RwSbank
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JOINT STOCK COMPANY "RWS BANK"

INTERIM CONDENSED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

for the 6 months ended June 30 , 2024

CONTENTS

INTERIM CONDENSED FINANCIAL STATEMENTS

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF JUNE 3 0 2024

thousand UAH	**Notes**	**June 30, 2024**	**December 31, 2023**
ASSETS			
Cash and cash equivalents	4	755,061	2,109,911
Loans and customer debt	5	553,309	547,842
Investments in securities	6	1,069,957	1,003,060
Investment property	7	136,002	104,911
Current income tax receivable		4,053	-
Deferred tax asset		4,909	4,909
Fixed assets, right-of-use assets and intangible assets	8	42 105	36,896
Other assets	9	71,367	68,396
Total assets		**2,636,763**	**3,875,925**
OBLIGATION			
Client funds	10	2,218,257	3,519,136
Current income tax liabilities		-	5,678
Provisions for liabilities	11	2,744	2,061
Other obligations	12	81,718	49,171
Total liabilities		**2,302,719**	**3,576,046**
EQUITY			
Authorized capital	13	300,039	300,039
Other additional capital		48,000	48,000
Reserve and other funds of the bank		14,093	13,793
Revaluation reserves		25,060	1,431
Retained earnings (uncovered loss)		(53,148)	(63,384)
Total equity		**334,044**	**299,879**
Total liabilities and equity		**2,636,763**	**3,875,925**

Approved for release and signed on July 29, 2024

Chairman of the Board Larisa MOVCHAN

Chief Accountant Olena BURDINA

INTERIM CONDENSED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (STATEMENT OF FINANCIAL RESULTS) FOR THE 6 MONTHS ENDED 30 JUNE 2024

thousand UAH	**Notes**	**For the current interim period (three months)**	**June 30, 2024 cumulative total since the beginning of the year**	**For the comparative interim period (three months) of the previous year**	**June 30, 2023 cumulative total since the beginning of the year**
Interest income	16	77,999	181 166	64,045	130 203
Interest expenses		(27,486)	(57,750)	(29,149)	(62,469)
Net interest income/(Net interest expense)		**50,513**	**123,416**	**34,896**	**67,734**
Commission income	17	52,581	109,094	45,280	81,963
Commission costs	17	(18,265)	(36,206)	(11,786)	(34,756)
Net profit/(loss) from transactions with debt financial instruments carried at fair value through other comprehensive income		1,071	2,520	(4,256)	(3,429)
Net profit/(loss) from foreign currency transactions		30,488	63 103	15,532	52,756
Net profit/(loss) from foreign currency revaluation		(328)	(545)	1,059	(1,861)
Net profit/(loss) from revaluation of investment property		-	-	(3,468)	(2,106)
Net gain/(loss) from impairment of financial assets		(11,108)	(29,429)	(610)	(13,083)
Net gain/(loss) from impairment of other assets		600	262	759	(817)
Net loss/(gain) from increase/(decrease) in provisions for liabilities	11	(578)	(683)	(195)	(352)
Other operating income	18	3,205	6,708	2,912	5,711
Employee benefits expenses		(46,075)	(84,616)	(22,401)	(42,134)
Depreciation and amortization expenses		(3,646)	(7,067)	(2,250)	(4,466)
Other administrative and operating expenses	19	(49,086)	(136,021)	(61,008)	(93,703)
Profit/(loss) before tax		**9,372**	**10,536**	(5,536)	**11,457**
Profit/(loss)		**9,372**	**10,536**	(5,536)	**11,457**
OTHER TOTAL INCOME:					
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS					
Changes in the results of revaluation of debt financial instruments		20,697	23,629	10,906	22,752
Total cumulative income		**30,069**	**34,165**	**5,370**	**34,209**

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (STATEMENT OF EQUITY) FOR THE 6 MONTHS ENDED 30 JUNE 2024

thousand UAH	**Authorized capital**	**Other additional capital**	**Reserve and other funds**	**Revaluation reserves**	**Retained earnings**	**Total**
Balance as of January 1, 2023	**300,039**	**48,000**	**12,313**	**(37,594)**	**(67,919)**	**254,839**
Total cumulative revenue for 2022	-	-	1,480	39,025	4,535	45,040
profit/(loss)	-	-	-	-	*6,015*	*6,015*
other comprehensive income	-	-	-	*39,025*	-	*39,025*
Distribution of profits to reserve and other funds	-	-	*1,480*	-	*(1,480)*	-
Balance as of December 31, 2023	**300,039**	**48,000**	**13,793**	**1,431**	**(63,384)**	**299,879**
Total cumulative income:	-	-	300	23,629	10,236	34,165
profit/(loss)	-	-	-	-	*10,536*	*10,536*
other comprehensive income	-	-	-	*23,629*	-	*23,629*
Distribution of profits to reserve and other funds	-	-	*300*	-	*(300)*	-
Balance as of June 30, 2024	**300,039**	**48,000**	**14,093**	**25,060**	**(53,148)**	**334,044**

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Chief Accountant — Olena BURDINA

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 3 0 JUNE 20 24 YEARS

thousand UAH	**Notes**	**June 30, 2024**	**June 30, 2023**
OPERATIONAL ACTIVITIES			
Interest income received		153,523	120,682
Interest expenses paid		(57,652)	(60,672)
Commission income received		110 147	82,638
Commissions paid		(34,946)	(2,966)
Result of foreign currency transactions		63 103	52,756
Other operating income received		9,228	2,281
Personnel maintenance payments paid		(82,403)	(42,528)
Income tax paid		(9,731)	(2,311)
Administrative and other operating expenses paid		(136,021)	(124,243)
Cash received/(paid) from operating activities before changes in operating assets and liabilities		**15,248**	**25,637**
Changes in operating assets and liabilities			
Net (increase)/decrease in loans and advances to customers		(89,123)	(26,399)
Net (increase)/decrease in other assets		12,214	(2,074)
Net increase/(decrease) in banks' funds		-	-
Net increase/(decrease) in customer funds		(1,302,557)	(78,644)
Net increase/(decrease) in other liabilities		29,074	(28,119)
Net cash flows from operating activities		**(1,335,144)**	**47,689**
INVESTMENT ACTIVITIES			
Purchase of securities		(628,058)	(284,690)
Proceeds from the sale of investments in securities		618 149	342,070
Proceeds from the sale of investment property		257	70 142
Proceeds from the sale of fixed assets		-	15
Acquisition of fixed assets		(6,359)	(9,190)
Acquisition of intangible assets		(3,065)	(2,229)
Net cash flows from investing activities		**(19,076)**	**116 118**
Net exchange rate difference		(545)	(1,861)
Net increase/(decrease) in cash and cash equivalents		**(1,354,765)**	**161,946**
Cash at the beginning of the period		**2,111,169**	**889,043**
Cash at the end of the period	4	**756,404**	**1,050,989**

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Chief Accountant	Olena BURDINA

NOTES TO THE INTERIM CONDENSED 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 June 30 , 2024, 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
- Kateryna Ruslanivna Demchak, 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 "UkrSWIFT".

