«COMMERCIAL BANK «ACCORDBANK» PUBLIC JOINT-STOCK COMPANY

FINANCIAL STATEMENTS

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

Translation from Ukrainian original

CONTENT

Statement on responsibility of the management for the preparation and approval of financial statements for the year ended December 31, 2023

The statement below, which should be considered together with the description of the obligations of the independent auditors contained in the attached Report of the independent auditor, is made for the purpose of distinguishing the responsibilities of the management and independent auditors in relation to the financial statements of the «COMMERCIAL BANK «ACCORDBANK» PUBLIC JOINT-STOCK COMPANY (hereinafter – the Bank).

The Bank's management is responsible for the preparation of financial statements that accurately reflect the Bank's financial position as at December 31, 2023, the results of its activities and cash flows for the year ended December 31, 2023, in accordance with International Financial Reporting Standards (hereinafter - IFRS). When preparing financial statements, the Bank's management is responsible for:

- selection of appropriate accounting principles and their consistent application;
- application of reasonable estimates and calculations;
- compliance with IFRS requirements or disclosure and explanation of all significant deviations from IFRS in financial statements;
- preparation of financial statements based on the assumption that the Bank will continue its activities in the future, except for cases when such an assumption is illegitimate.

The Bank's management is responsible for:

- development, implementation and ensuring the functioning of an effective and reliable internal control system of the Bank;
- keeping relevant accounts, which reveal with a sufficient degree of accuracy information about the Bank's financial condition, and which allow to ensure compliance of the Bank's financial statements with the requirements of IFRS;
- ensuring compliance of accounting with the requirements of legislation and accounting standards adopted in Ukraine;
- taking measures reasonably available to him to ensure the preservation of the Bank's assets;
- detection and prevention of fraud and other violations.

Financial statements for the year ended December 31, 2023, were approved and signed on behalf of the Bank on April 24, 2024.

Acting Chairman of the Management Board _____________ Oleksandr HOLENIA

Chief accountant _____________ Oksana LITOSH

Statement of financial position as at December 31, 2023

UAH'000

	Note	31.12.2023	31.12.2022
ASSETS			
Cash and cash equivalents	6	14 249 771	5 979 171
Loans and due from customers	7	755 448	980 015
Investments in securities	8	4 526 420	4 068 872
Investment property	9	53 530	6 207
Current income tax receivable		-	1 198
Deferred tax assets	23	3 067	5 639
Intangible assets	10	17 757	21 049
Fixed assets and right-of-use assets	11	362 186	392 280
Other financial assets	12	199 603	137 444
Other non-financial assets	12	164 186	122 538
Total assets		**20 331 968**	**11 714 413**
LIABILITIES			
Due to banks	13	-	989 965
Due to customers	14	19 472 111	9 996 124
Current income tax liability		49 160	-
Provisions for liabilities	15	7 044	4 820
Other financial liabilities	16	**270 748**	**300 679**
Other non-financial liabilities	16	81 940	41 615
Total liabilities		**19 881 003**	**11 333 203**
EQUITY			
Share capital	17	284 540	284 540
Reserve and other funds of the bank		103 048	103 048
Revaluation reserves		14 493	(711)
Retained earnings (accumulated loss)		48 884	(5 667)
Total equity		**450 965**	**381 210**
Total equity and liabilities		**20 331 968**	**11 714 413**

Financial statements for the year ended December 31, 2023, are approved and signed on behalf of the Bank on April 24, 2024.

Acting Chairman of the Management Board ____________ Oleksandr HOLENIA

Chief accountant ____________ Oksana LITOSH

Україна
КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК»
Ідентифікаційний код 35960913

Lebedeva Olena
044 538 18 59

Statement of profit and loss and other comprehensive income for the year ended December 31, 2023

UAH'000

	Note	2023	2022
Interest income	19	1 983 769	1 424 133
Interest expense	19	(1 156 992)	(1 013 714)
Net interest income		**826 777**	**410 419**
Commission income	20	792 520	539 147
Commission expense	20	(140 097)	(60 316)
Net profit/(loss) from transactions with derivatives		(294)	(39 014)
Net profit from transactions with debt instruments at fair value through other comprehensive income		102	-
Net profit from foreign currency transactions		279 725	167 100
Net profit from foreign currency revaluation		1 572	102 483
Net profit/(loss) from revaluation of investment property		28 908	(53)
Net loss from impairment of financial assets	6,7,8,12	(274 515)	(309 034)
Net loss/(profit) from increase/(decrease) of provisions for liabilities	15	(2 224)	8 008
Net profit/(loss) from derecognition of financial assets at amortized cost		2 486	1 301
Other operating income	21	35 369	32 080
Employee benefits	22	(828 259)	(518 340)
Depreciation and amortization	22	(99 675)	(79 780)
Other administrative and other operating expenses	22	(489 837)	(259 543)
Profit (loss) before taxes		**132 558**	**(5 542)**
Income tax expense	23	(78 007)	(125)
Profit (loss) for the period		**54 551**	**(5 667)**
ITEMS THAT WILL NOT BE RECLASSIFIED INTO PROFIT OR LOSS			
Changes in the results of revaluation of investments into equity instruments		-	-
Income tax related items of other comprehensive income that will not be reclassified into profit or loss		4	-
Other comprehensive income that will not be reclassified into profit or loss after taxes		4	-
ITEMS THAT WILL BE RECLASSIFIED TO INCOME OR LOSS			
Changes in the results of revaluation of debt financial instruments:		20 138	(741)
net change in fair value		20 105	(836)
net change in fair value transferred to profit or loss		33	95
Income tax related to items of other comprehensive income that will be reclassified to profit or loss		(4 938)	104
Other comprehensive income that will be reclassified to profit or loss after tax		15 200	(637)
Other comprehensive income after tax		**15 204**	**(637)**
Total comprehensive income for the period		**69 755**	**(6 304)**
Earnings per share (UAH):	24		
Net and adjusted earnings per ordinary share		196,51	(20,41)

Financial statements for the year ended December 31, 2023, are approved and signed on behalf of the Bank on April 24, 2024.

Україна
м.Київ
КОМЕРЦІЙНИЙ БАНК
«АКОРДБАНК»
Ідентифікаційний код 35960913
Публічне товариство

Acting Chairman of the Management Board ____________ Oleksandr HOLENIA

Chief accountant ____________ Oksana LITOSH

Lebedeva Olena
044 538 18 59

Statement of changes in equity for the year ended December 31, 2023

UAH'000

	Share capital	Reserves and other funds	Revaluation reserves	Retained earnings	Total equity
Balance as at January 1, 2022	**284 540**	**5 634**	**(74)**	**97 414**	**387 514**
Allocation of 2021 profit	-	97 414		(97 414)	-
Total comprehensive income:	-	-	(637)	(5 667)	(6 304)
loss for the reporting period	-	-	-	(5 667)	(5 667)
other comprehensive income	-	-	(637)	-	(637)
Balance as at December 31, 2022/January 1, 2023	**284 540**	**103 048**	**(711)**	**(5 667)**	**381 210**
Total comprehensive income:	-		15 204	54 551	69 755
profit for the reporting period	-			54 551	54 551
other comprehensive income	-		15 204		15 204
Balance as at December 31, 2023	**284 540**	**103 048**	**14 493**	**48 884**	**450 965**

Financial statements for the year ended December 31, 2023, are approved and signed on behalf of the Bank on April 24, 2024.

Acting Chairman of the Management Board ____________ Oleksandr HOLENIA

Chief accountant ____________ Oksana LITOSH

Lebedeva Olena

044 538 18 59

Statement of cash flows for the year ended December 31, 2023
(direct method)

			UAH'000
		2023	*2022*
OPERATING CASH FLOWS			
Interest income received		1 709 821	1 515 639
Interest expense paid		(1 131 316)	(1 008 717)
Commission income received		789 691	525 652
Commission expenses paid		(140 070)	(60 660)
Results of transactions with derivatives		(294)	(39 014)
Results of transactions with foreign currency		279 725	167 100
Othe operating income received		14 254	27 682
Labor remuneration paid		(782 453)	(520 479)
Administrative and other operating expenses paid		(459 209)	(242 405)
Income tax paid		(30 010)	(12 789)
Operating cash flows received/(paid) before changes in operating assets and liabilities		**250 139**	**352 009**
Net (increase)/decrease of investments in securities		(527 726)	5 989 476
Net (increase)/decrease of loans and due from customers		111 346	242 814
Net (increase)/decrease of other financial assets		(73 043)	(66 048)
Net (increase)/decrease of other assets		(4 099)	10 727
Net increase/(decrease) of due to banks		(990 000)	(4 370 300)
Net increase/(decrease) of due to customers		9 425 344	762 353
Net increase/(decrease) of other financial liabilities		25 629	(28 713)
Net increase/(decrease) of other liabilities		21 612	3 144
Net operating cash flows received /(used)		**8 239 202**	**2 895 462**
INVESTING CASH FLOWS			
Acquisition of fixed assets		(119 958)	(124 286)
Acquisition of intangible assets		(4 785)	(6 593)
Net investing cash flows received/(used)		**(124 743)**	**(130 879)**
FINANCING CASH FLOWS			
Lease-related liabilities		(68 224)	(46 467)
Net financing cash flows received/(used)		**(68 224)**	**(46 467)**
Effect of change of official FX rate on cash and cash equivalents		13 555	115 661
Net increase/(decrease) of cash and cash equivalents		**8 059 790**	**2 833 777**
Cash and cash equivalents – opening balance		**5 981 477**	**3 147 700**
Cash and cash equivalents – closing balance	5	**14 041 267**	**5 981 477**

Financial statements for the year ended December 31, 2023, are approved and signed on behalf of the Bank on April 24, 2024.

Україна * Київ * КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК» Публічне акціонерне товариство Ідентифікаційний код 35960913

Acting Chairman of the Management Board ____________ Oleksandr HOLENIA

Chief accountant ____________ Oksana LITOSH

Lebedeva Olena
044 538 18 59

Notes to financial statements

Note 1. Background information

COMMERCIAL BANK «ACCORDBANK» PUBLIC JOINT-STOCK COMPANY (hereinafter - the Bank) was registered on June 3, 2008. Abbreviated name of CB «ACCORDBANK» PJSC

The bank was registered by the National Bank of Ukraine on June 4, 2008, under registration number 324 in the State Register of Banks.
Organizational and legal form – Public joint stock company.

«CB «ACCORDBANK» PJSC is a universal banking institution.

The main counterparties of the Bank are non-banking institutions, small and medium-sized enterprises, and natural persons. The bank raises funds from the population and business entities, issues loans, transfers payments in Ukraine and abroad, conducts operations with foreign currency funds, provides banking services to its commercial and retail clients.

As at December 31, 2023, CB «ACCORDBANK» PJSC is represented by 155 sales points - the Main Bank and 154 branches - in the following regions of Ukraine:

- Kyiv – 30 (including head office)
- Kyiv oblast – 4
- Dnipropetrovsk oblast –19
- Donetsk oblast - 2
- Zhytomyr oblast – 3
- Zaporizhzhia oblast – 6
- Kirovograd oblast – 3
- Lviv oblast – 9
- Odessa oblast – 16
- Poltava oblast – 9
- Sumy oblast - 8
- Kharkiv oblast – 10
- Kherson oblast – 1
- Ivano-Frankivsk oblast – 4
- Volyn oblast – 3
- Rivne oblast – 3
- Khmelnitsky oblast – 5
- Cherkassy oblast – 6
- Chernivtsi oblast – 1
- Vinnitsa oblast – 3
- Mykolaiv oblast – 4
- Ternopil oblast – 1
- Lugansk oblast -1
- Zakarpatska oblast - 3
- Chernihiv oblast - 1

As of December 31, 2023, operations 10 branches are suspended due to hostilities and temporary occupation, namely:

- Zaporizhzhia oblast - 1
- Donetsk oblast - 2
- Lugansk oblast - 1
- Odessa oblast - 1
- Mykolaiv oblast - 1
- Kharkiv oblast - 2
- Kherson oblast - 1
- Volyn oblast - 1

The Bank's location: Ukraine, 04136, Kyiv, 6, Stetsenko str.

The strategic goal of the Bank is to increase the market value of the banking institution in the interests of shareholders. The main goal for the management of «CB «ACCORDBANK» PJSC is to create and reliably operate a competitive, financially stable credit institution with advanced technologies for interaction with clients, capable of meeting the requirements and providing a wide range of banking services to legal entities and private clients at the level of international banks.

CB «ACCORDBANK» PJSC is a member of the Individual Deposit Guarantee Fund (Certificate of Fund Member No. 198, registration date 14.08.2008).

The bank carries out banking operations in accordance with banking license No. 245, issued by the National Bank of Ukraine on November 7, 2011 (https://bank.gov.ua/files/Licences_bank/380634.pdf), to which, as at 15.07.2021, cash collection services and transportation of currency.

