



RwSbank
Respect with Stability

JOINT STOCK COMPANY "RWS BANK"

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

JOINT STOCK COMPANY "RWS BANK" ANNUAL
REPORT FOR THE YEAR ENDED DECEMBER 31, 2023

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I. Basic information about the bank

Full name: JOINT STOCK COMPANY "RWS BANK".

Location: Ukraine, 04071, Kyiv, Vvedenska Street, building 29/58.

Date of state registration: June 22, 2015.

Main activities: Other types of monetary intermediation (KVED code 64.19).

The shareholders of the Bank are:

- **Stetsyuk Oleksandr Volodymyrovych, who is the owner of a significant stake in the capital of the Bank, owning 99% (ninety-nine percent) of the voting shares of the Bank and**
- **Demchak Ruslan Yevheniyovych, who owns 1% (one percent) of the Bank's voting shares.**

The ultimate beneficiaries are individuals - citizens of Ukraine: Stetsyuk Oleksandr Volodymyrovych and Demchak Ruslan Yevheniyovych. The

members of the Bank's Management Board and members of the Supervisory Board do not own shares in the authorized capital of the Bank.

II. Nature of the business

1. The economic environment in which the bank operates

On February 24, 2022, Russian troops began their invasion of Ukraine. 2023 is the year of the continuation of Russia's full-scale war against Ukraine. This factor is the main driver affecting the operational environment.

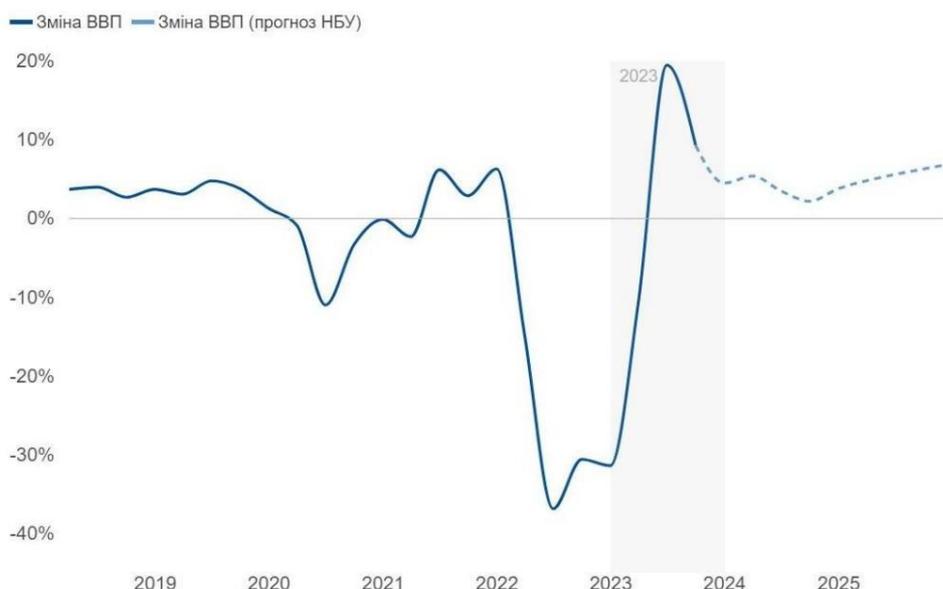
Only direct losses from the war to Ukraine's infrastructure exceeded 150 billion USD, and the total 1 trillion USD.

War on the territory of the state is, as a rule, an economic collapse. But until recently, Ukraine proved that it could survive economically and financially. The banking system survived, the government continued to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment. **GDP**

dynamics

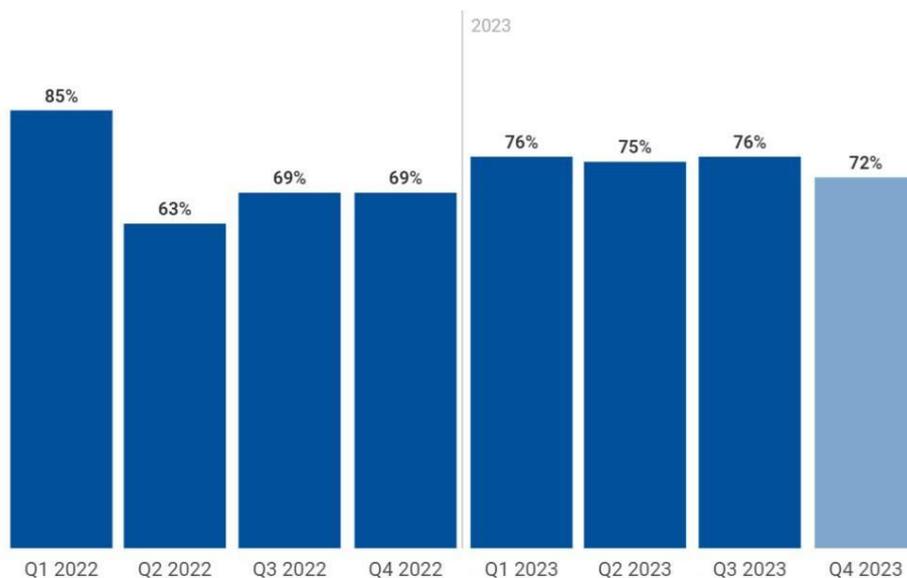
In 2023, Ukraine's real GDP grew, according to various estimates, by 5-5.5%. This is a recovery after a sharp drop of 28.8% in 2022. Despite the recovery, GDP is still about a quarter smaller than in 2021. In the first quarter of 2023, GDP was still falling, but in the remaining three quarters it grew.

Щоквартальна зміна ВВП р/р %



GDP growth occurred against a low base in 2022 - in fact, the economic recovery has stalled. In each quarter of 2023, real GDP was lower relative to real GDP in the corresponding quarter of 2021.

Реальний ВВП відносно відповідного кварталу 2021 року, %

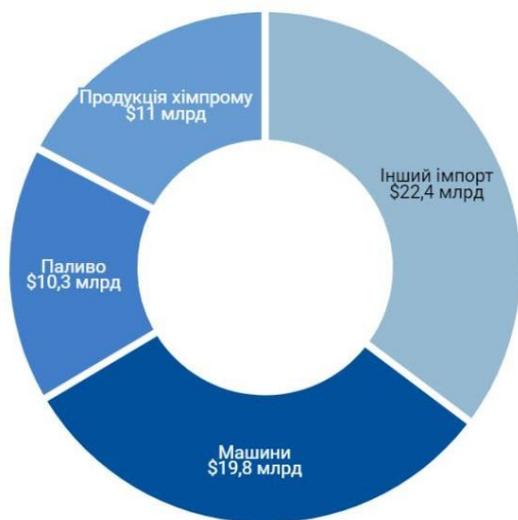


In 2023, Ukraine exported goods worth \$36 billion, and imported \$63.5 billion. Goods exports decreased for the second year in a row: in 2021, goods exports from Ukraine reached \$68.2 billion, in 2022 - \$44.2 billion. The key categories of Ukraine's goods exports are food (mostly grain) and metals, which are extremely dependent on ease of logistics.

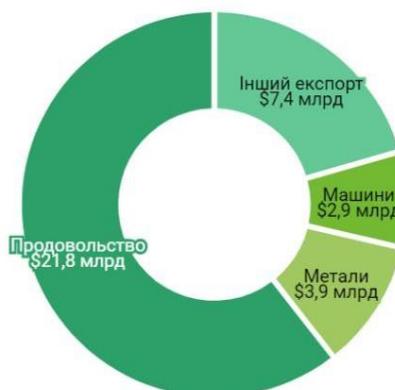
In 2023, Ukraine created its own Ukrainian Sea Corridor to the Black Sea ports of the Odessa region. This allowed it to gradually increase not only grain exports, but also to restore sea exports of other goods, as well as resume sea imports.

Найбільші категорії товарного експорту та імпорту України у 2023, млрд дол.

Імпорт (\$63,5 млрд)



Експорт (\$36 млрд)



The weather in 2023 was favorable for agriculture, and farmers were able to break yield records. The grain yield increased to 54.7 centners/hectare - this indicator broke the previous record of 2021, when the yield was 53.6 centners/hectare. The yield of other crops was also good. This allowed for high yields despite the loss of a significant part of the territories for agriculture, which are either under occupation or are dangerous for work.

High harvests also pose certain challenges - it is important to maintain logistical capabilities for food exports. At the end of 2023, sea exports of grains and oilseeds through the Ukrainian Sea Corridor reached the peak figures of the Grain Agreement.

Ukraine's metallurgical enterprises have been gradually, slowly, but have been recovering. Currently, metallurgical plants are operating at approximately 70% of their capacity. At the end of 2023, it was finally possible to loosen the rope on

necks of metallurgists - sea exports of products through the Ukrainian Sea Corridor have resumed. The corridor must continue to operate, and opportunities for the export of ferrous metals must expand. Then the metallurgy industry will feel much more confident, since before the war 4/5 of the industry's products went abroad, and it is practically impossible to replace such volumes with domestic consumption.

Monetary and financial sectors

Hryvnia

Ukraine entered 2023 with the official exchange rate fixed at 36.6 hryvnias per dollar. The cash exchange rate was significantly higher: 40.5 UAH/USD as of January 1. Expectations for the year were different: the government budgeted for 2023 with an average annual exchange rate of 42.2 UAH/USD, while non-governmental experts agreed on a consensus forecast for an average annual exchange rate of 37.9 UAH/USD.

Ultimately, the NBU kept the rate fixed at 36.6 for most of the year, and the gap with the cash rate gradually narrowed. On October 3, the National Bank switched to a managed flexibility regime, but thanks to significant volumes of foreign exchange interventions, the hryvnia even strengthened slightly. In December, the trend changed and the dollar exchange rate began to rise, and Ukraine entered the new year 2024 with an exchange rate of 38 UAH/USD. However, the average annual official rate was lower than both government and non-government forecasts, remaining at 36.6 UAH per dollar.



Inflation

Ukraine entered 2023 with record high inflation, driven by the war and the printing of the hryvnia to cover military spending. However, inflation was contained during the year: regular inflows of foreign aid allowed the budget to be financed through monetary financing (through the printing of the hryvnia), and good harvests helped to reduce food prices. In December 2023, inflation was 5.1%, almost back to the pre-war inflation target of 5%.



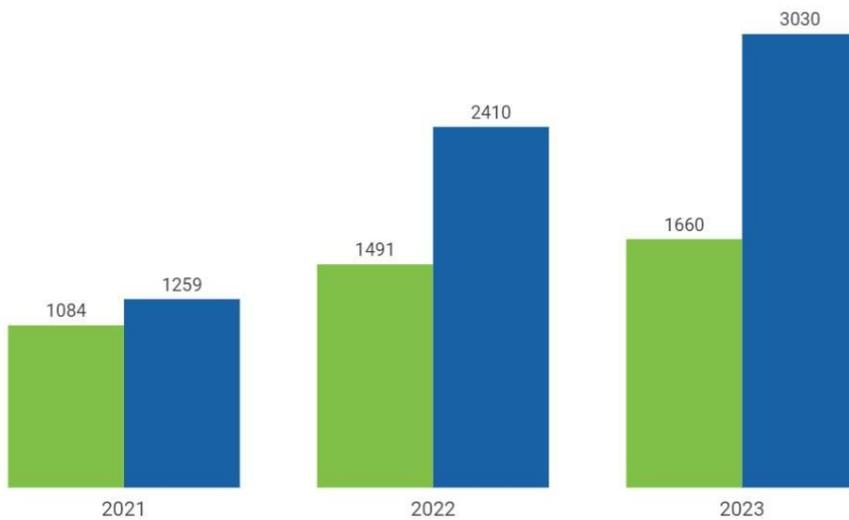
Budget

The Ukrainian budget in 2023 is still a war budget. About half of the state budget went to defense financing; according to our estimates, defense spending will exceed 30% of GDP by the end of 2023. For comparison, the NATO “norm” in peacetime is 2%.

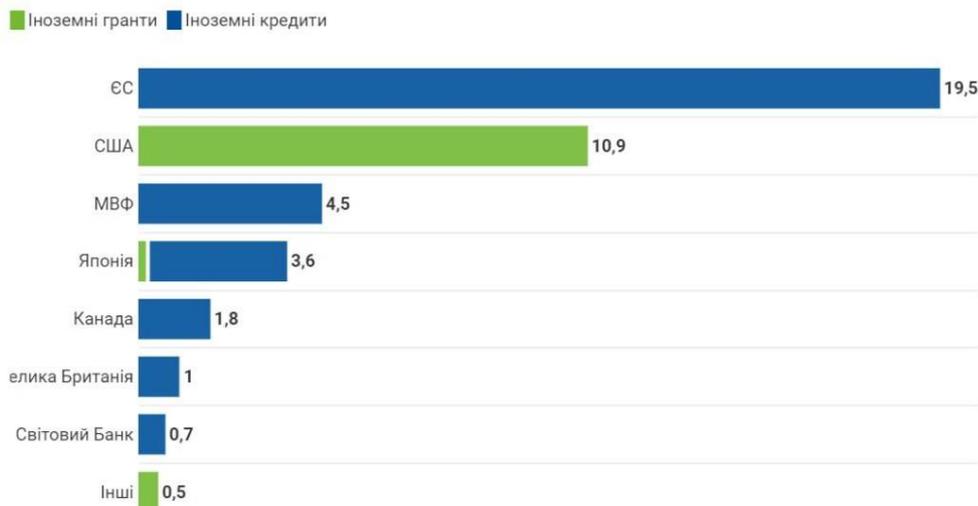
Ukraine's own tax and customs revenues were still insufficient to cover all budget expenditures. The difference was covered by foreign financial assistance and the issuance of military bonds.

Надходження та видатки загального фонду державного бюджету, млрд грн

■ Надходження ■ Видатки



Ukraine continued to receive foreign financial assistance in 2023 - more than in 2022 (42.5 billion dollars in 2023 versus 31.1 billion in 2022), and more regularly and predictably. The assistance mostly came in the form of loans (63% of all financial assistance), rather than grants; but these loans were very preferential and necessary for Ukraine, as they allowed financing important budgetary needs today.

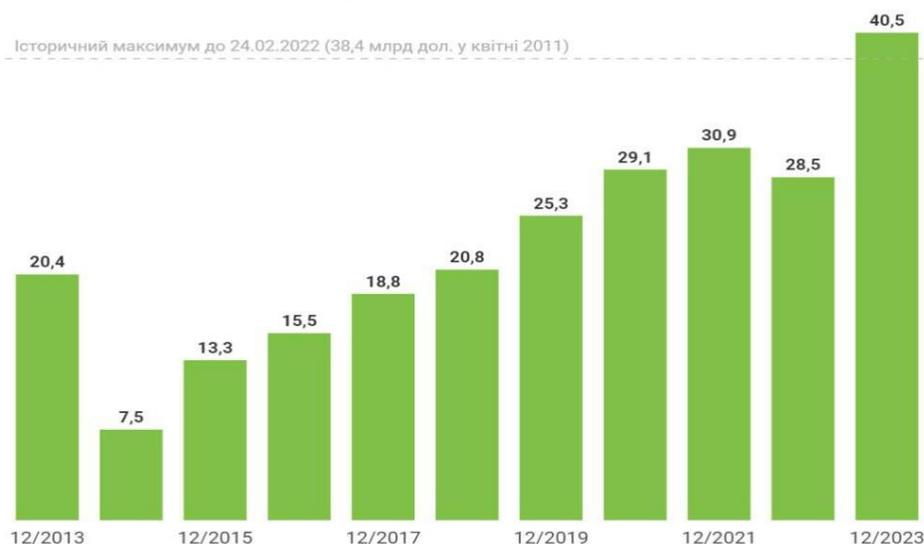


The total state budget needs for additional financing for 2023 amounted to \$59.9 billion — of which \$47.9 billion was for the budget deficit and \$11.9 billion for debt repayment. Foreign aid covered 71% of these needs; the rest was financed mostly through the issuance of government bonds.

Thanks to foreign financial assistance, foreign exchange reserves reached historically high levels in 2023. At the end of the year, Ukraine's international reserves amounted to \$40.5 billion. This is more than the historical record before the full-scale invasion, when in April 2011 the reserves reached their previous peak of \$38.4 billion. This situation during the war was possible only because of the unprecedented financial support for Ukraine. The high level of reserves is a certain safety cushion in case of disruptions in further inflows

help.

Валові міжнародні резерви на кінець грудня 2013-2023 років, млрд дол. США

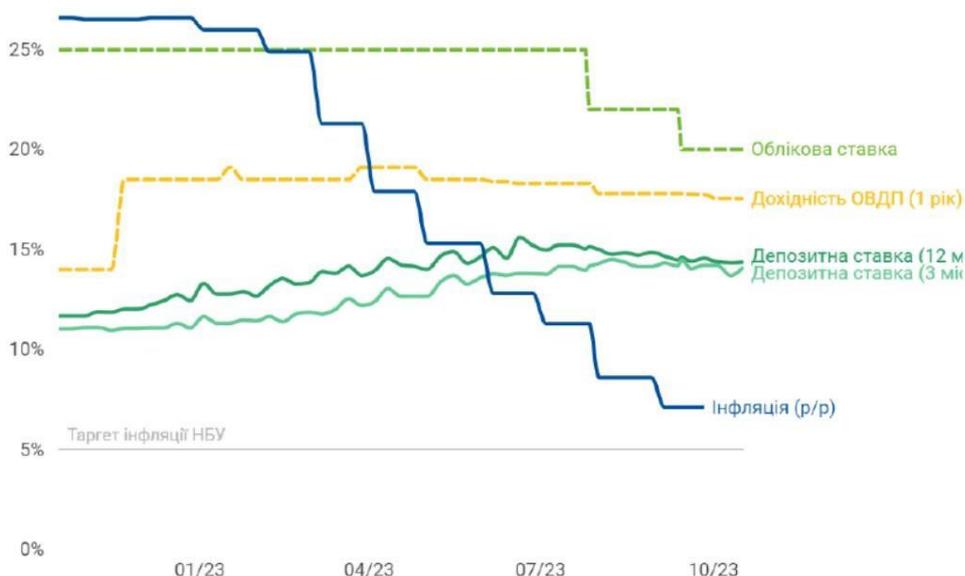


In 2023, the government raised UAH 566 billion through OVDPs — more than twice as much as in 2022. The fiscal gap also narrowed. In 2022, the government spent UAH 133 billion more on repaying previous OVDP issues than it managed to raise from issuing new domestic debt; in 2023, it managed to refinance the repayment of old debt and raise another UAH 196 billion from above. However, if we compare the revenues from new OVDP issues for the year with the expenses for repaying the OVDP debt and budget expenditures for its servicing, the difference still remained negative (UAH 3 billion).

Financial sector

During 2023, the discount rate decreased from 25% to 15%. The yield on one-year hryvnia military bonds decreased to 17.55%. Average rates on individual deposits (UIRD) decreased to a corridor of 13-14%, but exceed the inflation rate.

Financial statements for the year ended December 31, 2023



The volume of household deposits remained unchanged for time deposits in hryvnia and decreased for demand deposits. On the other hand, time deposits in foreign currency showed growth.

Credit to residents has increased slightly, but remains generally low. With war risks still present, credit is unlikely to improve significantly without government support or war risk insurance.

In 2022, due to a significant decrease in lending and a decline in demand for banking services in general, as well as due to the revaluation of their assets due to hostilities and occupation, banking profits decreased.

Instead, 2023 was an extremely profitable year for banks due to the monetary policy that provided for high rates on NBU certificates of deposit. To finance state defense spending, a temporary increased tax on bank profits was introduced: 50% in 2023 and 25% in 2024-2025.

Migration and the labor market

According to conservative estimates, up to half of the pre-war population of Ukraine, or at least 20 million people, are directly involved in active migration processes caused by Russian aggression.

Approximately 8 million Ukrainians have found safe haven in European countries, of which 5 million have received temporary protection in one of the host countries. Half of all Ukrainian refugees have settled in Poland and Germany. Ukrainians forcibly displaced abroad are mainly women and children under 18. Up to 6.5 million Ukrainians are internally displaced persons (IDPs). Since the beginning of the full-scale invasion, the State Statistics Service has not published

data on unemployment. The research agency Info Sapiens makes its own estimates of its level. Throughout 2023, the trend of a steady decrease in unemployment has persisted. At the same time, at the end of the year, unemployment was still one and a half to two times higher than the level at the beginning of 2022, before the full-scale invasion. Throughout 2023, 20-25 percent of Info Sapiens respondents consistently reported that they were saving on food — this roughly coincides with the World Bank's poverty assessment in Ukraine.

The number of vacancies in the labor market has been steadily recovering throughout 2023, but has not yet reached the level of 2021. On the other hand, the dynamics of job seekers has been negative, which is also confirmed by the results of a business survey, which states that the lack of labor is a significant obstacle to entrepreneurial activity.

In the first month of a full-scale war, due to mass layoffs and a slowdown in business activity, significantly more new workers entered the labor market than employers could take on. During 2022, labor market dynamics leveled off, and already in 2023 the ratio of new job seekers to new vacancies reached the 2021 level.

On the one hand, there are more vacancies in the market as a whole; on the other hand, there are not so many people willing to fill these vacancies. The market has stabilized after the initial shock of a full-scale war and is gradually adapting to structural changes in the economy. At the same time, there are fewer and fewer free workers in Ukraine: a significant part of Ukrainians are abroad, and about a million men and women are defending the country in the ranks of the Defense Forces.

2. Information about the Bank's managers and officials

The Bank is managed in accordance with the Law of Ukraine "On Banks and Banking Activities", "On Joint-Stock Companies" and on the basis of the Charter of JSC "RWS BANK".

The management bodies according to the Charter of RWS BANK JSC are:

- General Meeting of Shareholders of the Bank;

- Supervisory Board of the Bank;
- The Bank's Board of Directors.

According to the Charter of JSC "RWS BANK", the highest management body of the Bank is the General Meeting of Shareholders of the Bank, which can decide on any issues of the Bank's activities.

The executive body that carries out the day-to-day management of the Bank is the Bank's Management Board.

The Supervisory Board of the Bank exercises control over the activities of the Bank's Management Board, protection of the rights of depositors, other creditors and shareholders of the Bank. The Supervisory Board does not participate in the current management of the Bank.

Structural divisions subordinate to the Supervisory Board of the bank:

- **Risk Management Department (2nd line of defense) - within its powers, is responsible for implementing internal risk management regulations and procedures in accordance with the risk management strategy and policy determined by the Bank's Supervisory Board, timely detection, identification, assessment, monitoring, control, reporting/informing of all types of risks inherent in the Bank's activities;**

- **Compliance Control Department (2nd line of defense) - within its powers, ensures the organization of control over the Bank's compliance with the norms of legislation, internal bank documents and relevant standards of professional associations, the effect of which extends to the Bank;**

- **Internal Audit Department (3rd line of defense) - within its powers, ensures the protection of the interests of the Bank's shareholders and its clients by conducting inspections and monitoring compliance by managers and employees of the bank, who ensure the provision of banking and other financial services, with the requirements of the legislation of Ukraine, including regulatory legal acts of the National Bank, and internal regulations of the bank, the fulfillment of professional duties and rules established by the Bank's Charter and internal documents of the bank, including on compliance and risk management issues; providing independent and objective consultations aimed at improving the Bank's activities; submitting to the Supervisory Board of the Bank an objective assessment of the Bank's condition and providing support in implementing effective management in order to ensure the Bank's stable operations in the long term; increasing the efficiency of the internal control system to achieve the goal set by the Bank's shareholders and preserving the Bank's assets; minimizing risks when conducting operations related to the rational and effective use of the Bank's resources.**

The Corporate Secretary is elected by the Supervisory Board of the Bank and is subordinate to it in the performance of his duties and powers in accordance with the Regulations on the Corporate Secretary. The Corporate Secretary ensures the interaction of the Bank's management and control bodies, namely: the General Meeting of Shareholders of the Bank,

The Supervisory Board of the Bank and the Management Board, informing shareholders and other interested parties about the Bank's activities within its competence. As of December

31, 2023, the members of the Supervisory Board of the Bank are: Iryna Borysivna Gavrilchuk - Chairman of the Supervisory Board; Serhiy Oleksandrovysh Yaremchenko - Independent Member of the Supervisory Board; Pavlo Volodymyrovych Savchuk - Independent Member of the Supervisory Board; Vitaliy Oleksiyovych Mygashko - Independent Member of the Supervisory Board; Dmytro Mykolayovych Seredenko - Independent Member of the Supervisory Board.

The Bank's Management Board is the executive body of the Bank, which manages the current activities of the Bank, forms funds necessary for the statutory activities of the Bank, and is responsible for the efficiency of its work in accordance with the principles and procedures established by the Bank's Charter, decisions of the General Meeting of Shareholders and the Supervisory Board of the Bank.

The Management Board is accountable to the General Meeting of Shareholders and the Supervisory Board, organizes the implementation of their decisions. The Management Board acts on behalf of the Bank within the limits established by the current legislation, the Bank's Charter and the Regulations on the Management Board.

As of December 31, 2023, the members of the Bank's Management Board are: Taisiia Fedorivna Moseychuk - Acting Chairperson of the Management Board (Deputy Chairperson of the Management Board, member of the Management Board); Valentyna Petrovna Vaskovska - Deputy Chairperson of the Management Board, member of the Management Board; Olena Mykhailivna Burdina - Chief Accountant, member of the Management Board. The personal composition of the Committees is established by the Management Board of the Bank.

To ensure additional measures for risk management, the Bank has established standing committees, in particular:

- 1) **Credit Committee, which assesses the quality of the Bank's assets and prepares proposals for the formation of reserves to cover possible losses from their depreciation. The Credit Committee is established and operates in accordance with the procedure determined by the Supervisory Board of the Bank and on the basis of the Regulation on the Credit Committee.**
- 2) **Asset and Liability Management Committee, which reviews the cost of liabilities and asset profitability and makes decisions on interest margin policy, reviews the maturity of assets and liabilities and provides recommendations to the relevant divisions of the Bank**

- to eliminate any discrepancies in time that arise. The Assets and Liabilities Management Committee is established and operates in accordance with the procedure determined by the Bank's Management Board and on the basis of the Regulations on the Assets and Liabilities Management Committee of the Bank.
- 3) The Tariff Committee, which analyzes the ratio of the cost of services and the market competitiveness of current tariffs, is responsible for the Bank's policy on operating income. The Tariff Committee is established and operates in accordance with the procedure determined by the Bank's Board and on the basis of the Regulations on the Tariff Committee.
 - 4) Information Security Management Systems Committee. The purpose of the Information Security Management Systems Committee is to ensure effective management of the Bank's information security management systems, coordinate the activities of its units to ensure information security, implement and effectively operate information security management systems, and optimize the company's resources, efforts, and potential. The main task of the Committee is to ensure the protection of the Bank's information assets from a wide range of threats in order to maintain the continuity of business processes, minimize risks, and maximize profitability and business opportunities.
 - 5) The Financial Monitoring Committee, which reviews: the results of the analysis of financial transactions of clients, regarding which suspicion arises, and the approval of precautionary measures to minimize the risks of money laundering/terrorism financing; issues resulting from the refusal to conduct financial transactions and/or serve clients, including in the event that the client is found to have an unacceptably high level of risk; problematic issues arising during the identification and study of clients; changes in the legislation on financial monitoring, measures that must be taken by the bank and the deadlines for updating the bank's internal documents on financial monitoring, taking into account the specified changes; results of the analysis of the implementation of new banking products and the related compliance risks of financial monitoring; problematic issues arising during training of bank employees on financial monitoring; problematic issues related to establishing business relations and servicing public figures and persons close to or associated with public figures; other issues arising during the implementation of measures to prevent the legalization (laundering) of proceeds from crime, or the financing of terrorism or the financing of the proliferation of weapons of mass destruction.
 - 6) Committee of the Supervisory Board on Remuneration and Appointments of JSC "RWS BANK". The purpose of the Committee's creation is to conduct preliminary study, prepare for consideration by the Bank's Board of Directors of remuneration issues and make competent and independent decisions on selection and appointments.
 - 7) Audit Committee of the Supervisory Board of JSC "RWS BANK". The Committee is a collegial body of the Bank, independent in making its decisions within the delegated tasks and functions and the granted limits of decision-making authority, established to perform the functions assigned to it by the Supervisory Board of the Bank.

3. Structural divisions

The organizational structure of the Bank has a matrix organizational structure, which consists of independent departments and divisions, divisions within divisions and departments. Independent structural units are subordinate to the Chairman of the Board, Deputy Chairman of the Board.

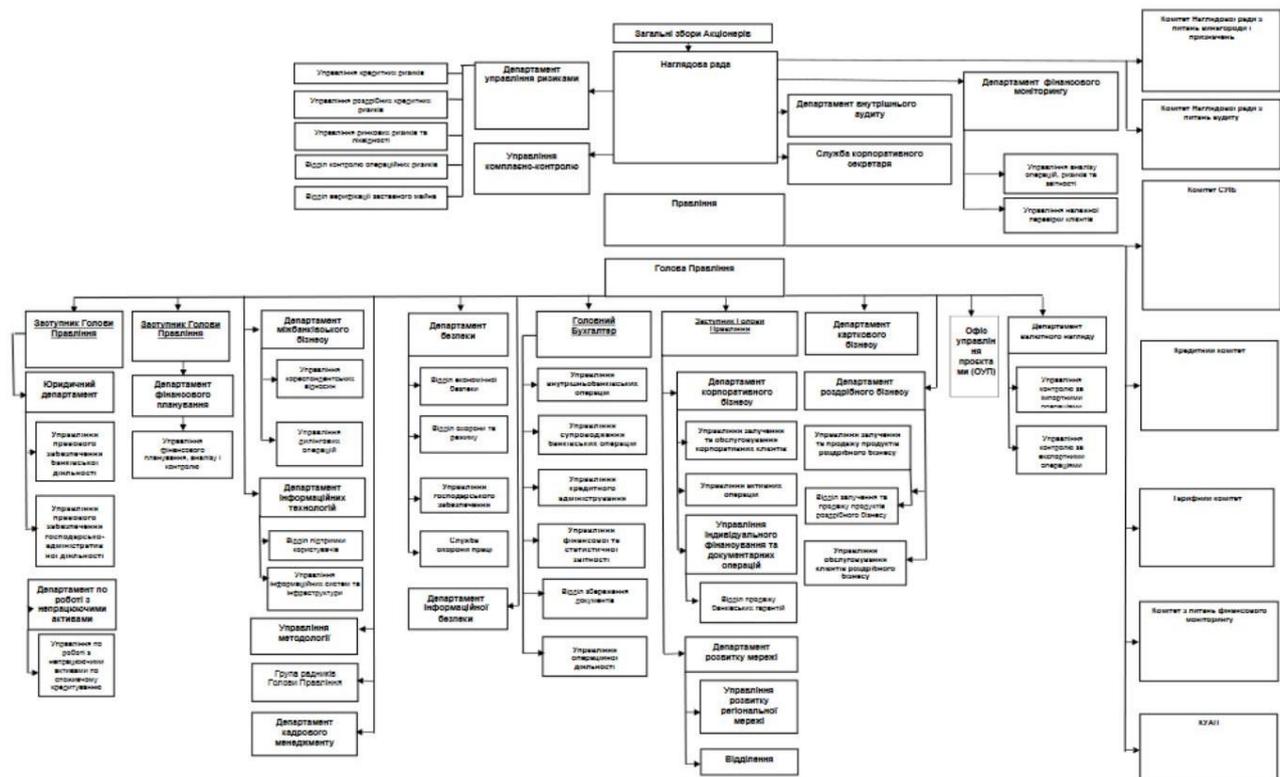
The following are subordinate to the Chairman of the Board: Deputy Chairman of the Board; Chief Accountant; Security Department; Human Resources Management Department; Currency Supervision Department; Methodology Department; Information Technology Department; Retail Business Department; Interbank Business Department;

The following departments report to the Deputy Chairman of the Board: Legal Department; Card Business Department; Financial Planning Department; Non-Performing Assets Department; Corporate Business Department; Individual Financing and Documentary Operations Department; Economic Support Department; Information Security Department; Occupational Safety and Health Service.