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

In the second quarter of 2024, the ongoing full-scale war and related security threats are a key systemic risk to the economy and financial sector. According to the IER (Institute for Economic Research and Policy Consulting), the GDP growth rate continued to slow in June from 3.2% yoy in May to 2.7% in June due to problems with access to electricity due to damage to generation by Russian drones and missiles. The electricity shortage remains a very acute issue for the Ukrainian economy and has led to a deterioration in business and consumer sentiment and a weakening of activity in a number of sectors. Electricity imports have reached maximum capacity.
Ukraine and the EU extended the "transport visa-free regime " until 2025. In June, cargo handling by seaports increased by 30% yoy to 6.7 million tons . Exports in June decreased compared to the previous month, while imports remained almost unchanged. Expenditure execution worsened in June, which is most likely a consequence of minimal external borrowing in May and lower-than-expected external borrowing in June. In May, the government received 1.9 billion euros from the EU within Ukraine Facility , but the money from the IMF arrived only in July. Ukraine has fulfilled all the indicators of the Ukraine Plan on time, which were to be fulfilled by the end of the second quarter of 2024. Accordingly, the next tranche of the loan from the EU should arrive in August.
Inflation accelerated to 4.8% yoy in June due to higher electricity tariffs. The NBU lowered the discount rate to 13% and forecasts a further rate cut in the second half of 2024. The hryvnia exchange rate exceeded 41 UAH per dollar against the backdrop of a high trade deficit and high demand for cash.

External environment
The recovery in the economies of Ukraine's OTP countries slowed down, while inflationary pressures remained stable. Global oil prices resumed growth, while natural gas fluctuated in a narrow range at higher levels compared to previous months. Expectations for rate cuts by leading central banks increased somewhat, while EM central banks took a wait-and-see approach. Leading indicators indicated a moderate recovery in the economies of most of Ukraine's OTP countries, supported by growth in new orders and employment. At the same time, inventories declined moderately , and international trade flows narrowed again, in particular due to extended delivery times due to the worsening situation in the Red Sea and the Panama Canal. As a result, production costs grew at the fastest pace in the past year, which led to an increase in selling prices. This, in turn, supported stable inflationary pressures in Ukraine's OTP countries (UAwCPI).
Global oil prices rose under pressure from heightened geopolitical tensions and seasonally-increasing demand for refined products. An additional factor was the continuation of OPEC+ restrictions. However, stable production volumes in the US, Libya, Iran, Angola and Venezuela restrained a more rapid price increase. Gas prices in Europe fluctuated in a relatively narrow range, at higher levels compared to
The increase in demand for LNG in the European and Asian markets due to hot weather, as well as in Australia due to cold weather, put upward pressure on prices. In contrast, gas reserves in Europe, which are still comfortable for the current period, and the gradual recovery of production in Norway, restrained price growth.
World prices for goods important for Ukrainian exports were falling under the influence of high supply. Steel and iron ore prices declined. Global demand remained weak due to the summer lull in the Middle East, North Africa and parts of Europe, as well as the monsoon season in the ESA countries. In contrast, robust global supply, primarily from China, created a surplus of these commodities on the market and put downward pressure on prices. Wheat and maize prices also declined. The significant global surplus supply met current demand, as the new US crop and Brazil's second crop gradually entered the market, as well as improved weather conditions, particularly in the Black Sea region, increased competition among exporters.
Expectations for rate cuts by leading central banks have increased somewhat, while EM central banks have adopted a wait-and-see stance. The Bank of Canada was the first among the G7 countries to cut its base rate in June. The ECB followed suit and signaled further gradual cuts. At the same time, the Fed maintained its target range and will continue to reduce its balance sheet. According to FOMC forecasts, one cut is currently expected by the end of this year. In contrast, the Bank of Japan, despite currently maintaining rates, signaled a possible increase in them soon amid increasing inflationary risks. Financial markets are increasingly expecting the Fed and ECB to cut rates in September (53% and 65% probability, respectively). The probability of another cut in 2024 is 60% for the Fed and about 75% for the ECB. EM central banks are postponing or slowing down the pace of policy easing amid continued high Fed rates and increased inflation expectations.

Internal environment
In the second quarter of 2024, economic activity also weakened against the backdrop of a difficult situation in the energy sector. Against the backdrop of significant electricity shortages and prolonged outages, as well as a shortage of workers, business expectations deteriorated. This, together with other high-frequency indicators, indicated a weakening of activity in a number of sectors. These factors negatively affected the food industry, in particular bread production, and together with repair work, restrained the recovery of metallurgy in June. Consumer sentiment has also deteriorated significantly, while demand for energy-saving products has increased significantly. Due to prolonged power outages, demand for energy-saving products and electronics has increased rapidly in June. At the same time, restaurant visits and takeout in large cities increase during outages , which has somewhat supported retail and the service sector. retail and service sectors. Although large chains are mostly equipped with generators, grocery chains have started to change or reduce their product assortment due to power outages. For the first time since the beginning of 2023, new passenger car

sales decreased year-on-year (by 8%). At the same time, economic activity was supported by faster harvests than last year and stable operation of the maritime corridor. In June, the harvest began in most regions, which is proceeding faster than last year; the supply of greenhouse vegetables, fruits, and berries increased seasonally. Dairy processing in June revived due to increased exports, and meat processing stabilized, but expectations in the industry are worsening due to a shortage of raw materials and power outages. Due to a decrease in raw material stocks, oil production slowed down seasonally, but expectations are positive due to forecasts of a sufficient oilseed harvest and own power generation capacities . The chemical industry revived against the background of the launch of capacities after modernization and the formation of fertilizer reserves by farmers in anticipation of a higher power deficit. The increase in the production of wagons, in particular for medical purposes and farmers, supported mechanical engineering. Transport activity, traditionally for the off-season period, in the trade of agricultural products weakened compared to previous months, but the volume of rail transportation remained significantly higher than last year. In the conditions of stable operation of the maritime corridor, transshipment volumes in ports continued to grow at a high pace.
In June 2024, consumer inflation accelerated to 4.8% year-on-year (y/y) from 3.3% in May. In monthly terms, prices increased by 2.2%. This is evidenced by data published by the State Statistics Service of Ukraine. The actual rate of price growth was close to the National Bank's target of 5% and was only slightly lower than the forecast published in the Inflation Report for April 2024. As before, the deviation from the forecast is primarily due to the dynamics of raw food prices in April-May, the annual decline of which turned out to be more significant than expected. This reflects the impact of last year's large harvests and warm weather at the beginning of this year. Fuel prices also rose somewhat more slowly due to lower oil prices than expected.
Fundamental inflationary pressures remained stable. Core inflation increased to 5.0% in June from 4.4% in May. This trend was in line with the NBU's April forecast. On the one hand, it was supported by further growth in business costs for labor and electricity, and some deterioration in inflation expectations, in particular due to the weakening of the hryvnia exchange rate. On the other hand, secondary effects from the decline in the price of raw food commodities were restraining factors.
The deterioration of economic activity due to the electricity shortage led to a weakening of labor demand. The number of new vacancies on job search sites practically did not change in June (they usually increase seasonally, in particular due to the start of the harvest), and according to business surveys, the weakening of economic activity also caused a decrease in the number of employees compared to May. However, in certain professions (in particular, security, construction, labor specialties), a steady increase in the number of vacancies is observed. The number of those looking for work, measured by the number of resumes, increased slightly, which mainly reflected the impact of seasonality. At the same time, migration abroad intensified in May-June: the number of migrants increased to 6.6 million people as of June 13, 2024, according to UN data, which could be related to the electricity shortage. The adaptation of migrants abroad, in particular their employment, is also growing. The shortage of workers remains significant and continues to put upward pressure on wages. Businesses continue to experience labor shortages, which is putting upward pressure on private sector wages. Together with increased social benefits and low inflation, this is contributing to further growth in real incomes.