CB «ACCORDBANK» PJSC has the following licenses and decisions to conduct activities on the stock market:

- License of the National Securities and Stock Market Commission, series AE No. 263225 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Brokering activity) ». The validity period of the license is unlimited from 29.08.2013;
- License of the National Securities and Stock Market Commission, series AE No. 263226 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Dealing activity) ». The validity period of the license is unlimited from 29.08.2013;
- License of the National Securities and Stock Market Commission, AE series No. 263227 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Underwriting)». The validity period of the license is unlimited from 29.08.2013;
- Decision of the National Securities and Stock Market Commission regarding the issuance of the license «Professional activity on the stock market - depository activity (depository activity of a depository institution) » No. 614 dated 16.10.2019. The validity period of the license is unlimited as of 16.10.2019.

Membership in international money transfer systems:

The Bank sends and pays out funds through the international money transfer systems INTELEXPRESS, Welsend, RIA, MY TRANSFER, R360:

INTELEXPRESS	The bank has been working with the system since 11.01.2016 as a direct participant of the system based on the Agreement on making money transfers
Welsend	The bank has been working with the system since 07.09.2016 as an agent of the system on the basis of the Agreement with AB «UKRGAZBANK»
RIA	The bank has been working with the system since 15.05.2017 as a direct participant of the system based on the Agreement on Joining the Payment System
MY TRANSFER	The Bank has been working with the system since 30.05.2019 as a direct participant of the system on the basis of Participation Agreement No. 1 of 08.05.2018
R360	The bank has been working with the system since 29.12.2022 as a direct participant of the system on the basis of the Agreement on money transfers No. 1 of 03.10.2022

Membership in international payment systems:

The bank is an Affiliate member of IPS MasterCard Worldwide. Services for operations with cards of the international payment system MasterCard are conducted in accordance with the agreement of the principal member of the MasterCard International Payments System, the bank - sponsor JSC «PUMB».

The bank has the following licenses:

- a license to issue Mastercard payment system cards,
- a license to conduct cash-acquiring within Mastercard,
- a license to conduct trade acquiring within Mastercard.

As of 2020, the Bank has been a member of the *Ukrainian Payment Space* National Payment System - a retail payment system in which payments for goods and services, cash withdrawals and other operations with the national currency are conducted using electronic means of payment, namely PROSTIR payment cards.

Membership in interbank unions, exchanges, associations:

«CB «ACCORDBANK» PJSC is a member:

- *Professional Association of Participants of Capital and Derivatives Markets (PARD);*
- *PJSC «FB «PERSPECTIVE";*
- *Independent Association of Banks of Ukraine (IABU);*
- *Ukrainian interbank association of members of payment systems «EMA».*

As at December 31, 2023, the management of the Bank owned shares of the Bank as follows:

Chair of Supervisory Board Danylo M. Volynets	74,771253%
Chair of Management Board Oleksiy M. Rudnev	9,900936%
Member of Supervisory Board Zinaida P. Kot	9,666426%

As at December 31, 2023, the following shareholders have a significant stake (more than 10 percent) in the Bank:

Volynets Danylo Mefodiiyovych (permit of the National Bank of Ukraine to acquire a significant share in the bank No. 129 of April 24, 2017)	74,771253%

Foreign investors do not have shares in the authorized capital of «CB «ACCORDBANK» PJSC.

The annual financial statements of the Bank for the year ended December 31, 2023, were approved for release by the decision of the Bank's Management Board of April 23, 2024.

Note 2. Economic environment

Inflation pressure went significantly down in 2023 in spite of continuing russian aggression. Inflation went down to 5,1 annual in November staying at this level until the end of 2023. High agricultural yields and decrease of world prices for energy carriers assisted in decrease of price pressure. In spite of the expected increase of inflation in 2024 (forecast - 8,1%) it stays at moderate level in accordance with the basic forecast and would get to target range in 2025. Inflation will stay within the target range of 5% ± 1% within the next few months. As of mid-year it would increase somewhat through exhaustion of effects of high agricultural yields of previous year. Additional pressure will be created by recovery of consumer demand and transfer of business costs to prices of consumer products because of high security risks and growth of salaries.

In 2023, the economy was recovering during the whole year due to high adaptability of business and population to war conditions and soft fiscal policies supported by large-scale international financing. The growth of real GDP in IV quarter overcame expectations mostly due to high yield of late crops and development of alternative export routes leading to improvement in assessment of increase of real GDP in 2023 – up to 5,7%. In spite of war the economic growth would continue. In 2024, the real GDP is forecasted to increase by 3,6% mostly due to continuation of high budget expenses with expected scope of international aid at adequate level. Still, economic growth rate would be lower than in previous year as a result of expected decrease of crops' yield and increase of disproportions at labour market during the war.

International reserves of Ukraine in 2023 went up by 42% reaching USD 40,5 billion due to international support and consistent NBU policies. International aid continues to be a major source of capital inflow to the country. In spite of delays with the inflow of international aid early in the year it is expected that it will be restored within the nearest months. Under basic forecast of NBU Ukraine would receive close to USD 37 billion as foreign loans and grants in 2024.

Interest rate under UAH instruments in July – December 2023 went somewhat down reflecting softening of NBU interest rate policies. Maintaining incentives for banks through three-month deposit certificates prevented decrease of interest rates under UAH term certificates of population. The profitability of UAH instruments was higher than current and expected inflation. As a result, investment of population into UAH term deposits and State Bonds (SB) continued to grow.

If early in the year the significant factor of internal borrowings was introduction of SB benchmark, investments in which were considered as coverage of mandatory reserves, the attractive profitability played a key role by the end of the year, resulting in significant market demand for SB. In IV quarter, placement of SB was highest during the year mostly due to the issue of UAH securities, while internal borrowings during the year were two times higher than in the previous year. The role of internal debt market will grow in forecasted horizon, keeping in mind gradual decrease of international aid. Active policy of internal borrowing is an important precondition for continuing elusion of monetary financing of budget needs. Still, the potential of internal market will not be able to cover fiscal need of the government. High security risks and needs to recover the country would cause significant budget deficits in spite of their gradual decrease. The major source of financing of deficit would continue to be international aid. Scope of direct budget support in 2023 was USD 42,5 billion of which close to USD 10 billion in IV quarter. У 2024–2026, official financing will continue to be quite significant in spite of reduction.

NBU used fixed UAH FX rate as of the commencement of full-scale aggression supporting it by currency sale interventions of NBU and a set of administrative limitations for currency transactions and movement of capital. In the situation of high uncertainty caused by hostilities these steps made it possible to save monetary and financial stability. Earlier, Ukraine had many years of experience of use of fixed FX rate. It created an illusion of stability and significant macro financial misbalances with adjustments resulting in deep currency and economic crisis. In October 2023, NBU introduced controlled flexibility mode. NBU would permit for higher flexibility of FX rate as respective preconditions are formed, while rope of interest rate would increase. Still, NBU would continue to be at market compensating structural deficit of currency.

Labor market continued its slow improvement in 2023. Increase of business activity improves the demand for labour force. The number of vacancies at head-hunting sites almost reached the level of late 2021, although number of resumes went down. The reasons may include increase of employment by business and limited offer of labour force caused by migration and mobilization. The results of the October poll by the Institute of economic studies and political consulting show that the lack of labour force is number four 4 among obstacles for business during war. Besides the risk of quality of human capital is rapidly increasing, being one of the 10 biggest system risks. Disproportions at labour market will characterize it for the near future, as economic sectors recover unevenly, while migration back to Ukraine is slow because of high security risks.

The inflow of customers' funds to banks in the 2nd half of 2023 was slower than in the 1st half. The banks do not rely on other sources of funding. Regular inflow of funds supports the liquidity position of the banks. Highly liquid assets are a little bit less than half of the assets of the banks. With this safety margin financial institutions can survive significant liquidity shocks, the probability of which is now quite low. UAH crediting started to grow after a long pause. UAH crediting of business has continued to grow for six consecutive months. Improvement of financial position of the companies and increase of business activities increased demand and offer of crediting. UAH corporate crediting continues to be supported by *Affordable Loans 5-7-9%* state program. The program calls for refocusing on support of small and medium entities and effective use of budget funds. Subsidized crediting will be gradually removed for the entities that recovered after crisis. Besides, there is a demand not only for subsidized crediting – the banks that do not participate in state programs also increase their loan portfolios. An integral component of support of crediting will be mechanisms of division of credit risks – either through government program of portfolio guarantees or through instruments of international financial organizations. Non-secured consumer and mortgage loans also started to increase. Two banks are the leaders in non-secured consumer crediting – they have restored their portfolios back to pre-war level. Other key players are quite slow in recovery of lost positions, so the concentration in the segment is increasing. Mortgage crediting is made mostly by the state banks under *YeOselia* state program. Subsidized mortgage continues to grow attracting more people. It is difficult to assess the quality and risks of the loans now as their average length is just a few months. This portfolio will be the centre of attention in future. Peak credit losses caused by full-scale war is already passed as confirmed by resilience testing performed by National Bank of Ukraine.

Termless increase of income tax rate to 25% as of 2024 (2023 – 50%) will continue significantly affect profitability of the banks. This factor would decrease profitability of the bank business and speed of replenishment of their capital. In the November poll regarding system risks the banks referred, for the first time, to the quality of laws and tax system as one of the significant risks. Still, the high profitability of the banks caused the increase of capital adequacy ratio. The reserve of capital now is more than adequate to cover the risks taken into account in the prescribed ratios, and compliance with new planned requirements, the most important being full coverage of operating and market risks by capital. Besides, new structure of regulatory capital and new minimal requirements to its adequacy will be introduced in 2024.

In this situation, the Bank took steps to increase the attraction of customers' funds, support of high level of liquidity placing its resources mostly to SB and NBU deposit certificates, provision of power independence of its regional network and soft-and-hardware equipment of the Bank. E.g., highly liquid assets in the balance sheet structure of the Bank, formed due to SB, cash and cash equivalents, NBU deposit certificates, represent 92% of assets as at the end of the day of December 31, 2023 (equivalent of UAH 18,7 billion).

As at the end of 2023, the branch network of the Bank included 155 points of sale (154 branches and head office). Regional network works taking into account security of customers and employees, work of certain branches was temporarily suspended in the areas of hostilities and temporarily occupied territories (6% of branches are temporarily non-working).

In 2023, the Bank complied with all ratios set by NBU. E.g., the liquidity ratio was significantly higher than the limits set by the regulator.

Profit of the Bank as of the beginning of 2023 was UAH 54,6 million or higher than 2022 results by nine times due to significant decrease of expenses on allowance for impairment of financial assets that was formed in full as at the reporting date taking into account potential credit risks. Equity of the Bank increased by 15% reaching UAH 439,8 million.

The Bank maintained high growth rate of key items, namely, commission and trading income due to 'transactional' business model of the Bank that demonstrated its resilience even under martial law, existence of wide network of branches and exitance of own cash collection system ensuring quality cash circulation. The commission income of the Bank increased by 47% compared to 2022 up to UAH 792,5 million. Net profit from currency transactions went up by 67% up to UAH 279,7 million. As of the beginning of 2023 customer funds went up by 95% reaching equivalent of UAH 19.5 billion as at the end of the day of December 31, 2023. Assets of the Bank went up by 73% reaching equivalent of UAH 20,3 billion. Net interest income went up in 2023 by two-fold reaching UAH 826.8 million.

In 2024, in accordance with the approved Bank development strategy assets of the Bank would grow due to placement of attracted customer funds in highly liquid instruments (NBU deposit certificates and SB); besides, the Bank plans to become more active in retail consumer crediting, increase of number of customers (banks and legal entities (regarding collection and valuables.

Note 3. Basis of preparation of financial statements

Statement of compliance

The financial statements as at December 31, 2023, were prepared in accordance with the International Financial Reporting Standards (hereinafter - IFRS), which are applicable for the financial statements for the year ended on December 31, 2023, in accordance with the requirements of the National Bank of Ukraine for the preparation and publication of financial statements of banks of Ukraine and the Law of Ukraine *On Accounting and Financial Reporting in Ukraine*.

Changes in going concern assumptions

These are prepared assuming that the Bank would be able to operate as a going concern in the near future.

As a result of military aggression of russia against Ukraine and introduction of martial law in the country by the Decree of President of Ukraine *Om introduction of Martial Law in Ukraine* №64/2022 of February 24, 2022, approved by the Law of Ukraine №2102-IX of February 24, 2022, Ukrainian Chamber of Trade and Commerce recognized military aggression of russia against Ukraine as Force-Majeure.

As of commencement of martial law, the Bank operates in accordance with the Decree of National Bank of Ukraine №18 *On Work of Banking System in the Conditions of Martial Law* of 24.02.2022 and other rulings of NBU limiting the work of the banking system. The Bank supports sanctions against aggressor country. Besides, the Bank operations do not depend on russian and byelorussian markets, The Bank has no russian and byelorussian assets, Bank balances at correspondent accounts in russian and byelorussian banks are small being presented solely by customers' balances, while concentration of customers' balances and number of russian and byelorussian bob-resident customers are quite small. The Bank established 100% allowance for ECL under balances at correspondent accounts in russian and byelorussian banks. The Bank has no related parties, while structure of ownership has no owners directly or indirectly related to PEPs or organizations concealing the relations with russian and byelorussian banks legal entities or individuals under sanctions. All transactions in russian and byelorussian roubles are suspended.