The following departments report to the Chief Accountant: Banking Operations Support Department; Intrabank Operations Department; Financial and Statistical Reporting Department; Credit Administration Department; Document Preservation Department.

The following departments report to the Supervisory Board of the Bank: Financial Monitoring Department, Risk Management Department, Compliance Control Department, Internal Audit Department, Corporate Secretary.

ОРГАНІЗАЦІЙНА СТРУКТУРА АКЦІОНЕРНОГО ТОВАРИСТВА «РВС БАНК»



As of December 31, 2023, the Bank has 20 branches in Ukraine. The branches provide the full range of Bank operations, namely:

- settlement and cash services for legal entities and individuals;
- deposit transactions;
- non-trading transactions;
- distribution of plastic cards;
- lending to legal entities and individuals;
- documentary transactions.

As of December 31, 2023, the Bank has the following branches in its structure:

Branch name	Address
CENTRAL DEPARTMENT	01001, Kyiv, Prorizna St., 6
PODIL DEPARTMENT No. 1	04071, Kyiv, Vvedenska St., 29/58
VINNITSA BRANCH	21018, Vinnytsia, Gogolya St., 1
SHEVCHENKIVSKY BRANCH	01032, Kyiv, Saksaganskogo St., 96
SHEVCHENKIVSKE BRANCH No. 1 04112,	Kyiv, Oranzhereyna St., 1
SHEVCHENKIVSKE BRANCH No. 2 01050,	Kyiv, Beloruska St., 8
LVIV BRANCH	79000, Lviv, Nechuya-Levytskoho St., 2
BORSCHAGIVA BRANCH	08131, Kyiv region, village of Sofiivska Borshchahivka, Kyivska st., 34
TRANSCARPATHIAN DEPARTMENT	89600, Zakarpattia region, Mukachevo, Masaryk Tomasz St., 15 V
KOROSTEN DEPARTMENT	11503, Korosten, Hrushevskoho St., 36
MUKACHOVSKY BRANCH	89623, Zakarpattia region, Mukachevo district, village of Klyachanovo, Avtomobilistov st., 28
TERNOPIIL BRANCH ODESSA	46008, Ternopil, Ostrohske Knyazya St., 19
BRANCH No. 1	65039, Odessa, Kanatna St., 97
IRSHAVSKY BRANCH	90100, Zakarpattia region, Khust district, Irshava city, Poshtova st., 4/2
IVANO - FRANKIVSK DEPARTMENT #1	Ivano-Frankivsk, 37A Yevhena Konovaltsya St., office 1001
NOVOSILKIVSKY BRANCH	03027, Kyiv region, Fastiv district, Chabaniv territorial community, Novosilky village, Myru street, building 4, premises 152
Dnipro branch	49107, Dnipro, Nauky Ave., 123, approx. 24
CHORTKIVSKE BRANCH Lviv	48501, Ternopil region, Chortkiv city, Stepana Bandera street, house 30
Branch No. 1	Lviv, Kulparkivska St., 99 B
Beregovo branch	90202, Zakarpattia region, Beregovo district, Beregovo city, Bohdana Khmelnytskyi st., building 118

4. Information on the purchase of shares

There are no shares announced for issue in the reporting year 2023.

The nominal value of one share as of the end of the day on December 31, 2023 is 24.69 hryvnias.

The bank did not issue preferred shares, and no dividends were paid.

There are no restrictions on share ownership at the end of the reporting year 2023.

5. Description of the current business

model The development strategy provides for the continuation of its operation and development as a stable universal bank of Ukraine, namely:

JSC "RWS BANK" is a comfortable Bank where every client feels genuine care and finds the best financial solutions for their life and business with us.

Within the framework of the strategy, the Bank sets itself tasks in the following main areas:

- Sale of assets on the Bank's balance sheet. Strategic plan for asset sales approved

To the bank.

- Increase in interest income through long-term and short-term lending to corporate clients and small and medium-sized business clients.
- Increase in interest income due to placement in NBU certificates of deposit.
- Increase in commission income by attracting individuals and developing the card business.
- Increase in commission income due to the issuance of depository transactions (guarantees), conversion transactions - for legal entities and individuals.
- Increase in trading income due to operations with banking metals.
- Development of remote sales channels and affiliate programs, active work with payment systems systems.

6. Main products and services

JOINT-STOCK COMPANY "RWS BANK" is a universal banking institution offering a wide range of banking services to corporate and private clients. According to the obtained banking license No. 277 dated November 24, 2016, the General License of the National Bank of Ukraine for currency transactions No. 277-2 dated December 5, 2016, the Bank may perform services and operations specified in Part Three of Article 47 of the Law of Ukraine "On Banks and Banking Activities", namely:

- **attracting funds and bank metals into deposits from an unlimited range of legal entities and individuals;**

- **opening and maintaining current (correspondent) accounts of clients, including in banks metals;**
- **placement of funds attracted into deposits, including current accounts, and banking metals on its own behalf, on its own terms and at its own risk;**
- **Issuance of bank payment cards and execution of transactions using these cards; - Lending to legal entities and individuals;**
- **provision of consulting and information services regarding banking transactions; - transactions with foreign currency values:**
- **non-trading transactions with foreign currency values; - transactions with cash foreign currency and checks (purchase, sale, exchange and acceptance for collection), carried out at cash desks and foreign currency exchange points of banks;**
- **transactions with cash foreign currency (purchase, sale, exchange) carried out at foreign currency exchange points operating on the basis of agency agreements concluded by banks with resident legal entities;**
- **maintaining accounts of clients (residents and non-residents) in foreign currency and non-resident clients in the currency of Ukraine;**
- **documentary operations;**
- **transactions with securities (OVDP);**
- **maintaining correspondent accounts of banks (residents and non-residents) in foreign currency; - maintaining correspondent accounts of banks (non-residents) in the currency of Ukraine;**
- **opening correspondent accounts in authorized banks of Ukraine in foreign currency and carrying out operations on them; - opening correspondent accounts in banks (non-residents) in foreign currency and carrying out operations on them;**
- **raising and placing foreign currency on the foreign exchange market of Ukraine; - raising and placing foreign currency on international markets;**

- trading in foreign currency on the foreign exchange market of Ukraine (except for transactions with cash foreign currency and checks (purchase, sale, exchange), carried out at cash desks and foreign currency exchange points of banks and agents); - trading in foreign currency on international markets;
- attraction and placement of banking metals on the foreign exchange market of Ukraine;
- attraction and placement of banking metals on international markets; - trading in banking metals on the foreign exchange market of Ukraine; - other transactions with foreign exchange values.

The Bank has the right to provide its clients (except banks) with financial services, including by concluding agency agreements with legal entities (commercial agents). The list of financial services that the Bank has the right to provide to its clients (except banks) by concluding agency agreements is established by the National Bank of Ukraine. The Bank is obliged to notify the National Bank of Ukraine of the agency agreements concluded by it. The Bank has the right to conclude an agency agreement with a legal entity that meets the requirements established by the National Bank of Ukraine.

The Bank, in addition to providing financial services, has the right to also carry out activities related to:

1. investments;
2. issue of own securities;
3. storage of valuables or provision of an individual bank safe for lease;
4. collection of funds and transportation of currency values;
5. provision of consulting and information services regarding banking and other financial services.

The development strategy provides for its continued operation and development as a stable universal bank of Ukraine, namely:

JSC "RWS BANK" is a universal bank that is gaining its positions in retail lending and commission products, in the segments of corporate business and micro, small and medium-sized businesses. Operational efficiency and a stable level of profitability allow the bank to implement new lending programs and increase the range of services provided to clients.

To achieve its development goal, the Bank focused on 8 main areas of transformation:

1. A fundamentally important direction of the Bank's development is maximum customer focus. This means that the Bank sought to satisfy the maximum amount of financial service needs of each client and thereby maximize its income from the format of customer relations. This also means that the quality and depth of customer relations, as well as the Bank's skills and capabilities in the field of sales and service, which ensure the support and development of these relations, were an important basis for the Bank's competitive advantages.

2. An important direction of transformation was the comprehensive improvement of business processes and information systems, their transition to a new "industrial" basis. Such "industrialization" of systems and processes in the Bank increased the level of manageability and scalability, reduced costs, improved the quality of customer service and allowed the Bank to manage credit and other types of risks more flexibly and effectively.

3. An important element of the Bank's development strategy is the implementation of the ideology of continuous improvement and development at all levels and in all parts of the organization. This involves integrated work on optimizing and rationalizing activities in all areas "from the bottom up", creating a systematic ability in the Bank to renewal and self-improvement.

4. Development of long-term lending to legal entities, which could allow clients to receive lending for long-term goals.

5. The modernization of the Bank's IT infrastructure is carried out in stages using a process approach to managing the Bank's IT infrastructure to ensure the reliability, stability and continuity of all systems and applications.

6. Expanding the functionality of the mobile application for individuals to the level of leading mobile applications introduced by other banks. Implementation of a new mobile application on a new technological basis, which will allow fully remotely to actively attract new clients to the bank and provide a full range of payment and other services for existing clients.

7. In addition to banking services, the Bank planned to carry out capital market operations from the 3rd quarter of 2023, namely:

- activities related to trading in financial instruments (subbrokerage, brokerage, dealer activities) - depository activities.

8. Trading in banking metals.

7. Rewards received

Payments to key management personnel for 2023 amount to UAH 14,448 thousand.

III. Management objectives and strategies for achieving these objectives

1. Strategic goals

Based on the analysis of the internal and external environment, the Bank believed that in the short term, the Bank should build an internal organizational and technological base and business processes, create a customer-oriented company; identify and implement its competitive advantages, provided that the Bank quickly adapts to the constantly changing situation in the financial markets and in the economy as a whole.

The implementation of the development strategy should allow the Bank to take a target position in the Ukrainian banking services market and achieve the set financial and operational indicators that correspond to the high level of financial institutions.

To successfully implement the strategy, the Bank is constantly working to attract new clients and sell new products to existing clients.

The bank approved a plan to develop new lending programs and expand the services provided.

Retail client strategy:

- ÿ Segmentation of retail clients based on priorities for the Bank, development of relationship development strategies and product lines for each of the key segments. The main emphasis is on lending to individuals based on the mobile application;

- ÿ Offer for micro, small and medium business clients not only in terms of settlement and cash service, but also in obtaining long-term loans at market rates;

- ÿ Long-term lending to legal entities;

- ÿ Obtaining licenses to carry out depository, brokerage, subbrokerage and dealer activities.

- ÿ Maximum use of passive advertising to create a recognizable brand and trust in

Bank with the population.

- ÿ Development and implementation of product videos on the Internet.

- ÿ Creation of a full product line of the business (product, market and regulatory analysis, IT solutions, standardization, analysis of sales results).

- ÿ Development of remote service.

- ÿ Agent use of international urgent money transfer systems "RIA", "Westernrn Union", "Money Gram", "Welsend" and related internal payment systems "Portmone".

- ÿ Development of partner products and cross-selling with insurance companies.

- ÿ Concluding the maximum number of contracts with municipal, state and private organizations, universities, institutions and enterprises (settlement centers under city administrations) for accepting payments from the population in their favor for gas, telephone, electricity, water, mobile communications, as well as with all similar operators in the regions of the Bank's presence.

- ÿ Implementing performance indicators in the implementation of customer-oriented practices (Assessment customer and partner satisfaction, Customer complaint channels, Service quality control).

- ÿ Implementation of technological solutions aimed at working with microbusinesses (implementation/connection to special platforms with outsourcing services that allow you to quickly obtain the necessary certificates and permits).

- ÿ Implementation of automation of management reporting forms on a monthly basis, sales results banking products, staff utilization efficiency, product profitability, etc.

- ÿ Completion of technological strengthening of the business in accordance with the information technology development strategy technologies.

- ÿ Maximizing remote sales channels and service systems.

Strategy for working with the corporate sector, small and medium-sized businesses:

1. Attracting corporate clients, small and medium-sized businesses through the most clear focusing on the client's needs and their industry-specific work.

2. The development of the product line will be aimed at ensuring the ability to sell the line to customers banking products adapted to the needs of relevant segments (client industries).

Corporate business clients are offered credit programs in the form of revolving and non-revolving credit lines (depending on the lending goals), fixed-interest overdrafts for corporate clients to conduct business activities. In 2023, it was planned to continue the targeted lending program "Affordable Loans 5-7-9%" and

long-term lending "Loan for 3 years".

The Bank also plans to continue attracting customers to deposit products, in 2023 attention will be paid to will be given to insurance and non-banking financial companies.

The scheme of work in the direction of lending to small and medium-sized business clients allows the Bank to carry out planned diversification of the loan portfolio and avoid concentration of risks on large corporate clients. It should be noted that in addition to diversifying the loan portfolio by business entities, the Bank also pays significant attention to avoiding sectoral concentration of borrowers.

3. The bank has significant success in the market for providing bank guarantees, which in turn makes it possible to attract new clients for comprehensive services, including deposit products and foreign economic activity services.

4. The development of internal technologies and processes for providing banking services is aimed at their simplification, standardization and automation. This will allow, in particular, to put the business on an "industrial" basis, reduce operating costs, increase the efficiency of the decision-making process, formalize and make the risk management and assessment system more effective, and optimize document flow. **Development of bank guarantees**

Professional specialists are engaged in servicing clients in the field of bank guarantees. At the same time, according to the decision of the credit committee, guarantees exceeding UAH 20 million require mandatory approval by the Supervisory Board, which allows controlling risks at a moderate level. Also, when issuing guarantees exceeding UAH 1 million, a meeting of the client with the Bank's managers and, if necessary, with members of the Supervisory Board is mandatory to involve the client in comprehensive servicing.

During 2023-2025, the bank planned to continue to increase commission income by providing bank guarantees and conducting documentary transactions.

Strategy for working with card products

Thanks to the Bank's acquisition of the status of an affiliated member of the international payment system and obtaining a license from MasterCard Incorporated, the Bank offers its clients a wide range of card products, namely:

- **MasterCard Standard debit cards;**
- **MasterCard World credit cards;**
- **corporate cards for legal entities MasterCard Business.**
- **MasterCard World Elite elite cards.**

One of the areas of development of the card business was the development and implementation of new card products, in particular virtual cards.

We also note that the Bank has decided to acquire the status of an affiliated member of the international payment system and obtain a license from the Visa International Services Association (Visa) in 2023, which will significantly expand the product line of card products.

Participation in the Mastercard and Visa MPS will allow us to begin the development of acquiring services in the E-Commerce sector, namely to provide services such as Internet acquiring and P2P acquiring (A2C, C2A and C2C transactions) for financial companies and the Bank's clients on their web and mobile platforms.

One of the main priorities remained to expand the functionality of the mobile application for individuals to the level of leading mobile applications introduced by other banks. In particular, the implementation of a new mobile application on a new technological basis was planned for 2023, which would allow for fully remote active attraction of new clients to the bank and provision of a full range of payment and other services for existing clients.

Despite the Bank's active work to increase cashless payments using payment cards, in 2023 the Bank planned to continue working on updating traditional banking services for its clients in terms of cash withdrawals, developing its own ATM network.

For 2023, active development of the card business was planned, by introducing a consumer lending program for customers through remote sales channels, including in a mobile application, which provides for obtaining a card loan in the shortest possible time with an average limit of UAH 30,000. with its further increase both at the initiative of the client and the Bank.

The Bank's main objectives for operations with banking metals:

The main task that JSC "RWS BANK" set itself is to become one of the best banks in Ukraine in the shortest possible time, an active participant in the banking metals market and carrying out the full range of operations with banking metals. In terms of its scale and implementation time, this task is very ambitious and in many aspects has no analogues among other banks.

The Bank's main objectives for operations with banking metals:

- **increasing the volume of purchase and sale of banking metals, such as gold, silver, palladium, platinum for the population and jewelry factories, due to the purchase of metal from a well-known world manufacturer**

banking metals "Argor-Heraeus SA." (Argor-Heraeus SA.), with which an agreement on cooperation and supply of metals for JSC "RWS BANK" has been signed to date.

- increasing the regional network of branches that will provide the full range of services for working with banking metals;

- cooperation of the Bank with the State Treasury of Ukraine and a number of other Ukrainian banks regarding the supply of banking metal;

- attracting new non-resident clients for the purchase and sale of banking metals.

2. Main directions of transformations

The implementation of the Bank's Development Strategy should take place within the framework of the main stages, the implementation of each of which should end with the transition of the Bank's system to a qualitatively new state, which would allow the use of new tools and methods of doing business and at the same time ensure the continuity and stability of the Bank's work:

ÿ The first stage included measures that should become a solid foundation for further transformations and improvements. In particular, the beginning of the process of improving the Bank's operating model, preparation for the implementation of key/critical IT technologies defined by this Strategy, strengthening the Bank's human resources. It was also planned to carry out "quick-to-implement initiatives" - projects that will allow obtaining a significant economic result in a short time with minimal financial and time costs for their implementation, the profit recapitalized into capital.

ÿ The second stage involved a significant sale of real estate on the Bank's balance sheet to monetize capital, the launch of large-scale projects, the preparation for which will be carried out at the first stage, and the introduction of the main tasks for the implementation of these projects. At this stage, the implementation of key IT technologies necessary for the further development of the Bank was planned, and most of the key initiatives envisaged by this Strategy were also implemented.

ÿ The results of the third stage were to be the completion of all infrastructure and technological changes, the final completion of the implementation of all initiatives of this Development Strategy, as well as the final adjustment and reaching the "design capacity" of new systems and work models, the assessment of the results achieved and the preparation of initiatives for the further development of the Bank.

In order to ensure and control the implementation of this Strategy, the Bank will implement a process of decomposition of strategic tasks by approving functional strategies for each independent structural unit by the Bank's management. Thus, the decomposed strategic tasks delivered to each unit will be specific, measurable, clearly defined in terms of deadlines, control indicators and necessary resources, which will allow for a prompt and high-quality organization of the process of constant monitoring of the progress of the implementation of the Development Strategy and to identify potential bottlenecks, quickly resolve emerging problems.

The implementation of the development strategy should allow the Bank to strengthen its position in the Ukrainian banking services market and achieve planned financial and operational indicators.

The Bank's development strategy and business model are **viable** and include realistic sources of revenue, taking into account the specifics of the Bank's activities, the dynamics and structure of assets and liabilities, information risk and security, which gives every reason to expect an early termination of the sanctions of the relevant measures of influence applied to the Bank in 2022, 2021-2024 and the achievement of the planned results according to the business plan in 2023-2025.

IV. Resources, risks and relationships

1. Capital structure

The main objective of the bank capital management process is to attract and maintain a sufficient amount of capital in order to obtain confidence that the Bank will function on a going concern basis to expand its activities and create protection against risks. The Bank's management, when managing capital, adheres to the requirements established for regulatory capital by the National Bank of Ukraine. In the process of analysis, it uses methods for determining capital adequacy in accordance with the requirements of the National Bank of Ukraine.

As of December 31, 2023, the Bank's regulatory capital amounted to UAH 286,704 thousand, which is sufficient to meet all licensing requirements as of the reporting date. The regulatory capital adequacy ratio as of the reporting date was 23.24% with a regulatory value of at least 10%. During the reporting period, the Bank never violated the established regulatory capital adequacy ratios.

The table below shows the structure of regulatory capital as of December 31, 2023 and for 2022, which was calculated in accordance with the requirements of the National Bank of Ukraine and according to reporting data, on the basis of which control over the size of the Bank's regulatory capital is carried out.

Table 27.1. Regulatory capital structure

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Fixed assets	240,046	152,098
Actual paid-up registered authorized capital	300,039	300,039
General reserves and reserve funds established in accordance with the laws of Ukraine	13,793	12,313
Financial assistance from bank shareholders, for which permission has been obtained	48,000	48,000
NBU regarding inclusion in fixed capital		
Reduction of fixed capital, including:	(121,785)	(208,254)
<i>intangible assets less depreciation</i>	(5,982)	(3,617)
<i>capital investment in intangible assets</i>	-	(386)
<i>losses from previous years</i>	(69,398)	(97,522)
<i>estimated loss for the current year (Rpr/s)</i>	-	-
<i>non-core assets</i>	(46,405)	-
Additional capital		
Estimated profit for the current year (Ppr/p)	46,657	78,038
Total regulatory capital	286,704	230 136

2. Liquidity The

Bank's liquidity is at a sufficient level. The liquidity coverage ratio (LCR) for all currencies (LCRbb) as of December 31, 2023 is 257.6614%, with the established NBU standard of not less than 100%.

The liquidity coverage ratio (LCR) in foreign currency (LCRib) as of December 31, 2023 is 262.1766%, with the established NBU standard of not less than 100%. Compliance with the LCR standard indicates that the bank is provided with liquidity in an amount sufficient to fully meet its obligations within 30 days in crisis conditions. Compliance with prudential liquidity standards is in the risk-free zone. It should also be noted that the Bank complied with the standard of mandatory reserving attracted funds on the correspondent account during 2023.

The value of the NBU standard for long currency positions (L13-1) and (L13-2) was not exceeded, i.e. the standards were complied with and were in the risk-free zone.

Within the framework of determining liquidity risk and minimizing it through the balance of assets and liabilities, the Bank carries out the following measures: daily monitoring of the state of highly liquid assets and liabilities; decadal analysis of short-term and long-term liquidity indicators; monthly approval of the payment calendar and constant monitoring of its implementation; improvement of the financial planning mechanism; setting and reviewing limits; monitoring the liquidity of the interbank market of Ukraine; checking the adequacy of models by comparing forecast and actual levels of liquidity risk.

The Bank's divisions that directly or indirectly affect the Bank's liquidity implement measures to minimize the imbalance between assets and liabilities.

During 2023, the Bank managed to maintain its indicators at a sufficient level. Overall, the Bank ended 2023 with a profit. The amount of net profit is UAH 6,015 thousand.

3. Human resources, intellectual capital Human resources are

the specific and most important of all types of economic resources. As a factor of economic development, human resources are employees who have certain professional skills and knowledge and can use them in the labor process.

The study of human resources is of great importance for assessing the labor market and developing appropriate demographic policies to influence the processes of population reproduction and employment.

Intellectual capital is knowledge that can be converted into value, in other words, it is the sum of everything that employees know and possess, which forms the competitiveness of the Bank. Intellectual capital is difficult to accurately identify and even more difficult to effectively apply.

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Human capital is that part of intellectual capital that directly concerns a person. It is knowledge, practical skills, creative and mental abilities of people, their moral values, work culture. Human capital is important in carrying out innovations and any kind of renewal. 98% of the Bank's staff has a full higher education, only technical personnel and specialists in the management of economic support have secondary education. 80% of employees have previous experience in the banking and financial sectors, on average from 5 to 10 years.

The facts of the change in the size of the payroll fund, its increase in 2023 by 10%, are noted.

In 2023, the Bank will operate the "Remuneration Policy of RWS BANK JSC", approved by the Decision of the Supervisory Board of RWS BANK JSC, Minutes No. 12/22 dated 04/21/2022.

The remuneration policy defined the following components of remuneration:

1) the basic fixed part of the remuneration (positional salary), which reflects the level of professional experience and organizational responsibility in view of the employee's job descriptions;

2) financial rewards:

- personal financial motivation;

- bonuses to the Chairman and members of the Bank's Management Board and the Chairman and members of the Supervisory Board for the implementation of the Bank's Development Strategy;

- remuneration for curatorship;

- reward for a implemented idea related to improving the Bank's work.

The adaptation program for new employees is also actively working. In accordance with the order of the Chairman of the Board No. 290-K dated 01.12.2020, an additional remuneration for supervision has been established.

Considerable attention is paid to training of the Bank's personnel, not only mandatory, but also that related to improving qualifications, knowledge and skills, and revealing human potential. During 2023, the following types of regular training were conducted at the Bank: external; internal. An employee training plan for 2023 was drawn up and approved. Internal classroom training was not conducted due to the full-scale war. It was transferred to the online plane, for example, in the following areas: cash discipline, financial monitoring, product line, customer service quality standards, work with objections, new banking products, work with software updates, etc. Almost every employee of the Bank underwent specialized training during the year. In addition, regular training was conducted for all employees of the Bank on the ISMS, compliance, operational risks, the Code of Corporate Culture and Ethics. The Bank's managers underwent training on corporate governance, including training with the heads of structural divisions on personnel management, the procedure for adapting new employees, etc.

The staff turnover rate for the period 01.01.2023 -31.12.2023 is 26%.

Also, for the period from 01.01.2023 to 31.12.2023, there were no dismissals of employees for absenteeism and other violations of labor discipline, incompatibility with the position held, etc.

The Bank constantly improves the effectiveness of the internal control system by:

1) updating internal regulatory procedures and documents;

2) attracting the optimal number of specialists (hiring new employees) and involving professional consultants and experts in relevant areas of activity to achieve strategic goals. The Bank strives to create comfortable working conditions for staff that meet security requirements. The Bank will make systematic investments in staff training and development and will actively use its own personnel reserve to fill management positions.

4. Technological resources

To ensure the technological process, the Bank has all the necessary server equipment, computer equipment, communication facilities (routers, switches), etc.

The bank uses the automated banking system SRBank5 for Oracle from SOFTVIEW TRADE LLC. This software package provides protection of information/documents from forgery, distortion and destruction, accounting and preparation of daily balance sheets and relevant statistical reporting, settlement and participation in the National Bank's electronic payment system.

5. Risk management system

The Bank has created a comprehensive and adequate risk management system (hereinafter referred to as the RMS) taking into account the specifics of its activities, the nature and volume of the Bank's operations, and the risk profile.

The Bank's RMS ensures timely (at an early stage) detection, identification, assessment, monitoring, control, reporting and minimization of all material risks, assessment of the adequacy of the Bank's internal capital and liquidity in relation to its risk profile, market and macroeconomic conditions. The material risks that may

The risks that the Bank faces in its activities include: credit risk, liquidity risk, interest rate risk, market risk, operational risk, compliance risk.

The risk management structure provides for a clear division of functions, responsibilities and authorities for risk management among all structural divisions and employees of the Bank, and their responsibilities in accordance with such division. The organizational structure for risk management takes into account the interchangeability of employees, in order to avoid a decrease in the effectiveness of the RMS in the event of the absence or dismissal of an employee.

The Bank's SUR is based on three lines of defense:

1) at the level of the Bank's structural units that carry out operations and directly accept risks (front offices), and structural units that register operations (back offices) - first-level control, are responsible for them, carry out current risk management and submit reports on the current management of such risks; 2) at the level of the risk management unit and the compliance unit - second-level control; 3) at the level of verification and assessment of the effectiveness of the

functioning of the RMS by the internal audit unit -

third level control.

The subjects of the risk management system in RWS BANK JSC are:

- **Supervisory Board of the Bank;**
- The bank's board of directors;
- **Credit Committee;**
- **Asset and Liability Management Committee;**
- **Information Security Management Systems Committee;**
- **Supervisory Board Remuneration and Appointments Committee;**
- **Audit Committee of the Supervisory Board;**
- **Risk Management Department;** • **Compliance Control Department;**
- **Internal Audit Department;**
- **Structural divisions of the Bank, which perform back-office functions during transactions**
Bank;
- **Structural divisions of the Bank, which perform front office functions during operations**
By bank.

The Supervisory Board determines the overall risk management strategy in the Bank and monitors the effectiveness of the functioning of the Risk Management System.

The Management Board of the Bank is the executive body of the Bank, accountable to the Supervisory Board of the Bank, which organizes and ensures the effective functioning of the Bank's RMS. The Management Board of the Bank ensures constant interaction with the Supervisory Board of the Bank on the functioning of the Bank's RMS, which is based on generally accepted principles of corporate governance, takes into account the sequence of risk management processes, and provides for at least two components, namely reporting/informing and providing recommendations/proposals.

The Credit Committee's activities are aimed at forming a loan portfolio with minimal credit risk, i.e., a minimal level of overdue debt. To this end, the Bank:

- **sets lending limits;**
- **assesses the quality of assets and makes decisions on the formation of reserves to cover possible losses from their depreciation;**
- **supports the implementation of risk standards established by the National Bank of Ukraine (standard for the maximum amount of credit risk per counterparty, standard for the maximum amount of credit risk for transactions with persons related to the bank, standard for large credit risks).**

To reduce credit risk, the committee constantly assesses the creditworthiness of the Bank's counterparties; identifies non-performing assets in a timely manner; controls the determination of the amount of credit risk and the calculation of provisions for asset impairment.

The Asset and Liability Management Committee assesses and manages liquidity risk and market risk, both for individual transactions and for banking activities at the level of asset and liability portfolios as a whole. Market risk management also includes management of interest rate risk and currency risk.

The Committee reviews the cost of liabilities and the profitability of assets on a monthly basis and makes decisions on the interest margin policy. It considers the issue of matching the maturity of assets and liabilities and provides recommendations to the relevant divisions of the Bank on eliminating discrepancies between the maturities of liabilities and asset placement that arise.