Fiscal sector

During the quarter, the trade deficit in goods narrowed, but the current account deficit widened slightly due to the easing of currency restrictions. The trade deficit in goods continued to narrow amid stable operation of the maritime corridor and seasonal reduction in farmers' demand for imports. It is highly likely to widen in June due to electricity shortages and depletion of agricultural crop stocks. At the same time, due to the abolition of all currency restrictions on the import of works and services, imports of certain business services, air transport services, and others increased in May. In addition, the introduced opportunity for businesses to repatriate "new" dividends led to a slight increase in the volume of their withdrawal, which led to a narrowing of the primary income account surplus. As a result, the current account deficit widened slightly compared to April. Exports of goods remained almost unchanged: the decrease in agricultural crop supplies was offset by an increase in metal exports. In early May, Poland unblocked the border. As a result, cargo traffic grew rapidly. This led to an increase in imports of wood and certain mechanical engineering products. Due to the expected increase in excise duties, imports of petroleum products also increased. However, the seasonal reduction in farmers' demand for fertilizers, insecticides, and seeds was the main factor in the decrease in imports compared to April. In addition, the deterioration in consumer sentiment was reflected in a decrease in purchases of certain consumer goods (household appliances, food products, clothing, and footwear). In June, according to preliminary estimates, imports remained at the level of May.
Reserves remain at a comfortable level despite the expected lower inflows of foreign aid and greater interventions. Since April, the volume of international financial assistance has decreased as expected. As a result, in May, a capital outflow was formed from the public sector in the financial account. In addition, capital outflow from the private sector increased due to the reduction of trade credit debt to non-residents and higher demand from the population for cash currency. As a result, gross reserves decreased during May, but remained at a comfortable level: $ 39 billion at the end of the month. Taking into account the receipts of macro-financial assistance from the EU and the tranche from the IMF, reserves will recover to the level of almost $ 40 billion in early July.

Banking sector

The situation on the foreign exchange market remained controlled, in June the hryvnia exchange rate fluctuated in both directions under the influence of market factors. However, during the second quarter of 2024, devaluation pressure prevailed. The difference between the cash and official rates was within acceptable limits and did not exceed 1.3%. The main factors increasing the demand for foreign currency during this period were:
• maintaining high intensity of budget expenditures;
• increased fuel purchases by fuel and energy companies in anticipation of a potential increase in excise taxes and electricity imports due to the loss of a number of generating capacities ;
• business operations permitted under the May liberalization.
Given the persistence of a structural foreign exchange deficit, NBU interventions continue to be the main balancing mechanism in the foreign exchange market - in June, net sales of foreign exchange amounted to $ 3.0 billion .
The NBU continues its cycle of easing interest rate policy to support economic recovery. Given the subdued inflation indicators and taking into account the balance of risks, the NBU continued its cycle of reducing the discount rate in June. The NBU Board decided to lower the discount rate twice in the second quarter of 2024: on April 26, a decision was made to lower the discount rate from 14.5% to 13.5% per annum, and on June 14, a decision was made to lower the discount rate from 13.5% to 13.0%. Despite the nominal decrease in market rates, the yield of hryvnia instruments remained positive in real terms. Demand for government bonds remained at a sufficient level, which allowed the government to refinance significant repayments. At the same time, demand in the primary market began to weaken at the end of June.

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:

UAH	**June 30, 2024**	**December 31, 2023**
1 US dollar	40.5374	37.9824
1 euro	43.3547	42.2079

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 utility

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 calculating the amount of the reserve that reflects the level of losses (damages) due to the default of the debtor/counterparty;
- EAD (The Exposure at Default) is a component of calculating the size of the reserve, consisting of the following components: principal debt on the loan, 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 difficulty, 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 recognized in profit or loss as they arise as a result of one or more events ("loss events") that occurred after the initial recognition of a financial asset and have an impact on the amount or timing of estimated cash flows associated with the financial asset or group of financial assets, if those losses can be reliably measured. 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 debts

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 is the purpose of 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 fixed asset group 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.

No assets in the form of fixed assets were provided as collateral for the Bank's obligations in the second quarter of 2024.

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.

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, the right to use property, rights to trademarks for goods and services, copyright and related rights, 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 indefinite - 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 any 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 part of the lessor's non-current assets.

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 the two amounts: carrying amount or fair value less costs to sell. Depreciation is not charged on such assets. Impairment loss upon initial or subsequent write-down of an asset to fair value less costs to sell is recognized in the Statement of Profit and 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) Raised funds

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

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.

Expenses directly related to the issue of new shares of the Bank, in accordance with the requirements of IFRS 32 *"Financial Instruments: Presentation"* , are accounted for as a deduction from equity to the extent that they are additional 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 total revenue.

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 a common 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 – Accounting Policy Disclosures
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 a Single Transaction
The amendments to IAS 12 Income Taxes narrow the scope of the initial recognition exception 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
The amendments to IAS 12 were made in response to the OECD BEPS under-taxation rules 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 impact the Bank's consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

Table 4.1. Cash and cash equivalents

thousand UAH	**June 30, 2024**	**December 31, 2023**
Cash	161,924	165,037
Funds in the National Bank of Ukraine	295 157	92,291
Correspondent accounts, deposits and overnight loans in banks:		
Ukraine	176,322	268,841
Certificates of deposit issued by the National Bank of Ukraine	125,397	1,588,976
Reserve for cash and cash equivalents	(3,739)	(5,234)
Total cash and cash equivalents	**755,061**	**2,109,911**

Table 4.2. Non-cash financial transactions

thousand UAH	**June 30, 2024**	**December 31, 2023**
Accrued income on deposit certificates issued by the National Bank of Ukraine	2,397	3,976

There are no restrictions on the use of funds.

As of June 30, 2024, the balances on correspondent accounts are neither past due nor impaired.

During the second quarter of 2024 and the previous year of 2023, the Bank did not carry out investment and financial transactions without the use of cash and cash equivalents.

Note 4 data is included in the “Statement of Financial Position”, “Statement of Cash Flows”.

As of June 30, 2024 , 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 maintenance period.

The amount of required reserves according to the established standards (reserve base) for the maintenance period from 11.06.2024 to 10.07.2024 is 254,564 thousand UAH . The average balance on the correspondent account for the maintenance period from 11.06.2024 to 10.07.2024 was 144,671 thousand UAH .