In 2023, the Bank continues to adapt its business and internal processes to conditions of martial law, namely:

- the Bank increased its network of branches keeping in mind the support of 'transactional' business model that confirmed its efficiency in the situation of war. E.g., in 2023 the Bank opened 7 new branches thus entering into TOP-10 of the banks based on regional network;
- network of ATMs and terminal was optimized based on the situation of specific region, customers' demand and possibility of cash collection;
- cash collection works in all regions where it is possible. Cash collection routes are updated depending on the current situation in the regions, interregional collection is arranged, while local collections processes are optimized. The number of customers using Bank collection services increased significantly.

The Bank continues to cooperate with lessors of property and other assets leased by the Bank for operations of the branches regarding reduction of monthly lease payments (lease concession is 20% to 50% of monthly payments).

Bank management recognizes the risks resulting from military aggression of russia, so, the collegial bodies (Supervisory Board, Management Board and committees of Supervisory and Management Board) continue to execute their functions without loss of control or termination vital processes of the Bank.

The Bank performs daily monitoring of liquidity within the framework of management of operating and strategic liquidity risks in order to comply with prudential liquidity rates, correspondence of actual scope of liquidity of assets to its necessary level and provision of long-term liquidity safety. The Bank continues to operate without any violations of economic ratios with adequate liquidity reserves.

Access to certain branches of the Bank is limited as a result of hostilities and occupation of certain regions of the country. Based on existing information the Bank analysed potential losses and damages. Based on the results received, in 2023 the Bank formed a partial provision for balance of cash in ATMs of UAH 43 thousand (unloaded ATMs previously unreachable, and recognized impairment of fixed assets by UAH 2.284 million due to return of cash-collection vehicles transferred in 2022 to Ukrainian Army.

The Bank carefully watches over repayment of loans by customers and investigates potential threats related to non-payment of loans. In compliance with recommendations of NBU, the Bank developed scenarios of restructuring of debts for individuals under consumer and card credits, making it possible for early partial or complete repayment of debts. As to legal entities, the Bank works with them regarding repayment of loans individually. Most customers continue to service the loans. Unpaid accrued interest related to customers that suffered financial difficulties as a result of military aggression with the business and location of facilities at the temporarily occupied territories or areas of active hostilities, as well as those customers that received postponement of interest payments for the period agreed with the Bank.

Servicing of debts is done either remotely or directly in the Bank branches based on the actual situation in a particular region.

In early 2023, the Bank settled pre-term its debt under refinancing loans received from NBU under security of state bonds. The Bank has no unmet or postponed liabilities. The Bank continues to perform active operations within the existing range of limits of crediting of existing customers and offers loans to new customers.

Summing up the above, the Bank believes that its operations in the foreseeable future would be characterized by continuing growth of its business. The Bank has a reasonable basis for the preparation of these financial statements based on going concern principle. The financial statements contain no adjustments necessary would the Bank be unable to continue as going concern.

Still, there is a material uncertainty resulting mostly from unpredictable impact of hostilities in Ukraine, i.e. through factors that the Bank is not able to foresee or controls, while they may affect the assumptions used as a basis for conclusions of management of the Bank and may cast a significant doubt on the ability of the Bank to continue as going concern, making the Bank unable to sell its assets and settle the liabilities in the course of its usual operations.

Functional and presentation currency

The Bank keeps its accounting records in UAH as required by national accounting rules. Based on the economic essence of operations and circumstances of activity, the Bank has determined UAH as a functional currency. Based on this, operations in currencies other than UAH are considered as operations in foreign currencies. UAH is also used as a currency of presentation of financial statements. All amounts in these financial statements are presented in UAH thousand (unless stated otherwise).

As at December 31, 2023 and 2022, official FX rates set by National Bank of Ukraine and used for revaluation of currency balances into UAH were:

	31.12.2023	**31.12.2022**
USD	37,9824	36,5686
EUR	42,2079	38,951

Change of format of presentation of information

In 2021, in accordance with the Law on financial reporting the Bank presented its financial statements for the first time based on IFRS taxonomy in uniform, e-format for previous reporting periods. Uniform e-format for Ukrainian banks was set by National Bank of Ukraine. So, the Bank revised the format of presentation of information in these financial statements and introduced changes into comparative data for their correspondence to uniform e-format off data presentation in accordance with the taxonomy acting as at the date of signing of these separate financial statements.

As at December 31, 2023, the Bank decided to converge the format of disclosure of data and titles of items in basic forms of financial statements to the format of presentation of financial statements in accordance with IFRS in uniform e-format approved by Order of Ministry of finances of Ukraine №595 *On Approval of Translation of Financial Reporting Taxonomy in Accordance with 2021 IFRS* of November 12, 2021. So, certain changes were made in the presentation of comparative 2022 data to make them compliant with the new format of data presentation.

2022 data were adjusted for the following items of the Statement of financial position: *Fixed and Intangible Assets*, *Right-of Use Assets, Other Assets, Other Liabilities*. Adjustments made did not change the total amount of assets and liabilities.

The presentation of 2022 comparative information was changed in accordance with 2023 presentation. The effect of changes is presented below.

Presented in 2022		As 2022 data are presented in 2023	
Item in statements	Amount	**Item in statements**	Amount
Fixed and intangible assets	193 730	Fixed and right-of-use assets	392 280
Right-of use assets	219 599		
		Intangible assets	21 049
Other assets	259 982	Other financial assets	137 444
		Other non-financial assets	122 538
Total assets	**11 714 413**		**11 714 413**
Other liabilities	111 917	Other financial liabilities	300 679
		Other non-financial liabilities	41 615
Lease liabilities	230 377		
Total liabilities	**11 333 203**		**11 333 203**
Note 10. Fixed and intangible assets		**Note 10. Intangible assets**	
Intangible assets	20 214		
		Software	11 996
		Licenses and franchise	7 576
		Copyright, patents and other rights to industrial ownership, right on servicing and operation	636
		Right for trademarks	6
Capital investments into fixed and intangible assets in progress	75 184	Capital investments into intangible assets in progress	835
Carrying amount as at December 31, 2022	**193 730**	**Carrying amount as at December 31, 2022**	**21 049**

Note 4. Accounting policies

Basis of preparation of financial statements

These financial statements are individual financial statements of the Bank prepared based on historical value principle except for measurement of certain financial instruments in accordance with IFRS 9 *Financial Instruments*. The Bank does not prepare consolidated financial statements.

Significant accounting policies

Date of recognition

Financial assets and liabilities, except for customers' funds, are initially recognized at the date of entering into a contract, i.e., as at the date when the Bank becomes a party under a contract that sets the terms of respective instrument. Customers' funds are recognized as of the moment when the funds arrive to the Bank account.

Initial measurement of financial instruments

All financial assets and liabilities are initially measured at acquisition cost representing the fair value of funds spent. Costs and other payments directly related to the acquisition or issuance are added to the acquisition cost, with the exception of financial assets and liabilities measured at fair value through profit or loss. The Bank reflects these costs in the accounting records of the discount (premium) accounts for this financial instrument.

At initial recognition of financial instruments through profit or loss the Bank measures then at fair value without transaction costs, disclosing transaction cost of acquisition of these financial assets as expense as at the date of acquisition.

At initial recognition of financial instruments that Bank classifies them at its discretion the Bank classifies them without the right of subsequent reclassification as that accounted being accounted for at fair value through profit/loss, if such classification makes it possible to eliminate or significantly reduce the inconsistency in the valuation of assets or liabilities, or the recognition of related gains and losses.

The Bank classifies financial assets at the moment of their initial recognition.

At the initial recognition of a financial instrument, the Bank reflects in accounting the difference between the fair value of the financial asset or financial liability and the contract price as follows:

- for transactions with shareholders - in equity;
- for other transactions - in profits or losses.

Classification – financial assets

Classification and determination of category of measurement of all financial assets at initial recognition is based on business model used by the Bank to manage a certain group of assets that includes this financial asset and characteristics of contractual cash flows under this asset.

All debt financial assets are covered by one of the three business models:

- business model 1: holding an asset to generate contractual cash inflows;
- business model 2: holding an asset to generate contractual cash inflows or for sale;
- business model 3: use of an asset to generate maximal cash flows through sale.

As at the date of initial recognition of each debt financial asset except for those classified at fair value through profit or loss, the Bank analyses contractual cash flows for these financial assets. Maor purpose of SPPI test is to determine whether terms of the contract on financial asset correspond to basic loan contract that may result in additional risks and/or additional volatility of contractual cash flows that are not inherent to basic loan contract

The Bank performs SPPI test at the level of separate debt financial asset/group of debt financial assets of respective category of assets managed under business models 1 or 2.

Depending on the business model and results of SPPI test, debt financial assets may be classified as follows.

The Bank measures and disclose a debt financial asset in accounting at ***amortized cost*** if the following conditions are met at the same time:

- ✓ the financial asset is held within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows;
- ✓ the contract for a financial asset provides for the receipt of cash flows on specified dates, which are exclusively payments to the account of the principal and interest on the outstanding part of the principal.

These assets are disclosed at amortized cost using an effective interest rate (except for the assets where it is not applicable under accounting policies of the Bank. Profit and loss are disclosed in the Statement of profit and loss and other comprehensive income at derecognition or impairment or at amortization.

The Bank measures and discloses a debt financial asset ***at fair value through other comprehensive income (FVOCI)*** if the following conditions are met at the same time:

- ✓ the financial asset is held within the framework of a business model, the purpose of which is achieved both by obtaining contractual cash flows and by selling financial assets;
- ✓ the contract for the financial asset provides for the receipt of cash flows on specified dates, which are exclusively payments on account of the principal and interest on the outstanding part of the principal.

Bebt instruments measured at FVOCI are subsequently measured at fair value while profit or loss generated by changes in fair value are recognized in other comprehensive income. Interest income and profit or loss from FX rate change are recognized in profit or loss in a manner similar to financial assets at amortized cost. If a debt financial instrument measured at FVOCI is disposed of, the accumulated profit or loss earlier recognized in other comprehensive income, are reclassified from other comprehensive income into profit or loss. The Bank recognizes allowance for ECL for all debt financial instruments at FVOCI. Rules of recognition of ECL for these assets are presented in Note 26.

The Bank measures and discloses all other debt financial assets at ***fair value through profit or loss*** (***FVTPL)*** id these financial assets do not comply with criteria of their subsequent measurement at amortized cost or at fair value through other comprehensive income.

Impairment and principles of setting allowances for ECL

The impairment model is used for financial assets that are debt financial instruments and financial receivables.

The Bank recognizes allowance for ECL in an amount equal to ECL for 12 months (stage 1) or ECL during the life of an instrument (stages 2 and 3).

ECL during the life of an instrument are ECL resulting through all possible events of default during the whole expected life of financial instrument, while *ECL for 12 months* are the important part of ECL resulting from default events that are probable within 12 months after the reporting date.

The Bank recognizes allowance for ECL in an amount equal to ECL for total life of an instrument except for instruments without any significant increase of credit risk as of the moment of their initial recognition. For these financial instruments, the allowance recognized would be equal to 12-months ECL.

The Bank applies simplified approach to measurement of ECL for financial receivables. The Bank measures the allowance for these assets in an amount equal to ECL for the whole life of the financial asset, using matrix of allowance depending on the number of days overdue

Measurement of impairment is complex requiring application of judgements and assumptions whether there was a significant increase of credit risk under financial instrument as of its initial recognition and including of forecast information into measurement of credit losses.

Allowance for ECL is formed by allocation of respective amount to expenses in *Net loss/profit from impairment of financial assets* item in the Statement of profit or loss and other comprehensive income.

Reclassification of financial assets

The Bank reclassifies financial assets only if business model used to manage financial assets is changed except for financial assets accounted for at Bank discretion at fair value through profit or loss as of the initial recognition.

The Bank reclassifies financial assets prospectively as of the date of reclassification. The Bank does not recalculate prior recognized profit or loss (including impairment profit or loss) or interest.

The Bank accrues interest, amortization of discount/premium, revaluation and adjustment of estimated allowance for ECL as at the date of reclassification of financial asset from one category to another.

Derecognition of financial assets

The Bank derecognizes financial asset or a group of financial assets if:

- the term of right to cash flows under financial asset as set by contractual term is terminated;
- The bank transfers the right to cash flows under the asset or if the Bank keeps the right to cash flows under the asset but undertake the contractual obligation to transfer them in full to a third party under the terms of transit agreement;
- The bank transfers practically all risks and benefits under the asset or does not transfer and does not keep practically all risks and benefits under the asset, but transfers control over the asset.