In terms of liquidity risk management and cash flows, assesses the liquidity situation and makes decisions on liquidity management within the framework of delegated powers and internal regulatory procedures; takes preventive measures to minimize and ensure liquidity risk management arising in the current work of the Bank and/or related to changes in the market situation.

General risk management in the Bank is carried out by the Risk Management Department, which is engaged in the development and maintenance of up-to-date internal regulatory documents on RMS, in particular: policy/methodology on credit, market, interest rate and operational risks, liquidity risk, submitting them for approval to the Supervisory Board of the Bank; identifies and assesses risks (for specific agreements and in general at the portfolio level); organizes the Bank's risk control and monitoring system; assesses operational risks of all business processes, develops measures to minimize risks and measures that mitigate the risks taken by the Bank. Representatives of the Risk Management Department are members of the Credit Committee, the Assets and Liabilities Management Committee. .

The Supervisory Board's Remuneration and Appointments Committee of RWS BANK JSC provides recommendations to the Bank's Council on the formation of the remuneration system and ensuring that the remuneration complies with the risk management culture, the Bank's strategy, the Bank's approved risk appetite, financial results and internal control system, as well as the requirements of the legislation of Ukraine, in order for the Bank's Council to take into account both the interests of the recipients of remuneration and the long-term interests of the Bank's participants, investors and other interested parties when forming the remuneration system.

The Audit Committee of the Supervisory Board identifies risks, ensures control procedures and takes measures aimed at minimizing all risks inherent in its tasks and functions within the scope of its competence and granted powers, and informs the Supervisory Board of the Bank about them. The Risk Management Department reports on the functioning of the RMS by regularly preparing and submitting risk management reports to the Supervisory Board of the Bank and the Management Board of the Bank. In addition, this unit is entrusted with the functions of monitoring and controlling the risks of violating economic standards, limits and special requirements of the National Bank of Ukraine.

The Risk Management Department is subordinate to the Supervisory Board of the Bank.

The Compliance Control Department identifies, assesses and manages compliance risks that accompany each process of the Bank's activities. Compliance risk management is an integral part of the corporate culture in the Bank's activities. Compliance with the principles of compliance is the responsibility of every employee of the Bank. The Bank encourages timely and frank discussion of problems and the ability of employees to freely report their concerns regarding illegal, unethical or questionable practices, without fear of possible sanctions. Early reporting concerns improper behavior, in particular fraud or corruption in the Bank, violation of bank policies or rules, waste or improper management of the Bank's resources, abuse of official position, behavior that causes or contributes to significant harm to society, may harm the implementation of operations or management of the Bank, as well as attempts to commit such actions.

The Compliance Control Department is subordinate to the Supervisory Board of the Bank.

Credit risk

Credit risk is the risk of financial loss as a result of a borrower or counterparty failing to fulfill its obligation to the Bank.

To manage credit risk, the Bank has developed rules and procedures, and a Credit Committee has been established to actively monitor credit risk. The Bank controls the level of credit risk it accepts by setting limits on the amounts of this risk. In order to manage credit risk, the Bank carries out transactions with clients and counterparties that are characterized by good financial condition and are secured by collateral.

The Bank's credit policy is reviewed and approved by the Bank's Supervisory Board. As of December 31, 2023, the maximum amount of credit risk was UAH 62,081 thousand. (December 31, 2022: UAH 45,889 thousand.)

Market risk

Market risks arise from open positions in interest rates and currency instruments that are affected by general and specific market changes. Market risk is the risk that changes in market conditions, such as interest rates, securities quotes, exchange rates and credit spreads (not related to changes in the creditworthiness of the debtor/creditor), will affect the Bank's income or the value of financial instruments held by it.

In order to limit losses, the Bank manages market risk by periodically assessing potential losses that may arise from adverse changes in market conditions, and by setting and adhering to appropriate limits.

The Bank, within the framework of market risk, also considers price risk regarding the decrease in the value of securities and collateral (mortgage), etc.

Overall responsibility for controlling market risk is assigned to the Asset and Liability Management Committee, which manages market risk by establishing reasonable restrictions (limits, standards, interest rates).

Currency risk

Currency risk arises when actual or forecast assets in a foreign currency are greater or less than liabilities in the same currency.

Currency risk management includes the following elements: using all possible means to avoid a risk that leads to significant losses, controlling the risk and minimizing the amount of probable losses if it cannot be avoided completely, and insuring currency risk if it cannot be avoided.

The Bank sets limits and constantly monitors currency positions in accordance with the requirements of the regulatory legal acts of the National Bank of Ukraine.

Interest rate risk

Interest rate risk arises from the possibility of changes in the value of financial instruments or future cash flows of financial instruments due to changes in interest rates. Interest rate risk is assessed by the extent to which changes in market interest rates affect the interest margin and net interest income. When the terms of interest-bearing assets differ from the terms of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. In order to manage interest rate risk, the Bank sets limits (restrictions) on the interest rate spread (margin), monitors the interest rate yield on assets and interest rates on liabilities and adjusts the prices of banking products.

Operational risk

Operational risk is the risk of direct or indirect losses as a result of incorrectly designed business processes, ineffective internal control procedures, technological failures, unauthorized personnel actions, or external influence.

The main method of managing operational risk is to create an internal control system. The Bank regularly audits operational procedures along with an assessment of operational risks, develops internal recommendations for their reduction. Operational risk assessment is always carried out when analyzing new products, internal bank regulations, processes and operational, payment and settlement procedures.

The Bank implements a system of clear delegation of authority, distribution of incompatible responsibilities, distribution of authority of individual structural divisions and employees of the Bank when performing all banking operations with limited access to the operating system.

Key operational risk management measures: monitoring operations at the unit level, limiting physical access of personnel to data on electronic and paper media, ensuring verification and double-checking procedures, ensuring compliance of the Bank's activities with internal procedures and regulations, as well as the requirements of legislation and regulatory authorities.

Reputational risk is an existing or potential risk to income and capital that arises from a negative perception of a financial institution's image by customers, counterparties, founders or supervisors. This affects the Bank's ability to establish new relationships with counterparties, provide new services or maintain relationships with existing customers.

Liquidity risk.

Liquidity risk arises in the general financing of activities and in the management of positions. It includes both the risk of being unable to finance assets in a timely manner and at appropriate rates, and the risk of being unable to liquidate an asset at an acceptable price and in a timely manner.

The Bank has access to various sources of funding. Funds are raised through the use of various instruments, including contributions from participants to the authorized fund. This diversifies funding sources, reduces dependence on a single source of funding and, as a rule, reduces the cost of resources involved. The Bank tries to maintain a balance between continuity of funding and its diversity by using obligations with different payment periods.

The Bank uses economic and administrative tools to manage liquidity risk.

The Bank continuously assesses liquidity risk by identifying and monitoring changes in funding required to achieve business objectives defined within the overall strategy.

In addition, as part of the liquidity risk management strategy, the Bank maintains a portfolio of liquid assets and adheres to the gaps between borrowed and placed funds by maturity established by the National Bank of Ukraine.

The Bank has assets and liabilities denominated in several foreign currencies and is exposed to fluctuations in foreign exchange rates on its financial position and cash flows.

Compliance risk

Compliance risk – the risk of legal sanctions, financial losses, or loss of reputation due to the Bank's failure to comply with the requirements of Ukrainian legislation, market standards, as well as the Bank's standards and internal documents and rules, etc.

6. Relations with shareholders and related parties The Bank provides services in the relevant areas of banking activity, conducts transactions, concludes agreements with shareholders and related parties on market terms, in compliance with the requirements of the current legislation and internal documents of the Bank regulating relations with Related Parties of the Bank. When carrying out transactions with related parties, the Bank, the responsible structural divisions of the Bank, are guided by the current "Regulations on transactions with related parties of the JOINT-STOCK COMPANY "RWS BANK", which is approved by the decision of the Bank's Management Board and the approved decision of the Bank's Supervisory Board.

The list of Related Parties is approved by the decision of the Bank's Management Board. The list of Related Parties is reviewed by the Bank's Management Board as necessary, but not less than once a month as of the 1st of the current month. The Risk Management

Department and the Compliance and Control Department constantly monitor the list of related parties and compliance with the norms of the current legislation of Ukraine and the Bank's internal regulatory documents regarding the identification of related parties and proper document management on the basis of which related parties are identified.

The Risk Management Department controls the total amount of active transactions conducted with related parties in order to monitor them and comply with the requirements of the NBU regarding credit risk standards for transactions with related parties. Information on the affiliation of counterparties to the list of Related Parties is necessarily

checked by the Bank's employees, who sign contracts and take measures to ensure that transactions with related parties comply with the requirements of the law from the moment signs of a connection of an individual or legal entity with the Bank arise.

In order to timely identify relationships (connections) between related parties and their subsequent assessment, final identification of groups of related parties and control of credit risk concentrations per group, the Risk Management Department, based on identification data, forms groups of related parties and monitors the Bank's compliance with economic standards established by the NBU and internal documents of the Bank when the Bank conducts transactions with such related parties.

In order to limit the risk of transactions with Related Parties and reduce the negative impact of transactions with Related Parties on the bank's activities, the Bank sets internal limits on transactions with Related Parties and strictly adheres to the prudential standard for the maximum amount of credit risk on transactions with Related Parties ("standard H9").

The volume of transactions with related parties is small and the impact on the Bank's performance is insignificant. Servicing of persons related to the Bank takes place on market terms, at market tariffs and rates, without violating the repayment of credit debt.

V. Results of activities and prospects for further development

1. Financial indicators At the

end of 2023, customer balances:

- on current accounts of business entities amounted to 2,558,609 thousand UAH, • on term accounts of business entities amounted to 353,410 thousand UAH. • on current accounts of individuals amounted to 260,669 thousand UAH, • on term accounts of individuals amounted to 346,448 thousand UAH.

There is no negative trend in resource attraction in 2023.

Net interest income for 2023 is UAH 168,266 thousand (for 2022 – UAH (9,864) thousand), net commission income is UAH 131,580 thousand (for 2022 – UAH 282,186 thousand).

Trading income at the end of the year amounted to UAH 95,992 thousand. The main part of the income is related to the trade of banking metals and currency exchange operations.

The bank carried out a revaluation of real estate in the amount of (-18.6) million UAH and partially sold investment property, which was recorded on the balance sheet.

The Bank ended 2023 with a profit. The amount of net profit was UAH 6,015 thousand.

On December 29, 2023, the NRA "Rurik" (Ukraine) updated the long-term credit rating of JSC "RWS bank" on the national scale to **uaAAA**. With this rating, the Bank is characterized by very high creditworthiness compared to other Ukrainian borrowers.

Key financial indicators for 2023 (compared to 2022)

Assets	2023	2022	Deviation from 2022
Total assets	3,875,925	2,544,353	1,331,572
Cash and banking metals	206,067	137,166	68,901
Correspondent accounts opened in other banks	263,607	114,492	149,115
Securities refinanced by the NBU Loans granted	1,588,976	640,807	948,169
to clients, including loans granted to	547,842	471,144	76,698
business entities loans granted to individuals	515,739	456,929	58,810
	32,103	14,215	17,888
Liabilities			
Capital	299,879	254,839	45,040
of which: authorized capital Funds of	300,039	300,039	-
business entities Funds of individuals	2,912,019	1,554,831	1,357,188
	607,117	624,586	-17,469

2. Performance results

In 2023, the Bank sold a significant portion of investment property, which allowed it to reduce the impact on regulatory capital:

- Residential building (independent building) Zhytomyr district, village of Sadky;
- Land plots, Brovary district, Pogrebska village
- Land plot, Zhytomyr district, Veresivska village;
- Land plots, Baryshiv district, Bzivska village;
- Polyurethane foam warehouse at the address: Kyiv, Viskozna St., building 17-A;
- Land plot and unfinished construction site: Zhytomyr district, village of Hlybochytisia, st. Berezova, building 20.

The MasterCard Upgrade to Principal Member project planned by the strategy was implemented; Avalization of bills was introduced; A new product was introduced - Deposits "Interest in Advance";

New branches have been opened in Dnipro, Ivano-Frankivsk, and Transcarpathia.

3. Prospects for further development

The Bank's priority areas of activity are the following:

1. ensuring profitability and regulating liquidity by conducting transactions with securities (NBU certificates of deposit, other NBU financial instruments);
2. increasing the volume of lending to legal entities while adhering to conservative approaches to risk assessment, while simultaneously seeking ways to minimize the impact of risks associated with this area of lending by limiting the provision of loans to unscrupulous borrowers;
3. selling real estate, which has a significant impact on the bank's regulatory capital;

The Bank plans to invest the funds received from the sale of real estate in lending to legal entities and minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);

4. obtaining cash flows from the effective use of investment property;
5. expanding the range and improving the quality of service to bank customers;
6. increasing the volume of issuance of depository transactions (guarantees);
7. development of remote sales channels and affiliate programs, active work with payment cards;
8. increase in the volume of trading transactions with currency and banking metals;

The Bank's management considered the resources necessary to ensure the implementation of effective internal control and risk management systems in the bank in accordance with the requirements of the National Bank of Ukraine to be sufficient.

JOINT STOCK COMPANY "RWS BANK"

Financial statements for the year ended December 31, 2023

The Bank is currently working on expanding the network and improving existing processes that bring and will continue to bring income to the Bank.

Assessment of the impact of key external factors on the financial condition and performance (PEST analysis)

		Problem description	Consequences for the	Opportunities for the bank
External	Economic	<p>Political and economic crisis: declining GDP growth rates, inflationary instability unbundling of processes, economy, reduction in foreign investment, uncertainty with strategic export markets, reduction in real incomes</p> <p>population</p>	<ul style="list-style-type: none"> - bank of winding down the business of individual clients; - a drop in the total balance of funds on current and deposit accounts - outflow of funds from deposit accounts of individuals; - adverse changes in foreign exchange rates; - increased competition in the banking market; - loss of strategic bank clients; - the increase in the price of resources as a result of this increase in costs; - deterioration of asset quality and consequent reduction in bank income, increase in costs for forming reserves for active operations - outflow of funds from deposits of individuals; 	<ul style="list-style-type: none"> - exit from the market of some financial institutions that are competitors of the bank; expansion of the client base due to such financial institutions - banking development - product line; - increased use of bank services, which is more stable and managed than large systemic banks; - increase in revenue due to attracting new customers for service, expanding the product line and reviewing tariffs
External	Social	<p>Falling income levels of the population, increasing arrears in wages and pensions;</p> <p>Payment discipline</p>	<ul style="list-style-type: none"> - curtailment of retail lending programs and the resulting decrease in income from lending to individuals; - growth in defaults and negatively classified debt; growth in costs for forming reserves - Strengthening of legislative requirements (NBU reserve requirements, capital requirements), positioning of the bank as capitalized, inability to comply with new regulations, 	<ul style="list-style-type: none"> - attracting new potential customers - individuals deposit and credit servicing from unstable banks; - introduction of new services and increase in bank commission income
	Political	<p>The struggle between political parties for spheres of state and economic influence;</p> <p>The level of trust in international organizations;</p> <p>financial side</p> <p>Possible changes in legislation related to the activities of banks and the country's economy.</p>	<p>regarding</p> <p>not enough</p> <p>requirements</p> <p>the need for carrying out additional capitalization of the bank</p>	<p>Possible magnification that will of authorized capital consolidate the bank's positions and will allow you to compete among banks of the relevant group.</p>
Internal	Structural	<p>Negative:</p> <p>High cost of liabilities, significant amount of non-performing assets, insufficient premises, lack of a developed branch network</p> <p>Positive: individual approach to clients and high-quality service; wide range of traditional services; flexible and loyal tariff policy; availability of the necessary license points to provide a place</p> <p>services; convenient arrangement; modern structure and technologies used</p>	<p>Difficulties in attracting the largest clients in the regions, lack of long-term resources, low profitability and margin of the bank</p>	<p>Increasing the number of customers due to the bank's image (convenient bank, timely payment of obligations, implementation rapid response to customer needs), development</p> <p>grocery row, diversification of the resource base and reduction of concentrations; increase in commission and trading income</p>

Competitive position and advantages

<i>External environment</i>		
	<p>Opportunities</p> <ol style="list-style-type: none"> 1. Exit from the market of some financial institutions. 2. Increasing the number of customers using bank services due to the exit of some financial institutions from the market. 3. Development of small and medium-sized businesses. 4. Development of banking product line. 5. Improving the legislative framework (tax, banking). 	<p>Threats</p> <ol style="list-style-type: none"> 1. Economic instability. 2. The NBU's dependence on the executive branch authorities 3. Strengthening legislative requirements (NBU reserve requirements, capital requirements). 4. Adverse changes in foreign exchange rates or trade policies of foreign countries. 5. Lack of investment in the region. 6. Changes in incomes of the region's population. 7. The emergence of new products from competitors. 8. Loss of strategic bank clients.
<p>Advantages</p> <ol style="list-style-type: none"> 1. Systematic work with clients. 2. Individual approach to customers, high-quality service. 3. A wide range of traditional services. 4. Internal Competitive tariffs for products are analogues. 5. Flexible and loyal tariff policy. 6. Modern structure and technologies used; prompt response to necessary changes. 7. Availability of all necessary license items for the provision of services. 8. Providing consultations at a high professional level. 9. Highly qualified personnel. 10. Convenient location. 	<p>Factors that represent the Bank's best position, as they are at the intersection of the fields of <i>Internal Strengths</i> and <i>External Opportunities</i> and _____ combine them.</p> <p>When combining these factors, the Bank expects:</p> <p>Increasing the Bank's resource base and reducing its cost.</p> <p>Increase in the number of customers.</p> <p>Product line development.</p> <p>Activation of cross-selling.</p> <p>Reduction in interest rates on loans.</p>	<p>The intersection of the Bank's Strengths and <u>External Threats</u> fields shows factors that reflect the ability to overcome external threats through the strengths of the Bank's activities.</p> <p>When combined, the Bank expects:</p> <p>The activity of competing banks contributes to the reduction of the bank's attractiveness for the client. The client should be informed (including through advertising) of the specific differences and advantages of the bank over its competitors, to emphasize competitive rates, quality of service, individual approach to the client. Respond in a timely manner to changes in the external environment.</p>

<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Insufficient level of bank capitalization. 2. High cost of liabilities. 3. A significant portion of problem assets in the total loan portfolio. 4. Lack of new products and programs that are not yet on the market. 5. Insufficient room space. 6. Lack of a network of branches in the regions. 	<p>At the intersection of the <u>fields of</u> Internal <i>Weaknesses</i> and External <i>Opportunities</i>, we have factors that allow the Bank to overcome its weaknesses through the opportunities of the external environment.</p> <p>With the combination of these factors, the Bank expects: increased use of banking services by the population in the market, an increase in the resource base and its reduction in cost due to an increase in balances on current accounts of clients - legal entities, a decrease deposit rates on the market, increasing the share of commission income.</p> <p>The exit of some financial institutions from the market provides an opportunity to directly attract their potential clients.</p>	<p>At the intersection of the <u>Weaknesses/Threats</u> fields, factors are formed that reflect the critical position of the Bank, in which its weaknesses are exacerbated by threats from the external environment, namely:</p> <p>Failure to meet the new NBU requirements regarding reserves and standards may result in the bank being positioned as undercapitalized and the application of stricter measures by the NBU, which can be avoided by increasing the authorized capital, which will consolidate the bank's position and allow it to compete among banks of the higher (3rd) group.</p> <p>Significant competition may lead to difficulties in attracting the largest clients and subsequent lack of long-term resources and loss of strategic clients, low quality of the loan and investment portfolio.</p> <p>To increase income from active operations and attract long-term resources, attention should be paid to attracting a large number of large clients.</p>
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The Bank's management believes that the Bank is able to continue its activities in the future and ensure the sustainable development of the institution. In forming such a professional judgment, the Bank's management analyzed the current state and prospects of the Bank's activities. The management believes that the Bank is able in the near future to ensure operating profitability and increase the efficiency of activities in priority areas of work while complying with the requirements of the regulatory legal acts of the National Bank of Ukraine and other requirements of the legislation of Ukraine regulating the activities of banking institutions. The Bank's priority areas of activity remain the following:

1. **ensuring profitability and regulating liquidity by carrying out transactions with securities securities (NBU certificates of deposit, other NBU financial instruments);**
2. **a moderate increase in consumer lending volumes while adhering to conservative approaches to risk assessment, while simultaneously seeking ways to minimize the impact of risks associated with this lending area by limiting the provision of loans to unscrupulous borrowers;**
3. **the sale of real estate, which has a significant impact on the bank's regulatory capital;**

The Bank plans to invest the funds received from the sale of real estate in lending to individuals and legal entities and in minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);

4. **obtaining cash flows from the effective use of investment property;**
5. **expanding the range and improving the quality of service to bank customers;**
6. **introduction of depository, brokerage and dealer activities**

VI. Key performance indicators 1.

Performance indicators used by management to assess performance

As of December 31, 2023, the Bank had the following structure of sources of financing for its activities:

- власний капітал – 299 879 тис.грн.;
- кошти суб'єктів господарювання – 2 912 019 тис.грн.;
- кошти фізичних осіб – 607 117 тис.грн.

Банк особливу увагу приділяє оцінці рівня капіталу як здатності Банку захистити інтереси своїх кредиторів та власників від незапланованих збитків, розмір яких залежить від обсягів ризиків, що виникають у результаті виконання Банком активних операцій. При здійсненні оцінки капіталу Банк застосовує принципи, засновані на оцінці ризиків. Протягом звітного періоду Банк мав стабільну структуру та обсяг капіталу.

Станом на 01.01.2024: розмір регулятивного капіталу банку (Н1) становив 286 704 тис.грн. Норматив достатності (адекватності) регулятивного капіталу на звітну дату склав 23,24 % при нормативному значенні не менше 10%. Протягом звітного періоду Банк жодного разу не порушував встановлені нормативи адекватності регулятивного капіталу. Стан ліквідності Банку на достатньому рівні.

Показник покриття ліквідністю (LCR) за всіма валютами (LCRbb) станом за 31 грудня 2023 року – 257,6614%, при встановленому нормативі НБУ – не менше 100%.

Показник покриття ліквідністю (LCR) в іноземній валюті (LCRib) станом за 31 грудня 2023 року – 262,1766%, при встановленому нормативі НБУ – не менше 100%.

Виконання нормативу LCR свідчить, що банк забезпечений ліквідністю в обсязі, достатньому для повного виконання ним зобов'язань протягом 30 днів в кризових умовах.

Виконання пруденційних нормативів ліквідності знаходиться в безризиковій зоні.

Також, необхідно зазначити, що Банк виконував норматив обов'язкового резервування залучених коштів на коррахунку протягом 2023 року.

Значення нормативу НБУ довгої валютної позиції (Л13-1) та (Л13-2) не перевищувалося, тобто нормативи дотримувались і знаходились в безризиковій зоні.

У межах визначення ризику ліквідності та його мінімізації шляхом збалансованості активів та пасивів Банком здійснюються наступні заходи: щоденний моніторинг стану високоліквідних активів та зобов'язань; щомісячний аналіз показників короткострокової та довгострокової ліквідності; щомісячне затвердження платіжного календаря та постійний моніторинг його виконання; вдосконалення механізму фінансового планування; встановлення та перегляду лімітів; контролю за ліквідністю міжбанківського ринку України; перевірку адекватності моделей шляхом порівняння прогнозних і фактичних рівнів ризику ліквідності.

Підрозділи Банку, які прямо чи опосередковано впливають на ліквідність Банку, впроваджують заходи щодо максимального скорочення дисбалансу між активами і пасивами.

За період 2023 року Банком вдалось втримати показники на достатньому рівні.

В цілому 2023 рік Банк закінчив з прибутком. Сума чистого прибутку становить 6 015 тис.грн.

Протягом 2023 року АТ «РВС БАНК» не було стороною в судових справах, за якими розглядаються позовні вимоги у розмірі на суму 10 або більше відсотків активів Банку або дочірнього підприємства станом на початок року, стороною в яких виступає Банк, його дочірні підприємства, або судові справи, стороною в яких виступають посадові особи Банку.

Голова Правління АТ «РВС БАНК»



Л.В. Мовчан

JOINT STOCK COMPANY "RWS BANK"

Financial statements for the year ended December 31, 2023

FINANCIAL STATEMENTS

ЗВІТ ПРО ФІНАНСОВИЙ СТАН СТАНОМ НА 31 ГРУДНЯ 2023 РОКУ

<i>тис. грн.</i>	Примітки	31 грудня 2023	31 грудня 2022
АКТИВИ			
Грошові кошти та їх еквіваленти	6	2 109 911	887 718
Кредити та заборгованість клієнтів	7	547 842	471 144
Інвестиції в цінні папери	8	1 003 060	822 185
Інвестиційна нерухомість	9	104 911	254 179
Дебіторська заборгованість щодо поточного податку на прибуток		-	182
Відстрочений податковий актив		4 909	3 727
Основні засоби, активи у формі права користування та нематеріальні активи	10	36 896	25 213
Інші активи	11	68 396	80 005
Усього активів		3 875 925	2 544 353
ЗОБОВ'ЯЗАННЯ			
Кошти клієнтів	12	3 519 136	2 220 320
Зобов'язання щодо поточного податку на прибуток		5 678	-
Резерви за зобов'язаннями	13	2 061	1 597
Інші зобов'язання	14	49 171	67 597
Усього зобов'язань		3 576 046	2 289 514
ВЛАСНИЙ КАПІТАЛ			
Статутний капітал	15	300 039	300 039
Інший додатковий капітал		48 000	48 000
Резервні та інші фонди банку		13 793	12 313
Резерви переоцінки		1 431	(37 594)
Нерозподілений прибуток (непокритий збиток)		(63 384)	(67 919)
Усього власного капіталу		299 879	254 839
Усього зобов'язань та власного капіталу		3 875 925	2 544 353

Затверджено до випуску та підписано 29 березня 2024 року

Голова Правління

Л.В. Мовчан

Головний бухгалтер

О.М. Бурдіна



ЗВІТ ПРО ПРИБУТКИ І ЗБИТКИ ТА ІНШИЙ СУКУПНИЙ ДОХІД ЗА 2023 РІК

тис. грн.	Примітки	2023 рік	2022 рік
Процентні доходи	18	297 341	351 673
Процентні витрати	18	(129 075)	(361 537)
Чистий процентний дохід/(Чисті процентні витрати)		168 266	(9 864)
Комісійні доходи	19	191 909	319 642
Комісійні витрати	19	(60 329)	(37 456)
Чистий прибуток/(збиток) від операцій із фінансовими інструментами, які обліковуються за справедливою вартістю через прибуток або збиток		437	(1 250)
Чистий прибуток/(збиток) від операцій із борговими фінансовими інструментами, які обліковуються за справедливою вартістю через інший сукупний дохід		(2 634)	(22 235)
Чистий прибуток/(збиток) від операцій із іноземною валютою		95 992	23 591
Чистий прибуток/(збиток) від переоцінки іноземної валюти		(1 552)	(3 371)
Чистий прибуток/(збиток) від переоцінки об'єктів інвестиційної нерухомості		(18 627)	38 286
Чистий прибуток/(збиток) від зменшення корисності фінансових активів		(14 661)	(16 537)
Чистий прибуток/(збиток) від зменшення корисності інших активів		(677)	1 491
Чистий збиток/(прибуток) від збільшення/(зменшення) резервів за зобов'язаннями	13	(464)	439
Інші операційні доходи	20	12 988	57 740
Витрати на виплати працівникам		(91 659)	(79 865)
Витрати зносу та амортизація		(9 700)	(11 828)
Інші адміністративні та операційні витрати	21	(249 285)	(232 269)
Прибуток/(збиток) до оподаткування		20 004	26 514
Витрати на податок на прибуток		(13 989)	3 090
Прибуток/(збиток)		6 015	29 604
ІНШИЙ СУКУПНИЙ ДОХІД:			
СТАТТІ, ЩО БУДУТЬ РЕКЛАСИФІКОВАНІ В ПРИБУТОК ЧИ ЗБИТОК			
Зміни результатів переоцінки боргових фінансових інструментів		39 025	(16 710)
Усього сукупного доходу		45 040	12 894

Затверджено до випуску та підписано 29 березня 2024 року

Голова Правління

Головний бухгалтер



Л.В. Мовчан

О.М. Бурдіна

ЗВІТ ПРО ЗМІНИ У ВЛАСНОМУ КАПІТАЛІ ЗА 2023 РІК

<i>тис. грн.</i>	Статутний капітал	Інший додатковий капітал	Резервні та інші фонди	Резерви переоцінки	Нерозподілений прибуток	Усього
Залишок на 1 січня 2022 року	300 039	48 000	11 542	(20 884)	(96 752)	241 945
Усього сукупного доходу за 2022 рік	-	-	771	(16 710)	28 833	12 894
<i>прибуток/(збиток)</i>	-	-	-	-	29 604	29 604
<i>інший сукупний дохід</i>	-	-	-	(16 710)	-	(16 710)
<i>Розподіл прибутку до резервних та інших фондів</i>	-	-	771	-	(771)	-
Залишок на 31 грудня 2022 року	300 039	48 000	12 313	(37 594)	(67 919)	254 839
Усього сукупного доходу за 2023 рік	-	-	1 480	39 025	4 535	45 040
<i>прибуток/(збиток)</i>	-	-	-	-	6 015	6 015
<i>інший сукупний дохід</i>	-	-	-	39 025	-	39 025
<i>Розподіл прибутку до резервних та інших фондів</i>	-	-	1 480	-	(1 480)	-
Залишок на 31 грудня 2023 року	300 039	48 000	13 793	1 431	(63 384)	299 879

Затверджено до випуску та підписано 29 березня 2024 року

Голова Правління
Головний бухгалтерЛ.В. Мовчан
О.М. Бурдіна

NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE BANK

Name of the bank: JOINT STOCK COMPANY "RWS BANK".

Abbreviated name of the Bank: JSC "RWS BANK".

Bank location: JOINT STOCK COMPANY "RWS BANK" is located at: Ukraine, 04071, Kyiv, Vvedenska Street, building 29/58.

Country in which the bank is registered: The bank is registered in Ukraine.

JOINT-STOCK COMPANY "RWS BANK" is the legal successor of PUBLIC JOINT-STOCK COMPANY "RWS BANK", which in turn is the legal successor of the property, rights and obligations of PUBLIC JOINT-STOCK COMPANY "TRANSITION BANK "RWS BANK" (banking license No. 277 dated June 25, 2015), which is the legal successor in terms of assets (including rights under security agreements) and obligations under the claims of creditors (depositors) under the transferred obligations of PUBLIC JOINT-STOCK COMPANY "OMEGA" BANK" (name of the insolvent bank), identification code 19356840, registered by the National Bank of Ukraine on October 31, 1991 under number 69.