5. CUSTOMER LOANS AND DEBT

Table 5.1. Loans and receivables from customers

thousand UAH	**June 30, 2024**	**December 31, 2023**
Loans and receivables from customers carried at amortized cost	624,789	586,810
Loan impairment allowance	(71,480)	(38,968)
Total loans and advances to customers less provisions	**553,309**	**547,842**

Table 5.2 . Loans and receivables from customers carried at amortized cost

thousand UAH	**June 30, 2024**	**December 31,**

		2023
Loans granted to legal entities,	584,618	539,192
including mortgage loans	166,348	166,433
Loans granted to individuals,	40,171	47,618
including mortgage loans	24,795	24,887
Provision for loans to customers carried at amortized cost	(71,480)	(38,968)
Total loans and advances to customers carried at amortized cost	**553,309**	**547,842**

Note 5 data disclosed in the "Statement of Financial Position" and in Note 15.

Asset items are presented taking into account accrued and unearned interest income, which as of June 30, 2024 amounted to UAH 13,140 thousand and as of December 31, 2023 – UAH 13,717 thousand .
As of June 30, 2024, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 381,726 thousand (69% of the total loan portfolio). A provision of UAH 39,126 thousand was created for these loans. For 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).

Table 5.3. Analysis of credit quality of loans and receivables of customers carried at amortized cost for the 6 months ended June 30, 2024

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables from customers accounted for under the AC	398,260	114 180	112,349	624,789
Minimal credit risk	398,260	-	-	398,260
Average credit risk	-	114 180	-	114 180
High credit risk	-	-	112,349	112,349
Total gross carrying amount of loans and advances to customers accounted for under the AC	398,260	114 180	112,349	624,789
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(20,122)	(26,981)	(24,378)	(71,480)
Total loans and receivables of customers accounted for by the AC	**378 139**	**87,200**	**87,971**	**553,309**

Table 5.4. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2023

thousand UAH	**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 5.5. Structure of loans by type of economic activity

thousand UAH	**3 0 June 2024**		**December 31, 2023**	
	sum	%	sum	%
Agriculture, hunting and related services	22,829	4	20,758	4
Construction of buildings	22,954	4	88,307	15
Wholesale and retail trade in motor vehicles and motorcycles, their repair	187,941	30	155,207	26
Wholesale trade, except of motor vehicles and motorcycles	154,437	25	148 198	25
Land and pipeline transport	45,065	7	42,045	7
Provision of financial services, except insurance and pension provision	67,949	11	62,286	11
Real estate transactions	65,256	10	-	-
Individuals	49,900	8	47,618	8
Waste collection, treatment and disposal; materials recovery	-	-	13,311	2
Others	8,458	1	9,080	2
Total loans and receivables to customers without provisions	**624,789**	**100**	**586,810**	**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).

Table 5.6. Information on loans by type of collateral for the 6 months ended June 30, 2024

thousand UAH	**Loans granted to legal entities**	**Mortgage loans for legal entities**	**Loans granted to individuals for current needs**	**Mortgage loans for individuals**	**Total**
Unsecured loans	137,214	-	8 148	-	**145,362**
Loans secured by:	281,056	166,348	7,228	24,795	**479,427**
in cash	49,122	-	3,951	-	**53,073**
real estate	53,813	166,348	3,277	24,795	**248 233**
including residential use	6,773	-	2,065	-	**8,838**
other assets	178 121	-	-	-	**178 121**
Total loans and receivables to customers without	**418,270**	**166,348**	**15,376**	**24,795**	**624,789**

provisions

Table 5.7. Information on loans by type of collateral for 2023

thousand UAH	**Loans granted to legal entities**	**Mortgage loans for legal entities**	**Loans granted to individuals for current needs**	**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**
in cash	53,493	-	5,549	- -	**59,042**
real estate	84,240	166,433	3,397	24,887	**278,957**
including residential use	8,830	-	3,397	-	**12,227**
other assets	102,915	-	-	-	**102,915**
Total loans and receivables to customers without provisions	**372,759**	**166,433**	**22,731**	**24,887**	**586,810**

Table 5.8. Analysis of changes in provisions for impairment of loans and advances to customers carried at amortized cost for the 6 months d ended June 30, 2024

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment provision as of the beginning of the period December 31, 2023	(17,018)	(9,678)	(12,272)	(38,968)
Transition to stage 1	(3,104)	-	-	(3,104)
Transition to stage 2	-	(17,302)	-	(17,302)
Transition to stage 3	-	-	(12,106)	(12,106)
Impairment reserve at the end of the period June 30, 2024	**(20,122)**	**(26,980)**	**(24,378)**	**(71,480)**

Table 5.9. Analysis of changes in gross carrying amount for impairment of loans and advances to customers carried at amortized cost for the 6 months ended June 30, 2024

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as of December 31, 2023	343,606	101,504	102,732	547,842
Transition to stage 1	-	-	-	-
Transition to stage 2	-	-	-	-
Transition to stage 3	-	-	-	-
Other changes (increase in trade payables carried at amortized cost)	34,532	-	-	34,532
Other changes (reduction in trade receivables carried at amortized cost)	-	(14,304)	(14,761)	(29,065)
Gross book value as of June 30, 2024	**378 138**	**87,200**	**87,971**	**553,309**

Table 5.10. Impact of collateral value on credit quality for the 6 months ended June 30, 2024

thousand UAH	**Carrying amount**	**Collateral value**	**Impact of collateral**

Loans granted to legal entities,	584,618	369,436	215 182
including mortgage loans	166,348	94,655	71,693
Loans granted to individuals for current needs,	40,171	20,930	19,241
including mortgage loans	24,795	12,134	12,661
Total loans	**624,789**	**390 366**	**234,423**

Table 5.11. Impact of collateral value on loan quality for 2023

thousand UAH	**Carrying amount**	**Collateral value**	**Impact of collateral**
Loans granted to legal entities,	539,192	331,643	207,549
including mortgage loans	166,433	68,729	97,704
Loans granted to individuals for current needs,	47,618	19,770	27,848
including mortgage loans	24,887	8,189	16,698
Total loans	**586,810**	**351,413**	**235,397**

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.

During the reporting period, the Bank carried out foreclosure proceedings on mortgaged items, the total value of which is UAH 2,058,000.

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.

6. INVESTMENTS IN SECURITIES

Table 6.1 Investments in securities

thousand UAH	**3 0 June 2024**	**December 31, 202 3**
Debt securities:		
Domestic government bonds refinanced by the NBU, which are accounted for at fair value through other comprehensive income	980,419	966,696
Revaluation of debt securities refinanced by the NBU, which are	25,060	1,430

accounted for at fair value through other comprehensive income		
Unamortized premium/discount on debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	11,434	(2,488)
Accrued income on debt securities refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income	53,044	37,422
Total securities less reserves	**1,069,957**	**1,003,060**

Table 6.2. Analysis of credit quality of debt securities for the 6 months ended June 30, 2024

thousand UAH	**Government bonds**	**Total**
Not past due and not impaired	-	-
Government institutions and enterprises	1,069,957	1,003,060
Total debt securities less reserves	**1,069,957**	**1,003,060**

As of June 30, 2024, debt securities accounts in the amount of 1,069,958 thousand UAH . domestic government bonds refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income, were accounted for in the amount of 955 448 pieces, with a nominal value of UAH 1,000.00 per bond and 616 pieces, with a nominal value of USD 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.

