments. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes acquiring commission, part of SME services commission, brokerage fee and income from MVNO services, which represents payments for each transaction, fee for selling credit protection, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, fee for money transfers and other.

All fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer loyalty program. The group operates loyalty programs where retail clients accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards. A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or commission expenses depending on whether the points were accumulated by credit card clients or debit card clients respectively.

Insurance service result from insurance contracts issued

Insurance revenue. As the Group provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For groups of insurance contracts measured under the PAA, the Group recognizes insurance revenue based on the passage of time over the coverage period of a group of contracts, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used for expected premium receipts allocation to insurance revenue.

Insurance service expenses include the following:

- incurred claims and benefits;
- other incurred directly attributable insurance service expenses;
- amortizations of insurance acquisition cash flows;
- changes that relate to past service (i.e. changes in the FCF relating to the LIC);
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components); and
- impairment of assets on insurance acquisition cash flows.

For contracts measured under the PAA, amortisation of acquisition cash flows is recognized based on the passage of time.

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Notes to the Consolidated Financial Statements

35 Material Accounting Policy Information (Continued)

Insurance finance income or expenses. Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- the effect of the time value of money and changes in the time value of money; and
- the effect of financial risk and changes in financial risk.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses:

1) financial gains or losses related to the unwinding of discount rates at the initial recognition of a group of contracts are recognized in profit or loss;
2) the difference between the amount allocated to each period's profit or loss based on this systematic allocation and the total insurance finance income or expenses of the period is recognized in OCI.

Foreign currency translation and operations. The functional currency of the Company and most of its significant subsidiaries is the Russian Ruble ("RR"), which is the currency of the primary economic environment in which each entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year as Net gains/(losses) from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as Net (losses)/gains from operations with foreign currencies (except for clients' foreign currency exchange transactions fee, which is recognised in profit or loss as fee and commission income).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2023 the rate of exchange used for translating foreign currency balances was USD 1 = RR 89.6883 (31 December 2022: USD 1 = RR 70.3375), and the average rate of exchange was USD 1 = RR 85.2466 for the year ended 31 December 2023 (the year ended 31 December 2022: USD 1 = RR 68.5494).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under employee share option plans.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation Social Fund, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Equity-settled share-based payment. The expense is recognized over the vesting period and is measured at the fair value of the award determined at the grant date, which is amortized over the service (vesting) period. The fair value of the equity award is estimated only once at the grant date and is trued up to the estimated number of instruments that are expected to vest. Dividends declared during the vesting period accrue and are paid to the employee together with the sale proceeds of the vested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are therefore included in the determination of fair value of the share-based payment.

Cash-settled share-based program. The expense is recognized gradually over the vesting period and is measured at the fair value of the liability at each end of the reporting period. The fair value of the liability reflects all vesting conditions, except for the requirement of the employee to stay in service which is reflected through the amortization schedule. The liability is measured, initially and at the end of each reporting period until settled, at fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Amendments of the consolidated financial statements after issue. The Board of directors of the Company has the power to amend the consolidated financial statements after issue.

Changes in presentation. In 2023 the Group decided to show precious metals as a separate line item in the consolidated statement of financial position outside of the other non-financial assets.

The effect of changes described above on the consolidated statement of financial position for the year ended 31 December 2022 is as follows:

In millions of RR	**As originally presented***	**Adoption of IFRS 17**	**Reclassification**	**As reclassified**
Precious metals	-	-	9 982	9 982
Other non-financial assets	25 485	(1 295)	(9 982)	14 208

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

In 2023 the Group decided to reclassify liabilities under MLTIP from Other financial liabilities to Other non-financial liabilities in the consolidated statement of financial position. The management considers that such improved disclosure provides users of these consolidated financial statements with more relevant information.

The effect of reclassification on amounts described above on the consolidated statement of financial position for the year ended 31 December 2022 is as follows:

In millions of RR	**As originally presented***	**Adoption of IFRS 17**	**Reclassification**	**As reclassified**
Other financial liabilities	96 229	(1 451)	(4 905)	89 873
Other non-financial liabilities	28 248	(665)	4 905	32 488

* See Note 36 for details about the restatements for the changes in accounting policies as a result of the adoption of IFRS 17 on 1 January 2023.

Notes to the Consolidated Financial Statements

36 Adoption of New or Revised Standards and Interpretations

The Group has adopted on 1 January 2023 IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by the Amendments to IFRS 17) and related amendments retrospectively, with a transition date of 1 January 2022, which led to changes in the accounting policy for the recognition and valuation of insurance assets and liabilities with consequent restatements in the comparative financial periods. Changes in accounting policies related to the application of IFRS 17 were made using a full retrospective approach to the transition.