PJSC "RWS BANK" was established in accordance with the decision of the Executive Directorate of the Deposit Guarantee Fund of Individuals dated June 18, 2015 (minutes No. 132/15) on the creation of a transitional bank in order to implement the method of withdrawing an insolvent bank from the market of PUBLIC JOINT-STOCK COMPANY "OMEGA BANK" (hereinafter referred to as "PJSC "OMEGA BANK"), provided for by paragraph two of part sixteen of Article 42 of the Law of Ukraine "On the Deposit Guarantee System of Individuals".

The founder of the Bank was the Deposit Guarantee Fund for Individuals, which owned 100% of the Bank's shares at the time of the Bank's establishment.

The bank was registered by the State Registrar of the Registration Service of the Main Department of Justice in Kyiv on June 22, 2015, and entered into the State Register of Banks on June 25, 2015 under No. 354.

As of December 31, 2023, the shareholders of the Bank are:

- Oleksandr Volodymyrovych Stetsyuk, who is the owner of a significant stake in the capital of the Bank, owning 99% (ninety-nine percent) of the voting shares of the Bank and
- Demchak Ruslan Yevheniyovych, who owns 1% (one percent) of the Bank's voting shares.

Members of the Bank's Management Board and members of the Supervisory Board do not own shares in the Bank's authorized capital.

The bank was registered by the State Registrar of the Registration Service of the Main Department of Justice in Kyiv on June 22, 2015, and entered into the State Register of Banks on June 25, 2015 under No. 354.

Information regarding banking licenses:

- Banking license dated November 24, 2016 No. 277, issued by the National Bank of Ukraine.

The Bank carries out banking activities on the basis of a banking license. According to the banking license, the Bank has the right to provide banking services specified in Part Three of Article 47 of the Law of Ukraine "On Banks and Banking Activities".

The Bank is a member of the Deposit Guarantee Fund for Individuals and was registered in the Register of Banks-Members of the Fund on July 15, 2015 under No. 239. The Bank received a certificate of participation in the Fund on July 15, 2015 under No. 230.

The Bank is a member bank of the National Association of Banks of Ukraine.

The Bank is a member of the Association "Ukrainian National Group of SWIFT Members and Users "UkrSVIFT". The Bank is a member of the Public Union "UNION OF UKRAINIAN ENTREPRENEURS".

The Bank is a member of the Association of Ukrainian Banks.

2. ECONOMIC ENVIRONMENT IN WHICH THE BANK CARRIES OUT ITS

ACTIVITIES OPERATING ENVIRONMENT

On February 24, 2022, Russian troops began their invasion of Ukraine. 2023 is the year of the continuation of Russia's full-scale war against Ukraine. This factor is the main driver affecting the operational environment.

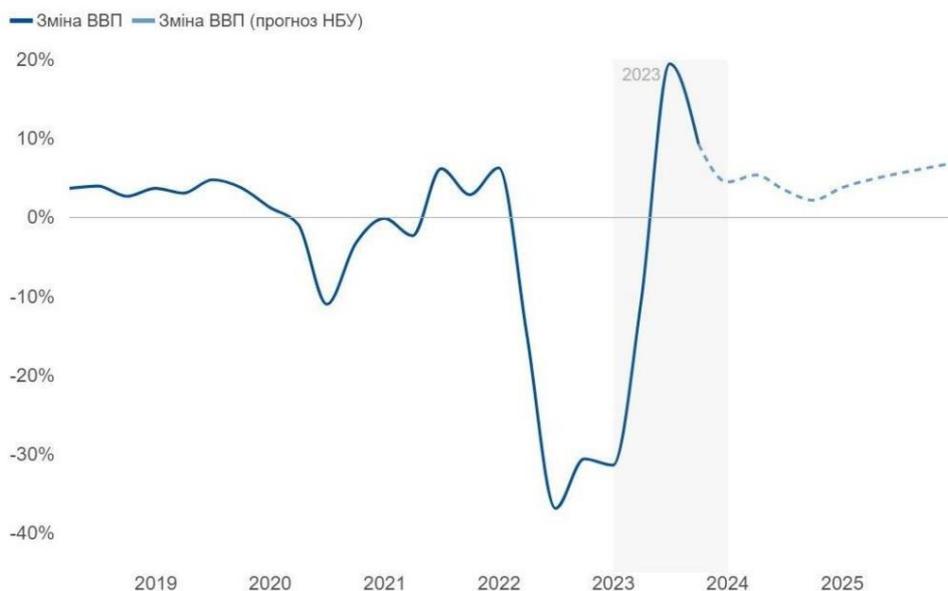
Only direct losses from the war to Ukraine's infrastructure exceeded 150 billion USD, and the total 1 trillion USD.

War on the territory of the state is, as a rule, an economic collapse. But until recently, Ukraine proved that it could survive economically and financially. The banking system survived, the government continued to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment. **GDP**

dynamics

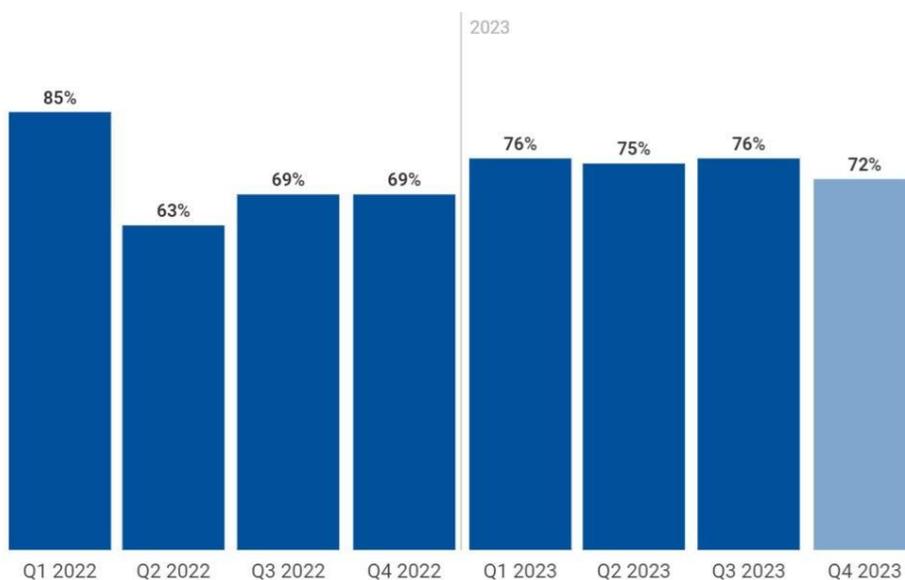
In 2023, Ukraine's real GDP grew, according to various estimates, by 5-5.5%. This is a recovery after a sharp drop of 28.8% in 2022. Despite the recovery, GDP is still about a quarter smaller than in 2021. In the first quarter of 2023, GDP was still falling, but in the remaining three quarters it grew.

Щоквартальна зміна ВВП р/р %



GDP growth occurred against a low base in 2022—in effect, the economic recovery stalled. In each quarter of 2023, real GDP was lower relative to real GDP in the corresponding quarter of 2021.

Реальний ВВП відносно відповідного кварталу 2021 року, %



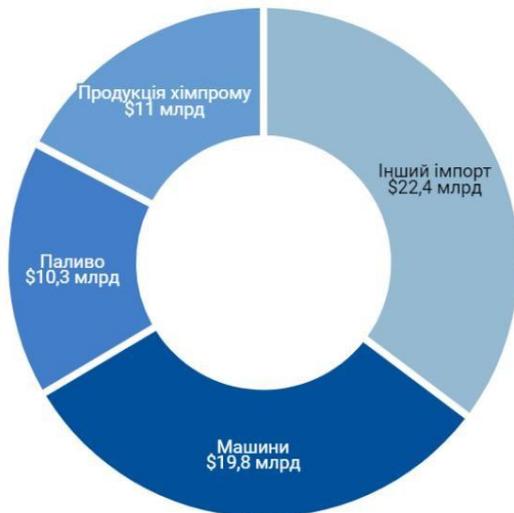
In 2023, Ukraine exported goods worth \$36 billion, and imported \$63.5 billion. Goods exports decreased for the second year in a row: in 2021, exports of goods from Ukraine reached \$68.2 billion, in 2022 — \$44.2 billion.

The key categories of Ukraine's commodity exports are food (mostly grain) and metals, which are highly dependent on ease of logistics.

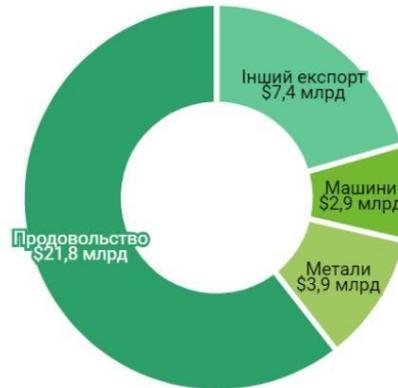
In 2023, Ukraine created its own Ukrainian Sea Corridor to the Black Sea ports of the Odessa region. This allowed it to gradually increase not only grain exports, but also to restore sea exports of other goods, as well as resume sea imports.

Найбільші категорії товарного експорту та імпорту України у 2023, млрд дол.

Імпорт (\$63,5 млрд)



Експорт (\$36 млрд)



The weather in 2023 was favorable for agriculture, and farmers were able to break yield records. The grain yield increased to 54.7 centners/hectare — this indicator broke the previous record of 2021, when the yield was 53.6 centners/hectare. The yield of other crops was also good. This allowed for high yields despite the loss of a significant part of the territories for agriculture, which are either under occupation or are dangerous for work.

High harvests also pose certain challenges - it is important to maintain logistical capabilities for food exports. At the end of 2023, sea exports of grains and oilseeds through the Ukrainian Sea Corridor reached the peak figures of the Grain Agreement.

Ukraine's metallurgical enterprises have been gradually, slowly, but recovering. Currently, metallurgical plants are operating at approximately 70% of their capacity. At the end of 2023, it was finally possible to loosen the noose around the neck of metallurgists - sea exports of products through the Ukrainian Sea Corridor were restored. The corridor must continue to operate, and opportunities for the export of ferrous metals must expand. Then the metallurgical industry will feel much more confident, since before the war, 4/5 of the industry's products went abroad, and it is practically impossible to replace such volumes with domestic consumption.

Monetary and financial sectors

Hryvnia

Ukraine entered 2023 with the official exchange rate fixed at 36.6 hryvnias per dollar. The cash exchange rate was significantly higher: 40.5 UAH/USD as of January 1. Expectations for the year were different: the government budgeted for 2023 with an average annual exchange rate of 42.2 UAH/USD, while non-governmental experts agreed on a consensus forecast for an average annual exchange rate of 37.9 UAH/USD.

Ultimately, the NBU kept the rate fixed at 36.6 for most of the year, and the gap with the cash rate gradually narrowed. On October 3, the National Bank switched to a managed flexibility regime, but thanks to significant volumes of foreign exchange interventions, the hryvnia even strengthened slightly. In December, the trend changed and the dollar exchange rate began to rise, and Ukraine entered the new year 2024 with an exchange rate of 38 UAH/USD. However, the average annual official rate was lower than both government and non-government forecasts, remaining at 36.6 UAH per dollar.



Inflation

Ukraine entered 2023 with record high inflation, driven by the war and the printing of the hryvnia to cover military spending. However, inflation was contained during the year: regular inflows of foreign aid allowed the budget to be financed through monetary financing (through the printing of the hryvnia), and good harvests helped to reduce food prices. In December 2023, inflation was 5.1%, almost back to the pre-war inflation target of 5%.



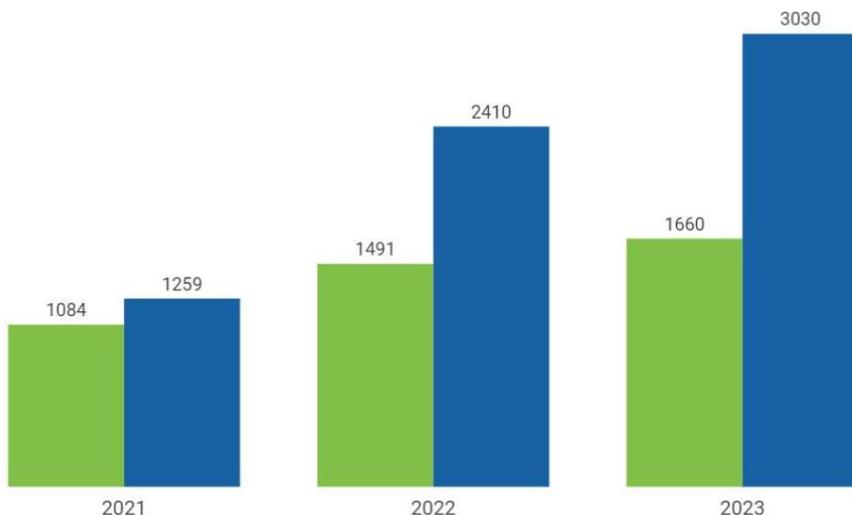
Budget

The Ukrainian budget in 2023 is still a war budget. About half of the state budget went to defense financing; according to our estimates, defense spending will exceed 30% of GDP by the end of 2023. For comparison, the NATO “norm” in peacetime is 2%.

Ukraine's own tax and customs revenues were still insufficient to cover all budget expenditures. The difference was covered by foreign financial assistance and the issuance of military bonds.

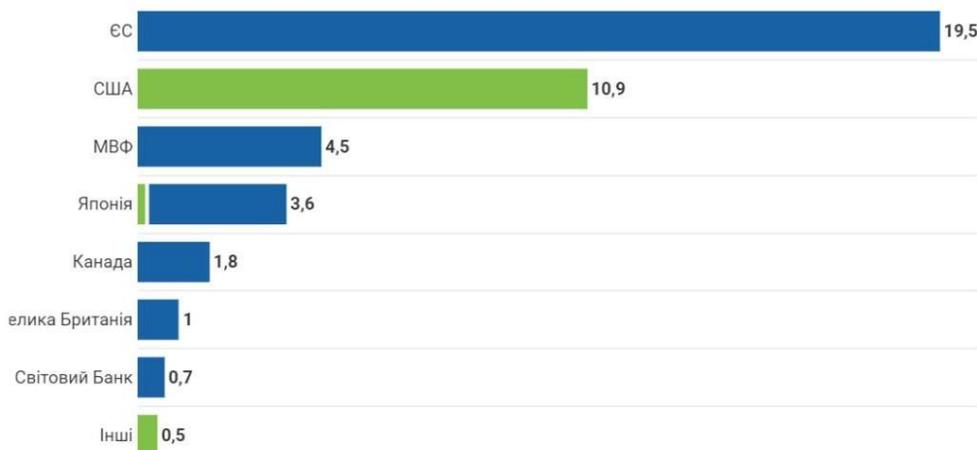
Надходження та видатки загального фонду державного бюджету, млрд грн

■ Надходження ■ Видатки



Ukraine continued to receive foreign financial assistance in 2023 - more than in 2022 (42.5 billion USD in 2023 vs. 31.1 billion in 2022), and more regularly and predictably. The assistance mostly came in the form of loans (63% of all financial assistance), rather than grants; but these loans were very preferential and necessary for Ukraine, as they allowed to finance important budgetary needs already today.

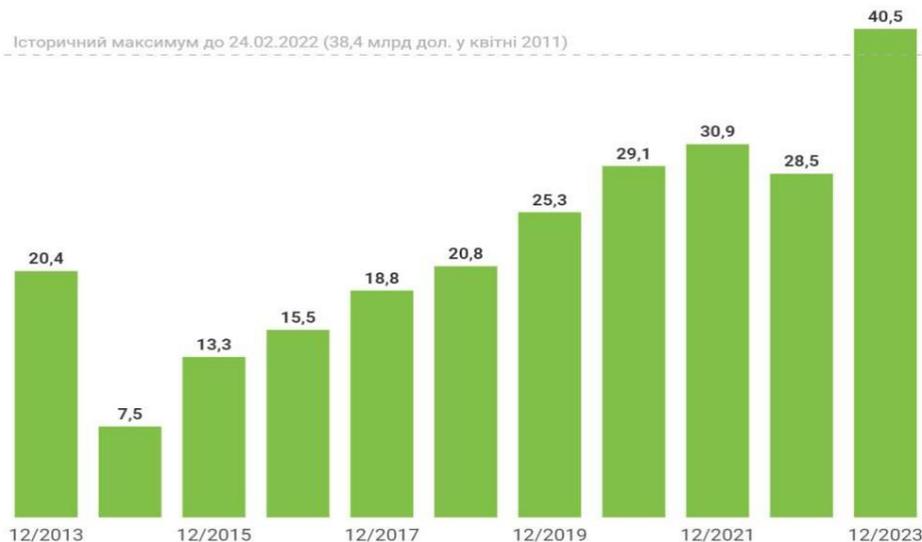
■ Іноземні гранти ■ Іноземні кредити



The total state budget needs for additional financing for 2023 amounted to \$59.9 billion — of which \$47.9 billion was for the budget deficit and \$11.9 billion for debt repayment. Foreign aid covered 71% of these needs; the rest was financed mostly through the issuance of government bonds.

Thanks to foreign financial assistance, foreign exchange reserves reached historically high levels in 2023. At the end of the year, Ukraine's international reserves amounted to \$40.5 billion. This is more than the historical record before the full-scale invasion, when in April 2011 the reserves reached their previous peak of \$38.4 billion. This situation during the war was possible only because of the unprecedented financial support for Ukraine. The high level of reserves is a certain safety cushion in case of disruptions in further inflows

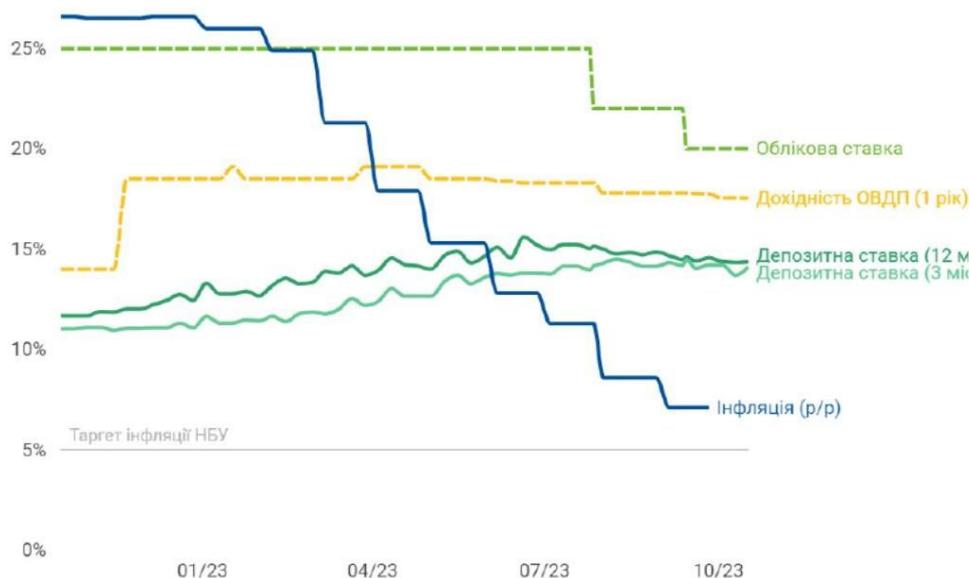
help.

Валові міжнародні резерви на кінець грудня 2013-2023 років, млрд дол. США

In 2023, the government raised UAH 566 billion through OVDPs — more than twice as much as in 2022. The fiscal gap also narrowed. In 2022, the government spent UAH 133 billion more on repaying previous OVD issues than it managed to raise from issuing new domestic debt; in 2023, it managed to refinance the repayment of old debt and raise another UAH 196 billion from above. However, if we compare the revenues from new OVD issues for the year with the expenses for repaying the OVD debt and budget expenditures for its servicing, the difference still remained negative (UAH 3 billion).

Financial sector

During 2023, the discount rate decreased from 25% to 15%. The yield on one-year hryvnia military bonds decreased to 17.55%. Average rates on individual deposits (UIRD) decreased to a corridor of 13-14%, but exceed the inflation rate.



The volume of household deposits remained unchanged for time deposits in hryvnia and decreased for demand deposits. On the other hand, time deposits in foreign currency showed growth. Credit to residents has increased slightly, but remains generally low. With war risks still present, credit is unlikely to improve significantly without government support or war risk insurance.

In 2022, due to a significant decrease in lending and a decline in demand for banking services in general, as well as due to the revaluation of their assets due to hostilities and occupation, banking profits decreased. Instead, 2023 was an extremely profitable year for banks due to the monetary policy that provided for high rates on NBU certificates of deposit. To finance state defense spending, a temporary increased tax on bank profits was introduced: 50% in 2023 and 25% in 2024-2025.

Migration and the labor market

According to conservative estimates, up to half of the pre-war population of Ukraine, or at least 20 million people, are directly involved in active migration processes caused by Russian aggression.

Approximately 8 million Ukrainians have found safe haven in European countries, of which 5 million have received temporary protection in one of the host countries. Half of all Ukrainian refugees have settled in Poland and Germany. Ukrainians forcibly displaced abroad are mainly women and children under 18. Up to 6.5 million Ukrainians are internally displaced persons (IDPs). Since the beginning of the full-scale

invasion, the State Statistics Service has not published data on unemployment. The research agency Info Sapiens makes its own estimates of its level. Throughout 2023, the trend of a steady decrease in unemployment has persisted. At the same time, at the end of the year, unemployment was still one and a half to two times higher than the level at the beginning of 2022, before the full-scale invasion. Throughout 2023, 20-25 percent of Info Sapiens respondents consistently reported that they were saving on food — this roughly coincides with the World Bank's poverty assessment in Ukraine.

The number of vacancies in the labor market has been steadily recovering throughout 2023, but has not yet reached the level of 2021. On the other hand, the dynamics of job seekers has been negative, which is also confirmed by the results of a business survey, which states that the lack of labor is a significant obstacle to entrepreneurial activity.

In the first month of a full-scale war, due to mass layoffs and a slowdown in business activity, significantly more new workers entered the labor market than employers could take on. During 2022, labor market dynamics leveled off, and already in 2023 the ratio of new job seekers to new vacancies reached the 2021 level.

On the one hand, there are more vacancies in the market as a whole; on the other hand, there are not so many people willing to fill these vacancies. The market has stabilized after the initial shock of a full-scale war and is gradually adapting to structural changes in the economy. At the same time, there are fewer and fewer free workers in Ukraine: a significant part of Ukrainians are abroad, and about a million men and women are defending the country in the ranks of the Defense Forces.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been prepared by the Bank in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements have been prepared on the historical cost basis, excluding financial instruments at fair value and investment property.

The financial statements are presented in hryvnias and all amounts are rounded to the nearest thousand unless otherwise stated.

Business continuity

The Bank's management believes that the Bank is able to continue its activities in the future and ensure sustainable development of the institution. The management believes that the Bank is able to ensure operational profitability and increase the efficiency of activities in priority areas in the near future while complying with the requirements of the regulatory legal acts of the National Bank of Ukraine and other requirements of the legislation of Ukraine regulating the activities of banking institutions.

The Bank's priority areas of activity are the following:

- ensuring profitability and regulating liquidity by conducting transactions with securities (NBU certificates of deposit, other NBU financial instruments);
- a moderate increase in lending volumes, including through participation in government programs;
- continuation of claims work to repay the balances of problem debt by exercising the rights of the mortgagee in accordance with the terms of the contracts and current legislation;
- obtaining cash flows from the effective use of investment property;
- expanding the range and improving the quality of services for legal entities and individuals.

The Bank's management believes that the resources necessary to ensure the implementation of effective internal control and risk management systems in the Bank in accordance with the requirements of the National Bank of Ukraine are sufficient. The Bank is currently working on updating its internal regulatory framework and ensuring sufficient human resources to meet these requirements.

3.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated.

a) Foreign currency

Balances on analytical accounts that are recorded on the Bank's balance sheet in a currency other than the functional currency as of the reporting date are translated into the functional currency at exchange rates, with:

- assets and liabilities in the statement of financial position are translated at the exchange rate at the end of the relevant reporting period;
- Capital components, if any, are translated at the historical exchange rate.

Income and expenses are not translated, as accounting for such accounts is maintained on the Bank's balance sheet exclusively in the functional currency.

The financial statements are presented in thousands of hryvnias ("thousands of UAH"), unless otherwise stated.

The main exchange rates used for converting amounts in foreign currency were as follows:

<i>UAH</i>	December 31, 2023	December 31, 2022
1 US dollar	37.9824	36.5686
1 euro	42.2079	38.9510

b) Initial recognition of financial instruments

Financial instruments are any contract that gives rise to a financial asset for one party and a financial liability or equity instrument for the other.

A financial asset is any asset of the Bank that is:

- cash;
- an equity instrument of another company;
- a contractual right to receive cash from another party to the contract or to exchange financial assets or liabilities with another party to the contract on terms potentially favorable to the Bank;
- a contract that will or may be settled in the equity instruments of the other party to the contract, and which is not a derivative that obliges or may oblige the Bank to receive a variable number of its own equity instruments, or a derivative that will or may be settled in a manner other than by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A financial liability is any obligation of the Bank that is:

- a contractual obligation (to pay or transfer a financial asset to another party to a contract, or to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Bank), or
- a contract that will or may be settled in the Bank's equity instruments, and which is not a derivative that obliges or may oblige the Bank to deliver a variable number of its own equity instruments, or a derivative that will or may be settled in a manner other than by exchanging a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

A Bank's equity instrument is any contract that represents the ultimate ownership interest in the Bank's assets after deducting all of its liabilities.

The Bank recognizes a financial liability in its financial statements when, and only when, it becomes a party to the contractual provision of the instrument.

The Bank, upon initial recognition of financial instruments carried at fair value through profit or loss, measures them at fair value with or without transaction costs. The Bank records transaction costs for the acquisition of such financial instruments in expense accounts on the date of their occurrence.

The Bank measures all other financial instruments upon initial recognition at fair value plus transaction costs.

All financial liabilities, other than those designated as financial liabilities at fair value through profit or loss and financial liabilities arising on the transfer of a financial asset carried at fair value that does not qualify for derecognition, are measured at amortized cost using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the relevant instrument and amortized using the effective interest method for that instrument.

c) Diminishing usefulness

The Bank assesses impairment in accordance with IFRS 9 for active transactions carried at amortized cost or at fair value through other comprehensive income.

In accordance with the general approach, depending on the degree of deterioration in credit quality since initial recognition, the Bank assigns financial instruments to one of the following stages of impairment assessment:

- Stage 1 – financial instruments for which there are no signs of a significant increase in credit risk. Expected credit losses are calculated for these financial instruments over the next 12 months;
- Stage 2 – financial instruments for which there are indications of a significant increase in credit risk since initial recognition, but there are no indications of impairment. Credit losses are calculated for these financial instruments over the entire life of the financial instruments;
- Stage 3 – financial instruments for which there are indications of a significant increase in credit risk since initial recognition and objective evidence of impairment. According to these financial instruments expected credit losses are calculated for the entire life of the financial instruments.

The Bank applies two approaches to assessing the impairment of financial instruments:

- individual assessment – performed for financial instruments that are considered significant and for which there are indications of a significant increase in credit risk since initial recognition;
- The Bank estimates expected credit losses for each borrower's loan based on probability-weighted discounted cash flows. The Bank considers several scenarios for the borrower's repayment and takes each of them into account.
- Collective assessment - is carried out for financial instruments that are not considered significant or for which there is no evidence of a significant increase in credit risk since initial recognition. The collective approach applies a portfolio-level assessment.

To calculate the amount of expected losses under IFRS 9 (forward-looking expected credit loss, ECL), the Bank uses the following components:

- PD (the Probability of Default) is a component of the calculation of the amount of the reserve, which reflects the probability of the debtor/counterparty ceasing to fulfill its obligations. When calculating the reserve, estimates of the probability of default are adjusted depending on the forecast of the implementation of the economic development scenario;
- LGD (the Loss Given Default) - a component of the calculation of the amount of the reserve, reflecting the level of losses (damages) due to the default of the debtor/counterparty;
- EAD (The Exposure at Default) - a component of calculating the size of the reserve, consisting of the following components: principal loan debt, accrued income, discounts/premiums.

The Bank determines whether there is objective evidence of impairment of a financial asset or a group of financial assets at each reporting date. A financial asset or a group of financial assets is considered to be impaired only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event or events have an impact on the expected future cash flows from the financial asset or group of financial assets that can be reliably measured. Objective evidence of impairment may include indications that a borrower or group of borrowers is experiencing significant financial difficulties, is in default on interest or principal payments, is likely to enter bankruptcy or financial reorganization, evidence, based on observable market information, of a moderate decrease in expected future cash flows, for example, changes in the level of delinquencies or in economic conditions that correlate with asset losses, and indicators of external information that have occurred in the technological, market, economic or legal environment in which the entity operates. Impairment losses are recognised in profit or loss as they arise as a result of one or more events ("loss events") that have occurred after the initial recognition of a financial asset and have an effect on the carrying amount of the asset.

or the timing of estimated cash flows associated with a financial asset or group of financial assets, if these losses can be reliably estimated. If the Bank determines that there is no objective evidence of impairment for an individually assessed financial asset (regardless of its materiality), it includes this asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The main factors that the Bank considers when determining the impairment of a financial asset are its past due status and the possibility of realising the relevant collateral, if any.

Write-off of financial assets against established reserves occurs in the absence of reasonable expectations of recovery of their value according to the decision of the Bank's management.

d) Derecognition of financial instruments and modifications

Derecognition of a financial asset (or part of a financial asset or part of a group of similar financial assets) occurs if:

- the rights to receive cash flows from the financial asset have expired;
- The Bank has transferred the rights to receive cash flows from such an asset, or if the Bank has retained the rights to receive cash flows from the asset, but has assumed a contractual obligation to transfer them in full to a third party under the terms of a "pass-through agreement";
- The Bank has either (a) transferred substantially all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Bank has transferred its rights to receive cash flows from an asset, and has not transferred and retained substantially all the risks and rewards of the asset, or transferred control over the asset, such asset continues to be recognized to the extent of the Bank's continued involvement in the asset.

The Bank's continued interest in the asset is measured at the lower of the asset's original carrying amount or the maximum amount of consideration that may be payable to the Bank.