7. INVESTMENT REAL ESTATE

Table 7.1. Investment property valued at fair value

thousand UAH **June 30, 2024 December 31, 2023**		
Fair value of investment property at the beginning of the period	**104,911**	**254 179**
Incoming	30,504	34,916
Improvement	587	405
Disposal (sale)	-	(165,948)
Gains (losses) from revaluation to fair value	-	(18,641)
Fair value of investment property at the end of the period	**136,002**	**104,911**

The receipt of investment property in the second quarter of 2024 and in 2023 occurred due to the acceptance of real estate objects on the balance sheet as a foreclosure on collateral for 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 7.2), part is held for the purpose of increasing the capital and is planned to be sold in the future.

The fair value of investment property is determined based on the opinions 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 June 30, 2024 belongs to Level II of the fair value hierarchy.

Table 7.2. Amounts recognized in the Statement of Profit or Loss and Other Comprehensive Income

thousand UAH	**June 30, 2024**	**June 30, 2023**
Rental income from investment property	338	853

Table 7.3. Information on the minimum amounts of future lease payments under a non-cancellable operating lease, if the bank is the lessor

thousand UAH	**June 30, 2024**	**December 31, 2023**
Up to 1 year	352	401
From 1 to 5 years	600	-
More than 5 years	-	848
Total payments receivable under operating leases	***952***	**1,249**

8. FIXED ASSETS , RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

Table 8.1 Fixed assets and intangible assets

thousand UAH

	Buildings and transmitting devices	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Right-of-use assets	Other non-current tangible assets	Incomplete capital investments in fixed assets and tangible assets	Intangible assets	**Total**
Carrying amount as of December 31 , 2022	**316**	**7 04 0**	**1361**	**186**	**743**	**56 30**	**6192**	**3,745**	**2 5213**
Original (revalued) cost	316	2044 4	1997	615	671 4	1651 9	6,192	9715	6251 2
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	(3 1)	(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	**28 5**	**8184**	**2290**	**127**	**225**	**9881**	**9767**	**6137**	**3 6 896**
Original (revalued) cost	316	25246	3,152	615	1329	22311	9767	14142	768 78
Depreciation at the end of the reporting period	(3 1)	(17062)	(862)	(4 88)	(1104)	(12430)	-	(8005)	(39982)
Incoming	244	3,462	-	-	3 328	4,838	7 697	3,065	22,634
Other transfers (put into operation	-	-	-	-	-	-	(988 3)	-	(9883)
Depreciation deductions	(26)	(1406)	(197)	(29)	(340)	(3287)	-	(1782)	(7067)
Revaluation (mark-up) of an asset	-	-	-	-	(475)	-	-	-	(475)
Carrying amount as of June 30 , 2024	503	10,240	2,093	98	2,738	11,432	7 58 1	7420	42 105
Original (revalued) cost	560	28,708	3,152	615	4 657	27,149	7 58 1	17,207	89 629
Depreciation at the end of the reporting period	(57)	(18468)	(1059)	(517)	(1919)	(15717)	-	(9787)	(47524)

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 June 30, 2024, the original cost of fully depreciated fixed assets was UAH 11,933 thousand. and as of December 31, 20 23 - UAH 2,555 thousand. There are no intangible assets with restrictions on ownership rights on the bank's balance sheet. Intangible assets were not 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.

9. OTHER ASSETS

Table 9.1. Other assets

thousand UAH	**June 30, 2024**	**December 31, 202 3**
Other financial assets:	**37,916**	**17,979**
Accrued income from settlement and cash services	660	827
Accrued operating lease income	1,694	2,580
Accounts receivable for payment of debt under the guarantee	4,548	4,604
Receivables from payment card transactions	28,166	7,163
Restricted funds	1,669	1,567
Other financial assets	1,091	156
Reserve for other financial assets	88	**(8,475)**
Total other financial assets less reserves	**(7,039)**	**9,504**
Other assets	**41,097**	**59,914**
Property transferred to the bank as a mortgagee	2,718	689
Deferred expenses	10,604	12,224
Prepayment for services	937	1,609
Accounts receivable from asset acquisition	156	111
Banking metals at the bank branch	25,310	41,030
Receivables for taxes and mandatory payments, except for income tax	233	2,619
Other assets	1,139	1,632
Reserve for other assets	**(607)**	**(1,022)**
Total other assets less reserves	**71,367**	**68,396**

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 of Note 9 are included in the " Statement of Financial Position " and in Note 16.

Table 9.2. Analysis of changes in the provision for impairment of other assets for the 6 months ended June 30, 2024

thousand UAH	**Financial assets**	**Other assets**	**Total**
December 31, 2023	**(8,475)**	**(1,022)**	**(9,497)**
(Increase)/decrease reserve	1,436	415	1,851

June 30, 2024	**(7,039)**	**(607)**	**(7,646)**

Table 9.3 . Analysis of changes in the provision for impairment of other assets for 2023

thousand UAH	**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 9.4 . Analysis of credit quality of financial assets

thousand UAH	**June 30, 2024**	**December 31, 202 3**
Not past due and not impaired debt	**30,926**	**31,414**
small companies	**-**	**-**
individuals	28,166	15,459
large companies	2,760	15,955
Debt impaired on an individual basis with delayed payment	**6,990**	**10,190**
up to 31 days	1,796	1,986
from 32 to 92 days	955	1,840
from 93 to 183 days	1,221	1,509
from 184 to 274 days	2,088	103
from 275 to 365 days	825	549
more than 365(366) days	105	4,203
Total financial assets before deduction of reserve	**37,916**	**41,604**
Reserve for other financial assets	(7,039)	(9,745)
Total other financial assets less reserve	**30,877**	**31,859**

10. CUSTOMER FUNDS

Table 1 0 .1. Client funds

thousand UAH	**June 3 0 2024**	**December 31, 202 3**
State and public organizations:	33,666	9,228

current accounts	33,666	9,228
Other legal entities:	**1,501,845**	**2,902,791**
current accounts	1,011,932	2,444,345
term funds	350 505	353,410
funds in the accounts	139,408	105,036
Individuals:	**682,746**	**607 117**
current accounts	239,873	222,687
term funds	402,336	346,448
funds in the accounts	40,537	37,982
Total customer funds	**2,218,257**	**3,519,136**

Client funds accounted for at the end of the day 3 0 June 2024 on balance sheet account 2932 "Amounts in settlements of business entities", in the amount of 139,408 thousand UAH and on the balance sheet account 2942 "Amounts in settlements of individuals", in the amount of 40,537 thousand UAH transferred as cash collateral (coverage) under the guarantees provided by the bank.
As of June 30, 2024, funds attracted from the ten largest clients of the Bank in the amount of UAH 422,189 thousand constituted 19% of the total amount of client funds (as of December 31, 2023: UAH 1,244,857 thousand – 35% of the total amount of client funds).
The data of Note 10 are specified in the " Statement of Financial Position " and in Note 1 6 .