Write-off of financial assets

Financial assets that cannot be settled in full or in part are written off at the expense of the allowance for ECL after termination of necessary procedures to compensate the asset if there are no substantiated expectations on recovery of contractual cash flows.

The Bank determines the absence of substantiated expectations on recovery of the financial asset if the allowance for ECL under this asset is formed in full amount of its gross carrying amount, and there one or several of the following criteria:

• delay of settlement of the debt or its part (principal and/or accrued income) under financial asset is over 36 months;

• during previous 36 months the Bank did not receive any substantial payments under the financial asset;

• for financial asset secured by collateral the Bank did not receive any substantial cash flows from sale of mortgaged asset/foreclosure of collateral, or the Bank had no access/right of redemption/collection of collateral during previous 36 months;

• the Bank was not able to sell the financial asset in three consecutive attempts of open bidding(s) using e-trade systems or by any other way;

• the Bank has information that the debt of the borrower under financial asset was written off by another bank.

Additional criterium for write-off of impaired financial asset is recognition of the debt under the asset by the Bank as bad debt in accordance with the indications set by Tax Code of Ukraine.

Modification of financial assets

A modified financial asset is the asset with the contractual cash flows were revised by agreement of the parties or modified.

If terms of financial asset are changed the Bank assesses whether the cash flows under this modifies asset would change significantly. If cash flows change significantly (by 30%), it is believed that the period of right to contractual cash flows under initial financial asset is over. In this case, the initial financial asset is derecognized, while a new financial asset is classified as initially impaired.

All commissions received within the modification are accounted for as follows:

• commissions included into fair value of new financial asset and commissions representing compensation of permitted transaction expenses, and included into initial value of the asset; and

• other commissions are included into profit or loss as profit or loss through derecognition.

When assessing whether a financial asset should be derecognized, the Bank takes into account the following factors – change of currency of financial asset, change of the borrower except for change in case of death of the borrower, and whether the modification results in non-compliance of the asset with criteria of SPPI test. At initial recognition, the loans are measured as stage 1 for assessment of ECL except for cases when the created asset is recognized as acquired or created credit-impaired financial asset

If modification of financial asset measured at amortized cost or at fair value through other comprehensive income does not result in derecognition of the asset, the Bank recalculates gross carrying amount of the financial asset using initial effective interest rate and recognizes the respective adjustment as profit or loss through modification in *Other administrative and operating expenses* item of the Statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents are cash in hand, unrestricted balances on correspondent accounts in the National Bank of Ukraine and other banks, interbank loans and overnight deposits in other banks, as well as deposit certificates issued by the National Bank of Ukraine.

Cash and cash equivalents are recorded at amortized cost at the balance sheet date and disclosed in the Statement of financial position.

Banknotes and coins in cash registers and ATMs, the presence of which is unconfirmed and over which control has been lost, are recognized as other financial assets, and the provision for them is a provision for cash losses. The formation of such provision is disclosed in the financial results in the Statement of profit and loss and other comprehensive income.

Loans and due from customers

Loans to customers are managed by the Bank in accordance with business model 1. Initial loans to customers are disclosed at acquisition cost representing fair value of funds provided. Subsequently loans to customers are disclosed at amortized cost. Amortized cost is based on fair value of the loan calculated based on market interest rates for similar loans as at the date of issuance of loan. Profit and loss are disclosed as components of profit or loss through modification, derecognition or impairment of loans, as well as in the process of recognition of interest income and are disclosed in the Statement of profit or loss and other comprehensive income.

Loans to customers are disclosed in accounting as of the moment of provision of funds to borrowers.

Due from other banks

The Bank applies the accounting policies, related to loans to customers and allowances for ECL under loans to customers, to the funds due from other banks, too.

Investments in securities

Depending on the business model selected, the Bank classifies investments in securities by three categories, namely, securities at amortized cost, securities at fair value through other comprehensive income, securities at fair value through profit/loss.

As at 31.12.2023 the Bank does not have securities at fair value through profit/loss.

Securities at amortized cost

This category includes debt securities with market quotes, fixed payments and defined maturity that the Bank intends and is able to keep until their settlement date. The Bank manages these assets within the framework of business model 1. The Bank classifies securities as those at amortized cost at their initial recognition and checks the reasonability of this classification as at each reporting date.

Securities at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative financial assets in the form of securities that management intends to hold for an indefinite period of time to receive contractual cash flows that are solely payments of principal and interest on the outstanding principal amount, and which may be sold depending on liquidity requirements or changes in interest rates, exchange rates or securities prices. The Bank's management classifies securities into the appropriate category at the time of their acquisition.

Classification of financial liabilities

Financial liabilities are classified as either financial liabilities at amortized cost or at fair value through profit/loss.

After initial recognition, the Bank measures and discloses in accounting all financial liabilities at amortized cost, with the exception of:

- Financial liabilities at fair value through profit/loss;
- Financial liabilities arising when transfer of financial asset does not comply with conditions for derecognition or the principle of continued participation is applied;
- Financial guarantee contracts, aval, surety;
- Loan commitments at the rate below market rate.

The Bank does not reclassify financial liabilities.

Derecognition of financial liabilities and modification

The Bank ceases to recognize financial liability or its part in the balance sheet if such liability is repaid, cancelled or the term of its performance has expired.

The exchange between the borrower and the creditor of debt financial obligations under significantly different terms is reflected as repayment of the original financial obligation and recognition of a new financial obligation. Similarly, significant changes in terms (modification) of a financial liability or its part are disclosed in accounting as repayment of the original financial liability and recognition of a new financial liability.

The following conditions are significantly different, according to which the net current value of cash flows under new conditions, discounted using the original effective interest rate (for a financial liability with a floating interest rate - the effective interest rate calculated at the time of the last change in the nominal interest rate), differs by at least 10% from the discounted the present value of cash flows remaining until the maturity of the original financial obligation.

Any costs or fees are derecognition income/expenses if the change in terms of the financial liability is reflected in the accounting records as the settlement of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of the financial liability (or part of the financial liability) settled or transferred to another party and the amount of compensation paid is income/expense from derecognition.

If an exchange of debt financial liabilities or a change in their terms (modification) does not result in derecognition, any costs and fees from the exchange/modification adjust the carrying amount of the financial liability and are amortized over the term of the new liability (effective rate interest is not recalculated but is adjusted to reflect the specified costs/rewards).

Financial liabilities at amortized cost

Financial liabilities disclosed at amortized cost using the method of effective interest rate include due to other banks and due to customers.

Respective expenses are disclosed as interest expense using the method of effective interest rate in the Statement of profit or loss and other comprehensive income. The carrying amount of financial liabilities is disclosed in the Statement of financial position.

Due to other banks. Due to other banks is disclosed as of the moment of transfer of funds or other assets to the Bank by other banks.

Due to customers. Due to customers is a non-derivative financial liability toward individual, state and corporate customers.

Offsetting of financial instruments

Financial assets and liabilities are netted, and the statement of financial position shows a net amount only in those cases where there is a statutory right to set off offsets, as well as an intention to either set off or simultaneously realize the asset and settle the liability.

Derivative financial instruments

In the normal course of business, the Bank deals with derivative financial instruments (in particular, foreign currency swaps, interest rate swaps). Such financial instruments are trading in nature and are valued at fair value. The calculation of fair value is based on a valuation model that takes into account the existing market value, the contractual value of the instrument being valued, as well as other factors. Derivatives are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in fair value are immediately recognized in the statement of profit and loss and other comprehensive income as income/loss as a result of revaluation of derivative financial instruments. Income from the revaluation of derivative financial instruments is recognized as the difference in the increase in their value between the indicators at the end and the beginning of the reporting period.

Investment property

Investment property is the property (land or building, or part of a building, or a combination thereof) that is not used by the Bank and held to generate lease income or increase its value.

The Bank mainly uses objects that are not used in the Bank's activities to generate rental income and recognizes them as investment property.

At the initial recognition of investment real estate, the Bank measures and discloses it in accounting at the historical value. After the initial recognition of investment property objects, they are subsequently measured at fair value reflecting market conditions as at the reporting date, without recognition of depreciation or impairment.

Clost of improvement of objects of investment property increasing initially expected benefits through their use increase historical value of the objects.

The value of investment property is disclosed as a separate item in the Statement of financial position.

Profit or loss resulting from a change of fair value of investment property are disclosed in the Statement of profit or loss and other comprehensive income as profit net of revaluation losses in the year when they originated.

Cost of current maintenance of investment property is recognized as expense when it originates and disclosed in the Statement of profit or loss and other comprehensive income.

Rental income received is disclosed in the Statement of profit or loss and other comprehensive income as a component of other operating income and disclosed in Note 21.

Investment property held for sale is classified as asset held for sale.

Investment property is derecognized if the method of its use changes.

Fixed and intangible assets

Fixed and intangible assets are recorded at historical value less accumulated depreciation and amortization and accumulated impairment losses and disclosed in the Statement of financial position Information on fixed and intangible assets is disclosed in Notes 10 and 11.

Fixed assets and intangible assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

The historical value of acquired fixed and intangible assets consists of acquisition costs and costs of bringing them to a usable state.

Intangible assets of the Bank mainly include software and licenses for the right to use software products and are shown at original cost, which consists of the actual costs of acquisition (production) and bringing them to a state in which they are suitable for use in accordance with the planned purpose. An individual term of use is set for each intangible asset, which is determined by the Bank independently (if the term is not specified in the contract), based on the following criteria: the Bank's experience with similar assets, current trends in the development of software products, operational characteristics.

Depreciation and amortization of fixed and intangible assets starts as of the month following the month in which the objects of fixed or intangible assets are commissioned and ends on the first day of the month after disposal of an asset or for fully depreciated assets (in the latter case, the term of useful life is reviewed and adjusted as necessary).

Depreciation is charged by straight-line method based on the useful life of the asset. Depreciation rates are established based on the useful life of the asset, during which it is expected to be used by the Bank. Capitalized expenses under leased property are amortized over the expected useful life, but not longer than the lease term.

Depreciation and amortization charges for fixed and intangible assets are disclosed in the Statement of profit or loss and other comprehensive income as a component of *Administrative and other operating expenses* item. They are disclosed in Note 22.

Useful lives (in years) of fixed and intangible assets are presented below:

Vehicles	5
Computer equipment	5-10
Furniture and office equipment	5-10
Other fixed assets	3-10
Intangible assets	2-10
Other noncurrent tangible assets	100% in first

month

Capital investments in fixed and intangible assets include unfinished costs for the acquisition and improvement of fixed and intangible assets. Upon completion of construction and/or commissioning, the assets are transferred to fixed/intangible assets and are recorded at historical value. Depreciation is not charged on capital investment objects and land plots.

Costs for improvement of fixed and intangible assets, which lead to an increase in the initially expected benefits from their use, are included in the cost of such objects. Expenditures incurred to maintain objects of fixed and intangible assets in a usable condition and to receive initially determined future economic benefits from the use of these objects are reflected in the Statement of Profit and Loss and other comprehensive income in the period in which such expenses have been incurred, except when such expenses are subject to capitalization.

Expenses for replacement of basic parts or components of fixed assets are capitalized, and the depreciated value of the replaced part is attributed to expenses in the Statement of Profit and Loss and other comprehensive income of the reporting period.
The result from the sale of fixed assets, which is calculated as the difference between the amount of funds received and the carrying amount of assets, is recognized as part of financial performance in the Statement of Profit and Loss and other comprehensive income.

The depreciated value, depreciation methods and useful lives of fixed and intangible assets are revised at the end of each financial year and, if necessary, adjusted.

In 2023, the terms of useful use and depreciation rates of fixed assets and intangible assets did not change.

At each annual balance sheet date (once a year), the Bank recognizes impairment of non-current assets if there is evidence of a possible loss of economic benefit.

In 2023, the Bank had no reasons to recognize impairment of fixed and intangible assets.

Accounting for lease transaction

Lease when the Bank is a lessee

Right-of-use assets

The Bank recognizes right-of-use assets as of the lease commencement date (i.e. the date when an underlying asset becomes accessible for use). Right-of-use assets are measured at historical value less accumulated depreciation and accumulated impairment losses, adjusted by revaluation of lease liabilities. Historical value of right-of-use asset includes recognized lease liabilities, initial direct costs and lease payments paid as at the lease commencement date or prior to that date less incentives received. Right-of-use assets are tested for impairment.

The Bank charges depreciation of right-of-use asset by straight-line method not less than once per month during its period of use as per professional judgement of the Bank but not less than the contractual lease term and/or until the date of the end of lease term (early termination).

Right-of-use assets are presented in the Statement of financial position in *Fixed assets and right-of-use assets* item and disclosed in Note 11.

Lease liabilities

As at the lease commencement date, the Bank recognizes lease liability based on current value of lease payments not paid as at the above date.

Lease payments include fixed payments net of any incentives, variable lease payments than depend on index or rate. Variable payments that do not depend on index or rate are recognized as expenses of the period of the event or condition requiring these payments.