A financial liability is derecognized when the obligation is discharged, cancelled or expires.

When replacing one existing financial liability with another liability to the same creditor on significantly different terms or in the event of significant changes to the terms of an existing liability, the original liability is derecognized, and the new liability is recorded in the accounting with the recognition of the difference in the carrying amount of the liability in profit/loss and other comprehensive income.

The Bank records in its accounting a change in the terms of the contract or a modification to a financial asset that results in a revision of its cash flows as:

- derecognition of the original financial asset and recognition of a new financial asset; or
- continued recognition of the original financial asset with new terms.

If the contractual terms of a financial asset are revised by mutual agreement or any other modification occurs that does not result in derecognition of the original financial asset, the Bank shall recalculate the gross carrying amount of the asset and recognize income or expenses from the modification.

The Bank calculates the new gross carrying amount as the present value of the revised or modified contractual cash flows discounted at the original effective interest rate (or the original effective interest rate adjusted for credit risk for purchased or originated impaired financial assets).

Transaction costs are included in the carrying amount of the modified financial asset and are amortized over its life.

The Bank recognizes the difference between the gross carrying amount under the original terms and the gross carrying amount under the revised or modified terms as modification income or expense.

e) Cash and cash equivalents

Cash and cash equivalents include cash, balances on correspondent accounts with the National Bank of Ukraine, funds on correspondent accounts opened with other banks (nostro accounts), highly liquid funds with a maturity of up to 90 days from the date of origination that are not encumbered by any contractual obligations. Cash and cash equivalents are recorded at amortized cost.

f) Derivative financial instruments

In the normal course of business, the Bank uses various derivative financial instruments, including forward contracts and swaps on foreign exchange markets, entered into with Ukrainian banks. Derivative instruments are initially recognized at fair value at the date of the contract, after which they are remeasured at fair value.

All derivatives are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in the fair value of derivatives are recognized immediately in the statement of profit or loss and other comprehensive income. The Bank estimates and calculates the fair value of forward contracts and recognizes significant changes in it in profit or loss.

g) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Based on the Bank's business model and the characteristics of the contractual cash flows, loans and receivables from customers are carried at amortized cost.

Loans and funds provided to banks

In the ordinary course of business, the Bank makes loans or places deposits with other credit institutions for certain periods of time. Due from credit institutions are initially recognized at fair value. Due from credit institutions with fixed maturities are measured at amortized cost using the effective interest method and are carried at amortized cost less any allowance for impairment losses.

Loans granted to customers

The initial cost of loans to customers is the amount of cash or cash equivalents paid, or the fair value of other resources provided to acquire the asset at the acquisition date, and includes transaction costs.

In cases where the fair value of the compensation provided is not equal to the fair value of the loan, for example, when the loan is provided at rates lower (higher) than market rates, the difference between the fair value of the compensation provided and the fair value of the loan is recognized as a loss (gain) upon initial recognition of the loan and is included in the statement of profit or loss and other comprehensive income in accordance with the nature of such losses (gains).

After recognition, loans are carried at amortized cost using the effective interest rate method.

The Bank includes transaction costs directly attributable to the recognition of a financial instrument in the amount of the discount (premium) on that financial instrument.

The Bank amortizes the discount (premium) over the term of the financial instrument using the effective interest rate. The discount (premium) amount must be fully amortized on the date of repayment (repayment) of the loan (deposit).

Loans to customers that do not have fixed maturities are accounted for using the effective interest method, based on the expected maturity.

The Bank recognizes impairment of loans and advances to customers by establishing provisions for expected credit losses. The carrying amount of the asset is reduced by the amount of the impairment provision. The amount of the loss is recognized in the statement of profit or loss and other comprehensive income.

Write-off of loans and funds

If it is impossible to return funds and loans, they are written off against the created reserve for expected credit losses, with a mandatory verification of compliance with the derecognition criteria.

h) Investments in securities

Investments in securities are financial assets held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets.

Investments in securities include:

a) securities carried at amortized cost. They are initially measured at fair value plus additional direct transaction costs and subsequently at amortized cost using the effective interest method;

b) securities carried at fair value through other comprehensive income;

c) securities carried at fair value through profit or loss, if such classification eliminates or significantly reduces the inconsistency in the valuation of assets or the recognition of related gains and losses.

For debt securities measured at fair value through other comprehensive income, gains and losses are recognized in other comprehensive income, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest income using the effective interest rate method;
- expected credit losses (ECL) and reversals;
- gains and losses from foreign exchange rate changes.

i) Investment property

Recognition criteria

The predominant criterion for dividing (defining as) real estate into investment and owner-occupied real estate there is a purpose for its use.

The Bank recognizes real estate as investment property if this real estate (land or building or part of a building, or a combination thereof) is held by the Bank to earn rental payments or for capital appreciation or both and meets the following criteria:

- the property is not held for future use as owner-occupied property;
- the real estate is not held for the purpose of sale in the ordinary course of business;
- the property is not built or improved on behalf of third parties;
- real estate that is being constructed or improved for future use as investment property;
- If part of an item of property, plant and equipment is held for the purpose of earning rent and/or for capital appreciation, and the other part of the item is owner-occupied property, and these parts cannot be sold separately, then the item of property, plant and equipment is recognized as investment property provided that it is used primarily for the purpose of earning rent and/or for capital appreciation.

The decision to classify real estate as investment or owner-occupied real estate (including in the case of transfer from the category of investment to owner-occupied real estate and vice versa, during operation) is made by a collegial body and is formalized in the relevant protocol.

The cost of investment property includes the purchase price of the property and all costs directly attributable to its acquisition. Costs for ongoing maintenance, repairs and upkeep of the investment property are recognised as expenses when incurred.

Capital investments in the construction or development and reconstruction of an investment property that will be used as investment property in the long term increase its value.

Upon initial recognition and subsequently, the Bank recognizes investment property on the Bank's balance sheet at fair value.

When determining the fair value of investment property, an independent valuation entity used International Valuation Standards ISA-2011 (9th edition), in particular ISA 300, 230, 233, and International Financial Reporting Standards, in particular IAS 40, IFRS 13. The value of investment property was calculated using the market method annually.

j) Fixed assets and intangible assets

Fixed assets (intangible assets) are recognized as assets if:

- The Bank obtains control over the asset (meaning that the asset can be sold, exchanged, leased and disposed of/transferred in any other way without losing the economic benefits generated by other assets; and also have economic benefits and restrictions on the access of others to these benefits, which arises from the legal rights to the relevant asset);
- it is highly probable that the Bank will receive future economic benefits associated with the asset;
- the value of the asset can be measured reliably

Accounting for fixed assets and intangible assets is carried out on an object-by-object basis. The unit of accounting for fixed assets and intangible assets is a separate inventory object.

Initial recognition of property, plant and equipment and intangible assets

The acquisition of non-current assets on the terms of prepayment (full or partial) until the documents confirming the ownership of the relevant object are received are reflected in the relevant accounts receivable for the acquisition of assets.

Fixed assets and intangible assets are recorded at their original cost, which is calculated taking into account all types of costs incurred by the Bank when recognizing such objects as assets (including costs of delivery, assembly, installation, indirect taxes paid in connection with the acquisition and other costs necessary to bring it into working condition).

Valuation of non-current assets at the balance sheet date

The carrying amount of a non-current asset is the amount at which the asset is recorded in the balance sheet after deducting any depreciation and accumulated impairment losses.

After the initial recognition of an item of fixed assets as an asset, its subsequent accounting is carried out using one of two methods:

- at original cost (cost) less accumulated depreciation and accumulated impairment losses;
- at revalued amount (fair value) less accumulated depreciation and accumulated impairment losses.

After the initial recognition of an item of fixed assets as an asset belonging to the group "Buildings, structures and transmission devices", further accounting for such an item is carried out at revalued value.

After the initial recognition of an item of fixed assets as an asset, with the exception of items belonging to the group "Buildings, structures and transmission devices", further accounting for such an item is carried out at its original cost (cost) less accumulated depreciation and accumulated impairment losses.

Revaluation of a fixed asset belonging to the group "Buildings, structures and transmission devices" is carried out if its residual value differs significantly from its fair value as of the balance sheet date. In the case of revaluation of one object of the group, all objects of the group of fixed assets to which the revalued object belongs are revalued on the same date. In the future, revaluation is carried out with such regularity that the residual value as of the balance sheet date does not differ significantly from the fair value.

Low-value non-current tangible assets are not subject to revaluation.

Assets in the form of fixed assets were not provided as collateral for the Bank's obligations in 2022.

Acquired (created) intangible assets are recognized at historical cost.

After initial recognition of intangible assets, they are subsequently accounted for at cost less accumulated amortization and accumulated impairment losses.

Procedure and method of calculating depreciation

Depreciation is the systematic allocation of the cost of fixed assets and intangible assets, which is depreciated over the period of their useful use (operation). The Bank independently establishes and reviews the useful lives of objects, which are approved by an administrative document of the Bank's management.

Intangible assets with indefinite useful lives are not subject to amortization. The Bank considers an intangible asset to have an indefinite useful life if, based on an analysis of all factors (legal, regulatory, contractual, economic, etc.), there is no foreseeable limit to the period during which such an asset is expected to generate net cash flows to the Bank (for example, the right to perpetual use of land).

The object of depreciation is all non-current assets, except for land and objects that are antiques, non-current assets held for sale, and unfinished capital investments in fixed assets.

Depreciation of non-current assets can be carried out separately for each component of the object.

The Bank uses the straight-line depreciation method, which consists in the fact that the current period's expenses are always determined by the same part of the original cost of the object minus the liquidation value throughout the entire specified period of their useful life, with the exception of low-value non-current tangible assets. Depreciation of low-value non-current tangible assets is carried out in the amount of 100 percent of its value at the time of commissioning.

JOINT STOCK COMPANY "RWS BANK"

Notes to the annual financial statements for the year ended 31 December 2023

The Bank, based on an internal order, has changed the approach to the valuation of intangible assets with an indefinite useful life. Starting from January 1, 2018, property use rights, rights to trademarks for goods and services, copyright and related rights, and other intangible assets have the following useful life, according to which depreciation deductions are made:

- Rights to use natural resources, rights to use property (land, building, premises, right to rent premises, subscriber telephone numbers, etc.), rights to commercial designations (rights to trademarks (trademarks for goods and services), commercial (company) names, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document;
- Rights to commercial designations (rights to trademarks (marks for goods and services), commercial (brand) names, etc.) except for those whose acquisition costs are recognized as royalties - in accordance with the title document, but not less than 6 years, for perpetual - 6 years;
- Copyright and related rights (rights to literary, artistic, musical works, computer programs, programs for electronic computers, compilations of data (databases), phonograms, videograms, broadcasts (programs) of broadcasting organizations, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document, but not less than 3 years, for indefinite - 3 years;
- Other intangible assets (right to conduct activities, use economic and other privileges, banking licenses, licenses of the State Securities and Markets Commission, patents) - in accordance with the title document, for indefinite - 10 years.

Based on internal policy, the Bank has established the following useful lives of fixed assets and intangible assets:

- Buildings – 20 years;
- Buildings – 15 years;
- Transmission devices – 10 years;
- Machinery and equipment – 5 years;
- Vehicles – 8 years;
- Furniture, appliances – 7 years;
- Inventory, tools – 5 years;
- Other fixed assets - 12 years;
- Copyright and related rights, except for royalties – 3 years;
- Other intangible assets – 10 years;
- Capital investments in premises – lease term.

The useful life of fixed assets and intangible assets is reviewed if the expected economic benefits from their use change and at the end of each financial year.

The depreciation method applied to fixed assets and intangible assets may be revised by the Bank if there have been significant changes in the expected form of economic benefits from the use of these assets.

The Bank assesses intangible assets with indefinite useful lives at the end of each year for any indication that their useful lives may be limited. If there are no such indications, the Bank determines the useful lives of such intangible assets.

Intangible assets with indefinite useful lives are reviewed at the end of each year for the presence of indications of possible impairment.

New depreciation methods are applied from the new fiscal year. In accounting, such a change is reflected as a change in accounting estimates.

k) Rent

The Bank applies IFRS 16 "Leases", which requires the recognition of a right-of-use asset and a lease liability at the inception date for all leases, except for short-term leases and leases of low-value assets. Unlike the lessee's accounting, the lessor's accounting has remained largely unchanged.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Typically, operating lease agreements provide for the transfer to the lessee of the right to use non-current assets for a period not exceeding their useful life, with the obligation to return such non-current assets to their owner upon the expiration of the lease agreement. Non-current assets transferred under an operating lease are recorded as non-current assets.

landlord.

Operating lease income and expenses are recognized in the reporting period to which they relate and are calculated in accordance with the concluded agreements. The amounts of operating lease income and expenses are disclosed in the Notes "Other operating income" and "Administrative and other operating expenses".

l) Non-current assets held for sale and disposal groups

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through current use. To do this:

- the asset must be suitable for immediate sale in the condition in which it is at the time of sale, on terms that are usually observed in the sale of such assets;
- The bank has a plan to sell the asset and initiate a program to identify a buyer and implement the plan;
- The Bank actively promotes the asset for sale in the market at a price reasonable in view of their current fair value;
- The sale is expected to be considered completed within one year.

If the Bank acquires ownership of pledged assets for the purpose of subsequent sale, such assets are classified as held for sale if they meet the above criteria.

Non-current assets held for sale are measured and recorded in the accounting records at the lower of their carrying amount and fair value less costs to sell. Depreciation is not charged on such assets. Impairment loss on initial or subsequent write-down of an asset to fair value less costs to sell

are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

The Bank continues to classify non-current assets as held for sale if no sale was made during the year due to events or circumstances beyond the Bank's control, and if there is sufficient evidence that the Bank continues to implement a plan to sell the non-current asset.

If, at the date of the decision to recognize non-current assets as held for sale, the above conditions are not met, but will be met within three months after the asset is recognized, the bank has the right to classify them as held for sale.

Before initially classifying assets as held for sale, the bank assesses the carrying amount of the assets and reviews them for impairment, just as non-current assets are accounted for at cost.

In the event of a decrease in the fair value of non-current assets, the bank recognizes an impairment loss less costs to sell.

In the event of an increase in the fair value of non-current assets less costs to sell, the bank recognizes income, but in an amount not exceeding previously accumulated impairment losses.

If, during the valuation of assets held for sale, the bank did not recognize impairment and recovery of their useful life, the bank recognizes income or expenses at the date of derecognition. When transferring non-current assets to the category of assets held for sale, the bank adjusts the carrying amount taking into account the amounts of accumulated depreciation, impairment losses with simultaneous recognition of such adjustment in the Statement of financial performance and other comprehensive income.

m) Funds raised

Borrowings, including due from credit institutions, due from customers and issued debt securities, are initially recognized at fair value of the proceeds received, taking into account transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, borrowed funds are carried at amortized cost using the effective interest method. Income and expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income when the liability is extinguished, as well as during the amortization process.

n) Provisions for liabilities

Provisions are non-financial obligations of an indefinite duration or amount. Provisions are recognized in the financial statements when the Bank 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 the amount of the obligation can be measured reliably.

o) Recognition of income and expenses

Interest income and expenses

Interest income and expense are recognized on an accrual basis and calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments and receipts through the expected life of the financial instrument or a shorter period (if applicable) to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment) and all fees or additional costs that are directly related to the financial instrument and are an integral part of the effective interest rate, except for future credit losses. The carrying amount of a financial asset or financial liability is adjusted if the Bank revises its estimate of payments and receipts. The adjusted carrying amount is calculated based on the original effective interest rate, and changes in the carrying amount are recorded as interest income or expense.

Commissions that are an integral part of the effective interest rate of a financial instrument (for granting a loan, for opening credit accounts, for assessing the financial condition of the borrower, assessing and reflecting guarantees, collateral, etc.) together with the relevant costs associated with the issuance of the financial instrument are amortized using the effective interest rate.

When a financial asset or group of similar financial assets is written off (partially written off) as a result of an impairment loss, interest income is recognized using the interest rate that was used to discount future cash flows for the purpose of assessing the impairment loss.

When it is probable that a credit commitment will result in a loan, the credit commitment fee, together with related direct costs, is recognized as an adjustment to the effective interest rate of the loan. If it is unlikely that the credit line will be drawn, then the fee is recognized as income on a time-proportionate basis over the period of the commitment.

Commission income

The bank receives commission income for a number of services provided to customers.

Commission income can be divided into the following categories:

- Commission income received as a result of providing services during a certain period.
- Income from the provision of transaction services.

Fees received for services rendered during a period are accrued over that period. These fees include fees and commissions from asset management, custody and other management and advisory services. Commissions on commitments to extend credit that are likely to be drawn down and other commissions on loans are carried forward to subsequent periods (together with any additional costs) and are recognised as an adjustment to the effective interest rate on the loans.

Revenue from providing services to third parties is recognized upon completion of the relevant transaction. The amount of remuneration or components of remuneration related to specific activities are recognized after verification of compliance with the relevant criteria.

p) Income tax

Income tax is recognized as current and deferred tax. Current income tax is recognized in the amount calculated for the reporting period in accordance with tax legislation.

Deferred tax liability is the amount of income tax that will be paid in future periods on a taxable temporary difference. Deferred tax asset is the amount of income tax that will be recoverable in future periods on a deductible temporary difference. Deferred tax liabilities and assets are measured at the tax rates that will apply in the period in which the asset is realized or used or the liability is settled.

The Bank recognizes as income tax receivables the excess of the amount of income tax paid over the amount payable.

The Bank offsets receivables and current income tax liabilities if the liability is settled as a set-off against these receivables.

q) Authorized capital and share capital

Authorized capital is the obligation paid by shareholders (unitholders) to contribute funds for subscription to shares (units), the amount of which is registered in accordance with the procedure established by current legislation. Authorized capital is reflected at its original (nominal) value.

Costs directly attributable to the issue of new shares of the Bank, in accordance with the requirements of IFRS 32 "*Financial Instruments: Presentation*", are recognised as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction and which would otherwise have been avoided.

The excess of the fair value (placement price) of the amounts contributed to the capital over the nominal value of the issued shares is recorded in the Bank's capital as share premium (share premium).

r) Foreign currency revaluation

Transactions in foreign currencies are recognized at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into hryvnia at the official exchange rate of the National Bank of Ukraine prevailing at the balance sheet date. Gains and losses arising from such translation are recognized in the statement of comprehensive income on a net basis as exchange rate differences in the period in which they arise.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the rate at which the fair value is determined. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date the fair value was determined. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any currency component of that gain or loss is recognized directly in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any currency component of that gain or loss is recognized in profit or loss.

(s) Offsetting of assets and liabilities

The Bank offsets a financial asset and a financial liability, presenting the net amount in the Statement of Financial Position, if and only if:

- has a legally enforceable right to set off recognized amounts;
- intends to settle the liability on a net basis or to sell the asset and settle the liability at the same time.

A right of set-off is a contractual or other legal right of a debtor to repay or otherwise remove all (or part of) an amount due to a creditor by applying that amount to an amount due from the creditor.

The simultaneous settlement of two financial instruments may occur, for example, through transactions through a clearing house in an organized financial market or an exchange without intermediaries. In such circumstances, the cash flows are effectively equivalent to a single net amount and are not subject to credit or liquidity risk.

In the reporting period, the bank did not perform any netting operations between individual items of assets and liabilities.

t) Employee benefits and related deductions

Calculations related to the remuneration of the Bank's employees and employees performing work under civil law contracts (making the specified payments, accrual of wages, withholding taxes and mandatory payments from accrued amounts, accrual of taxes and mandatory payments to the payroll fund) are carried out in accordance with current legislation and internal regulatory documents of the Bank. Accrual of basic and additional wages to the Bank's employees is carried out in accordance with the official salaries determined by the Bank's staffing table.

The Bank calculates and creates provisions for payments for unused vacations of the Bank's employees.

The Bank does not have any additional pension schemes, other than participation in the state pension system of Ukraine, which involves the calculation and payment of current employer contributions as a percentage of current total employee benefits. These expenses are recorded in the reporting period to which the relevant salary relates.

In addition, the Bank does not have any post-employment benefit programs or other significant compensation programs that would require additional accruals.

u) Pension and other benefit obligations

The Bank does not have any additional pension schemes, other than participation in the state pension system of Ukraine, which involves the calculation and payment of current employer contributions as a percentage of current total employee benefits. These expenses are recorded in the reporting period to which the relevant salary relates.

In addition, the Bank does not have any post-employment benefit programs or other significant compensation programs that would require additional accruals.

v) Information by operating segments

A segment is a distinguishable component of the Bank's business that is engaged in either providing services or products (a business segment) or providing services or products within a particular economic environment (a geographical segment) and that is subject to risks and returns that are different from those of other segments. The Bank presents reportable segments separately if the majority of the segment's revenue is generated from banking activities outside the segment and the segment's revenue is 10% or more of the total income.

The Bank's main format for reporting segment information is business segments.

Most of the Bank's operations are concentrated in Ukraine.

The Bank recognizes the following reportable segments:

- services to corporate clients (corporate banking);;
- services to individuals (retail banking);
- services to banks (treasury activities);
- other operations.

The "other operations" segment is important for the Bank as a whole (provides the activities of other segments, etc.) and information about it is material.

The Bank recognizes as revenue of a reporting segment the revenue directly attributable to the segment and the corresponding part of the bank's revenue that can be attributed to the segment from external activities or from transactions between other segments within the same bank. The revenue of reporting segments is presented net of value added tax, excise duty, other duties and deductions from income. The revenue of reporting segments does not include income from extraordinary events and income from income tax. The Bank recognizes as expenses of a reporting segment the expenses related to the main activities of the segment that are directly attributable to it and the corresponding part of the expenses that can be reasonably attributed to the segment, including expenses from external activities and expenses related to transactions in other segments within the same bank.

However, if expenses at the Bank level are related to only one segment, the Bank recognizes such expenses as segment expenses (if they are related to the operating activities of the segment and can be directly attributed to the segment or reasonably allocated to it).

w) Related party transactions

The Bank recognizes a related party as a party that:

- 1) directly or indirectly controls or is under control of, or is under common control with, the Bank, or has an interest in the Bank that gives it the ability to exercise significant influence over the Bank;
- 2) is an associated company of the Bank;
- 3) is a joint venture in which the Bank is a controlling shareholder;
- 4) is a member of the Bank's senior management;
- 5) is a close relative of a person specified in 1) or 4);
- 6) is an economic entity that controls, jointly controls, or exercises significant influence over, or has a significant percentage of votes in such an economic entity, directly or indirectly, a person specified in 1)-5);
- 7) the entity is a post-employment benefit program for employees of the Bank or any entity that is a related party of the Bank (post-employment benefits: pensions, other types of retirement benefits, life insurance and post-employment medical care).

The Bank discloses information about related parties in accordance with the requirements of IAS 24 "Related Party Disclosures".

3.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE PRINCIPLES

New standards, clarifications and amendments to existing standards

The Bank has first adopted certain standards and amendments that are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Bank has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 17 "Insurance Contracts"

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, non-life insurance, direct insurance and reinsurance contracts), regardless of the type of entity issuing them, and to certain guarantees and financial instruments with discretionary participation features. There are a few exceptions to the scope. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on

lies the general model, supplemented by the following:

- Special modifications for insurance contracts with direct participation terms (variable remuneration method).
- The simplified approach (premium-based approach) is mainly for short-term contracts.

This standard does not apply to the Bank.

Amendments to IAS 8 - Determining Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments did not impact the Bank's consolidated financial statements.

Amendments to IAS 1 and IFRS 2 Practical Guidance on Applying IFRS – Disclosure of accounting policies

The amendments to IAS 1 and the Practical Guidance on the Application of IFRS 2, Making Materiality Judgments, provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments are intended to help entities disclose more useful accounting policy information by replacing the requirement for entities to disclose "significant provisions" of accounting policies with a requirement to disclose "material information" about accounting policies, and by adding guidance on how entities should apply the concept of materiality when making decisions about accounting policy disclosures.

These amendments affected the Bank's disclosure of accounting policies, but not the measurement, recognition or presentation of any items in the Bank's financial statements.

Amendments to IAS 12 - Deferred Tax on Assets and Liabilities Arising from the Same Transaction The amendments to IAS 12 Income Taxes narrow the scope of the exemption for initial recognition so that it no longer applies to transactions that give rise to the same taxable and deductible temporary differences, such as leases and decommissioning obligations.

These amendments did not impact the Bank's consolidated financial statements.

Amendments to IAS 12 - International Tax Reform - Under-Taxed Payments Rule

Amendments to IAS 12 were made in response to the OECD BEPS rules on under-taxed payments and include:

- Mandatory temporary exemption from the recognition of deferred taxes and disclosure of deferred taxes arising from jurisdictional implementation of the model rules on under-taxed payments; and Disclosure requirements for affected entities to help users of financial
- statements better understand an entity's risk of paying income taxes on under-taxed payments as a result of the application of this regulatory act, particularly before its effective date.

The mandatory temporary exemption, the use of which must be disclosed, applies immediately. The remaining disclosure requirements apply to annual reporting periods beginning on or after 1 January 2023, but not to interim periods ending on or before 31 December 2023.

These amendments did not affect the Bank's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgment

The preparation of financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosures about these items and contingent liabilities. The uncertainty of these assumptions and estimates may cause results to be materially different in the future from the carrying amounts of the assets or liabilities for which such assumptions and estimates were made. In applying the Bank's accounting policies, management has made judgments and assumptions about the future and other major sources of measurement uncertainty at the reporting date that have a significant risk of requiring a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Current circumstances and assumptions about future developments may change as a result of events beyond the Bank's control, which are reflected in the assumptions as and when they occur. The items that have the most significant effect on the amounts reflected in the financial statements and for which management has used significant judgments and/or estimates are discussed below, taking into account the judgments/estimates made.

In the process of applying accounting policies, the Bank's management made the following judgments, other than accounting estimates, that have the most significant effect on the amounts reflected in the financial statements:

Spot rate

When converting foreign currency, the Bank uses the official hryvnia exchange rates to other currencies established by the NBU as the spot rate.

Due to the instability of the Ukrainian currency system due to military actions and the limited convertibility of the Ukrainian hryvnia, it is possible for different hryvnia exchange rates to other currencies to exist simultaneously in different financial markets.

The differences between the rate set by the NBU and the rate set by OANDA do not exceed 2% both on the reporting date and on average for the reporting period. Thus, the rate set by the NBU can serve as the spot rate for the purpose of preparing financial statements.

Classification of financial assets

The Bank classifies all of its financial assets into one of three main categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL).

Uncertainty of estimates

In applying accounting policies, the Bank's management used its judgments and made estimates in determining the amounts reflected in the financial statements. The most significant uses of judgments and estimates include:

Business continuity

The Bank's management has assessed its ability to continue as a going concern and is satisfied that the Bank has the resources to continue in operation for the foreseeable future. In addition, the management is not aware of any significant uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Fair value of financial instruments

In cases where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be obtained through observations in active markets, it is determined using a set of valuation techniques, including the use of mathematical models. The inputs to the models include available market information; in cases where this is not possible, the application of some judgment is necessary to determine fair value.

Provision for expected credit losses

The measurement of impairment provisions under IFRS 9 for all categories of financial assets requires judgments, including estimates of the amounts and timing of future cash flows and the value of collateral when determining expected credit losses and assessing whether there has been a significant increase in credit risk. These estimates are determined by many factors, changes in which may result in the determination of provisions of different orders. The calculation of provisions for expected credit losses in the Bank is the result of the application of complex models with a certain number of specific judgments when selecting variable input data and assessing their interdependencies.

Elements of expected credit loss calculation models that involve accounting judgments and estimates include:

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- the Bank's internal rating model;
- the Bank's qualitative and quantitative criteria for determining whether there has been a significant increase in credit risk and, accordingly, that provisions for financial assets are subject to assessment at the level of credit losses expected from default events over the entire life of the instrument;
- grouping of financial assets for the purpose of assessing provisions for expected credit losses on an aggregate basis;
- development of expected credit loss models, including formula definition and input selection data;
- determining the interdependencies between macroeconomic scenarios and economic parameters, in particular the unemployment rate, the value of collateral, as well as determining the impact of scenarios on the indicators of the probability of default, debt at risk of default and the size of losses in the event of default;
- selection of forecast macroeconomic scenarios and their probability weighting coefficients, integration of economic parameters into the expected credit loss model.

According to the Bank's policy, the models are subject to regular review in the context of historical data on actual losses incurred and are subject to refinement if necessary.

Deferred income tax asset

A deferred income tax asset is recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred income tax asset that can be recognized, based on the probable timing and amount of future taxable profit, together with tax planning strategies.

5. STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET ENTERED INTO FORCE

The following are new standards, amendments and interpretations that have been issued but are not yet effective at the date of issue of the Bank's financial statements. The Bank intends to apply these standards, amendments and interpretations, if applicable, from their effective dates.

Amendments to IFRS 16 - Sale and Leaseback Lease Obligations

In September 2022, the IASB issued amendments to IFRS 16 to clarify the requirements that a seller-lessee uses to measure lease liabilities arising in a sale and leaseback transaction to ensure that the seller-lessee does not recognize any amount of gain or loss relating to the right-of-use asset that it retains.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Early application is permitted and that fact shall be disclosed.

These amendments are not expected to have a material impact on the Bank's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69–76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What does the right to defer settlement mean?
 - The right to deferral must exist at the end of the reporting period
 - This classification is not affected by the probability that the entity will exercise its right to defer.
- The terms of the liability will not affect its classification unless the embedded derivative in the convertible liability is itself an equity instrument.

In addition, a disclosure requirement was introduced when liabilities arising from a credit agreement are classified as non-current and the entity's right to defer repayment is dependent on the fulfillment of future conditions within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The Bank is currently assessing the impact of these amendments on current practice and assessing whether existing loan agreements may require revision.

Amendments to IAS 7 and IFRS 7 - Supplier Financing Arrangements

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier financing arrangements and to require additional disclosures about such arrangements. The disclosure requirements contained in the amendments are intended to help users of financial statements understand the impact of supplier financing arrangements on an entity's liabilities, cash flows and liquidity risk.

The amendments are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted and that fact shall be disclosed.

These amendments are not expected to have a material impact on the Bank's financial statements.