Table 10.2. Distribution of client funds by type of economic activity

thousand UAH	**June 30, 2024**		**December 31, 202 3**	
	sum	**%**	**sum**	**%**
Production and distribution of electricity, gas and water	16,910	1	52,796	2

Trade, repair of automobiles, household goods and personal items	329 062	15	982,267	28
Individuals	682,746	31	607 117	17
Production of other products	67,635	3	188,073	6
Professional, scientific and technical activities	32,913	1	23,425	1
Real estate transactions, leasing, engineering and service provision	226,609	10	178,553	5
Agriculture, hunting, forestry	11,184	1	9,246	-
Construction	226,018	10	381,492	11
Financial and insurance activities	275,478	1 2	357,515	10
Transport, warehousing, postal and courier activities	100,487	4	70,821	2
Mining industry	16,796	1	17,272	-
Healthcare and social assistance	29,438	1	457,619	13
Production and repair of machinery and equipment	45,827	2	61,058	2
Temporary accommodation and catering	10,606	-	9,967	-
Food production, provision of meals and beverages	26,303	1	6,244	-
Arts, sports, entertainment and recreation	60 104	3	71,244	2
Other	60 141	4	44,427	1
Total customer funds	**2,218,257**	**100**	**3,519,136**	**100**

During the second quarter of 2024 and the previous year of 2023, the Bank carried out operations to attract customer funds exclusively at market rates.

11. RESERVES FOR LIABILITIES

Table 11.1. Changes in provisions for liabilities for the 6 months ended June 30, 2024

thousand UAH	**June 30, 2024**
Balance at the beginning of the period	**2,061**
Formation and/or increase of reserve	683
Balance at the end of the period	**2,744**

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 11 are included in the Statement of Financial Position and in Note 15.

12. OTHER OBLIGATIONS

Table 1 2 .1. Other liabilities

thousand UAH	**June 30, 2024**	**December 31, 2023**
Commission for providing guarantees	10,817	13,082
Other payables from transactions with		7,997
bank clients	25,676	

Bank customers' funds in inactive accounts	28,158	3,436
Deferred income	540	869
Accounts payable debt for services	29	
Accounts payable for settlements with bank employees	9,150	6,937
Accounts payable for taxes and mandatory payments, except for income tax	1,242	3,704
Accounts payable for fees to the Fund guaranteeing deposits of individuals	1,317	1,268
Contractual obligations	2,829	218
Accounts payable under contractual obligations	52	448
Others accrued costs	1,908	647
Accounts payable for business transactions/services	-	10,555
Others	-	10
Total	**81,718**	**49,171**

Notes 1 2 disclosed in the “ Statement of Financial Position ” and in Note 15.

13. AUTHORIZED CAPITAL AND SHARE DIFFERENCES (SHARE PROFIT)

Table 13.1 Authorized capital and share premium (share income)

thousand UAH	**Number of shares outstanding (thousands of shares)**	**Simple promotions**	**Total**
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**
Issuance of new shares (units)	-	-	-
Balance as of June 30, 2024	**12,152**	**300,039**	**300,039**

There are no shares announced for issue in the second quarter of 2024.

The nominal value of one share as of the end of the day on June 30, 2024 is 24.69 hryvnias.

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

There are no restrictions on share ownership as of June 30, 2024.

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.

Notes 1 3 stated in the " Statement of Financial Position " and the " Statement of Changes in Equity (Statement of Equity) ".

14. MOVEMENTS IN REVALUATION RESERVES (COMPONENTS OF OTHER COMPREHENSIVE INCOME)

Table 1 4 .1. Movement in revaluation reserves (components of other comprehensive income)

thousand UAH	**3 0 June 2024**	**December 31, 2023**
Balance at the beginning of the year	**1,431**	**(37,594)**
Revaluation of financial assets carried at fair value through other comprehensive income	**-**	**-**
changes in revaluation to fair value	*(9,679)*	*(8,419)*
income (expenses) from sales reclassified in the reporting period to profit or loss	*33,308*	*47,444*
Balance at the end of the year	**25,060**	**1,431**

15. ANALYSIS OF ASSETS AND LIABILITIES BY MATURITY TERM

Table 15.1. Analysis of assets and liabilities by maturity

thousand UAH	**3 0 June 2024**			**December 31, 2023**		
	less than 12 months	**more than 12 months**	**total**	**less than 12 months**	**more than 12 months**	**total**
ASSETS						
Cash and cash equivalents	755,061	-	755,061	2,109,911	-	2,109,911
Loans and customer debt	263,548	289,761	553,309	264,536	283,306	547,842
Investments in securities	801,564	268,393	1,069,957	856 871	146 189	1,003,060
Investment property	-	136,002	136,002	-	104,911	104,911
Current income tax receivable	4,053	-	4,053	-	-	-
Deferred tax asset	4,909	-	4,909	4,909	-	4,909
Fixed assets and intangible assets	-	42 105	42 105	-	36,896	36,896
Other assets	71,367	-	71,367	68,396	-	68,396
Total assets	**1,900,502**	**736,262**	**2,636,763**	**3,304,623**	**571,302**	**3,875,925**
OBLIGATION						
Client funds	2,156,923	61,334	2,218,257	2,856,963	662,173	3,519,136
Current income tax liabilities	-	-	-	5,678	-	5,678
Provisions for liabilities	2,045	699	2,744	1,785	276	2,061
Other obligations	55,896	25,822	81,718	41,256	7,915	49,171
Total liabilities	**2,214,864**	**87,855**	**2,302,719**	**2,905,682**	**670,364**	**3,576,046**

16. INTEREST INCOME AND EXPENSES

Table 1 6 .1. Interest income and expenses

thousand UAH	**30 June 2024**	**30 June 2023**
Interest income:		
Loans and customer debt	53 113	43,470
Investments in securities	99,969	54,666
Correspondent accounts in other banks	74	67
NBU certificates of deposit, which are recorded under the AS	27,465	32,000
Other interest income	545	-
Total interest income	**181 166**	**130 203**
Interest expenses:		
Term funds of legal entities	(15,529)	(14,082)
Term funds of individuals	(17,832)	(16,644)
Current accounts	(23,827)	(31,697)
Interest expense on lease liability	(117)	(46)
Other interest expenses	(445)	-
Total interest expense	**(57,750)**	**(62,469)**
Net interest income (expenses)	**123,416**	**67,734**

The data of Note 16 are included in the " Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results) " and in Note 21.

17. COMMISSION INCOME AND EXPENSES

Table 1 7 .1. Commission income and expenses

thousand UAH	**June 30, 2024**	**June 30, 202 3**
Commission income		
Settlement and cash transactions	69,627	53,309
Customer credit service	75	131
Foreign exchange market operations for clients	27,237	19,839
Guarantees provided	12,090	8,597
Others	65	87
Total commission income	**109,094**	**81,963**
Commission costs		
Settlement and cash transactions	(36,141)	(34,686)
Securities transactions for clients	(65)	(70)
Total commission expenses	**(36,206)**	**(34,756)**
Net commission income/expenses	**72,888**	**47,207**

Note 17 data disclosed in the "Statement of profit or loss and other comprehensive income (Statement of financial performance)" and in Note 21.