Lease payments are discounted at the contractual interest rate. If the rate cannot be easily determined, the Bank applies the rate of additional borrowing (rate for SB for the term of 1-3 years). As of the lease commencement date, lease liability increases to disclose interest accrued and decreases to disclose lease payments made. The carrying amount of lease liability is revised in case of modification, change of lease term, changes of fixed lease payments.

Lease liabilities are presented in Other financial liabilities item of the Statement of financial position and disclosed in Note 16.

Short-term lease and lease of low-value assets

The Bank does not recognize a contract as a lease if it is a short-term lease or lease where the underlying assets is of low value and does not disclose right-of-use assets and lease liability. Under such contracts lease payments are recognized as expenses on a straight-line basis during the contractual period of lease and are presented in

Other administrative and operating expenses item in the Statement of profit or loss and other comprehensive income (Note 22).

Short-term lease is a lease that as at the date of commencement of lease has a contractual term of 12 months or less, and the contract does not provide for automatic extension of lease term, while the Bank does not intend the contractual term of lease. Low value of underlying asset is the value below UAH equivalent of USD 5000,00 at the official FX rate of NBU as at the date of signing of respective lease contract.

Significant judgements regarding lease term in contracts with extension option

The Bank determines the term of lease based on contractual lease term as at the date of signing of respective lease contract.

If the contractual lease term as at the commencement of lease is 12 months or less and the Bank **intends** to extend the lease, contractual lease term is defined as contractual term increased by term of extension.

Lease with the Bank is a lessor

The Bank as ***a lessor*** classifies each lease either as operating lease or financial lease.

The Bank leases its investment property including land plots and certain property objects. The Bank classifies these contracts as operating lease as it does not transfer all risks and benefits related to ownership of the assets.

The Bank discloses income under operation lease in a regular manner in the period of their origination as a component of other operating income in the Statement of profit or loss and other comprehensive income.

Total value of rebates offered to lessees is uniformly disclosed as decrease of lease income during the period of lease. Initial direct costs incurred in relation to operating lease contract are included into carrying amount of the leased object.

Assets transferred to the bank as a pledge holder

Pledged assets foreclosed by the Bank are financial and non-financial assets received by the Bank through settlement of overdue loans. These assets are initially recognized at fair value (not higher than carrying amount of overdue loans settled) and are included into fixed assets, other financial assets or other assets depending on their nature and Bank intentions regarding compensation of value of the assets with subsequent accounting for the assets in accordance with accounting policies for this category of assets.

As at 31.12.2023 assets received by the Bank as pledge holder are disclosed as a component of other assets in the Statement of financial position (see Note 12).

As at the date of measurement these assets are recognized in accounting as lower of cost or net realizable value.

Depreciation or amortization of these assets is not recognized.

Noncurrent assets held for sale

The Bank recognizes noncurrent assets as held for sale if the carrying amount of the asset will be recovered primarily as a result of a sale transaction rather than current use.

To define noncurrent assets as held for sale, the assets must be available for immediate sale and this sale must be highly probable.

Noncurrent assets recognized as held for sale are measured at the lower of carrying amount or fair value less costs to sell. If the book value of the objects on the date of recognition as held for sale exceeds their fair value after deducting the costs of sale, then a preliminary valuation of such objects is carried out.

Depreciation is not accrued on noncurrent assets held for sale.

In 2023, the Bank did not transfer its assets into the noncurrent assets held for sale with the intention to sell them.

Foreign currency transactions

Transactions in foreign currency are converted into the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities, which in the financial statements as of the reporting date were accounted for by the Bank in foreign currency, are presented in hryvnias at the official exchange rate of the National Bank of Ukraine as at the reporting date. Exchange differences on monetary items are the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest rate and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities in foreign currency valued at fair value are translated into the functional currency at the exchange rate on the date of such measurement.

Taxation

The amount of current income tax is determined in accordance with the tax legislation of Ukraine. Income tax expense in the financial statements consists of current tax and changes in deferred tax amounts.

Income tax expenses are reflected in net income, excluding those amounts that are directly included in other comprehensive income.

Deferred tax amounts are calculated using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the recognized deferred tax assets will be realized.

Deferred tax assets and liabilities are calculated in accordance with the tax rate that will be in effect in the period in which the asset is realized or the liability is settled, based on the legal regulations in effect at the reporting date.

Other existing taxes in Ukraine, which are accrued and paid by the Bank in the course of its activities in accordance with current legislation, are taken into account in the Statement of Profit and Loss and other comprehensive income in Other operating and administrative expenses.

The basis for determining the taxable profit is the financial result, determined according to accounting rules in accordance with IFRS, taking into account possible adjustments provided by the Tax Code of Ukraine, by which the financial result before taxation increases or decreases.

Law of Ukraine № 3474-IX *On Introduction of Changes into Tax Code of Ukraine on Specifics of Taxation of the Banks and Other Taxpayers* of November 21, 2023, changes the approach to taxation of income of the banks:

- Increase of basic income tax rate for the banks in 2023 to 50% (including payment of advances under dividends);
- Basic income tax rate of 25% starting from 2024 reporting periods and in subsequent periods;
- Prohibition to use unpaid tax losses of previous periods in 2023 to decrease taxable object with the right of utilization starting from 2024 reporting periods until full utilization.

The Bank has no tax losses and unused tax benefits.

The Bank has no subsidiaries or associated companies.

During the reporting year 2023 and as at December 31, 2023, no activity of the Bank was terminated, therefore there is no amount of income tax expenses (income) related to profit (loss) from the discontinued operations.

Pension and other liabilities

The Bank pays contributions to the state pension system of Ukraine, the implementation of which involves current accruals and payment by employers of such contributions, which are calculated as a percentage of the total amount of wages. In the Statement of Profit and Loss and Other Comprehensive Income, expenses from such contributions refer to the period in which the corresponding amount of wages is accrued to the employee and are disclosed as a component of administrative and other operating expenses (Note 22). The Bank does not have other pension plans and does not have additional retirement benefit programs or other significant compensation programs that would require additional accruals in the financial statements.

Statutory capital and share premium

Share capital is divided into ordinary registered shares. Contributions to share capital are recorded at their fair value on the date of the transaction. External costs directly related to the issue of new shares are paid by shareholders. Any excess of the fair value over the par value of the issued shares is recognized as issue income. Stock dividends are recognized in equity as a deduction in the period in which they are declared. Information about dividends declared after the date of the financial statements is disclosed in the notes to the financial statements.

The Bank paid no dividends in 2023.

Redeemed shares

Redeemed shares are accounted for at the cost of the actual redemption. Profits and losses from the sale of redeemed shares are disclosed in capital (issue differences).

In 2023, the Bank did not redeem its shares.

Reserve and other funds

The Bank forms a reserve fund to cover unforeseen losses on all items of assets and off-balance sheet liabilities. Allocation to the reserve fund from the profit of the reporting year is made after the approval of the annual financial statements by the General meeting and the decision on the allocation of profit. Annual allocations to the reserve fund must be not less than 5% of the Bank's profit until they reach 25% of the Bank's regulatory capital.

Based on the profit generated as a result of its statutory activity, the Bank may, including but not limited to create the following funds: dividend payment fund; bank development fund; financial stimulation fund.

Contingent assets and liabilities
Contingent assets are not disclosed in the statement of financial position, while information about them is disclosed in the financial statements if the inflow of economic benefits associated with them is probable.

Contingent liabilities are not disclosed in the statement of financial position, while information about them is disclosed in the financial statements, except when the disposal of resources in connection with their repayment is unlikely.

Loan commitments
In the course of its, the Bank issues guarantees in the form of letters of credit, sureties and acceptances. Guarantee contracts are initially recognized at fair value as a component of other financial liabilities in the statement of financial position in an amount of commission received. After initial recognition, liabilities of the Bank under each guarantee contract are measured at higher of amortized commission and estimated allowance for ECL. The increase of liability related to guarantee contract is disclosed in the Statement of profit and loss. Commission received is uniformly disclosed as a component of income during the life of guarantee contract in the Statement of profit or loss and other comprehensive income.

Provisions for liabilities
Provisions are recognized if, as a result of a certain event in the past, the Bank has legal or voluntarily assumed obligations, the settlement of which with a greater degree of probability will require an outflow of resources containing future economic benefits, and which can be estimated with a sufficient degree of reliability.
Allowance for ECL under liabilities are formed by allocating the appropriate amount to expenses as part of the item Net loss/(profit) from increase/(decrease) in provision for liabilities of the Statement of profit and loss and other comprehensive income.

Recognition of income and expenses
Income is recognized when it is highly probable that economic benefits will flow to the Bank and the revenue can be measured reliably. The following criteria must be met in order to recognize income in financial statements:

Interest and similar income and expenses
For all financial instruments measured at amortized cost, as well as for interest-bearing financial instruments classified at fair value through other comprehensive income, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts expected future payments and cash inflows over the expected life of the financial instrument or a shorter period, where 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, the right to early repayment) and all fees or additional costs that are directly related to the financial instrument and are an integral part of the effective interest, but do not take into account future losses on loans. For purchased or created impaired financial assets, the Bank calculates the effective interest rate adjusted for credit risk, taking into account initially expected credit losses in cash flows, during initial recognition. The book value of a financial asset or financial liability is adjusted when the Bank revises its assessment of payments or 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.

The Bank recognizes interest income using the original effective interest rate on the gross book value of financial assets for which a valuation allowance is recognized at the first and second stages of impairment, and on the amortized cost (reduced by the amount of the reserve) of such assets for which a valuation allowance is recognized at 3 stages of depreciation.

Interest income calculated using the effective interest method presented in the Statement of Profit and Loss and other comprehensive income includes:

- Interest income on financial assets, which are accounted for at amortized cost;
- Interest income on debt securities (bonds) that are accounted for at fair value through other comprehensive income.

Interest expense presented in the Statement of profit and loss and other comprehensive income includes the cost of financial liabilities measured at amortized cost.

.

Commission income and expenses

The bank receives commission income from several types of services provided to clients. Commission income in particular belongs to the following category:

- Commission income received for the provision of services during a certain period

Commission income received from the provision of services during a certain period is accrued during that period. Such items include commission income and fees for asset management, custody and other management and advisory services. Fees on loan commitments that are likely to be used and other fees related to the provision of loans are carried forward (together with any additional costs) and recognized as an adjustment to the effective interest rate on the loan.

- Commission income from the provision of services for conducting operations

Commission income received for conducting or participating in negotiations for the implementation of a transaction on behalf of a third party, for example, concluding an agreement for the purchase of shares or other securities or the purchase or sale of a company, is recognized upon completion of the relevant transaction. Commissions or part of commissions related to certain indicators of profitability are recognized after meeting the relevant criteria.

Commission income/expenses are recorded, as a rule, according to the accrual method depending on the degree of completion of a specific transaction as services are provided/received and are recognized in the Statement of profit and loss and other comprehensive income.

Earnings per share

The Bank presents data on basic and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated as the ratio of profit or loss attributable to ordinary shares to the weighted average number of ordinary shares circulated during the year. Diluted earnings per share are determined by adjusting earnings per ordinary share and weighted average number of ordinary shares for the dilutive effect of potential ordinary shares.

Operating segments

A segment is a separable component of a bank that provides products or services (operating segment) or is engaged in providing products or services in a separate economic region (geographic segment) and is subject to risks and provides returns different from those inherent in other segments. Information on segments that receive most of their income from third parties and whose income, performance or assets are at least ten percent of all segments is presented separately from other segments.

Within these financial statements, the bank did not display geographical segments, as the bank does not operate outside of Ukraine.

The main format of presentation of information by segments of the bank's activity is presentation of information by operational segments.

The Bank conducts its activities in the following main operating segments:

- Services to individual customers - provision of banking services to individuals: keeping their current accounts, including use of payment cards, acceptance of deposits, services on responsible storage, issuance of loans.
- Services to corporate customers – settlement and cash operations on current accounts of legal entities and private entrepreneurs, acceptance of deposits, provision of overdrafts, loans and other lending services, foreign currency transactions, etc.
- Transactions with banks - opening and maintaining bank correspondent accounts purchase and sale of cash and non-cash foreign currency, transactions on the placement (attraction) of funds, purchase and sale of state and other securities from banks, etc.
- Collection services – collection of cash of entities and banks, transportation of currency and other valuables between banking institutions and their branches, collection and filling of ATMs, transportation of valuables between Ukrainian cities, transportation of funds of individuals.

Assets of a reporting segment are recognized as assets that are used to perform normal activities and that can be directly attributed to this segment or reasonably allocated to this segment. Segment assets do not include income tax assets.

Segment liabilities are liabilities arising from the ordinary activities of the segment that are directly attributable to the segment or can be reasonably allocated to the segment. Segment liabilities do not include income tax liabilities.

Estimates and judgments used in the preparation of financial statements

The principles of preparation of financial statements require the Bank's management to use estimates and assumptions that may affect the reflected amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of financial statements, as well as the calculated amounts of profit for the reporting period. These estimates and assumptions are based on information available at the date of the financial statements. Although these estimates are based on management's best understanding of current events and operations, actual results may differ materially from these estimates and assumptions.