6. CASH AND CASH EQUIVALENTS

Table 6.1. Cash and cash equivalents

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Cash	165,037	104,396
Funds in the National Bank of Ukraine	92,291	28,023
Correspondent accounts, deposits and overnight loans in banks:		
Ukraine	268,841	116,624
Certificates of deposit issued by the National Bank of Ukraine	1,588,976	640,807
Reserve for cash and cash equivalents	(5,234)	(2,132)
Total cash and cash equivalents	2,109,911	887,718

Table 6.2. Non-cash financial transactions

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Accrued income on deposit certificates issued by the National Bank of Ukraine	3,976	807

There are no restrictions on the use of funds.

As of December 31, 2023, the balances on correspondent accounts are neither past due nor impaired.

During 2023 and the previous year 2022, the Bank did not carry out investment and financial transactions without the use of cash and cash equivalents.

The data of Note 6 are specified in the "Statement of Financial Position", "Statement of Cash Flows".

As of December 31, 2023, the Bank complied with the requirements of the National Bank of Ukraine regarding mandatory reserves. Control over the formation of mandatory reserves is carried out monthly based on average data for the entire period maintenance.

The amount of required reserves according to established standards (reserve base) for the maintenance period from 11.12.2023 to 10.01.2024 is 296,568 thousand UAH. The average balance on the correspondent account for the holding period from 11.12.2022 to 10.01.2023 was 44,939 thousand UAH.

7. CUSTOMER LOANS AND DEBT

Table 7.1. Loans and receivables from customers

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Loans and receivables from customers carried at amortized cost	586,810	498,005
Loan impairment allowance	(38,968)	(26,861)
Total loans and advances to customers less provisions	547,842	471,144

Table 7.2. Loans and receivables from customers carried at amortized cost

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Loans granted to legal entities,	539,192	472,036
including mortgage loans	166,433	142,852
Loans granted to individuals,	47,618	25,969
including mortgage loans	24,887	14,319
Provision for loans to customers carried at amortized cost	(38,968)	(26,861)
Total loans and advances to customers carried at amortized cost	547,842	471,144

The data in Note 7 are included in the Statement of Financial Position and in Note 17.

Asset items are presented taking into account accrued and unearned interest income, which as of December 31, 2023 amounted to UAH 13,717 thousand and as of December 31, 2022 – UAH 10,122 thousand.

As of December 31, 2023, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 382,792 thousand (70% of the total loan portfolio). A provision of UAH 20,215 thousand was created for these loans. For 2022, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 356,566 thousand (76% of the total loan portfolio).

Table 7.3. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2023

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Loans and receivables from customers accounted for under the AC	360,624	111,182	115,004	586,810
Minimal credit risk	360,624	-	-	360,624
Average credit risk	-	111,182	-	111,182
High credit risk	-	-	115,004	115,004
Total gross carrying amount of loans and advances to customers accounted for under the AC	360,624	111,182	115,004	586,810
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(17,018)	(9,678)	(12,272)	(38,968)
Total loans and receivables of customers accounted for by the AC	343,606	101,504	102,732	547,842

Table 7.4. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2022

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<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Loans and receivables from customers accounted for under the AC	227,858	229,747	40,400	498,005
Minimal credit risk	227,858	-	-	227,858
Average credit risk	-	229,747	-	229,747
High credit risk	-	-	40,400	40,400
Total gross carrying amount of loans and advances to customers accounted for under the AC	227,858	229,747	40,400	498,005
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(11,927)	(4,773)	(10,161)	(26,861)
Total loans and receivables of customers accounted for by the AC	215,931	224,974	30,239	471,144

Table 7.5. Structure of loans by type of economic activity

<i>thousand UAH</i>	December 31, 2023		December 31, 2022	
	sum	%	sum	%
Agriculture, hunting and related services	20,758	4	10,443	2
Construction of buildings	88 307	15	100,663	20
Wholesale and retail trade in motor vehicles and motorcycles, their repair	155 207	26	54,538	11
Wholesale trade, except trade in motor vehicles and motorcycles	148 198	25	184,607	37
Land and pipeline transport services, except insurance and pension funding	42,045		39,894	8
Provision of financial services, except insurance and pension funding	62,286	7 11	38,464	8
Healthcare Individuals	-	-	30,034	6
	47,618	8	25,970	5
Waste collection, treatment and disposal; materials recovery	13,311	2	13,140	3
Others	9,080	2	252	-
Total loans and receivables to customers without provisions	586,810	100	498,005	100

The Bank minimizes the risk of credit portfolio concentration (concentration of credit operations in a certain industry or group of interconnected industries or lending to certain categories of clients) through diversification of the credit portfolio, which consists in distributing loans among borrowers who differ from each other both in characteristics (capital size, form of ownership) and in terms of activity (industry of the economy, geographical region).

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Table 7.6. Information on loans by type of collateral for 2023

<i>thousand UAH</i>	Loans granted legal entities	Mortgage loans legal entities	Loans granted to individuals for current need	Mortgage loans for individuals	Total
Unsecured loans	132 111	-	13,785	-	145,896
Loans secured by:	240,648	166,433	8,946	24,887	440,914
<i>in cash</i>	53,493	-	5,549	-	59,042
<i>real estate</i>	84,240	166,433	3,397	24,887	278,957
<i>including residential use</i>	8,830	-	3,397	-	12,227
<i>other assets</i>	102,915	-	-	-	102,915
Total loans and receivables to customers without provisions	372,759	166,433	22,731	24,887	586,810

Table 7.7. Information on loans by type of collateral for 2022

<i>thousand UAH</i>	Loans granted to legal entities	Mortgage loans legal entities	Loans granted to individuals for current needs	Mortgage loans for individuals	Total
Unsecured loans	45,332	-	11,261	-	56,593
Loans secured by:	283,852	142,852	389	14,319	441 412
<i>in cash</i>	38,704	-	185	-	38,889
<i>real estate</i>	142,000	142,852	204	14,319	299,375
<i>including residential appointment</i>	59,444	-	204	-	59,648
<i>other assets</i>	103 148	-	-	-	103 148
Total loans and receivables to customers without provisions	329,184	142,852	11,650	14,319	498,005

Table 7.8. Analysis of changes in provisions for impairment of loans and receivables from customers carried at amortized cost for 2023

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Impairment provision as of the beginning of the period December 31, 2022	(11,927)	(4,773)	(10,161)	(26,861)
Transition to stage 1	(5,091)	-	-	(5,091)
Transition to stage 2	-	(4,905)	-	(4,905)
Transition to stage 3	-	-	(2,111)	(2,111)
Impairment provision as of the end of the period December 31, 2023	(17,018)	(9,678)	(12,272)	(38,968)

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Table 7.9. Analysis of changes in gross carrying amount for impairment of loans and receivables to customers carried at amortized cost for 2023

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2022	215,930	224,974	30,240	471,144
Transition to stage 1	-	-	-	-
Transition to stage 2	-	-	-	-
Transition to stage 3	-	-	-	-
Other changes (increase in trade payables carried at amortized cost)	127,676	-	-	127,676
Other changes (reduction receivables from customers, which are accounted for at amortized cost)	-	(123,470)	72,492	(50,978)
Gross carrying amount as of December 31, 2023	343,606	101,504	102,732	547,842

Table 7.10. Impact of collateral value on loan quality for 2023

<i>thousand UAH</i>	Balance sheet cost	Cost pledges	Impact of collateral
Loans granted to legal entities, including mortgage loans	539,192	331,643	207,549
Loans granted to individuals for current needs, including mortgage loans	47,618	19,770	27,848
	24,887	8,189	16,698
Total loans	586,810	351,413	235,397

Table 7.11. Impact of collateral value on loan quality for 2022

<i>thousand UAH</i>	Carrying amount	Cost pledges	Impact of collateral
Loans granted to legal entities, including mortgage loans	472,036	341,886	130 150
Loans granted to individuals for current needs, including mortgage loans	138,294	65,760	72,535
	25,969	8,948	17,021
	12,887	5,402	7,485
Total loans	498,005	350,834	147 171

Methods of assessing pledged property

When calculating the reserve, the bank uses the market (fair) value of collateral in the form of real estate, vehicles, based on the assessment of such property, carried out by an independent valuation entity. If, since the date of the last assessment, there have been significant changes in the operating conditions and physical condition of the property that is the subject of the pledge, and/or the market condition of similar property, the Bank conducts a revaluation of such property, but not less than once every twelve months in the case of pledge of real estate, equipment and vehicles and once every six months in the case of pledge of other property.

When determining the market (fair) value of the pledged property, the Bank sets the term for the sale of such property to no more than 360 calendar days.

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During the reporting period, the Bank carried out foreclosure proceedings on mortgaged items, the total value of which is UAH 34,917 thousand.

The information is provided taking into account the assessment of the quality of collateral used to cover credit risk, in accordance with the requirements of the National Bank of Ukraine. The following types of collateral are taken into account as the cost of collateral:

- cash coverage – in full;
- passenger cars – with a 75% discount;
- movable property – with a 50% discount;
- residential real estate – with a 75% discount;
- non-residential real estate – with a 60% discount.

Collateral is accepted for settlement in an amount not exceeding the carrying amount of the loan under each contract covered by the relevant collateral.

8. INVESTMENTS IN SECURITIES

Table 8.1 Investments in securities

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Debt securities:		
<i>Domestic government bonds refinanced by the NBU, which are accounted for at fair value through other comprehensive income</i>	966,696	842,462
Revaluation of debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	1,430	(37,934)
Unamortized premium/discount on debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	(2,488)	(1,143)
Accrued income on debt securities refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income	37,422	18,800
Total securities less reserves	1,003,060	822 185

Table 8.2. Analysis of credit quality of debt securities for 2023

<i>thousand UAH</i>	Government bonds	Total
Not past due and not impaired	-	-
<i>Government institutions and enterprises</i>	1,003,060	1,003,060
Total debt securities less reserves	1,003,060	1,003,060

As of December 31, 2023, the debt securities accounts in the amount of UAH 1,003,060 thousand included domestic government loan bonds refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income in the amount of 922,045 units, with a nominal value of UAH 1,000.00 per bond and in the amount of 1,120 units, with a nominal value of USD 1,000 per bond, and in the amount of 50 units, with a nominal value of EUR 1,000 per bond.

The fair value of the securities was determined based on the internal bank regulation, as the fair value of the relevant series of government bonds published on the National Bank's website on the relevant date. There was no impairment of utility for these transactions.

9. INVESTMENT PROPERTY

Table 9.1. Investment property valued at fair value

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Fair value of investment property at the beginning of the period	254 179	340,682
Incoming	34,916	2,129
Improvement	405	793
Disposal (sale)	(165,948)	(126,073)
Gains (losses) from revaluation to fair value	(18,641)	38,329
Disposal (written off from the balance sheet)	-	(1,637)
Other changes (transferred to assets held for sale)	-	(44)
Fair value of investment property at the end of the period	104,911	254 179

The receipt of investment property in 2023, 2022 occurred due to the acceptance of real estate objects on the balance sheet as a foreclosure of collateral on loans of legal entities and individuals. In accordance with paragraph 5 "Definitions" of IAS 40 "Investment Property" it is stated that investment property is real estate (land or a building, or part of a building, or a combination thereof), held (by the owner or lessee under a finance lease agreement) for the purpose of receiving rental payments or increasing the value of the capital or to achieve both purposes. Part of the Bank's investment property is leased out (Table 9.2), part is held for the purpose of increasing the capital and is planned to be sold in the future.

During 2023, 92 investment real estate properties were sold.

The fair value of investment property is determined based on the conclusions of independent valuation entities who have the appropriate professional qualifications and experience in valuing similar properties in Ukraine. The fair value of investment property as of December 31, 2023 belongs to Level II of the fair value hierarchy.

Table 9.2. Amounts recognized in the Statement of Profit or Loss and Other Comprehensive Income

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Rental income from investment property	3,703	4,502

Table 9.3. Information on the minimum amounts of future lease payments under a non-cancellable operating lease, if the bank is the lessor

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Up to 1 year	401	4,256
From 1 to 5 years	-	-
More than 5 years	848	1,740
Total payments receivable under the operating rent	1,249	5,996

10. FIXED ASSETS, RIGHT-OF-USE ASSETS AND INTANGIBLES ASSETS

Table 10.1 Fixed assets and intangible assets

thousand UAH

	land	land	Vehicles	Equipment	Office	Leasehold	Intangible	assets	Intangible	Total
	-	--		215	3374	8580	6254	--	--	
	-	19189	1997	588	20555	14669	6254	6480		69732
	-	(9929)	(386)	(373)	(17181)	(6089)	-	(5250)	(39208)	
	316	1255		27	1908	1861	6,515	3,236		15 118
	-	-	-	-	-	-	(6,577)	-		(6,577)
Depreciation deductions	-	(3475)	(250)	(56)	(2,516)	(4,811)	-	(720)	(11828)	
Other changes	-	-	-	-	13,726	-	-	-		13,726
Disposal of original cost	-	-	-	-	-	(11)	-	(1)		(12)
Depreciation write-off	-	-	-	-	-	11	-	-		11
Derecognition of an asset	-	-	-	-	(15749)	-	-	-		(15749)
Carrying amount as of December 31, 2022	316	7040	1361	186	743	5630	6192	3745		25213
Original (revalued) cost	316	20444	1997	615	6714	16519	6192	9715		62512
Depreciation at the end of the reporting period	-	(13404)	(636)	(429)	(5971)	(10889)	-	(5970)	(37299)	
Incoming	-	4862	1407	-	339	8221	23395	4430		42654
Other transfers (put into operation)	-	-	-	-	-	-	(19820)	-	(19820)	
Depreciation deductions	(31)	(3717)	(349)	(59)	(857)	(2649)	-	(2038)		(9700)
Disposal of original cost	-	(60)	(252)	-	-	(2429)	-	(3)		(2744)
Depreciation write-off	-	59	123	-	5724	1108	-	3		7017
Derecognition of an asset	-	-	-	-	(5724)	-	-	-		(5724)
Carrying amount as of December 31, 2023	285	8184	2290	127	225	9881	9767	6137		36896
Original (revalued) cost	316	25246	3152	615	1329	22311	9767	14142		76878
Depreciation at the end of the reporting period	(31)	(17062)	(862)	(488)	(1104)	(12430)	-	(8005)	(39982)	

There are no fixed assets on the bank's balance sheet for which restrictions on ownership, use and disposal are provided for by the legislation of Ukraine.

There are no fixed assets pledged as collateral. There are no fixed assets that are temporarily not in use (conservation, reconstruction, etc.).

There are no fixed assets retired for sale. As of December 31, 2023, the original cost of fully depreciated fixed assets was UAH 2,555 thousand and as of December 31, 2022, it was UAH 1,276 thousand.

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There are no intangible assets on the bank's balance sheet that are subject to restrictions on ownership. No intangible assets were created during the reporting period.

There were no increases or decreases in fixed assets and intangible assets during the reporting period and the previous period arising from revaluations, as well as from impairment losses recognized or reversed directly in equity.

11. OTHER ASSETS

Table 11.1. Other assets

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Other financial assets:	17,979	41604
Accrued income from settlement and cash services	827	671
Accrued operating lease income	2,580	3,422
Accounts receivable for payment of debt under the guarantee	4,604	5,542
Receivables from payment card transactions	7,163	15,459
Restricted funds	1,567	14,749
Receivables from transactions with payment systems	1,082	1,206
Other financial assets	156	555
<i>Reserve for other financial assets</i>	(8,475)	(9,745)
Total other financial assets less reserves	9,504	31,859
Other assets	59,914	48,470
Property transferred to the bank as a mortgagee	689	1,365
Deferred expenses	12,224	11,227
Prepayment for services	1,609	152
Accounts receivable from asset acquisition	111	422
Banking metals at the bank branch	41,030	32,770
Receivables for taxes and mandatory payments, except for income tax	2,619	81
Other assets	1,632	2,453
<i>Reserve for other assets</i>	(1,022)	(324)
Total other assets less reserves	68,396	80,005

During the reporting and previous periods, the Bank did not have any concluded agreements on the provision of assets under financial leasing (rent), under which the Bank is the lessor.

The data in Note 11 are included in the Statement of Financial Position and in Note 18.

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Table 11.2. Analysis of changes in the provision for impairment of other assets for 2023

<i>thousand UAH</i>	Financial assets	Other assets	Total
December 31, 2022	(9,745)	(324)	(10,069)
(Increase)/decrease reserve	570	(698)	(128)
Write-off against reserve	700	-	700
December 31, 2023	(8,475)	(1,022)	(9,497)

Table 11.3. Analysis of changes in the provision for impairment of other assets for 2022

<i>thousand UAH</i>	Financial assets	Other assets	Total
December 31, 2021	(8,932)	(1,454)	(10,386)
(Increase)/decrease reserve	(813)	1,130	317
December 31, 2022	(9,745)	(324)	(10,069)

Table 11.4. Analysis of the credit quality of financial assets

<i>thousand UAH</i>	December 31, 2023 December 31, 2022	
Not past due and not impaired debt	9,812	31,414
<i>small companies</i>	-	-
<i>individuals</i>	7,163	15,459
<i>large companies</i>	2,649	15,955
Debt impaired on an individual basis with delayed payment	8,167	10,190
<i>up to 31 days</i>	1,894	1,986
<i>from 32 to 92 days</i>	944	1,840
<i>from 93 to 183 days</i>	1,754	1,509
<i>from 184 to 274 days</i>	2,566	10,190
<i>from 275 to 365 days</i>	698	549
<i>more than 365(366) days</i>	311	4,203
Total financial assets before deduction of reserve	17,979	41,604
Reserve for other financial assets	(8,475)	(9,745)
Total other financial assets less reserve	9,504	31,859

12. CUSTOMER FUNDS

Table 12.1. Client funds

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
State and public organizations:	9,228	40,903
<i>current accounts</i>	9,228	40,903
Other legal entities:	2,902,791	1,554,831
<i>current accounts</i>	2,444,345	1,281,508
<i>term funds</i>	353,410	219 220
<i>funds in the accounts</i>	105,036	54 103
Individuals:	607 117	624,586
<i>current accounts</i>	222,687	224,591
<i>term funds</i>	346,448	363,426
<i>funds in the accounts</i>	37,982	36,569
Total customer funds	3,519,136	2 220 320

Client funds, recorded as of the end of the day on December 31, 2023, on balance sheet account 2932 "Funds in settlements of business entities", in the amount of UAH 105,036 thousand. and on balance sheet account 2942 "Funds in settlements of individuals", in the amount of UAH 37,982 thousand. were transferred to cash collateral (coverage) under the guarantees provided by the bank.

As of December 31, 2023, funds raised from the Bank's ten largest clients in the amount of UAH 1,244,857 thousand constituted 35% of the total amount of client funds (as of December 31, 2021: UAH 640,968 thousand (29%)).

The data in Note 13 are included in the Statement of Financial Position and in Note 18.

Table 12.2. Distribution of customer funds by type of economic activity

<i>thousand UAH</i>	December 31, 2023		December 31, 2022	
	sum	%	sum	%
Production and distribution of electricity, gas and water	52,796	2	15,531	1
Trade, repair of automobiles, household goods and personal items	982,267	28	669,257	30
Individuals	607 117	17	624,586	28
Production of other products	188,073	6	123,378	6
Professional, scientific and technical activities	23,425	1	48,711	2
Real estate transactions, leasing, engineering and service provision	178,553	5	117,160	5
Agriculture, hunting, forestry	9,246	-	9,530	1
Construction	381,492	11	160,871	7
Financial and insurance activities	357,515	10	189,357	9
Transport, warehousing, postal and courier activities	70,821	2	107,375	5
Mining industry	17,272	-	27,482	1
Health care and social services assistance	457,619	13	2,587	-
Production and repair of machinery and equipment	61,058	2	9 149	-
Temporary accommodation and catering	9,967	-	7,988	-

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Food production, provision of meals and beverages	6,244	-	12,074	1
Arts, sports, entertainment and recreation	71,244	2	63,727	3
Other	44,427	1	31,557	1
Total customer funds	3,519,136	100	2 220 320	100

During 2023 and the previous year 2022, the Bank carried out operations to attract customer funds exclusively at market rates.

13. PROVISIONS FOR LIABILITIES

Table 13.1. Changes in provisions for liabilities for 2023

<i>thousand UAH</i>	December 31, 2023
Balance at the beginning of the period	1,597
Formation and/or increase of reserve	464
Balance at the end of the period	2,061

The Bank applies the same risk management procedures to lending commitments as to credit transactions reflected on the balance sheet. The maximum potential credit risk on lending commitments is equal to the total amount of commitments. Taking into account the availability of collateral and the fact that such commitments (except for guarantees) are revocable, the Bank's management believes that the potential credit risk and potential liquidity risk when carrying out the specified transactions are virtually absent. The reserve in the reporting and previous periods was formed as collateral for guarantees.

The data in Note 13 are included in the Statement of Financial Position and in Note 17.

14. OTHER OBLIGATIONS

Table 14.1. Other liabilities

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Commission for providing guarantees	13,082	17,082
Other payables from transactions with bank clients	7,997	8,215
Bank customers' funds in inactive accounts	3,436	1,254
Deferred income	869	386
Accounts payable for services	-	25,697
Accounts payable for settlements with bank employees	6,937	6,043
Accounts payable for taxes and mandatory payments, except for income tax	3,704	1,413
Accounts payable for fees to the Fund guaranteeing deposits of individuals	1,268	1,144
Contractual obligations	218	699
Accounts payable under contractual obligations	448	2,133
Accounts payable for business transactions/services	10,555	-
Other accrued expenses	647	790
Others	10	2,741
Total	49,171	67,597

The data in Note 14 are included in the Statement of Financial Position and in Note 17.

15. AUTHORIZED CAPITAL AND SHARE DIFFERENCES (SHARE PROFIT)

Table 15.1 Authorized capital and share premium (share income)

<i>thousand UAH</i>	Number of shares outstanding (thousands of shares)	Simple promotions	Total
Balance as of December 31, 2021	12,152	300,039	300,039
Issuance of new shares (units)	-	-	-
Balance as of December 31, 2022	12,152	300,039	300,039
Issuance of new shares (units)	-	-	-
Balance as of December 31, 2023	12,152	300,039	300,039

There are no shares announced for issue in the reporting year 2023.

The nominal value of one share as of the end of the day on December 31, 2023 is 24.69 hryvnias.

The bank did not issue preferred shares, and no dividends were paid.

There are no restrictions on share ownership at the end of the reporting year 2023.

Ordinary registered shares of the Bank grant their owners the rights provided for by the current legislation of Ukraine, including: to participate in the management of the Bank, namely the right to vote when resolving issues at the General Meeting of Shareholders of the Bank on the principle of "one voting share - one vote"; to participate in the distribution of the Bank's profit and receive its share (dividends); to receive, in the event of liquidation of the Bank, part of its property or the value of part of its property; to receive information about the Bank's business activities; in the event of the issuance of additional shares through private placement, to exercise the preemptive right to purchase ordinary shares placed by the Bank in proportion to the share of ordinary shares owned by them (the shareholders) in the authorized capital of the Bank; to sell or otherwise alienate the shares owned by them without the consent of other shareholders and the Bank.

The data of Note 15 are included in the "Statement of Financial Position" and "Statement of Changes in Equity (Statement of Equity)".

16. MOVEMENT IN REVALUATION RESERVES (COMPONENTS OF OTHER COMPREHENSIVE INCOME)

Table 16.1. Movement in revaluation reserves (components of other comprehensive income)

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Balance at the beginning of the year	(37,594)	(20,884)
Revaluation of financial assets at cost, accounted for at fair value through other comprehensive income	-	-
<i>changes in revaluation to fair value</i>	<i>(8,419)</i>	<i>(84,424)</i>
<i>sales income (expenses), in reclassified to profit or loss in the reporting period</i>	<i>47,444</i>	<i>67,714</i>
Balance at the end of the year	1,431	(37,594)

17. ANALYSIS OF ASSETS AND LIABILITIES BY MATURITY TERM

Table 17.1. Analysis of assets and liabilities by maturity

thousand UAH

	December 31, 2023			December 31, 2022		
	less than 12 months	more than 12 months	total	less than 12 months	more than 12 months	total
ASSETS						
Cash and cash equivalents	2,109,911	-	2,109,911	887,718	-	887,718
Loans and customer debt	264,536	283,306	547,842	314,033	157,111	471,144
Investments in securities	856,871	146,189	1,003,060	822,185	-	822,185
Investment property	-	104,911	104,911	-	254,179	254,179
Current income tax receivable	-	-	-	182	-	182
Deferred tax assets	4,909	-	4,909	3,727	-	3,727
Fixed assets and intangible assets	-	36,896	36,896	-	25,213	25,213
Other assets	68,396	-	68,396	80,005	-	80,005
Total assets	3,304,623	571,302	3,875,925	2,107,850	436,503	2,544,353
OBLIGATION						
Client funds	2,856,963	662,173	3,519,136	1,981,143	239,177	2,220,320
Current income tax liabilities	5,678	-	5,678	-	-	-
Provisions for liabilities	1,785	276	2,061	1,299	298	1,597
Other obligations	41,256	7,915	49,171	49,878	17,719	67,597
Total liabilities	2,905,682	670,364	3,576,046	2,032,320	257,194	2,289,514

18. INTEREST INCOME AND EXPENSES

Table 18.1. Interest income and expenses

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Interest income:		
Loans and customer debt	92,512	53,552
Bank loans and debt	23	-
Investments in securities	123,622	280,674
Correspondent accounts in other banks	202	-
NBU certificates of deposit, which are recorded under the AS	80,982	17,124
Other interest income	-	323
Total interest income	297,341	351,673
Interest expenses:		
Bank funds	-	(277,372)
Term funds of legal entities	(31,502)	(17,289)
Term funds of individuals	(32,376)	(40,455)
Current accounts	(63,780)	(25,580)
Interest expense on lease liability	(68)	(265)
Interest expenses on funds received from other banks	-	(302)
Other interest expenses	(1,349)	(274)
Total interest expense	(129,075)	(361,537)
Net interest income (expenses)	168,266	(9,864)

The data of Note 18 are included in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 24

19. COMMISSION INCOME AND EXPENSES

Table 19.1. Commission income and expenses

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Commission income		
Settlement and cash transactions	114,913	285,908
Customer credit service	162	376
Foreign exchange market operations for clients	55,226	12,840
Guarantees provided	21,416	20,271
Others	192	247
Total commission income	191,909	319,642
Commission costs		
Settlement and cash transactions	(60,169)	(37,374)
Securities transactions for clients	(160)	(80)
Others	-	(2)
Total commission expenses	(60,329)	(37,456)
Net commission income/expenses	131,580	282 186

The data of Note 19 are disclosed in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 24.

20. OTHER OPERATING INCOME

Table 20.1. Other operating income

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Fines, penalties received by the bank	314	5,881
Income from operating leasing (rent)	4 181	5,009
Income on initial recognition of financial assets (Government bonds)	1,510	7,783
Income from derecognition of financial liabilities	3,084	9,627
Compensation for utility costs for rented premises	957	922
Income from the sale of property	177	-
Income from posting to the balance sheet of mortgaged property	-	1,203
Income from disposal of investment property	2,090	26,593
Others	675	722
Total operating income	12,988	57,740

The data of Note 20 are disclosed in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 24.

21. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Table 21.1. Administrative and other operating expenses

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Marketing and advertising expenses	(6,813)	(2,794)
Costs associated with customer acquisition	(118,236)	(140,752)
Expenses for maintenance of fixed assets and intangible assets, telecommunication and other operational services	(67,329)	(43,615)
Operating lease (rent) expenses	(9,503)	(4,709)
Payment of other taxes and fees, except for income tax	(7,185)	(7,306)
Expenses for information and consulting services received and financial consulting services	(4,275)	(2,928)
Security costs	(964)	(1,475)
Expenses from derecognition of financial assets	(51)	-
Costs for collecting valuables	(2,396)	(1,053)
Audit costs	(420)	(470)
Payment card support	(9,245)	(17,239)
Staff education and training costs	(2,889)	(2,152)
Impairment of assets held for sale and assets in disposal groups	-	(1,638)
Result from sale of property	(10,576)	-
Others	(9,403)	(6,138)
Total administrative and other operating expenses	(249,285)	(232,269)

The data of Note 21 are disclosed in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 24.

22. INCOME TAX

The Bank records income tax based on tax accounting data in accordance with the requirements of the Tax Code of Ukraine, which is based on accounting data maintained in accordance with the requirements of IFRS. The income tax rate applied to the calculation of item indicators was based on the current tax rate of 18% in 2022 and the rate of 50% in 2023 in accordance with the amendments to the Tax Code of Ukraine made by the Law of Ukraine "On Amendments to the Tax Code of Ukraine Regarding the Features of Taxation of Banks and Other Taxpayers" No. 3474-IX dated November 21, 2023. Also, this Law does not provide for the inclusion of losses from previous years when calculating income tax for 2023.

The Bank's financial statements are affected by permanent temporary differences due to the fact that certain income and expenses are not included in income and expenses for tax purposes.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are mainly related to different methods of recognizing income and expenses, as well as to the carrying amount of certain assets. The deferred tax asset as of 01.01.2024 is calculated based on the tax rate for 2024 of 25%.

In September-October 2023, employees of the Main Department of the State Tax Service in the city of A documentary scheduled on-site inspection of JOINT-STOCK COMPANY "RWS BANK" was conducted in Kyiv, based on the results of which the Act "On the results of the documentary scheduled on-site inspection of JOINT-STOCK COMPANY "RWS BANK" (code 39849797) on compliance with tax legislation for the period from 01.04.2019 to 30.06.2023, currency legislation for the period from 01.04.2019 to 30.06.2023, single contribution to mandatory state social insurance for the period from 01.04.2019 to 30.06.2023 and other legislation for the relevant period" dated 01.11.2023 under No. 70328/Zh5/26-15-07-08-01/39849797 was drawn up.

According to the results of the audit, UAH 458,449.77 in arrears and penalties were paid, which amounted to 0.3% of the income tax accrued for 2023.