18. OTHER OPERATING INCOME

Table 18.1 . Other operating income

thousand UAH	**June 30, 2024**	**June 30, 202 3**
Fines, penalties received by the bank	198	126
Income from operating leasing (rent)	623	2,299
Income from termination recognition financial obligations	3,559	923
Income on initial recognition of financial assets (Government bonds)	1,559	268
Income from derecognition of financial liabilities	-	519
Compensation for utility costs for rented premises	-	161
Income from the sale of property	-	-
Income from disposal of investment property	-	819
Others	769	596
Total operating income	**6,708**	**5,711**

The data of Note 18 are disclosed in the “Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)” and in Note 21 .

19. ADMINISTRATIVE AND OTHER OPERATING COSTS

Table 19.1. Administrative and other operating expenses

thousand UAH	**June 30, 2024**	**June 30, 2023**
Marketing and advertising expenses	(4,974)	(1,561)
Costs associated with customer acquisition	(42,257)	(49,313)
Maintenance costs fixed assets and intangible assets, telecommunications and other operational services	(27,780)	(22,064)
Operational costs leasing (rent)	(8,395)	(4,214)
Payment of other taxes and fees, except for income tax	(3,509)	(3,520)
Expenses for information and consulting services received and financial consulting services	(3,868)	(164)
Security costs	(498)	(375)
Collection costs values	(1,392)	(1,511)
Audit costs	(480)	(420)
Escort payment cards	(7,978)	(3,675)
Staff education and training costs	(1,184)	(1,433)
Costs from termination recognition financial assets	(5,215)	(1,559)
Result from sale of assets	(247)	-
Fines for violations NBU requirements	(21,400)	-
Sponsorship and charity	(600)	-
Others	(6,244)	(3,894)
Total administrative and other operating expenses	**(136,021)**	**(93,703)**

Notes 1 9 disclosed in the “Statement of profit or loss and other comprehensive income (Statement of financial performance)” and in Note 21.

20. PROFIT (LOSS) PER COMMON SHARE

Table 2 0 .1. Net and adjusted earnings/(loss) per common share

thousand UAH	**3 0 June 2024**	**December 31, 202 3**
Profit/(loss) cumulative total since the beginning of the year	10,536	6,015
Profit/(loss) attributable to owners of the bank's common shares	10,536	6,015
Average annual number of common shares outstanding (thousands of shares)	12,152	12,152
Net and adjusted profit/(loss) per common share (UAH):		
basic	**0.87**	**0.49**
dilute	**0.87**	**0.49**

Note data 20 stated in the "Statement of profit or loss and other comprehensive income (Statement of financial results)".

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

thousand UAH	**June 30, 2024**	**December 31, 202 3**
Profit/(loss) for the period attributable to owners of the bank	10,536	6,015
Retained earnings/(loss) for the period	10,536	6,015
Retained earnings/(loss) for the period attributable to ordinary shareholders based on the terms of the shares	10,536	6,015
Profit/(loss) for the period attributable to ordinary shareholders	**10,536**	**6,015**

21. OPERATING SEGMENTS

An operating segment is a distinguishable component that is engaged in providing a single product or service (or a group of related products or services) and is subject to risks and returns that are different from those of other segments.

In this case, a group of interrelated products or services, the supply (provision) of which the segment is engaged in, is combined according to the following criteria:

- the nature of the products or services;
- the nature of the technological process;
- the type or class of consumers of certain products or services;
- the methods used to distribute products or provide services;
- the nature of the legal environment.

Segment information is provided to the Bank's management, which is responsible for making operating decisions to allocate resources and assess the Bank's performance by segment.

The Bank recognizes the following main operating segments: corporate, retail, investment, interbank.

Corporate segment – a segment of operations for providing banking services to business entities (account management tools (current, deposit), provision of loans, overdrafts and other types of financing, trade financial instruments, structured financing, foreign currency transactions and other services.)

Retail segment - a segment of operations for providing banking services to individuals (current, savings and deposit accounts for individuals, credit and debit cards, mortgages and loans for current needs and other services.)

Investment segment - a segment of conducting operations to invest own and borrowed financial resources by purchasing securities on the stock market on one's own behalf for the purpose of generating income and other investments for the purpose of generating income.

The interbank segment is a segment for conducting transactions with banks, including the NBU, for the purpose of regulating and ensuring the bank's liquidity.

The Bank recognizes as revenue of a reportable segment the revenue that is 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. The revenue of reportable segments is presented net of value added tax, excise duty, other fees and deductions from income.

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.

The item "Unallocated amounts" includes amounts of income/expenses that, for one reason or another, are not allocated to specific segments, or arise from other segments and operations, or arise at the Bank level and relate to the Bank as a whole. Total unallocated amounts are allocated between the main operating segments in proportion to the identified direct results of the segments.

The measurement of segment profits and losses is carried out using a management accounting methodology used for segment reporting, which differs somewhat from that used for other financial statements. However, the information presented in segment reporting is consistent with the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income prepared in accordance with IFRS.

Table 21.1. Revenues, expenses and results of reportable segments for the 6 months ended June 30, 2024

thousand UAH	Corporate segment	Retail segment	Investment segment	Interbank segment	Other segments and operations	Total
Interest income	49,737	3,921	99,969	27,539	-	181 166
Commission income	39,400	54,069	-	15,625	-	109,094
Other operating income	3,885	738	1,982	-	10 3	6,708
Total segment revenues	**93,022**	**58 72 8**	**101,951**	**43,164**	**10 3**	**296,968**
Interest expenses	(39,471)	(18,161)	-	-	(118)	(57,750)
Commission costs	-	(352)	(65)	(35,789)	-	(36,206)
Employee benefits expenses	(21,428)	(30,272)	(20,588)	(12,299)	(29)	(84,616)
Depreciation and amortization expenses	-	-	-	-	(7,067)	(7,067)
Other administrative and operating expenses	(6,099)	(20,153)	(755)	(28,658)	(80,356)	(136,021)
Total segment costs	**(66,998)**	**(68,938)**	**(21,408)**	**(76,746)**	**(87,570)**	**(321,660)**
Net profit/(loss) from FI transactions accounted for under the SVISD	-	-	2,520	-	-	2,520
Net profit/(loss) from foreign currency transactions	-	1,639	-	61,311	153	63 103
Net profit/(loss) from foreign currency revaluation	756	16,712	-	(18,196)	183	(545)
Net gain/(loss) from impairment of financial assets	(37,643)	5 131	-	3,083	-	(29,429)
Net gain/(loss) from impairment of other assets	-	-	-	262	-	262
Net loss/(gain) from increase/(decrease) in provisions for liabilities	-	-	-	(683)	-	(683)
Segment result	**(10,863)**	**13,272**	**83,063**	**12,195**	**(87,131)**	**10,536**

Components of line 3 “Other operating income” in the amount of 6,708 thousand UAH are disclosed in Note 18.
The components of line 8 "Other administrative and operating expenses" in the amount of UAH 136,021 thousand are disclosed in Note 19.