The main reasons for the uncertainty of estimates are as follows:

Impairment of loans

Management assesses impairment by assessing the probability of repayment of loans based on an analysis of individual borrowers for individually significant loans and, in total, for loans with similar terms and risk characteristics.

When evaluating individual loans, factors considered include repayment history, the borrower's current financial condition, the timeliness of payments and collateral, if any. To determine the amount of impairment, the management evaluates the amounts and terms of future payments for repayment of principal and interest and proceeds from the sale of collateral, if any. These cash flows are then discounted using the original effective rate for the position. Actual principal and interest payments depend on the borrower's ability to generate cash flow from operations or obtain alternative financing and may differ from management's estimates.

Factors taken into account when assessing the impairment of loans assessed in total include accumulated credit loss assessment experience, the percentage of delinquent debt in the loan portfolio and general economic conditions. Note 7 provides information on the book value of loans to customers and the amount of recognized provisions for impairment. If the actual repayment amounts were lower than management estimates, the Bank would have to record additional impairment losses.

Lease

Determining the lease terms, the Bank applies judgments that take into account the bank's strategy regarding the purpose of maintaining individual leased properties, plans regarding the procedure for opening and closing bank divisions, the Bank's practice in drawing up lease agreements, and historical data regarding their maintenance.

Prior to 01.04.2023 the Bank set the lease term of 5 years (60 months) under long-term lease contracts with the possibility to extend the lease if the Bank already leases the premises and the Bank intends to continue to lease them. As of 01.04.2023, as a result of continuing martial law in the country and uncertain situation with activity of the Bank in the areas close to front line where the Bank has premises leased for its branches and keeping in mind previous experience of relocation of acting branches prior to termination of lease term, the Bank revised its estimates and started to set the term for discounting of lease payments for new contracts – not longer than contractual lease term. In order to discount the reduced value of lease payments when forming lease liabilities, the Bank uses average rate of SB profitability for a respective term (1 - 3 years) in UAH adjusted by credit risk of the Bank approved by decision of Management Board.

The Bank revises the rate two times per year – as at January 1 and as at July 1.

Tax laws

Due to the presence of provisions in the Ukrainian economic and, in particular, tax legislation, which allow more than one interpretation option, as well as due to the practice that has developed in a generally unstable economic environment due to the arbitrary interpretation by tax authorities of various aspects of economic activity, the Bank may be forced recognize additional tax liabilities, fines and penalties in case the tax authorities question a certain interpretation based on the judgment of the Bank's management. Tax records remain open for review by tax authorities for five years.

Note 5. New and revised standards

The adopted accounting policy corresponds to the accounting policy applied in the previous reporting year, with the exception of the adopted new standards that came into force on January 1, 2023.

The Bank has not early applied any standards, clarifications or amendments that have been issued but have not yet entered into force.

New standards and amendments mandatory for the Bank as of January 1, 2023

IFRS 17 *Insurance Contracts*

IFRS 17 replaces IFRS 4 in order to improve transparency in accounting of insurance contracts. IFRS 17 sets principles of recognition, measurement, presentation and disclosure of information on insurance contracts. This information is used by the users of financial statements to measure the effect of these contracts on the financial position, financial performance and cash flows of the entity. IFRS 17 applies retrospectively.

An entity does not apply IFRS 17 to the contract of financial guarantee except for cases when the issuer directly declares that it believes that they are insurance contracts and accounts them as insurance contracts, as well insurance contracts where the entity holds an insurance policy if such contracts are not the reinsurance contracts held (para 7 of IFRS 17).

The Bank analysed existing loan products, including mortgage loans, car loans, credit cards, and concluded that it has no bank products to be covered by IFRS 17 requirements.

Amendments to IFRS valid as of January 1, 2023

- Amendments to IAS 1 *Presentation of Financial Statements* IFRS Practice Statement 2 *Judgement of Materiality*;
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – definition of accounting estimates;
- Amendments to IAS 12 *Income Taxes* – deferred tax related to assets and liabilities resulting from single transaction;
- Amendments to IFRS 17 *Insurance Contracts* – first-time application of 17 and IFRS 9;
- Amendments to IAS 12 *Income Taxes* – international tax reform Pillar 2 (published at IASB site on 23.05.2023).

Amendments to *IAS 1 Presentation of Financial Statements* are intended to assist entities in disclosure of accounting policies that are useful for the users, namely, requirement to disclose significant accounting policies is replaced by requirement to disclose material information on accounting policies, and explain how the entities should apply concept of materiality when taking decisions on disclosure of accounting policies.

Information is material if its omission, misstatement or concealment would reasonably affect the decisions of the users of general-purpose financial statements, presenting information on specific statements of the entity.

Information on accounting policies related to insignificant transactions, other events and circumstances is not material and should not be disclosed. The accounting policies of an entity should not disclose the standardized information or duplicate requirements of IFRS. Conclusion whether the information on accounting policies is material requires judgements and may result in additional efforts in the first year of application.

The amendment did not impact disclosure of information on accounting policies of the Bank.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates – clarify the difference between changes of accounting policies and accounting estimates, defining accounting estimates as cash amounts, measurement of which is uncertain, in financial statements.

The amendment did not affect the financial statements of the Bank.

Amendments to IAS 12 Income Taxes clarify how an entity should account for deferred taxed under lease and liabilities related to decommissioning.

The amendments narrow relief from initial recognition when it is not applicable to transactions resulting in equal taxable and deductible temporary differences.

Amendments to IAS 12 *Income Taxes* – international tax reform Pillar 2 (published at IASB site on 23.05.2023). The amendments set the details of accounting and disclosure of information on income taxes, arising from *Pillar Two* (global rules of counteraction to tax base erosion (GloBE) to reform taxation of large multinational enterprises (LME), published by OECD.

The amendment did not affect the financial statements of the Bank.

New standards and interpretation mandatory for the Bank in future

The following new IFRS and amendments to IFRS shall be applicable to the Bank as of **January 1, 2024,** or at a later date:

- Amendments to ***IAS 1 Presentation of Financial statements*** *– classification of liabilities as current and non-current*;
- Amendments to ***IAS 1 Presentation of Financial statements*** *– non-current liabilities with covenants*;
- Amendments to ***IFRS 16 Leases -*** *Lease liabilities under sale and lease-back*;
- Amendments to ***IAS 7 and IFRS 7*** *– supplier finance arrangements*;
- Amendments to ***IAS 21 The Effects of Changes in Foreign Exchange Rates*** *– lack of exchangeability*.

Amendments to IAS 1 Presentation of Financial statements *– classification of liabilities as current and non-current.*
It is clarified that liability is classified as non-current if the entity has the right to delay settlement of the liability for at least 12 months – this right should exist as at the date of the end of the reporting period. The right to delay settlement of the liability for at least 12 months after the end of the reporting period must be real and existent as at the date of the end of the reporting period irrespective of whether the entity plans to use this right.
If the right to delay settlement of the liability depends on compliance of the entity with certain covenants, the right would exist as at the date of the end of reporting period only if the entity complied with the covenants as at the date of the end of reporting period. The covenants must be complied with at the date of the end of reporting period even if the creditor checks the compliance at a later date. Classification of a liability is not affected by the probability that the entity would use its right to delay settlement of the liability for at least 12 months after the end of reporting period.

Amendments to IAS 1 Presentation of Financial statements *– non-current liabilities with covenants* clarify that liabilities are to be classified as current or non-current depending on rights existing as at the end of the reporting period. The classification is not affected by expectations of the entity or subsequent events (e.g., the negation or violation of covenants).
The Notes should contain the information enabling users of financial statements to understand the risk that liabilities might turn into those that have to be settled within 12 months after the end of reporting period:
a) information on covenants (including the nature of covenants and time span when the entity must meet them) and carrying amount of related liabilities;
b) facts and circumstances, if any, indicating that it might be difficult to the entity to meet the covenants, e.g., the entity took the steps aimed at evasion or limitation of effects of potential violation.
It is expected that the amendments would not significantly affect the financial statements of the Bank.

Amendments to IFRS 16 Leases explain how an entity should disclose sale and leaseback.
Sale and lease back is the transaction when an entity sells an asset and leases it back from the new owner for a certain period of time.

The amendments increase the requirements of IFRS 16 to sale and leaseback to improve consistency of application of the standard. The amendments clarify thar the seller-lessee should not recognize any income or loss regarding right of use preserved for seller-lessee. Still, the seller-lessee has a right to recognize any profit or loss related to partial or full termination of the lease in its profit or loss.

The amendment did not affect the financial statements of the Bank.

Amendments of IFRS 7 Statement of Cash Flows and IAS 7 Financial Instruments: Disclosures *– supplier finance arrangements* introduce requirements to disclosure of information on supplier finance arrangements, enabling the users of financial statements to measure the effect of these arrangements on liabilities and cash flow of the entity as well as its exposure to liquidity risk.
Key amendments IFRS 7 and IAS 7 include the following requirements to disclosure of:

- Terms of supplier finance arrangements;
- Carrying amount of financial liabilities that are the part of supplier finance arrangements and items presenting these liabilities;
- Carrying amount of financial liabilities under which suppliers have received payments from supplier of financial services;
- The range of terms of payment under financial liabilities that are part of such arrangements.

In accordance with the amendments the entities should disclose type and effect of non-cash changes of carrying amount of financial liabilities that are the part of such arrangements.

The amendments will be applicable to annual reporting periods starting as of January 1, 2024, or at a later date, while comparative information may not be presented in the first year.

The amendment will not affect the financial statements of the Bank.

Amendments to ***IAS 21 The Effects of Changes in Foreign Exchange Rates*** – *lack of exchangeability* is mandatory for application as of 01.01.2025. Earlier application is permitted.
The amendments relate to definition of exchangeable currency. The standard was added with definition of what is exchangeable currency, recommendations how to conclude whether the currency is exchangeable and get the spot rate if the currency is not exchangeable, and how this fact should be disclosed un the financial statements.

The amendment will not affect the financial statements of the Bank.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(UAH’000)

		31.12.2023	31.12.2022
1	Cash	1 623 162	1 519 468
2	Funds in the National Bank of Ukraine	1 064 581	549 537
3	Deposit certificates of the National Bank of Ukraine	10 798 429	3 134 946
4	Correspondent accounts, deposits and overnight loans in banks:	782 524	781 472
4.1	Ukraine	780 926	781 472
4.2	other countries	1 598	-
5	Provision for impairment of cash	(18 925)	(6 252)
6	**Total cash and cash equivalents**	**14 249 771**	**5 979 171**

The following data were used for the purposes of preparation of the Statement of cash flows:

(UAH’000)

		31.12.2023	31.12.2022
1	Cash and cash equivalents	14 249 771	5 979 171
2	Provision for impairment of cash	18 925	6 252
3	Less accrued income	(227 429)	(3 946)
4	**Total cash and cash equivalents for preparation of the Statement of cash flows**	**14 041 267**	**5 981 477**

Table 6.2. Changes of provision for impairment of cash and cash equivalents in 2023

(UAH’000)

		Correspondent accounts in banks	Total
1	**Balance as at January 1, 2023**	**(6 252)**	**(6 252)**
2	Increase (decrease) of the provision during the period	(12 498)	(12 498)
3	FX differences	(175)	(175)
4	**Balance as at December 31, 2023**	**(18 925)**	**(18 925)**

Table 6.2. Changes of provision for impairment of cash and cash equivalents in 2022

(UAH'000)

		Correspondent accounts in banks	**Total**
1	**Balance as at January 1, 2022:**	**(6 979)**	**(6 979)**
2	Reclassification to Other assets	5 056	5 056
3	Increase/(decrease) in the provision for impairment during the period	(4 175)	(4 175)
4	FX differences	(154)	(154)
5	**Balance as at December 31, 2021**	**(6 252)**	**(6 252)**

During 2023 and 2022, the gross carrying amount of cash and cash equivalents changed only through the initiation and repayment of financial assets.

As at December 31, 2023, cash at correspondent accounts of banks in other countries, on which restrictions have been imposed in accordance with NBU Resolution No. 18 of February 24, 2022 and other regulatory acts in connection with the military aggression of the russian federation against Ukraine, or UAH 13805 thousand, the Bank classifies it as cash with a limited right of use as a component of Other assets.