Table 22.1. Expenses for paying income tax

<i>thousand UAH</i>	2023 year	2022 year
Current income tax Change in deferred	15,171	-
income tax related to: the occurrence or reversal of temporary differences	(1,182)	(3,090)
an increase or decrease in the tax rate Total income tax	(1,182)	(3,090)
expense 13,989 (3,090)	-	-

Table 22.2. Reconciliation of accounting profit (loss) and taxable profit (loss)

<i>thousand UAH</i>	2023 year	2022 year
Profit before tax	20,004	26,514
Theoretical tax deductions at the applicable tax rate	10,002	4,773
Adjustment of accounting profit (loss)		
Expenses that are not included in the amount of expenses for the purpose of calculating taxable profit, but are recognized in accounting (amount of accrued depreciation, use of reserves, result from securities transactions, fines paid)	3,424	2,524
Expenses that are included in the amount of expenses for the purpose of calculating taxable profit, but are not recognized in accounting (losses of previous years)	-	(7,786)
Income that is not included in the amount of income for the purpose of calculating taxable income, but is recognized in accounting (result from securities transactions)	563	(2,601)
Income that is subject to income tax but is not recognized (does not belong) to accounting profit (loss) (shareholder's material assistance)	-	-
Changes in deferred tax assets not reflected in the statement of financial position	-	-
Income tax expenses	(13,989)	(3,090)

Table 22.3. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2023

<i>thousand UAH</i>	December 31, 2022 Charged to profit and loss	December 31, 2023
Tax effect of temporary differences that reduce the taxable base		
Loan impairment allowance	854	(738) 116
Tax losses before carryforward	7,786	1,948 9,734
Fixed assets and intangible assets	1,126	730 1,856
Loss on sale of securities	2,601	(758) 1,843
Shareholder financial assistance	(8,640)	- (8,640)
Deferred tax asset, gross amount	3,727	1,182 4,909
Deferred tax assets are not reflected in the statement of financial position	-	- -
Deferred tax asset	3,727	1,182 4,909

Table 22.4. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2022

<i>thousand UAH</i>	December 31, 2021 Charged to profit and loss accounts	December 31, 2022
Tax effect of temporary differences that reduce the taxable base		
Loan impairment allowance	215	639 854
Tax losses before carryforward	7,171	615 7,786
Fixed assets and intangible assets	637	489 1,126
Loss on sale of securities	1,254	1,347 2,601
Shareholder financial assistance	(8,640)	- (8,640)
Deferred tax asset, gross amount	637	3,090 3,727
Deferred tax assets are not reflected in the statement of financial position	-	- -
Deferred tax asset	637	3,090 3,727

23. EARNINGS (LOSS) PER COMMON SHARE

Table 23.1. Net and adjusted earnings/(loss) per common share

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Profit/(loss) cumulative total since the beginning of the year	6,015	29,604
Profit/(loss) attributable to owners of the bank's common shares	6,015	29,604
Average annual number of common shares outstanding (thousands of shares)	12,152	12,152
Net and adjusted profit/(loss) per common share (UAH):		
basic	0.49	2.44
dilute	0.49	2.44

The data of Note 23 are included in the "Statement of profit or loss and other comprehensive income (Statement of financial performance)".

The amount of earnings/(loss) per share was calculated by dividing the net income/(loss) attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The Bank does not have shares that could result in a decrease in earnings per share. Thus, the adjusted net income/(loss) per share is equal to the earnings per share attributable to shareholders of ordinary shares.

The net profit/(loss) indicator does not differ from the adjusted net profit/(loss) indicator.

Table 23.2. Calculation of profit/(loss) attributable to owners of the bank's common shares

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Profit/(loss) for the period attributable to owners of the bank	6,015	29,604
Retained earnings/(loss) for the period	6,015	29,604
Retained earnings/(loss) for the period attributable to ordinary shareholders based on the terms of the shares	6,015	29,604
Profit/(loss) for the period attributable to ordinary shareholders	6,015	29,604

24. OPERATING SEGMENTS

Operating segments are components of a business entity that engage in commercial activities from which the entity may earn income and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, and for which financial information is available.

A segment is a distinguishable component of the Bank's business that is engaged in either providing services or products (business segment), or providing services or products within a specific economic environment (geographic segment), and is exposed to risks and returns.

The Bank's main format for reporting segment information is business segments.

The Bank recognizes the following reportable segments: corporate banking, retail banking, treasury.

Corporate banking represents tools for managing accounts (current, deposit), providing loans, overdrafts and other types of financing, trade financial instruments, structured financing, foreign currency and banknote transactions.

Unallocated items also include the amounts of expenses that are not included in segment expenses: income tax expenses, general administrative expenses, and other expenses that arise at the Bank level and relate to the Bank as a whole.

Retail banking represents banking services for individuals, current, savings and deposit accounts for individuals, credit and debit cards, mortgages and loans for current needs.

Treasury activities - conducting operations on the credit and foreign exchange markets, securities transactions (both on behalf of clients and for their own account), relationships with professional participants in the financial market - banks, insurance companies, financial intermediaries in the capital markets.

The Bank recognizes as revenue of a reporting segment the revenue directly attributable to the segment and the relevant part of the bank's revenue that can be attributed to the segment from external activities or from transactions between other segments within the same bank. Revenues of reporting segments are presented net of value added tax, excise duty, other duties and deductions from income. Revenues of reporting segments do not include income from extraordinary events and income from income tax.

The Bank recognizes as expenses of a reporting segment expenses related to the main activities of the segment that are directly attributable to it and the appropriate portion of expenses that can be reasonably attributed to the segment, including expenses from external activities and expenses related to operations of other segments within the same bank.

Indicators of dissimilar segments are included in the unallocated items "Unallocated amounts", which are used to reconcile the relevant indicators of the performance of the reporting segments and the Bank as a whole.

JOINT STOCK COMPANY "RWS BANK"

Notes to the annual financial statements for the year ended 31 December 2023

Table 24.1. Revenues, expenses and results of reporting segments for 2023

<i>thousand UAH</i>	Corporate and business	Retail business	Treasury	Other segments and operations	Total
Interest income	85,832	6,681	204,828	-	297,341
Commission income	80,215	86,838	24,856	-	191,909
Other operating income	6,845	989	12	5,142	12,988
Total segment revenues	172,892	94,508	229,696	5,142	502,238
Interest expenses	(94,415)	(33,243)	-	(1,417)	(129,075)
Commission costs	(160)	(1,258)	(58,911)	-	(60,329)
Employee benefits expenses	(45,831)	(27,499)	(4,584)	(13,745)	(91,659)
Depreciation and amortization expenses	-	-	-	(9,700)	(9,700)
Other administrative and operating expenses	(124,646)	(74,788)	(12,469)	(37,382)	(249,285)
Total segment costs	(265,052)	(136,788)	(75,964)	(62,244)	(540,048)
Net profit/(loss) from FI transactions accounted for under the CIF	-	-	-	437	437
Net profit/(loss) from FI transactions accounted for under the SVISD	-	-	-	(2,634)	(2,634)
Net profit/(loss) from foreign operations currency	-	-	95,992	-	95,992
Net profit/(loss) from revaluation of investment property	-	-	-	(18,627)	(18,627)
Net profit/(loss) from revaluation of foreign currencies	321	3,698	(1,066)	(4,505)	(1,552)
Net gain/(loss) from impairment of financial assets	(8,350)	(3,758)	(3,006)	453	(14,661)
Net gain/(loss) from impairment of other assets	-	-	-	(677)	(677)
Net loss/(gain) from increase/(decrease) in provisions for liabilities	(464)	-	-	-	(464)
Segment result (before tax)	(100,653)	(42,340)	245,652	(82,655)	20,004
Income tax expenses	-	-	-	-	(13,989)
Segment result	(100,653)	(42,340)	245,652	(82,655)	6,015

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Notes to the annual financial statements for the year ended 31 December 2023

The components of line 3 "Other operating income" in the amount of UAH 12,988 thousand are disclosed in Note 20.

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 249,284 thousand are disclosed in Note 21.

Table 24.2. Revenues, expenses and results of reportable segments for 2022

<i>thousand UAH</i>	Corporate and business	Retail business	Treasury	Other segments and operations	Total
Interest income	210,818	2,955	137,900	-	351,673
Commission income	53,976	261,994	3,672	-	319,642
Other operating income	49,950	862	-	6,928	57,740
Total segment revenues	314,744	265,811	141,572	6,928	729,055
Interest expenses	(42,245)	(41,079)	(277,674)	(539)	(361,537)
Commission costs	(82)	(8,338)	(29,034)	(2)	(37,456)
Employee benefits expenses	(39,934)	(23,960)	(3,995)	(11,976)	(79,865)
Depreciation and amortization expenses	-	-	-	(11,828)	(11,828)
Other administrative and operating expenses	(111,533)	(72,446)	(12,079)	(36,211)	(232,269)
Total segment costs	(193,794)	(145,823)	(322,782)	(60,556)	(722,955)
Net profit/(loss) from FI transactions accounted for under the CIF	-	-	(1,250)	-	(1,250)
Net profit/(loss) from FI transactions accounted for under the SVISD	-	-	-	(22,235)	(22,235)
Net profit/(loss) from foreign operations currency	-	-	23,591	-	23,591
Net profit/(loss) from revaluation of investment property	-	-	-	38,286	38,286
Net profit/(loss) from revaluation of foreign currencies	261	3,077	5,839	(12,547)	(3,370)
Net gain/(loss) from impairment of financial assets	(8,567)	(5,616)	(2,240)	(114)	(16,537)
Net gain/(loss) from impairment of other assets	-	-	-	1,491	1,491
Net loss/(gain) from increase/ (decrease) in provisions for liabilities	267	-	-	171	438
Segment result (before tax)	112,911	117,449	(155,270)	(48,576)	26,514

The components of line 3 "Other operating income" in the amount of UAH 57,740 thousand are disclosed in Note 20.

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 232,269 thousand are disclosed in Note 21.

JOINT STOCK COMPANY "RWS BANK"

Notes to the annual financial statements for the year ended 31 December 2023

Table 24.3. Assets and liabilities of reportable segments for 2023

<i>thousand UAH</i>	Corporates business	Retail business	Treasury	Others segments and operations	Total
Segment assets					
Segment assets	516,876	32 103	2,855,643	-	3,404,622
Total segment assets	516,876	32 103	2,855,643	-	3,404,622
Undistributed assets	-	-	-	471,303	471,303
Total assets	516,876	32 103	2,855,643	471,303	3,875,925
Segment liabilities					
Segment liabilities	2,946,682	573 102	-	-	3,519,784
Total segment liabilities	2,946,682	573 102	-	-	3,519,784
Unallocated liabilities	-	-	-	56,262	56,262
Total liabilities	2,946,682	573 102	-	56,262	3,576,046

Data of line 3 "Undistributed assets" in the amount of UAH 471,303 thousand consist of:

- UAH 257,329 thousand "Cash and funds on correspondent accounts in other banks";
- UAH 104,911 thousand "Investment real estate";
- UAH 36,896 thousand "Fixed assets and intangible assets";
- UAH 4,909 thousand "Deferred tax asset";
- UAH 67,258 thousand. "Other assets"

The data of line 7 "Unallocated liabilities" in the amount of UAH 56,262 thousand consist of:

- 46,694 thousand UAH – accounts payable for business operations, taxes, income future periods and other liabilities;
- UAH 9,568 thousand – other liabilities.

Table 24.4. Assets and liabilities of reportable segments for 2022

<i>thousand UAH</i>	Corporates business	Retail business	Treasury	Others segments and operations	Total
Segment assets					
Segment assets	475,391	14,216	1,577,863	-	2,067,470
Total segment assets	475,391	14,216	1,577,863	-	2,067,470
Undistributed assets	-	-	-	476,883	476,883
Total assets	475,391	14,216	1,577,863	476,883	2,544,353
Segment liabilities					
Segment liabilities	1,629,633	591,476	-	-	2,221,109
Total segment liabilities	1,629,633	591,476	-	-	2,221,109
Unallocated liabilities	-	-	-	68,405	68,405
Total liabilities	1,629,633	591,476	-	68,405	2,289,514

The data of line 3 "other undistributed assets" in the amount of UAH 476,883 thousand are:

- UAH 113,577 thousand - "Cash and funds on correspondent accounts in other banks";

- UAH 254,179 thousand – "Investment real estate";
- UAH 25,213 thousand - "Fixed assets and intangible assets";
- UAH 3,727 thousand – "Deferred tax asset";
- UAH 182 thousand – "Receivables for current income tax";
- UAH 80,005 thousand – "Other assets" .

The data of line 7 "Other unallocated liabilities" in the amount of UAH 68,405 thousand are:

- UAH 60,969 thousand. "Accounts payable under business transactions, other liabilities";
- UAH 7,436 thousand – Other liabilities.

The Bank does not submit "Information on Geographic Regions" because it carries out its business activities only in Ukraine.

25. FINANCIAL RISK MANAGEMENT

Risk management is important in banking and is an essential element of operations. The main risks that the Bank may be exposed to in its activities include credit risk, liquidity risk, market risk, and operational and technological risk, legal, strategic and reputational risks.

The structure of the risk management system in JSC "RWS BANK" consists of three lines of defense, the first line of defense is the business units and support units, the second line of defense is the risk management and compliance control units, the third line is the Supervisory Board of the bank and the audit unit. Permanent committees: Credit Committee; Asset and Liability Management Committee; Tariff Committee. The overall risk management strategy in the Bank is determined by the Supervisory Board.

The Credit Committee's activities are aimed at forming a loan portfolio with minimal credit risk, i.e., a minimal level of overdue debt. To this end, the Bank:

- sets lending limits, concentration limits;
- assesses the quality of assets and makes decisions on the formation of reserves to cover possible losses from their depreciation;
- supports the implementation of risk standards established by the National Bank of Ukraine (standard for the maximum amount of credit risk per counterparty, standard for the maximum amount of credit risk for transactions with persons related to the bank, standard for large credit risks).

To reduce credit risk, the committee constantly assesses the creditworthiness of the Bank's counterparties; identifies problem assets in a timely manner; controls the determination of the amount of credit risk and the calculation of provisions for asset impairment.

The Asset and Liability Management Committee assesses and manages liquidity and market risks, both for individual transactions and for banking activities at the level of asset and liability portfolios as a whole. Market risk management includes the management of interest rate risk, currency risk and liquidity risk.

The Committee reviews the cost of liabilities and the profitability of assets on a monthly basis and makes decisions on the interest margin policy. It considers the issue of matching the maturity of assets and liabilities and provides recommendations to the relevant divisions of the Bank on eliminating discrepancies between the maturities of liabilities and asset placement that arise.

In terms of liquidity risk management and cash flows, it calculates prospective liquidity; assesses the liquidity situation and makes decisions on liquidity management within the framework of delegated powers and internal regulatory procedures; takes preventive measures to minimize and ensure the management of liquidity risk arising in the current work of the Bank and/or related to changes in the market situation.

The Tariff Committee regularly analyzes the ratio of the cost of services and the market competitiveness of current tariffs. In this regard, in order to implement a unified tariff policy of the Bank, the Committee:

- reviews the tariff system, makes changes and recommends them for approval;
- considers and approves tariffs for new products/services;
- controls the implementation of the Bank's tariff policy by structural divisions.

Operational risk management in the Bank is carried out by the Risk Management Department, which is engaged in the development of policies on credit, market and operational risks, their submission for approval

committees of the Bank; identifies and assesses risks (by specific agreements and in general at the portfolio level); organizes the Bank's risk control and monitoring system; assesses operational risks of all business processes, develops measures to prevent risks and measures to minimize the risks taken by the Bank. Representatives of the Risk Management Department are members of the Credit Committee, the Assets and Liabilities Management Committee. Representatives of the Risk Management Department attend meetings of the relevant committees risks have one vote.

The Risk Management Department carries out expert verification of solvency and other quantitative and qualitative characteristics of borrowers when issuing loans, including collateral, monitors, identifies and promptly assesses risks related to these loans, develops and maintains the Bank's borrower assessment systems, identifies, monitors, assesses and optimizes liquidity risk, interest rate risk, market and currency risks assumed by the Bank in its current activities. In addition, this unit is entrusted with the functions of analyzing, managing, monitoring and controlling credit risks of interbank transactions and the functions of monitoring and controlling risks of violating economic standards, limits and special requirements of the National Bank of Ukraine.

The Risk Management Department is subordinate to the Supervisory Board of the Bank.

Credit risk

The Bank is exposed to credit risk, which is the risk that counterparties will not meet their obligations on time and in full. The Bank structures credit risk levels by approving credit limits for the amount of risk acceptable for one borrower or group of borrowers. Such risks are under constant control and analyzed in accordance with the established procedure. Limits for the level of credit risk per borrower are regularly approved by the Supervisory Board. Credit risk is managed by regularly analyzing the ability of borrowers and potential borrowers to repay interest and principal on loans, as well as by changing the relevant credit limits if necessary. In addition, credit risk management involves obtaining liquid collateral.

The analysis of loan impairment includes determining whether payments of principal or interest on a loan are more than 90 days past due (for legal entities and individually significant loans to individuals) and 90 days (for individuals not included in the individually significant segment), whether there are any known difficulties with regard to the counterparties' cash flows, a decrease in the credit rating or a violation of the original terms of the relevant agreement. The Bank carries out an analysis of impairment in two directions: the creation of a provision for impairment of individual loans and a provision for impairment of loans on a collective basis.

As of December 31, 2023, the maximum amount of credit risk was UAH 62,081 thousand (December 31, 2022: UAH 45,889 thousand)

Market risk

Market risks arise from open positions in interest rates and currency instruments that are affected by general and specific market changes. Market risk is the risk that changes in market conditions, such as interest rates, securities quotes, exchange rates and credit spreads (not related to changes in the creditworthiness of the debtor/creditor), will affect the Bank's income or the value of financial instruments held by it.

In order to limit losses, the Bank manages market risk by periodically assessing potential losses that may arise from adverse changes in market conditions, and by setting and adhering to appropriate limits.

The Bank, within the framework of market risk, also considers price risk regarding the decrease in the value of securities and collateral (mortgage), etc.

Overall responsibility for controlling market risk is assigned to the Asset and Liability Management Committee, which manages market risk by establishing reasonable restrictions (limits, standards, interest rates).

Currency risk

Currency risk arises when actual or forecast assets in a foreign currency are greater or less than liabilities in the same currency.

Currency risk management includes the following elements: using all possible means to avoid a risk that leads to significant losses, controlling the risk and minimizing the amount of probable losses if it cannot be avoided completely, and insuring currency risk if it cannot be avoided.

The Bank sets limits and constantly monitors currency positions in accordance with the requirements of the regulatory legal acts of the National Bank of Ukraine.

Table 25.1. Currency risk analysis

	December 31, 2023			December 31, 2022		
	monetary assets	monetary obligations	clean position	monetary assets	monetary obligations no	clean position
US dollars	279,482	(274,065)	5,417	213,929	(213,612)	317
Euro	239 219	(238,665)	554	128,602	(130,265)	(1,663)
Pounds Sterling	3,495	(2,645)	850	2,019	(1,701)	318
Others	43,751	(46,646)	(2,895)	38,688	(39,569)	(881)
Total	565,947	(562,021)	3,926	383,238	(385,146)	(1,909)

Table 25.2. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies, set at the reporting date, provided that all other variables remain fixed

The calculation is made for cash balances in currencies other than the functional currency.

	December 31, 2023		December 31, 2022	
	impact on profit/(loss)	impact on own capital	impact on profit/(loss)	impact on own capital
US dollar strengthens by 10%	27,407	27,407	20,501	20,501
US dollar weakens by 13%	(35,628)	(35,628)	(26,651)	(26,651)
Euro strengthens by 53%	35,800	35,800	19,290	19,290
Euro weakens by 15%	(35,800)	(35,800)	(19,290)	(19,290)
53% strengthening of the pound sterling	1,402	1,402	1,057	1,057
15% weakening of the pound sterling	(397)	(397)	(299)	(299)
Strengthening of other currencies by 15%	6,543	6,543	5,464	5,464
Weakening of other currencies by 15%	(6,542)	(6,542)	(5,638)	(5,638)

Interest rate risk

Interest rate risk arises from the possibility of changes in the value of financial instruments or future cash flows of financial instruments due to changes in interest rates. Interest rate risk is assessed by the extent to which changes in market interest rates affect the interest margin and net interest income. When the terms of interest-bearing assets differ from the terms of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. In order to manage interest rate risk, the Bank sets limits (restrictions) on the interest rate spread (margin), monitors the interest rate yield on assets and interest rates on liabilities and adjusts the prices of banking products.

For assets and liabilities with a fixed interest rate, maturity is determined based on the period from the balance sheet date to the contractual maturity date, and for assets and liabilities with a variable interest rate, maturity is determined based on the earliest interest rate reset date or maturity date.

Table 25.3. General analysis of interest rate risk

<i>thousand UAH</i>	On demand and less than 1 month.	From 1 to 6 months.	From 6 to 12 months.	More than a year	Total
December 31, 2023					
Total financial assets	2,183,179	53,757	1,001,292	432,089	3,670,317
Total financial liabilities	2,362,076	214,741	300,931	665,903	3,543,651
Net gap for interest rates on end of previous period	(178,897)	(160,984)	700 361	(233,814)	126,666
December 31, 2022					
Total financial assets	973,066	64,217	909 139	266,484	2,212,906
Total financial liabilities	1,786,063	83,258	125,663	251,887	2,246,871
Net interest rate gap at the end of the previous period	(812,997)	(19,041)	783,476	14,597	(33,965)

The Bank does not have financial instruments with a variable interest rate, a change in the value of which would affect the Bank's financial result or capital.

Table 25.4. Monitoring interest rates on financial instruments

%	December 31, 2023				December 31, 2022			
	hryvnia US dollars		euro platinum hryvnia US dollars		euro platinum			
Assets								
Cash and cash equivalents	0.2	-	-	-	0.01	-	-	-
Loans and customer debt	16.8	4.8	3.2	-	11.2	3.9	-	-
Investments in securities	21.89	5.3	8.29	-	19.72	6.03	10.23	-
Obligation								
Bank funds	-	-	-	-	-	-	-	-
Client funds:								
current accounts	6.4	-	-	-	7.52	-	-	-
term funds	13.1	2.7	3.4	-	11.93	2.9	2.67	-

Table 25.5. Analysis of geographical concentration of financial assets and liabilities for 2023

<i>thousand UAH</i>	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	2,109,911	-	-	2,109,911
Loans and customer debt	547,842	-	-	547,842
Investments in securities	1,003,060	-	-	1,003,060
Other financial assets	9,504	-	-	9,504
Total financial assets	3,670,317	-	-	3,670,317
Obligation				
Client funds	2,956,323	562,813	-	3,519,136
Other financial liabilities	24,515	-	-	24,515
Total financial liabilities	2,980,838	562,813	-	3,543,651
Net balance sheet position by financial instruments	689,479	(562,813)	-	126,666
Credit obligations	1,601,808	-	-	1,601,808

Table 25.6. Analysis of geographical concentration of financial assets and liabilities for 2022

<i>thousand UAH</i>	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	887,718	-	-	887,718
Loans and customer debt	471,144	-	-	471,144
Investments in securities	822 185	-	-	822 185
Other financial assets	31,859	-	-	31,859
Total financial assets	2,212,906	-	-	2,212,906
Obligation				
Bank funds	-	-	-	-
Client funds	2,186,036	34,284	-	2 220 320
Other financial liabilities	26,551	-	-	26,551
Total financial liabilities	2,212,587	34,284	-	2,246,871
Net balance sheet position by financial instruments	319	(34,284)	-	(33,965)
Credit obligations	1,123,945	-	-	1,123,945

Assets, liabilities and credit-related obligations were classified based on the country in which the counterparty is located. Cash on hand was classified according to the country of their physical location.

finding.

Liquidity risk

This risk arises in the general financing of activities and in the management of positions. It includes both the risk of being unable to finance assets in a timely manner and at appropriate rates, and the risk of being unable to liquidate an asset at an acceptable price and in a timely manner.

The Bank has access to various sources of funding. Funds are raised through the use of various instruments, including contributions from participants to the authorized fund. This diversifies funding sources, reduces dependence on a single source of funding and, as a rule, reduces the cost of resources involved. The Bank tries to maintain a balance between continuity of funding and its diversity by using obligations with different payment periods.

The Bank uses economic and administrative tools to manage liquidity risk.

The Bank continuously assesses liquidity risk by identifying and monitoring changes in funding required to achieve business objectives defined within the overall strategy.

In addition, as part of the liquidity risk management strategy, the Bank maintains a portfolio of liquid assets and adheres to the gaps between borrowed and placed funds by maturity established by the National Bank of Ukraine.

The Bank has assets and liabilities denominated in several foreign currencies and is exposed to fluctuations in foreign exchange rates on its financial position and cash flows.

Table 25.7. Analysis of financial liabilities by maturity for 2023

<i>thousand UAH</i>	On demand and less than 1 month.	From 1 to 3 months.	From 3 to 12 months.	From 12 months to 5 years	Total
Client funds:	2,624,286	261,896	252,698	380 256	3,519,136
<i>Individual funds</i>	287,563	58,086	91,456	170,012	607 117
<i>Funds of legal entities</i>	2,285,630	182,571	141,453	302,365	2,912,019
Other financial liabilities	9,356	9,558	1,871	3,730	24,515
Financial guarantees	94,596	108,593	295,795	865,906	1,364,890
Other obligations of a credit nature	236,917	-	-	-	236,917
Total potential future payments on financial liabilities	2,965,155	380,047	550 364	1,249,892	5,145,458

Table 25.8. Analysis of financial liabilities by maturity for 2022

<i>thousand UAH</i>	On demand and less than 1 month.	From 1 to 3 months.	From 3 to 12 months.	From 12 months to 5 years	Total
Client funds:	1,775,677	82,201	123 265	239,177	2 220 320
<i>Individual funds</i>	302,781	67,315	90,932	163,558	624,586
<i>Funds of legal entities</i>	1,472,896	14,886	32,333	75,619	1,595,734
Other financial liabilities	10,386	1,057	2,398	12,710	26,551
Financial guarantees	134,470	71,388	203,973	526,759	936,590
Other obligations of a credit nature	187,355	-	-	-	187,355
Total potential future payments on financial liabilities	2,107,888	154,646	329,636	778,646	3,370,816

Table 25.9. Analysis of financial assets and liabilities by maturity based on expected maturities for 2023

<i>thousand UAH</i>	On demand and less than 1 month.	From 1 to 3 months.	From 3 to 12 months.	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	2,109,911	-	-	-	-	2,109,911
Loans and customer debt	70,695	38,605	155,236	283,306	-	547,842
Investments in securities	-	11,560	845,311	146 189	-	1,003,060
Other financial assets	2,573	3,592	745	2,594	-	9,504
Total financial assets	2,183,179	53,757	1,001,292	432,089	-	3,670,317
Obligation						
Client funds	2,348,592	212,894	295,477	662,173	-	3,519,136
Other financial liabilities	13,484	1,847	5,454	3,730	-	24,515
Total financial liabilities	2,362,076	214,741	300,931	665,903	-	3,543,651
Net liquidity gap at the end of the day December 31, 2023	178,897	160,984	-700 361	233,814	-	-126,666
Aggregate liquidity gap at the end of the day December 31, 2023	178,897	339,881	-360 480	-126,666	-	

Table 25.10. Analysis of financial assets and liabilities by maturity based on expected maturities for 2022

<i>thousand UAH</i>	On demand and less than 1 month.	From 1 to 3 months.	From 3 to 12 months.	From 12 months to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	887,718	-	-	-	-	887,718
Loans and customer debt	73,362	41,890	198,781	157,111	-	471,144
Investments in securities	-	7,487	709,528	105,170	-	822,185
Other financial assets	11,986	14,840	830	4,203	-	31,859
Total financial assets	973,066	64,217	909,139	266,484	-	2,212,906
Obligation						
Bank funds	-	-	-	-	-	-
Client funds	1,775,677	82,201	123,265	239,177	-	2,220,320
Other financial liabilities	10,386	1,057	2,398	12,710	-	26,551
Total financial liabilities	1,786,063	83,258	125,663	251,887	-	2,246,871
Net liquidity gap at the end of the day December 31, 2022	812,997	19,041	(783,476)	(14,597)	-	33,965
Aggregate liquidity gap at the end of the day December 31, 2022	812,997	832,038	48,562	33,965	-	

Concentration of other risks

Operational and technological risk is the risk of direct or indirect losses as a result of incorrectly designed business processes, ineffective internal control procedures, technological failures, unauthorized personnel actions, or external influence.

The main method of managing operational risk is to create an internal control system. The Bank regularly audits operational procedures along with assessing operational risks, and develops internal recommendations for their reduction. Operational risk assessment is always carried out when analyzing new products, internal banking regulations, processes, and operational, payment, and settlement procedures.

The Bank implements a system of clear delegation of authority, distribution of incompatible responsibilities, distribution of authority of individual structural divisions and employees of the Bank when performing all banking operations with limited access to the operating system.

Key operational risk management measures: monitoring operations at the unit level, limiting physical access of personnel to data on electronic and paper media, ensuring verification and double-checking procedures, ensuring compliance of the Bank's activities with internal procedures and regulations, as well as the requirements of legislation and regulatory authorities.

Reputational risk is an existing or potential risk to income and capital that arises from a negative perception of a financial institution's image by customers, counterparties, founders or supervisors. This affects the Bank's ability to establish new relationships with counterparties, provide new services or maintain relationships with existing customers.

The Bank has established a procedure for the participation of management bodies and heads of structural units in reputation risk management.

Strategic risk is an existing or possible negative impact on the Bank's activities, which is a consequence of making incorrect management, strategic decisions, imperfect implementation of such decisions or lack of reaction to changes in external market factors. Strategic risk is associated with errors in strategic management, primarily with the possibility of incorrect formulation of the Bank's goals, inadequate resource provision for their implementation and incorrect approach to risk management in banking activities in general. In order to minimize strategic risk, the Bank uses the following main methods:

- records in the Bank's internal documents, including the Bank's Charter, the division of powers of management bodies to make decisions;
- controls the mandatory implementation of decisions adopted by the Bank's supreme body by subordinate units and employees of the Bank;
- standardizes basic banking operations;
- establishes an internal procedure for agreeing on changes to internal documents and procedures related to decision-making;
- carries out an analysis of the impact of strategic risk factors (both in aggregate and in terms of their classification) on the Bank's performance indicators as a whole;
- monitors changes in Ukrainian legislation and current regulations in order to identify and prevent strategic risk on an ongoing basis;
- monitors the Banking services market in order to identify likely new areas of the Bank's activity and set new strategic objectives;
- monitors resources, in particular financial, material and technical and human resources for the implementation of the Bank's strategic objectives;
- stimulates the Bank's employees depending on the impact of their activities on the level of strategic risk;
- ensures continuous professional development of the Bank's employees in order to identify and prevent strategic risk;
- ensures constant access for the maximum number of Bank employees to up-to-date information on legislation and internal Bank documents.

Legal risk is an existing or potential risk to cash flows and capital that arises due to non-repayment of loans, violation or non-compliance with the requirements of laws, regulations, agreements, accepted practices and ethical norms, as well as due to the possibility of ambiguous interpretation of established laws and regulations.