Table 2 1.2. Revenues, expenses and results of reportable segments for the 6 months ended June 30, 2023

thousand UAH	Corporate business	Retail business	Treasury	Other segments and operations	Total
Interest income	40,888	2,582	86,733	-	130 203
Commission income	32,559	40,256	9 148	-	81,963
Other operating income	2,310	290	12	3,099	5,711

Total segment revenues	**75,757**	**43,128**	**95,893**	**3,099**	**217,877**
Interest expenses	(44 321)	(17 095)	-	(1 053)	(62 469)
Commission costs	(70)	(851)	(33 835)	-	(34 756)
Employee benefits expenses	(21 068)	(12 641)	(2 107)	(6 318)	(42 134)
Depreciation and amortization expenses	-	-	-	(4 466)	(4 466)
Other administrative and operating expenses	(46 853)	(28 112)	(4 687)	(14 051)	(93 703)
Total segment costs	**(112 312)**	**(58 699)**	**(40 629)**	**(25 888)**	**(237 528)**
Net profit/(loss) from debt transactions FIs that are registered under the SVISD	-	-	-	(3,429)	(3,429)
Net profit/(loss) from foreign currency transactions	-	-	52,756	-	52,756
Net profit/(loss) from revaluation of investment property	-	-	-	(2,106)	(2,106)
Net profit/(loss) from foreign currency revaluation	44	140	(2,363)	318	(1,861)
Net gain/(loss) from impairment of financial assets	(12,171)	(1,025)	(667)	780	(13,083)
Net gain/(loss) from impairment of other assets	-	-	-	(817)	(817)
Net loss/(gain) from increase/(decrease) in provisions for liabilities	(352)	-	-	-	(352)
Segment result	**(49,034)**	**(16,456)**	**104,990**	**(28,043)**	**11,457**

Components of line 3 "Other operating income" in the amount of 5 UAH 711 thousand is disclosed in Note 18.

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 93,703 thousand are disclosed in Note 19.

Table 2 1.3. Assets and liabilities of reportable segments for the 6 months ended June 30, 2024

thousand UAH	**Corporate segment**	**Retail segment**	**Investment segment**	**Interbank segment**	**Unallocated volumes**	**Total**
Segment assets						
Segment assets	526,620	58,077	1,205,959	594 79 3	-	2,385,449
Total segment assets	526,620	58,077	1,205,959	594 79 3	-	2,385,449
Undistributed assets	-	-	-	-	251,314	251,314
Total assets	**526,620**	**58,077**	**1,205,959**	**594 79 3**	**251,314**	**2,636,763**

Segment liabilities						
Segment liabilities	1,540,161	707 220	-	-	-	**2,247,381**
Total segment liabilities	1,540,161	707 220	-	-	-	**2,247,381**
Unallocated liabilities	-	-		-	55 33 8	**55 33 8**
Total liabilities	**1,540,161**	**707 220**	**-**	**-**	**55 33 8**	**2 302 71 9**

Data of line 3 "Undistributed assets" in the amount of 251,314 thousand UAH consist of:

- UAH 136,002 thousand "Investment real estate";
- 42 105 thousand UAH . "Fixed assets and intangible assets";
- UAH 4,909 thousand "Deferred tax asset";
- UAH 68,298 thousand "Other assets"

The data of line 7 "Unallocated liabilities" in the amount of UAH 55,338 thousand consist of:

- 53,560 thousand UAH – accounts payable for business operations, taxes, deferred income and other liabilities;
- 1,778 thousand – other liabilities.

Table 21.4. Assets and liabilities of reportable segments for 2023

thousand UAH	**Corporate business**	**Retail business**	**Treasury**	**Other 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, deferred income and other liabilities;
- UAH 9,568 thousand – other liabilities.

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

22. POTENTIAL LIABILITIES OF THE BANK

Hearing cases in court

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

- The lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 112 thousand. Case No. 910/5209/24 is being considered in the court of first instance.
- The lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 249 thousand. Case No. 910/6428/23 was stayed in the court of first instance until consideration of another related case.
- The 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.
- The lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 626 thousand. Case No. 910/10010/22 was stayed in the court of first instance until consideration of another related case.
- A lawsuit to recover from the Bank the guarantee amount of UAH 104 thousand. Case No. 910/5836/24 is being considered in the court of second instance.
- A lawsuit to recover from the Bank the guarantee amount of UAH 659 thousand . Case No. 910/8556/24 is being considered in the court of first instance.
- Claim to recover from the Bank the amount of the guarantee in the amount of 599 thousand UAH. Case No. 910/8560/24 is being considered in the court of first instance.
- The lawsuit to recover from the Bank the amount of the guarantee in the amount of UAH 371 thousand. Case No. 910/3587/24 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.

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

thousand UAH	**June 30, 2024**	**December 31, 2023**
Up to 1 year	5,878	12,208
Total	**5,878**	**12,208**

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 22.2. Structure of lending commitments

thousand UAH	**June 30, 2024**	**December 31, 2023**
Guarantees issued	1,376,972	1,364,890
Lending commitments provided	21,043	20,782
Unused credit lines	89,382	216 135
Reserve for issued guarantees	(2,744)	(2,060)
Total lending-related liabilities, less provision	**1,484,653**	**1,599,747**

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 2 2.3. Lending commitments by currency

thousand UAH	**June 30, 2024**	**December 31, 2023**
US dollar	208,643	233 122
Euro	42,682	21,492
Hryvnia	1,233,328	1,345,133
Total	**1,484,653**	**1,599,747**

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

As of 3 0 June 2024 The Bank had assets with limited used with the following carrying amount :
- warranty deposits for settlements with international Mastercard payment system in the amount of UAH 1,621 thousand ;
- warranty security (principal) for settlements with international Mastercard payment system in the amount of UAH 9,729 thousand ;
- warranty deposits for settlements with international payment system Welsen d in the amount of 20 thousand UAH ;
- warranty deposits for settlements with international Apple payment system Pay in the amount of 28 thousand UAH.

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

23. 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 23.1. Balances on transactions with related parties as of June 30 , 2024

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Client funds	157	3,503	89
Loans and customer debt	-	28	-
Loan impairment allowance	-	(2)	-
Other obligations	-	2,765	-

Table 23.2. Income and expenses from transactions with related parties for the 6 months ended June 30, 2024

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Interest income	-	4	-
Commission income	16	27	62
Foreign currency revaluation	-	-	-
Other operating income	1	8	36
Interest expenses	-	(52)	-
Impairment of financial assets (formation of a reserve)	-	1	-
Employee benefits expenses	-	(12,569)	-
Other administrative and operating expenses	-	(10)	(2)

Table 23.3. Balances on transactions with related parties as of December 31, 202 3

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Client funds	216	2,230	131
Loans and customer debt	-	16	-
Loan impairment allowance	-	(1)	-
Other obligations	-	3,214	-

Table 23.4. Income and expenses from transactions with related parties for 2023

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
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 23.5. Payments to key management personnel

thousand UAH	**June 30, 2024**		**June 30, 2023**	
	Costs	**Accrued liability**	**Costs**	**Accrued liability**
Current employee benefits	12,524	2 755	6,656	1,464
Severance payments	45	10	161	35

24. 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.