Table 6.4. Credit quality of cash and cash equivalents as at December 31, 2023

(UAH'000)

		Funds in the National Bank of Ukraine	Correspondent accounts	**Total**
1	High rating	11 863 010	782 524	12 645 534
2	Cash and cash equivalents, provision for impairment included	11 863 010	782 524	12 645 534
3	Provision for impairment of cash and cash equivalents	-	(18 925)	(18 925)
4	**Total cash and cash equivalents (except cash in hand) net of provision**	**11 863 010**	**763 599**	**12 626 609**

Table 6.5. Credit quality of cash and cash equivalents as at December 31, 2022

(UAH'000)

		Funds in the National Bank of Ukraine	Correspondent accounts	**Total**
1	High rating	3 684 483	781 472	4 465 955
2	Cash and cash equivalents, provision for impairment included	3 684 483	781 472	4 465 955
3	Provision for impairment of cash and cash equivalents	-	(6 252)	(6 252)
4	**Total cash and cash equivalents (except cash in hand) net of provision**	**3 684 483**	**775 220**	**4 459 703**

Note 7. Loans and due from customers

Table 7.1. Loans and due from customers at amortized cost

(UAH'000)

		31.12.2023	31.12.2022
1	Loans to legal entities	1 080 211	1 392 384
2	Loans to private entrepreneurs	3	331
3	Mortgage loans	2 638	56 239
4	Consumer loans	305 406	320 108
5	Provision for impairment of loans at amortized cost	(632 810)	(789 047)
6	**Total loans at amortized cost less provisions**	**755 448**	**980 015**

Table 7.2. Credit quality of loans and due from customers at amortized cost as at December 31, 2023

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	Loans and due from customers at amortized cost	582 827	219 016	586 415	1 388 258
1.1	Minimal credit risk	97 489	-	-	97 489
1.2	Low credit risk	33 530	49 039	-	82 569
1.3	Medium credit risk	451 808	166 994	-	618 802
1.4	High credit risk	-	2 983	167 706	170 689
1.5	Defaulted assets	-	-	418 709	418 709
2	Total gross carrying amount of loans and due from customers at amortized cost	582 827	219 016	586 415	1 388 258
3	Provision for impairment of loans and due from customers at amortized cost	(58 031)	(22 621)	(552 158)	(632 810)
4	**Total loans and due from customers at amortized cost**	**524 796**	**196 395**	**34 257**	**755 448**

Table 7.3. Credit quality of loans and due from customers at amortized cost as at December 31, 2022

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	Loans and due from customers at amortized cost	553 271	408 387	807 404	1 769 062
1.1	Minimal credit risk	117 570	-	-	117 570
1.2	Low credit risk	58 060	209 335	-	267 395
1.3	Medium credit risk	377 641	131 085	-	508 726
1.4	High credit risk	-	67 967	170 044	238 011
1.5	Defaulted assets	-	-	637 360	637 360
2	Total gross carrying amount of loans and due from customers at amortized cost	553 271	408 387	807 404	1 769 062
3	Provision for impairment of loans and due from customers at amortized cost	(30 633)	(23 338)	(735 076)	(789 047)
4	**Total loans and due from customers at amortized cost**	**522 638**	**385 049**	**72 328**	**980 015**

Gross carrying amount of loans to 10 largest customers as at December 31, 2023, is UAH 616629 thousand (December 31, 2022 - UAH 755959 thousand). Income accrued under these loans in 2023 is UAH 31953 thousand (2022 - UAH 63147 thousand).

Table 7.4. Changes of allowance for ECL for loans and due from customers at amortized cost as at December 31, 2023

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at January 1, 2023**	**(30 633)**	**(23 338)**	**(735 076)**	**(789 047)**
2	(Increase)/decrease of allowance during the period	(24 100)	10 192	4 119	(9 789)
3	Total effect of transfers between stages	(3 298)	(9 111)	(59 173)	(71 582)
3.1	Transfer to/from stage 1*	278	(6 647)	(3 044)	(9 413)
3.2	Transfer to/from stage 2*	(2 944)	(2 246)	(47 273)	(52 463)
3.3	Transfer to/from stage 3*	(632)	(218)	(8 856)	(9 706)
4	Adjustment of interest income measured at amortized cost	-	-	(14 975)	(14 975)
5	Write-off of financial assets through consumption of allowance	-	-	255 649	255 649
6	FX differences	-	(364)	(2 702)	(3 066)
7	**Balance as at December 31, 2023**	**(58 031)**	**(22 621)**	**(552 158)**	**(632 810)**

* Includes ECL under assets as at the moment of transfer between stages and changes in measurement of ECL after transfer.

Table 7.5. Changes of allowance for ECL for loans and due from customers at amortized cost as at December 31, 2022

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at January 1, 2023**	**(73 816)**	**(13 110)**	**(393 133)**	**(480 059)**
2	(Increase)/decrease of allowance during the period	42 116	(46)	(321 899)	(279 829)
3	Total effect of transfers between stages	1 067	(9 470)	(13 751)	(22 154)
3.1	Transfer to/from stage 1*	9 409	(6 154)	(10 456)	(7 201)
3.2	Transfer to/from stage 2*	(6 566)	77	(1 472)	(7 961)
3.3	Transfer to/from stage 3*	(1 776)	(3 393)	(1 823)	(6 992)
4	Adjustment of interest income measured at amortized cost	-	-	(10 067)	(10 067)
5	Write-off of financial assets through consumption of allowance	-	-	3 774	3 774
6	FX differences	-	(712)	-	(712)
7	**Balance as at December 31, 2023**	**(30 633)**	**(23 338)**	**(735 076)**	**(789 047)**

* Includes ECL under assets as at the moment of transfer between stages and changes in measurement of ECL after transfer.

Table 7.6. Changes of gross carrying amount of provision for impairment of loans and due from customers at amortized cost as at December 31, 2023

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross carrying amount as at January 1, 2023**	**553 271**	**408 387**	**807 404**	**1 769 062**
2	Acquired/initiated financial assets	451 974	41 434	73 608	567 016
3	Financial assets derecognized or repaid (except for those written off)	(383 365)	(300 722)	(109 049)	(793 136)

		Stage 1	Stage 2	Stage 3	Total
4	Transfer to/from stage 1*	(60 139)	74 838	3 181	17 880
5	Transfer to/from stage 2*	17 131	(13 383)	63 562	67 310
6	Transfer to/from stage 3*	3 350	922	(53)	4 219
7	Write-off of financial assets through consumption of allowance	-	-	(255 649)	(255 649)
8	FX differences	605	7 540	3 411	11 556
9	**Gross carrying amount as at December 31, 2023**	**582 827**	**219 016**	**586 415**	**1 388 258**

* Includes ECL under assets as at the moment of transfer between stages and changes in measurement of ECL after transfer.

Table 7.7. Changes of gross carrying amount of provision for impairment of loans and due from customers at amortized cost as at December 31, 2022

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross carrying amount as at January 1, 2022**	**1 370 758**	**137 573**	**466 585**	**1 974 916**
2	Acquired/initiated financial assets	279 866	44 109	109 157	433 132
3	Financial assets derecognized or repaid (except for those written off)	(1 070 134)	(158 338)	(72 958)	(1 301 430)
4	Transfer to/from stage 1*	(96 872)	262 658	263 939	429 725
5	Transfer to/from stage 2*	45 868	(1 761)	41 576	85 683
6	Transfer to/from stage 3*	1 961	69 660	120	71 741
7	Write-off of financial assets through consumption of allowance	-	-	(3 774)	(3 774)
8	FX differences	21 824	54 486	2 759	79 069
9	**Gross carrying amount as at December 31, 2022**	**553 271**	**408 387**	**807 404**	**1 769 062**

* Includes ECL under assets as at the moment of transfer between stages and changes in measurement of ECL after transfer.

All loans written-off by the Bank in 2023 are the object of claims and court claims (2022: are the object of claims and court claims).

Modified loans

The Bank derecognizes financial asset, if the contractual terms are revised in such a way that in becomes a new financial instrument while the difference is recognized as profit or loss from derecognition before the impairment loss is recognized. At initial recognition, loans are recorded at state 2 or measurement of ECL if there are no indicators of default.

If the modification does not result in derecognition, the Bank recognizes profit or loss from modification based on changes in cash flows discounted at initial effective interest rate prior to recognition of impairment loss.

The Table below presents assets of Stage 3 with the terms revised during the period and disclosure of profit or loss from modification:

(UAH'000)

Loans to customers modified during the period	31.12.2023	31.12.2022
Amortized cost prior to modification	31 227	75 396
Net income/(loss) from modification	(9 092)	(13 592)

As at December 31, 2023, there were no assets with the terms revised after initial recognition; as at the moment of revision of the terms these assets were at stage 3 and in the reporting period were transferred to stage 1 (December 31, 2022: no assets with the terms revised after initial recognition; as at the moment of revision of the terms these assets were at stage 3 and in the reporting period were transferred to stage 1).

Table 7.8. The structure of loans by types of economic activity

(UAH'000)

	Type of economic activity	31.12.2023 amount	31.12.2023 %	31.12.2022 amount	31.12.2022 %
1	Extraction of other minerals and development of quarries	16 462	1,18	41 163	2,33
2	Production	161 610	11,64	94 735	5,35
3	Wholesale and retail trade	266 723	19,21	557 004	31,48
4	Auxiliary activities in the fields of financial services and insurance; provision of financial services, except for insurance and pension provision	65 115	4,69	79 681	4,51
5	Real estate transactions	49 039	3,53	191 642	10,83
6	Activities of travel agencies, travel operators, provision of other reservation services	28 543	2,06	30 304	1,72
7	Supply of electricity, gas, steam and air conditioning	240 783	17,34	201 530	11,39
8	Construction of buildings; construction of buildings; specialized construction works	24 968	1,80	23 325	1,32
9	Computer programming, consulting and related activities	65 069	4,69	65 073	3,68
10	Different types of leasing	32 654	2,35	15 351	0,86
11	Agriculture, hunting and related services	41 446	2,99	68 070	3,85
12	Individuals	308 044	22,19	323 390	18,28
13	Others	87 802	6,33	77 794	4,40
14	**Total loans and due from customers net fs allowance**	**1 388 258**	**100**	**1 769 062**	**100**

The bank credits business entities of many types of economic activity. The concentration of credit risk is focused on trade, production and electricity supply.

Table 7.9. Information on loans by type of collateral as at December 31, 2023

(UAH'000)

		Loans to legal entities	Loans to private entrepreneurs	Mortgage loans	Consumer loans to individuals	Total
1	Unsecured loans	471 943	3	1 062	281 240	754 248
2	Secured loans:	608 268	-	1 576	24 166	634 010
2.1	cash	97 040	-	-	-	97 040
2.2	real estate	217 461	-	1 576	10 420	229 457
2.2.1	including residential premises	37 234	-	1 576	9 662	48 472
2.3	other assets	293 767	-	-	13 746	307 513
3	**Total loans and dues from customers net of allowance**	**1 080 211**	**3**	**2 638**	**305 406**	**1 388 258**

Table 7.10. Information about loans by type of collateral as at December 31, 2022

(UAH’000)

		Loans to legal entities	Loans to private entrepreneurs	Mortgage loans	Consumer loans to individuals	Total
1	Unsecured loans	647 082	3	-	298 996	946 081
2	Secured loans:	745 302	328	56 239	21 112	822 981
2.1	Cash	105 335	-	-	-	105 335
2.2	real estate	376 936	328	56 239	10 747	444 250
2.2.1	including residential premises	42 203	-	3 282	9 550	55 035
2.3	other assets	263 031	-	-	10 365	273 396
3	**Total loans and dues from customers net of allowance**	**1 392 384**	**331**	**56 239**	**320 108**	**1 769 062**

These tables show the amount of loans secured by collateral, not the fair value of the collateral itself.

The bank provides loans on the territory of Ukraine. Borrowers' ability to repay their debts depends on a number of factors, including the general financial condition of individual borrowers and the state of Ukraine's economy. In the event of the borrower's inability to repay debts, the Bank, acting within the framework of current legislation and the terms of concluded contracts (loans, pledges, mortgages, etc.), may apply the following methods in relation to the pledged property:

- acceptance of the subject of pledge (mortgage) into the ownership of the Bank in order to repay the debt;
- sale of the subject of pledge (mortgage) by the Bank to a third party;
- execution of a notary's writ of execution on foreclosure on pledged property and sale of the subject of pledge (mortgage) through the law-enforcement service.

Only if it is impossible to resolve the issue of debt collection out of court, the Bank applies to the court with a claim for debt collection and/or foreclosure on the subject of the pledge (mortgage), since the process of considering the case in court is quite long in time and in the further implementation of the court decision is related to the professionalism of executive services, that is, it no longer fully depends on the actions of the Bank.

Table 7.11. Impact of collateral value on credit quality as at December 31, 2023

UAH’000)

		Carrying amount	Expected cash flows from sale of collateral	Effect of collateral
1	Loans to legal entities	556 910	1 621 637	(1 064 727)
2	Loans to private entrepreneurs	-	-	-
3	Mortgage loans	2 638	6 338	(3 700)
4	Consumer loans to individuals	195 900	70 764	125 136
5	**Total loans**	**755 448**	**1 698 739**	**(943 291)**

Table 7.12. Impact of collateral value on credit quality as at December 31, 2022

(UAH’000)

		Carrying amount	Expected cash flows from sale of collateral	Effect of collateral
1	Loans to legal entities	707 536	2 027 863	(1 320 327)
2	Loans to private entrepreneurs	328	1 201	(873)
3	Mortgage loans	53 696	67 283	(13 587)
4	Consumer loans to individuals	218 455	84 390	134 065
5	**Total loans**	**980 015**	**2 180 737**	**(1 200 722)**

Security in the form of real estate (residential and other), other property is evaluated by independent experts accredited by the Bank. Security in the form of property rights to funds is accepted in an amount sufficient to cover the loan and interest.