In order to effectively manage and prevent legal risk, the Bank has developed an operational system for communicating changes to the Bank's regulatory documents (regulations, rules, procedures) to management and employees. Preliminary legal expertise of internal bank regulatory documents and the introduction of new banking products is mandatory.

To minimize legal risks when carrying out such banking operations, standard forms of contracts and other standardized documentation have been developed and applied. To prevent the occurrence of legal cases on banking operations, methodical and consulting work is carried out with clients. The level of legal awareness of employees and management is increased through systematic training and education.

Compliance risk

Compliance risk – the risk of legal sanctions, financial losses, or loss of reputation due to the Bank's failure to comply with the requirements of Ukrainian legislation, market standards, as well as the Bank's standards and internal documents and rules, etc.

26. CAPITAL MANAGEMENT

The main objective of the bank capital management process is to attract and maintain a sufficient amount of capital in order to obtain confidence that the Bank will function on a going concern basis to expand its activities and create protection against risks. The Bank's management, when managing capital, adheres to the requirements established for regulatory capital by the National Bank of Ukraine. In the process of analysis, it uses methods for determining capital adequacy in accordance with the requirements of the National Bank of Ukraine.

As of December 31, 2023, the Bank's regulatory capital amounted to UAH 286,704 thousand, which is sufficient to meet all licensing requirements as of the reporting date. The regulatory capital adequacy ratio as of the reporting date was 23.24% with a regulatory value of at least 10%. During the reporting period, the Bank never violated the established regulatory capital adequacy ratios.

The table below shows the structure of regulatory capital as of December 31, 2023 and for 2022, which was calculated in accordance with the requirements of the National Bank of Ukraine and according to reporting data, on the basis of which control over the size of the Bank's regulatory capital is carried out.

Table 26.1. Regulatory capital structure

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Fixed assets	240,046	152,098
Actual paid-up registered authorized capital	300,039	300,039
General reserves and reserve funds established in accordance with the laws of Ukraine	13,793	12,313
Financial assistance from bank shareholders, for which permission has been obtained	48,000	48,000
NBU regarding inclusion in fixed capital		
Reduction of fixed capital, including:	(121,785)	(208,254)
<i>intangible assets less depreciation</i>	(5,982)	(3,617)
<i>capital investment in intangible assets</i>	-	(386)
<i>losses from previous years</i>	(69,398)	(97,522)
<i>estimated loss for the current year (Rpr/s)</i>	-	-
<i>non-core assets</i>	(46,405)	-
Additional capital		
Estimated profit for the current year (Ppr/p)	46,657	78,038
Total regulatory capital	286,704	230 136

27. POTENTIAL LIABILITIES OF THE BANK

Hearing cases in court

The presence of lawsuits in court regarding the provision of financial services by the bank and the status of their consideration:

- Lawsuit to recover from the Bank the guarantee amount of UAH 759 thousand. Case No. 910/1136/20 was suspended in court of the first instance to consider another related case.
- Lawsuit to recover from the Bank the amount of the guarantee in the amount of 249 thousand UAH. Case No. 910/6428/23 was suspended in court of the first instance to consider another related case.
- A lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 155 thousand. Case No. 910/21822/21 is being considered in the court of first instance.
- Lawsuit to recover from the Bank the amount of the guarantee in the amount of 626 thousand UAH. Case No. 910/10010/22 was suspended in court of the first instance to consider another related case.
- A lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 285 thousand. Case No. 910/17418/23 is being considered in the court of first instance.
- A lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 5,470,000. Case No. 910/19068/23 is being considered in the court of first instance.
- A lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 110 thousand. Case No. 910/19128/23 is being considered in the court of first instance.

The bank's management considers the risk of losses to the bank due to these lawsuits to be unlikely, as it has experience in resolving similar legal cases in favor of the bank.

Potential tax liabilities

Currently, Ukraine has a number of laws and regulations in force regarding various taxes and fees levied by both state and local authorities. The taxes that are applied include income tax, value added tax, payroll tax, and other taxes and fees. The laws that regulate these taxes change frequently, and their provisions are often unclear or not developed. There is also a lack of judicial precedents on these issues. There are different points of view regarding the interpretation of legal norms among state ministries and organizations (for example, the tax administration and its inspectorates), which causes general uncertainty. The correctness of tax declarations, as well as other issues of compliance with the law, are subject to verification and study by a number of regulatory bodies, which are legally authorized to impose fines and penalties in significant amounts. The listed factors determine the presence of tax risks in Ukraine that are much greater than those that exist in countries with more developed tax systems.

Management believes that the Bank's activities are carried out in full compliance with the applicable legislation governing its activities and that the Bank has accrued all applicable taxes. In cases where there is uncertainty regarding the amounts of taxes payable, accruals are made based on the Bank's management's estimates based on the analysis of information available to it.

Capital investment commitments

The Bank has no contractual obligations related to the reconstruction of buildings, the acquisition of fixed assets and intangible assets.

Operating lease obligations (rent)

Table 27.1. Future minimum lease payments under a non-cancellable operating lease agreement of the lessee bank

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Up to 1 year	12,208	7,257
Total	12,208	7,257

Compliance with special requirements

The Bank did not enter into agreements to obtain loan funds on special terms.

Lending commitments

The main purpose of these instruments is to provide funds to meet the financial needs of customers. Guarantees and standby letters of credit, which are irrevocable guarantees that the Bank will make payments in favor of third parties in the event of a customer's default, have the same credit risk as loans.

Documentary and commodity letters of credit, which are written obligations of the Bank on behalf of its clients, authorizing third parties to demand payment from the Bank in specified amounts in accordance with specific conditions, are secured by the consignments of goods to which they relate or by cash deposits, therefore, have a lower level of risk than loans.

Commitments to extend credit represent unused amounts intended for lending in the form of loans, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Bank is exposed to potential losses in the total amount of unused commitments in the event of full disbursement of the unused amount of such credits to customers. However, the potential amount of losses is less than the total amount of unused commitments, as the fulfillment of most commitments to extend credit depends on customers' compliance with certain credit standards.

The Bank monitors the maturity of its lending commitments as longer-term commitments are generally characterized by higher credit risk than short-term commitments. Outstanding lending commitments were as follows:

Table 27.2. Structure of lending commitments

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
Guarantees issued	1,364,890	936,590
Lending commitments provided	20,782	10 106
Unused credit lines	216 135	177,249
Reserve for issued guarantees	(2,060)	(1,597)
Total lending-related liabilities, less provision	1,599,747	1,122,348

The total amount of credit-related obligations under the contract does not necessarily represent the amount of cash that will be required to be paid in the future, as many of these obligations may be unclaimed or terminated before their term expires.

Table 27.3. Lending commitments by currency

<i>thousand UAH</i>	December 31, 2023	December 31, 2022
US dollar	233 122	106,288
Euro	21,492	75,413
Hryvnia	1,345,133	940,647
Total	1,599,747	1,122,348

Assets pledged as collateral and assets subject to restrictions on possession, use

As of December 31, 2023, the Bank had restricted-use assets with the following carrying amount: - guarantee deposits for settlements with the international payment system Mastercard in the amount of UAH 1,519 thousand;
 - guarantees (principal) for settlements with the international payment system Mastercard in the amount of UAH 26,968 thousand;
 - guarantee deposits for settlements with the international payment system Welsend in the amount of UAH 20 thousand;
 - guarantee deposits for payments with the international payment system Apple Pay in the amount of 28 thousand UAH.

There are no other assets subject to restrictions on their ownership, use and disposal.

28. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. Fair value for financial assets that are actively quoted in an active market is the quoted price in an active market. If the market for a financial instrument is not active, or if there is no observable price information in the market or if it is impossible to find similar valuation objects, the Bank uses a valuation technique and assumptions for each class of financial assets or financial liabilities to determine the estimated fair value.

If the market for a financial instrument is not active, the Bank establishes fair value using the following methods:

- a valuation method based on the application of recent market transactions between knowledgeable,
- interested and independent parties;
- method of reference to the current fair value of another identical instrument (similar in currency, term, interest rate type, cash flow structure, credit risk, collateral and other characteristics);
- discounted cash flow analysis method, etc.

Financial instruments recognized at fair value are, for disclosure purposes, classified into three fair value hierarchies based on their observability as follows:

- Level 1 – valuations are based on observable prices in active markets that exist and are regularly available in an active market.

- Level 2 – Estimates are based on information for which all significant data are observable, either directly or indirectly. Typically, one or more observable prices for current transactions in markets that are not considered active are used.
- Level 3 – estimates are based on unobservable information that is significant to the overall fair value estimate.

Table 28.1. Analysis of financial instruments carried at amortized cost

thousand UAH

	December 31, 2023		December 31, 2022	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Cash and cash equivalents:	2,109,911	2,109,911	887,718	887,718
<i>cash</i>	165,037	165,037	104,396	104,396
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	92,291	92,291	28,023	28,023
<i>correspondent accounts, deposits and overnight loans in banks</i>	263,607	263,607	114,492	114,492
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	1,588,976	1,588,976	640,807	640,807
Loans and customer debt:	586,810	586,810	471,144	471,144
<i>loans to legal entities</i>	539,192	539,192	456,929	456,929
<i>loans to individuals</i>	47,618	47,618	14,215	14,215
Other financial assets	9,504	9,504	31,859	31,859
Total financial assets accounted for under the AS	2,706,225	2,706,225	1,390,721	1,390,721
Financial obligations				
Client funds:	3,519,136	3,519,136	2 220 320	2 220 320
legal entities	2,912,019	2,912,019	1,595,734	1,595,734
individuals	607 117	607 117	624,586	624,586
Other financial obligations:	24,515	24,515	26,551	26,551
Other payables from transactions with bank clients	7,997	7,997	8,215	8,215
Commission for providing guarantees	13,082	13,082	17,082	17,082
Bank customers' funds in inactive accounts	3,436	3,436	1,254	1,254
Total financial liabilities accounted for under the AC	3,543,651	3,543,651	2,246,871	2,246,871

Table 28.2. Analysis of financial instruments by fair value measurement levels for 2023

thousand UAH	Fair value under different valuation models			Total fair and the cost	Total book value
	Level I	Level II	Level III		
Financial assets					
Cash and cash equivalents:	2,109,911	-	-	- 2,109,911	2,109,911
<i>cash</i>	165,037	-	-	- 165,037	165,037
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	92,291	-	-	- 92,291	92,291
<i>correspondent accounts, deposits and overnight loans in banks</i>	263,607	-	-	- 263,607	263,607
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	1,588,976	-	-	- 1,588,976	1,588,976
Loans and customer debt:	-	-	586,810	586,810	586,810
<i>loans to legal entities</i>	-	-	539,192	539,192	539,192
<i>loans to individuals</i>	-	-	47,618	47,618	47,618
Other financial assets	-	-	9,504	9,504	9,504
Total financial assets accounted for under the AS	2,109,911	-	596,314	2,706,225	2,706,225
Financial obligations					
Client funds:	-	-	3,519,136	3,519,136	3,519,136
<i>legal entities</i>	-	-	2 912 019	2 912 019	2 912 019
<i>individuals</i>	-	-	607 117	607 117	607 117
Other financial obligations:	-	-	24,515	24,515	24,515
<i>Other payables from transactions with bank clients</i>	-	-	7,997	7,997	7,997
<i>Commission for providing guarantees</i>	-	-	13,082	13,082	13,082
<i>Bank customers' funds in inactive accounts</i>	-	-	3,436	3,436	3,436
Total financial liabilities accounted for under the AC	-	-	3,543,651	3,543,651	3,543,651

Table 28.3. Analysis of financial instruments by fair value measurement levels for 2022

<i>thousand UAH</i>	Fair value under different valuation models			Total fair and the cost	Total book value
	Level I	Level II	Level III		
Financial assets					
Cash and cash equivalents:	887,718	-	-	887,718	887,718
<i>cash</i>	104,396	-	-	104,396	104,396
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	28,023	-	-	28,023	28,023
<i>correspondent accounts, deposits and overnight loans in banks</i>	114,492	-	-	114,492	114,492
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	640,807	-	-	640,807	640,807
Loans and customer debt:	-	-	471,144	471,144	471,144
<i>loans to legal entities</i>	-	-	456,929	456,929	456,929
<i>loans to individuals</i>	-	-	14,215	14,215	14,215
Other financial assets	-	-	31,859	31,859	31,859
Total financial assets accounted for under the AS	887,718	-	503 003 1 390 721		1,390,721
Financial obligations					
Bank funds	-	-	-	-	-
Client funds:	-	-	2 220 320	2 220 320	2 220 320
<i>legal entities</i>	-	-	1,595,734	1,595,734	1,595,734
<i>individuals</i>	-	-	624,586	624,586	624,586
Other financial obligations:	-	-	26,551	26,551	26,551
<i>Other payables from transactions with bank clients</i>	-	-	8,215	8,215	8,215
<i>Commission for providing guarantees</i>	-	-	17,082	17,082	17,082
<i>Bank customers' funds in inactive accounts</i>	-	-	1,254	1,254	1,254
Total financial liabilities accounted for under the AC	-	-	2,246,871	2,246,871	2,246,871

29. RELATED PARTY TRANSACTIONS

According to IAS 24 "Related Party Disclosures", related parties are considered parties if one of them has the ability to control or significantly influence the operating and financial decisions of the other party.

The Bank recognizes persons related to the Bank in accordance with the requirements of Article 52 of the Law of Ukraine "On Banks and Banking Activities".

Table 29.1. Balances on transactions with related parties as of December 31, 2023

<i>thousand UAH</i>	The largest participants (bank shareholders)	Management staff	Other related sides
Client funds	216	2,230	131
Loans and customer debt	-	16	-
Loan impairment allowance	-	(1)	-
Other obligations	-	3,214	-

Table 29.2. Income and expenses from related party transactions for 2023

<i>thousand UAH</i>	The largest participants (bank shareholders)	Management staff	Other related sides
Interest income	-	8	-
Commission income	679	108	231
Foreign currency revaluation	-	-	-
Other operating income	134	24	26
Interest expenses	-	(87)	(38)
Employee benefits expenses	-	(14,609)	-
Other administrative and operating expenses	-	(16)	(11,315)

Table 29.3. Balances on transactions with related parties as of December 31, 2022

<i>thousand UAH</i>	The largest participants (bank shareholders)	Administrative personnel	Other related sides
Client funds	399	2 006	1,009
Loans and customer debt	-	24	-
Loan impairment allowance	-	(2)	-
Other obligations	-	2,645	-

Table 29.4. Income and expenses from transactions with related parties for 2022

<i>thousand UAH</i>	The largest participants (bank shareholders)	Management staff	Other related sides
Interest income	438	13	1
Commission income	277	203	167
Foreign currency revaluation	-	-	-
Other operating income	35	17	8
Interest expenses	-	(142)	(738)
Impairment loss on financial assets	-	10	-
Employee benefits expenses	-	(12,025)	-
Other administrative and operating expenses	-	(5)	(16,179)

Table 29.5. Payments to key management personnel

thousand UAH

	2023 year		2022 year	
	Costs	Accrued liability	Costs	Accrued liability
Current employee benefits	14,448	3,179	11,978	2635
Severance payments	161	35	47	10

30. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date that required adjustments to the Bank's annual financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of JSC "RWS BANK"

National Bank of Ukraine

National Securities and Stock Market Commission

Financial Statement Audit Report

Opinion

We have audited the financial statements of JOINT-STOCK COMPANY "RWS BANK" (hereinafter referred to as the Bank), which comprise the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for thought

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are set out in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including the International Standards on Independence) of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable in Ukraine to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty regarding going concern

We draw attention to Note 2 to the financial statements, which discloses that on February 24, 2022 Russian forces have begun an invasion of Ukraine and there is currently active hostilities. These events or conditions, together with the other matters set out in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on this matter has not been modified.

During our audit of the financial statements, we concluded that management's use of the going concern basis of accounting is appropriate. Our assessment of management's assumption regarding the Bank's ability to continue to apply the going concern basis of accounting included:

- assessment of the negative consequences of continued military aggression for the banking sector of Ukraine;
- analysis of scenarios for the development of the situation identified by the Bank's management staff and possible responses by the leadership of Ukraine, the international community, and the Bank's management staff;
- analysis of possible changes in the basic indicators of the Bank's activities in terms of asset depreciation, decline in volumes and margins of banking operations;
- analysis of the adequacy of regulatory capital and liquidity, ways to maintain them at a sufficient level.

We found that forecasts regarding the development of the situation and the corresponding negative consequences are very difficult to build due to the unpredictability of the actions of the Russian leadership. At the same time, the assumptions of the management staff regarding the most likely scenarios are relevant.

Our responsibilities and those of management regarding going concern are described in the relevant sections of this report.

Key audit issues

Key audit matters are those matters that, in our professional judgment, were of significance in our audit of the financial statements of the current period. These matters were considered in the context of our audit of the financial statements as a whole and were taken into account in forming our opinion thereon, but we do not express a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Regarding Going Concern" section, we have determined that the matters described below are key audit matters that should be addressed in our report.

Key audit issue	How our audit addressed the key audit matter
<p><i>Estimate of expected credit losses (Note 7)</i></p> <p>The estimation of the amount of expected credit losses is a key area of professional judgment of the Bank's management. The identification of impairment and the determination of the amount of expected recovery involve certain assumptions and analysis of various factors, including the financial condition of the borrower, expected future cash flows and the fair value of the collateral.</p> <p>The use of different assumptions may result in different estimates of the amount of expected credit losses. Given the materiality of customer loan balances and a certain level of subjectivity in judgments, we identified the estimation of expected credit losses as a key audit matter.</p>	<p>Our audit procedures included evaluating the methodology used by the Bank to identify impairment and calculate the allowance for impairment, testing inputs and analyzing assumptions. For allowances for loans with identified individual impairment indicators, we tested the assumptions underlying the identification of impairment and its quantification, including analysis of borrowers' financial performance, future cash flow projections and collateral valuations. For collectively calculated allowances for loans with no individual impairment indicators, we analyzed the Bank's models and tested the appropriateness and accuracy of the inputs used in these models.</p> <p>According to our observations, the key assumptions used by management in estimating the amount of the allowance for impairment of loans to customers are supported by the available evidence.</p>
<p><i>Real estate valuation (Note 9)</i></p> <p>The Bank's investment property portfolio includes commercial and residential real estate, as well as land plots.</p> <p>Management engaged independent appraisers to estimate the fair value of investment properties.</p> <p>The valuation of investment properties is dependent on certain key assumptions that require significant management judgment. For investment properties, the key assumptions were capitalization rates and prevailing market rents. The uncertainty of the valuation and management judgment led us to consider this a key audit matter.</p>	<p>Our procedures regarding key assumptions used in management's valuation of investment properties included:</p> <ul style="list-style-type: none"> • Assessment of the competence, capabilities and objectivity of independent appraisers. • Receiving valuation reports and meeting with independent valuers to discuss valuation methodology. • Verification of the accuracy of input data on a sample basis used by independent appraisers, including rental income, operating expenses, accumulated depreciation. • Comparing key assumptions used by independent valuers with our own expectations using data from comparable market transactions and historical records by comparison

capitalization rates, prevailing market rents with similar properties, estimated costs and profits.

According to our observations, the key assumptions used in the valuation of investment properties by management are supported by the available evidence.

Other information

Management is responsible for the other information. Other information obtained as of the date of this auditor's report is the Management Report and the Annual Information of the Securities Issuer.

Our opinion on the financial statements does not extend to the other information and we do not express any assurance conclusion on this other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated or non-compliant with the law.

If, based on the work we have performed on other information obtained up to the date of our auditor's report, we conclude that there is a material misstatement or non-compliance with the law of that other information, we are required to report that fact. We have not identified any such facts that require inclusion in the report.

Responsibility of management and those charged with governance for the financial statements

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

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

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error; they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting an audit in accordance with ISAs, we exercise professional judgment and professional skepticism throughout the audit engagement. In addition, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to operate as a going concern;
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board information about 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 the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, about appropriate safeguards.

From the list of all matters communicated to the Supervisory Board, we have determined those that were of most significance in the audit of the financial statements of the current period, i.e. those that are key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits public disclosure of the matter or unless, in extremely exceptional circumstances, we determine that the matter should not be disclosed in our report because the adverse consequences of such disclosure would reasonably be expected to outweigh the public interest benefits.

Report on the requirements of other legislative and regulatory acts

Law of Ukraine "On Audit of Financial Statements and Auditing Activities"

According to the Law of Ukraine "On Audit of Financial Statements and Auditing Activities", auditors must provide additional information and assurance.

Basic information about the audit firm

Full name	LIMITED LIABILITY COMPANY "AUDIT COMPANY "CROU UKRAINE"
Location	04210, Kyiv, Obolonska embankment 33
Information about registration in the Register of audit firms and auditors	Registration number in the Register of Auditors and Auditing Entities 3681 An audit entity that has the right to conduct a statutory audit of financial statements An audit entity that has the right to conduct a statutory audit of the financial statements of public interest entities
Name of the body that appointed the audit entity to conduct the audit	Supervisory Board of the Bank

mandatory audit

Date of appointment of the audit entity

09/29/2023 (Minutes of the Supervisory Board meeting No. ý48/23-Pnr)

Total duration of audit engagements without interruption, taking into account extensions of authority that have occurred and re-appointments to provide statutory audit services

5th year

We confirm that the auditor's opinion contained in the Report on the Audit of the Financial Statements is consistent with the additional report to the Audit Committee.

We did not provide non-audit services defined by Article 6 of the Law of Ukraine "On Audit of Financial Statements and Auditing Activities".

The key audit partner and the audit firm are independent of the Bank during the audit.

We did not provide services other than statutory audit services and those disclosed in the management report or in the financial statements during the period covered by the financial statements and during the audit of the financial statements.

ISAs require that the auditor plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement. The term "reasonable assurance" acknowledges some risk that material misstatements of a monetary nature may not be detected; it also acknowledges that the auditor cannot provide absolute assurance that the financial statements are accurate and complete. An audit involves a test of the financial statements to verify the amounts and disclosures in the financial statements. ISAs require that the audit be planned to provide reasonable assurance that errors and misstatements that could materially affect the financial statements are detected. However, because the auditor will not examine all of the entity's transactions during the year, an audit cannot provide absolute assurance that errors and misstatements, including fraud, will be detected.

Law of Ukraine "On Capital Markets and Organized Commodity Markets"

In accordance with the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the issuer is obliged to engage an auditor, who must express his opinion on the information, as well as verify the information regarding the components of the Management Report.

In our opinion, the report adequately reflects information regarding:

- description of the main characteristics of the issuer's internal control and risk management systems;
- a list of persons who directly or indirectly own a significant block of shares of the issuer;
- restriction of shareholders' participation and voting rights at the issuer's general meeting;
- the procedure for appointing and dismissing the issuer's officials;
- powers of the issuer's officials.

Other sections of the report have been reviewed by us and are not inconsistent with the financial statements we have reviewed and our knowledge of the Bank obtained during the audit.

Law of Ukraine "On Banks and Banking Activities"

In accordance with the Law of Ukraine "On Banks and Banking Activities" and the requirements of the National Bank of Ukraine set out in the Regulation on the procedure for submitting to the National Bank of Ukraine an audit report based on the results of the annual audit of the financial statements of a bank, banking group and on conducting an audit of the financial statements of a member of a banking group, the auditor must submit information (assessment) regarding:

- compliance (reliability of reflection) of data on the distribution of assets and liabilities of the bank by maturity in the file with statistical reporting indicators A7X "Data on the structure of assets and liabilities by maturity", compiled by the bank for submission to the National Bank, as of January 1 of the year following the reporting year;

- compliance by the bank with the requirements established by the NBU's regulatory legal acts on internal control issues;
- compliance by the bank with the requirements established by the NBU's regulatory legal acts on internal audit;
- compliance by the bank with the requirements established by the NBU's regulatory and legal acts on determining the amount of credit risk for active banking operations;
- compliance by the bank with the requirements established by the regulatory legal acts of the NBU on the recognition of persons related to the bank and conducting transactions with them;
- compliance by the bank with the requirements established by the NBU's regulatory and legal acts on the bank's capital adequacy, which should be determined taking into account the quality of the bank's assets;
- compliance by the bank with the requirements established by the regulatory legal acts of the NBU on accounting issues.

Responsibility of management personnel

Management personnel are responsible for:

- preparation of statistical reporting on the structure of assets and liabilities by maturity, which is compiled by the Bank for submission to the NBU;
- development, implementation and support of the accounting system in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" and the regulations of the NBU;
- development, implementation and maintenance of an internal control system in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" and the regulations of the NBU;
- functioning of the internal audit service in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" and the regulations of the NBU;
- calculation and formation of reserves for active banking operations;
- development, implementation and support of procedures for recognizing persons related to the Bank and conducting transactions with them;
- ensuring compliance with NBU requirements regarding capital.

Procedures and results obtained***Distribution of bank assets and liabilities by maturity***

The assessment of the compliance (reliability of reflection) of the distribution of the Bank's assets and liabilities by maturity in the form of statistical reporting on the structure of assets and liabilities by maturity, prepared by the bank for submission to the NBU, was carried out by means of sample testing of account balances regarding their distribution by maturity.

We have not identified any facts indicating any inconsistency in the distribution of the bank's assets and liabilities by maturity in the statistical reporting form A7X "Data on the structure of assets and liabilities by maturity" as of January 1, 2024.

Internal control

The assessment of the Bank's compliance with internal control requirements was carried out by analyzing the Bank's internal regulatory framework, the results of control tests and other procedures performed during the audit of financial statements related to internal control.

We have not identified any facts that would indicate that the Bank's internal control system does not comply with the requirements of the NBU.

Internal audit

The assessment of the Bank's compliance with internal audit requirements was carried out by analyzing the Bank's internal regulatory framework and reviewing the work of the internal audit service in the reporting period.

We have not identified any facts that would indicate that the functioning of the Bank's internal audit does not comply with the requirements of the NBU.

Determining the size of credit risk

The assessment of the amount of credit risk for active banking operations was carried out through sample testing of the Bank's financial assets, carried out during the audit of the financial statements.

We did not identify any significant deviations in the Bank's determination of the amount of credit risk for active banking operations as of December 31, 2023.

Persons related to the bank and transactions with them

The assessment of the recognition of related parties and transactions with them was carried out by analyzing the Bank's internal regulatory framework, a selective assessment of the Bank's counterparties for relatedness, carried out during the audit of financial statements, a selective assessment of the size of transactions with related parties, and an analysis of compliance with established standards.

We have not identified any facts that would indicate improper recognition of persons related to the Bank and the conduct of transactions with them, or violation of regulations regarding transactions with related parties.

Bank capital adequacy

The assessment of the Bank's capital adequacy was carried out by verifying the Bank's compliance with regulatory requirements established by law and the requirements of the NBU.

As of December 31, 2023, the Bank's authorized capital amounted to UAH 300,039 thousand (Note 15), which meets the requirements established by Article 31 "Minimum size of authorized capital" of the Law "On Banks and Banking Activities".

As of December 31, 2023, the Bank's regulatory capital amounted to UAH 286,704 thousand (Note 26), which corresponds to the amount established by the Instruction on the procedure for regulating the activities of banks in Ukraine, approved by NBU Resolution No. 368.

During 2023, the Bank complied with all standards established by the Instruction on the procedure for regulating the activities of banks in Ukraine.

Accounting

The assessment of accounting was carried out by analyzing the Bank's internal regulatory framework and the results of procedures performed during the audit of financial statements related to accounting.

We have not identified any facts that would indicate that the Bank's accounting system does not comply with the requirements of the NBU.

Restrictions on use and distribution

This report is intended for information and use by the Bank's management and the National Bank of Ukraine and may not be used by any other party. When reviewing this report, it is necessary to take into account the limited nature of the procedures for assessing issues related to the Bank's activities, the organization of the accounting system and internal control, as indicated above. In addition, it is necessary to take into account that the criteria for assessing issues related to the Bank's activities, the organization of the accounting system and internal control may differ from the criteria used by the National Bank of Ukraine.

Information requirements related to the audit or review of financial statements of participants in capital markets and organized commodity markets supervised by the National Securities and Stock Market Commission

In accordance with the Information Requirements Concerning the Audit or Review of Financial Statements of Capital Market Participants and Organized Commodity Markets Supervised by the National Securities and Stock Market Commission, auditors must provide additional information and assurance.

Information about the auditing firm

Legal entity identification code	33833362
Website/website of the audit entity	www.crowe.com.ua
Date and number of the audit contract	No. 23/1716-F dated 06.10.2023
Start date and end date of the event	01.12.2023 – 29.03.2024

audit

Information about the Bank

Full name

JOINT STOCK COMPANY "RWS BANK"

Information about the ultimate beneficial owner (if any) and ownership structure

In our opinion, information about the ultimate beneficial owner and ownership structure adequately disclosed on the Bank's website

<https://rwsbank.com.ua/>

Is the entity a controller/participant of a non-bank financial group?

No

Is the entity a public interest entity?

Yes

Parent company

absent

Subsidiary

absent

Results of the financial and economic audit activities based on the results of the financial year, prepared by the audit committee

The Audit Commission is not provided for by the Bank's Charter.

Compliance of the size of the authorized capital with the constituent documents or information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations

As of December 31, 2023, the authorized capital is UAH 300,039 thousand, which corresponds to the Charter, approved by the Resolution of the General Meeting of Shareholders (minutes of 15.11.2023 No. 15112023/2)

Correctness of calculation of prudential indicators established by the regulatory act of the NSSMC for the relevant type of activity for the reporting period

The NSSMC has not established prudential indicators for banking institutions

Completeness and accuracy of disclosure of information regarding the composition and structure of financial investments

Information on the composition and structure of financial investments is fully and reliably disclosed in notes to the financial statements 6 "Cash and cash equivalents", 8 "Investments in securities"

Information on the existence of other facts and circumstances that may significantly affect the activities of the legal entity in the future, and an assessment of the degree of their impact

We have not identified any other facts and circumstances that may significantly affect the Bank's operations in the future.

The audit engagement partner resulting in this independent auditor's report is Oleksandr KONOVCHEKHO.

For and on behalf of LLC AK "KROU UKRAINE"

Audit Director

No. 100594 in the Register of Auditors and Auditing Entities

Vitaly HAVRISH

Audit engagement partner

No. 101572 in the Register of Auditors and Auditing Entities

Kyiv, Ukraine

March 29, 2024

Oleksandr KONOVCHEKHO