The Group has determined that reasonable and supportable information was available for all contracts in force at the transition date. In addition, for insurance contracts originated by the Group that are eligible for the PAA, the Group has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Accordingly, the Group has recognized and measured each group of insurance contracts and each asset for insurance acquisition cash flows paid at this category as if IFRS 17 had always been applied (except for conducting a retrospective impairment test), derecognized any existing balances that would not exist had IFRS 17 always applied; and recognized any resulting net difference in equity.

The impact of the application of IFRS 17 on the Group's consolidated statement of financial position is presented below:

	As originally presented	As adopted
In millions of RR	**31 December 2021**	**1 January 2022**
ASSETS		
Cash and cash equivalents	316 476	316 476
Mandatory cash balances with the CBRF	8 589	8 589
Due from other banks	542	542
Investments in securities	215 311	215 311
Repurchase receivables	5 826	5 826
Loans and advances to customers	606 308	606 308
Financial derivatives	5 963	5 963
Guarantee deposits with payment systems	15 171	15 171
Insurance contract assets	-	14
Brokerage receivables	49 138	49 138
Current income tax assets	3 524	3 524
Tangible fixed assets and right-of-use assets	13 964	13 964
Intangible assets	15 069	15 069
Other financial assets	52 969	52 744
Other non-financial assets	8 895	8 078
TOTAL ASSETS	**1 317 745**	**1 316 717**
LIABILITIES		
Due to banks	11 313	11 313
Customer accounts	945 723	945 723
Debt securities in issue	21 680	21 680
Other borrowed funds	3 806	3 806
Financial derivatives	90	90
Brokerage payables	9 634	9 634
Current income tax liabilities	125	125
Deferred income tax liabilities	1 860	1 860
Subordinated debt	59 657	59 657
Insurance contract liabilities	10 365	9 785
Other financial liabilities	69 302	68 946
Other non-financial liabilities	8 099	7 817
TOTAL LIABILITIES	**1 141 654**	**1 140 436**
EQUITY		
Share capital	230	230
Share premium	26 998	26 998
Treasury shares	(2 567)	(2 567)
Share-based payment reserve	4 745	4 745
Retained earnings	159 491	159 668
Revaluation reserve for investments in debt securities	(13 131)	(13 131)
Other reserves	-	13
Equity attributable to shareholders of the Company	**175 766**	**175 956**
Non-controlling interest	**325**	**325**
TOTAL EQUITY	**176 091**	**176 281**
TOTAL LIABILITIES AND EQUITY	**1 317 745**	**1 316 717**

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Notes to the Consolidated Financial Statements

36 Adoption of New or Revised Standards and Interpretations (Continued)

	As originally presented	As adopted
In millions of RR	31 December 2022	1 January 2023
ASSETS		
Cash and cash equivalents	511 561	511 561
Mandatory cash balances with the CBRF	1 690	1 690
Due from other banks	450	450
Investments in securities	325 802	325 802
Precious metals	-	9 982
Loans and advances to customers	606 455	606 455
Financial derivatives	1 020	1 020
Guarantee deposits with payment systems	6	6
Insurance contract assets	-	693
Brokerage receivables	26 747	26 747
Current income tax assets	109	109
Deferred income tax assets	1 946	1 946
Tangible fixed assets and right-of-use assets	34 890	34 890
Intangible assets	24 097	24 097
Other financial assets	39 217	37 219
Other non-financial assets	25 485	14 208
TOTAL ASSETS	**1 599 475**	**1 596 875**

	As originally presented	As adopted
In millions of RR	31 December 2022	1 January 2023
LIABILITIES		
Due to banks	2 060	2 060
Customer accounts	1 191 986	1 191 986
Debt securities in issue	301	301
Other borrowed funds	2 199	2 199
Financial derivatives	217	217
Brokerage payables	8 258	8 258
Current income tax liabilities	2 437	2 437
Deferred income tax liabilities	7	7
Subordinated debt	45 913	45 913
Insurance contract liabilities	15 844	15 223
Other financial liabilities	96 229	89 873
Other non-financial liabilities	28 248	32 488
TOTAL LIABILITIES	**1 393 699**	**1 390 962**
EQUITY		
Share capital	230	230
Share premium	26 998	26 998
Treasury shares	(1 885)	(1 885)
Share-based payment reserve	2 731	2 731
Retained earnings	180 729	180 864
Revaluation reserve for investments in debt securities	(3 214)	(3 214)
Translation reserve	243	243
Other reserves	-	2
Equity attributable to shareholders of the Company	**205 832**	**205 969**
Non-controlling interest	**(56)**	**(56)**
TOTAL EQUITY	**205 776**	**205 913**
TOTAL LIABILITIES AND EQUITY	**1 599 475**	**1 596 875**

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Notes to the Consolidated Financial Statements

36 Adoption of New or Revised Standards and Interpretations (Continued)

The impact of the application of IFRS 17 on the Group's consolidated statement of profit or loss and other comprehensive Income is presented below:

	As originally presented	As adopted
In millions of RR	**2022**	**2022**
Interest income calculated using the effective interest rate method	205 603	205 603
Other similar income	149	149
Interest expense calculated using the effective interest rate method	(56 772)	(56 772)
Other similar expense	(1 007)	(1 007)
Expenses on deposit insurance programme	(4 076)	(4 076)
Net interest income	**143 897**	**143 897**
Credit loss allowance for loans and advances to customers and credit related commitments	(65 431)	(65 431)
Credit loss allowance for debt securities at FVOCI	(2 071)	(2 071)
Total credit loss allowance for debt financial instruments	**(67 502)**	**(67 502)**
Net interest income after credit loss allowance	**76 395**	**76 395**
Fee and commission income	125 083	118 023
Fee and commission expense	(40 973)	(40 973)
Customer acquisition expense	(43 478)	(41 712)
Net losses from derivatives revaluation	(8 156)	(8 156)
Net gains from foreign exchange translation	5 335	5 335
Net losses from operations with foreign currencies	(380)	(380)
Net losses from precious metals revaluation	(3 785)	(3 785)
Net losses from disposals of investments in securities	(130)	(130)
Net losses from financial assets at FVTPL	(7 185)	(7 185)
Insurance revenue	33 793	41 311
Insurance service expense	(10 454)	(14 147)
Administrative and other operating expenses	(95 803)	(93 717)
Other provisions charge and impairment loss	(6 608)	(6 608)
Net gains from repurchase of subordinated debt	4 564	4 564
Other operating income	1 608	935
Profit before tax	**29 826**	**29 770**
Income tax expense	(9 024)	(9 010)

	As originally presented	As adopted
In millions of RR	**2022**	**2022**
Profit for the period	**20 802**	**20 760**
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Debt securities at FVOCI and Repurchase receivables:		
- Net losses arising during the period, net of tax	(2 081)	(2 081)
- Reversal of revaluation reserve, net of tax	11 894	11 894
- Net losses reclassified to profit or loss upon disposal, net of tax	104	104
Currency translation differences	243	243
Other reserves	-	(11)
Other comprehensive income for the period, net of tax	**10 160**	**10 149**
Total comprehensive income for the period	**30 962**	**30 909**
Profit/(loss) is attributable to:		
- Shareholders of the Company	21 024	20 982
- Non-controlling interest	(222)	(222)
Total comprehensive income/(loss) is attributable to:		
- Shareholders of the Company	31 184	31 131
- Non-controlling interest	(222)	(222)
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)	**105,81**	**105,59**
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)	**102,55**	**102,35**

The following amended standards became effective from 1 January 2023, but did not have any material impact on the Group:

International Tax Reform – Pillar Two Model Rules – Narrow-scope amendments to IAS 12 (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

Notes to the Consolidated Financial Statements

36 Adoption of New or Revised Standards and Interpretations (Continued)

Amendments to the IFRS for SMEs Accounting Standard (issued on 29 September 2023 and effective for annual periods beginning on or after 1 January 2023).

37 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2024, which the Group has not early adopted and which are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020), Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020) and Non-current Liabilities with Covenants (issued on 31 October 2022) – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024).
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024)*.
- Lease Liability in a Sale and Leaseback Amendments to IFRS 16 – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments apply to sale and leaseback transactions where the transfer of the asset qualifies as a ‘sale’ under IFRS 15 and the lease payments include variable lease payments that do not depend on an index or rate.
- The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability – Amendments to IAS 21 Foreign Currencies – (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)*.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

38 Events after the End of the Reporting Period

On 15 January 2024, at an Extraordinary General Meeting, the Company’s shareholders approved the deregistering of the Company from the Register of the Registrar of Companies in Cyprus and the registering of the Company as a continuing company in the Russian Federation (redomiciliation) in the form of international public joint-stock company without being dissolved and without being re-incorporated. The vast majority of the Company's assets are located and generate revenue in Russia. Therefore, the reasons for redomiciling to Russia include, among other things, maintaining the Company's strategic focus on the Russian market, preserving the equity value for all shareholders, and ensuring execution of their rights.

The full name of the Company will be “International Public Joint-Stock Company TCS Holding” (IPJSC TCS Holding). The place of residence of the Company be and is hereby changed to: Russkiy Island, Vladivostok Urban Okrug, Primorsky Krai, Russia.

The par value of the Company’s shares in RR shall be equivalent to the par value of the shares of the Company in U.S. dollar (USD 0.04) at the official exchange rate set by the Bank of Russia as of 12 December 2023 (1 USD = 90.9846 RUB). The charter capital of the Company shall consist of 199,305,492 issued ordinary shares, and the amount the charter capital of the Company shall be equal to RR 725 million.

On 31 January 2024 the Company cancelled the listing of its GDRs on the Official List of the Financial Conduct Authority of the United Kingdom and the GDRs’ admission to trading on the LSE’s Main Market (delisting).

On 1 March 2024, the Bank became subject of the Japan’s updated sanctions list.

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