In 2023, the Bank received a title to mortgaged items (non-residential and residential premises) of estimated value of UAH 18401,1 thousand for settlement of debts under loans.

Note 8. Investments in securities

Table 8.1. Investments in securities

(UAH'000)

		31.12.2023	31.12.2022
1	Securities at amortized cost	4 337 206	4 049 469
2	Securities at fair value through other comprehensive income	189 214	19 403
3	**Total securities**	**4 526 420**	**4 068 872**

Table 8.2. Investments in securities at amortized cost

(UAH'000)

		31.12.2023	31.12.2022
1	Debt securities:	4 481 716	4 049 469
1.1	State bonds	4 481 716	4 049 469
2	Allowance under debt securities at amortized cost	(144 510)	-
3	**Total debt securities at amortized cost**	**4 337 206**	**4 049 469**

As at December 31, 2023, state bonds include short-term non-interest-bearing SB denominated in USD, medium- and long-term term interest-bearing SB denominated in UAH.

Table 8.3. Investments in securities carried at fair value through other comprehensive income

(UAH'000)

		31.12.2023	31.12.2022
1	Debt securities:	208 116	19 403
1.1	State bonds	208 116	19 403
2	Allowance under debt securities through other comprehensive income	(18 902)	-
3	**Total securities at fair value through other comprehensive income less allowance**	**189 214**	**19 403**

As at December 31, 2023, state bonds include short-term non-interest-bearing SB denominated in USD and EUR, medium- and long-term interest-bearing SB denominated in UAH.

As of December 31, 2023, all existing domestic state loan bonds are classified as financial assets with minimal credit risk (stage 1).

Table 8.4. Changes of allowance for ECL under debt securities at amortized cost as at December 31, 2023

(UAH'000)

		Stage 1	Total
1	**Balance as at January 1, 2023**	**-**	**-**
2	(Increase)/decrease of allowance during the period	(144 510)	(144 510)
3	**Balance as at January 31, 2023**	**(144 510)**	**(144 510)**

Table 8.5. Changes of allowance for ECL under debt securities at fair value through other comprehensive income as at December 31, 2023

(UAH'000)

		Stage 1	Total
1	**Balance as at January 1, 2023**	**-**	**-**
2	(Increase)/decrease of allowance during the period	(18 902)	(18 902)
3	**Balance as at January 31, 2023**	**(18 902)**	**(18 902)**

Table 8.6. Changes of gross carrying amount of debt securities at amortized cost as at December 31, 2023

(UAH'000)

		Stage 1	Total
1	**Gross carrying amount as at January 1, 2023**	**4 049 469**	**4 049 469**
2	Acquired/initiated financial assets	4 390 195	4 390 195
3	Financial assets derecognized or repaid	(3 957 948)	(3 957 948)
4	**Gross carrying amount as at December 31, 2023**	**4 481 716**	**4 481 716**

Table 8.7. Changes of gross carrying amount of debt securities at amortized cost as at December 31, 2022

(UAH'000)

		Stage 1	Total
1	**Gross carrying amount as at January 1, 2022**	**10 166 574**	**10 166 574**
2	Acquired/initiated financial assets	1 905 689	1 905 689
3	Financial assets derecognized or repaid	(8 026 705)	(8 026 705)
4	FX difference	3 911	3 911
4	**Gross carrying amount as at December 31, 2022**	**4 049 469**	**4 049 469**

Table 8.8. Changes of gross carrying amount of debt securities at fair value through other comprehensive income as at December 31, 2023

(UAH'000)

		Stage 1	Total
1	**Gross carrying amount as at January 1, 2023**	**19 403**	**19 403**
2	Acquired/initiated financial assets	231 200	231 200
3	Financial assets derecognized or repaid	(62 676)	(62 676)
4	Revaluation	20 189	20 189
5	**Gross carrying amount as at December 31, 2023**	**208 116**	**208 116**

Table 8.9. Changes of gross carrying amount of debt securities at fair value through other comprehensive income as at December 31, 2022

(UAH'000)

		Stage 1	Total
1	**Gross carrying amount as at January 1, 2023**	**25 351**	**25 351**
2	Acquired/initiated financial assets	18 051	18 051

		Stage 1	Total
3	Financial assets derecognized or repaid	(23 273)	(23 273)
4	Revaluation	(745)	(745)
5	FX difference	19	19
6	**Gross carrying amount as at December 31, 2022**	**19 403**	**19 403**

As at December 31, 2023, the Bank owns securities with variable income – shares of PTFS Stock Exchange JSC of nominal value of UAH 60 thousand and zero carrying amount measured at fair value through other comprehensive income.

Note 9. Investment property

Table 9.1. Investment property measured at fair value

(UAH'000)

		31.12.2023	31.12.2022
1	**Fair value of investment property – opening balance**	**6 207**	**6 260**
2	Proceeds as a result of foreclosure of the collateral to repay debt under loans	18 415	-
3	Profit/loss from remeasurement to fair value	28 908	(53)
4	**Fair value of investment property – closing balance**	**53 530**	**6 207**

As at December 31, 2023, investment property includes seventeen land plots of total 109,3743 hectares and non-residential premises of 136 737,6 sq. m. acquired by the Bank through foreclosure of property debt of the loans and used to lease out. Investment property received in 2023 includes cost of registration of the title in State register of property in an amount of UAH 14 thousand.

The Bank discloses investment property at fair value. As at December 31, 2023, fair value of investment property is set at level II of fair value hierarchy. The Bank regularly controls fair value of investment property and revalues it not less than once per year based on conclusions of independent professional appraisers, using comparative, profit and loss methods of appraisal within the range of assumptions and limitations as at the date of recorded as received by the Bank.

Table 9.2. Amounts recognized in Other comprehensive income in the Statement of profit or loss and other comprehensive income:

(UAH'000)

		31.12.2023	31.12.2022
1	Income from lease of investment property	6 631	224

Table 9.3. Minimal future lease payments under non-cancellable operating lease if the bank is a lessor

(UAH'000)

		31.12.2023	31.12.2022
1	Up to 1 year	9 556	245
2	1 - 5 years	5 637	806
3	**Total**	**15 193**	**1 051**

The Bank acts as the lessor of seventeen land plots with a total area of 109.3743 hectares, to which the Bank acquired ownership rights. A separate lease agreement for a period of 7 years has been concluded for each plot.

The terms of the contracts provide for early termination of the contracts by both the Lessee and the Lessor, but the Bank has confidence in the operational lease, since the land plots are used for the production of agricultural products. The contracts provide for the preservation of the condition of land plots, their use for their intended purpose. The lessee has a priority right to acquire land plots in the event of their sale.

Besides, the Bank leases out a part of non-residential premises of a total of 136 737,6 sq. m. with the title received in the reporting period.

Note 10. Intangible assets

Table 10.1. Changes in intangible assets, except for goodwill

(UAH’000)

		Computer software	Licenses and franchise	Copyright, patents/ other rights to industrial rights, rights of servicing and use	Rights to trademarks	Capital investments in intangible assets in progress	Total intangible assets
1	**Carrying amount as at January 1, 2022:**	**10 607**	**6 213**	**1 245**	**6**	**793**	**18 864**
1.1	**Historical (revalued) value**	**19 567**	**8 904**	**2 982**	**6**	**793**	**32 252**
1.2	**Amortization as at January 1, 2022:**	**(8 960)**	**(2 691)**	**(1 737)**	**-**	**-**	**(13 388)**
2	Acquisition	3 836	-	-	-	6 592	10 428
3	Improvement of intangible assets	254	2 430	-	-	-	2 684
4	Amortization charges	(2 701)	(1 067)	(609)	-	-	(4 377)
5	Reclassification from capital investments in progress to respective group of IA	-	-	-	-	(6 550)	(6 550)
6	**Carrying amount as at December 31, 2022/January 1, 2023**	**11 996**	**7 576**	**636**	**6**	**835**	**21 049**
6.1	**Historical (revalued) value**	**23 657**	**11 334**	**2 982**	**6**	**835**	**38 814**
6.2	**Amortization as at December 31, 2022/January 1, 2023**	**(11 661)**	**(3 758)**	**(2 346)**	**-**	**-**	**(17 765)**
7	Acquisition	7	111	-	-	1 634	1 752
8	Improvement of intangible assets	1 118	1 234	-	2	-	2 354
9	Amortization charges	(3 020)	(1 474)	(432)	(3)	-	(4 929)
10	Reclassification from capital investments in progress to respective group of IA	-	-	-	-	(2 469)	(2 469)
11	**Carrying amount as at December 31, 2023**	**10 101**	**7 447**	**204**	**5**	**-**	**17 757**
11.1	**Historical (revalued) value**	**24 782**	**12 679**	**2 982**	**8**	**-**	**40 451**
11.2	**Amortization as at December 31, 2023**	**(14 681)**	**(5 232)**	**(2 778)**	**(3)**	**-**	**(22 694)**

As at December 31, 2023, intangible assets of the Bank were not pledged as collateral.

Historical value of fully amortized intangible assets is UAH 8974 thousand (December 31, 2022 – UAH 5983 thousand). The Bank continues to use these assets.

As at the end of the day of December 31, 2023, the title of the Bank for intangible assets was not limited.

The Bank created no intangible assets.

In the reporting period, there was no increase or decrease through revaluation or through impairments losses recognized or reversed directly in equity.

Note 11. Fixed assets and right-of-use assets

Table 11.1. Fixed assets and right-of-use assets

		31.12.2023	31.12.2022
1	Fixed assets	202 274	172 681
2	Right-of-use assets	159 912	219 599
3	**Total fixed assets and right-of use assets**	**362 186**	**392 280**

Table 11.2. Fixed assets

(UAH'000)

		Machinery and equipment	Vehicles	Instruments and tools, fixtures (furniture)	Other fixed assets	Other noncurrent tangible assets	Capital investments into fixed assets in progress	Total
1	**Carrying amount as at January 1, 2022**	**10 502**	**8 481**	**2 988**	**12 791**	**3 056**	**48 519**	**86 337**
1.1	**Historical (revalued) value**	**20 271**	**9 622**	**6 436**	**19 449**	**28 640**	**48 519**	**132 937**
1.2	**Depreciation as at January 1, 2022**	**(9 769)**	**(1 141)**	**(3 448)**	**(6 658)**	**(25 584)**	**-**	**(46 600)**
2	Acquisition	8 689	60 728	1 805	13 720	14 991	128 736	228 669
3	Improvement of fixed assets	84	232	102	669	114	-	1 201
4	Disposal	-	-	-	(2)	(416)	(1 000)	(1 418)
4.1	Historical (revalued) value	-	-	-	(52)	(2 595)	(1 000)	(3 647)
4.2	Depreciation	-	-	-	50	2 179	-	2 229
5	Depreciation charges	(2 975)	(5 041)	(676)	(3 373)	(13 673)	-	(25 738)
6	Impairment	(97)	(13 829)	(26)	(438)	(74)	-	(14 464)
7	Reclassification from capital investments in progress to respective group of FA	-	-	-	-	-	(101 906)	(101 906)
8	**Carrying amount as at December 31, 2022/January 1, 2023**	**16 203**	**50 571**	**4 193**	**23 367**	**3 998**	**74 349**	**172 681**
8.1	**Historical (revalued) value**	**29 044**	**70 582**	**8 343**	**33 786**	**41 150**	**74 349**	**257 254**
8.2	**Depreciation as at December 31, 2022/January 1, 2023**	**(12 841)**	**(20 011)**	**(4 150)**	**(10 419)**	**(37 152)**	**-**	**(84 573)**
9	Acquisition	12 112	3 492	1 092	7 336	10 745	67 282	102 059
10	Improvement of fixed assets	541	2 022	14	1 921	933		5 431
11	Disposal	(96)	-	(21)	(298)	(26)	(805)	(1 246)
11.1	Historical (revalued) value	(566)	-	(84)	(1 501)	(3 225)	(805)	(6 181)
11.2	Depreciation	470	-	63	1 203	3 199	-	4 935
12	Depreciation charges	(4 909)	(10 982)	(837)	(5 888)	(13 621)	-	(36 237)
13	Restoration	-	2 284	-	-	-	-	2 284
14	Reclassification from capital investments in progress to respective group of FA	-	-	-	-	-	(42 698)	(42 698)
15	**Carrying amount as at December 31, 2023**	**23 851**	**47 387**	**4 441**	**26 438**	**2 029**	**98 128**	**202 274**
15.1	**Historical (revalued) value**	**41 131**	**76 096**	**9 365**	**41 542**	**49 603**	**98 128**	**315 865**
15.2	**Depreciation as at December 31, 2023**	**(17 280)**	**(28 709)**	**(4 924)**	**(15 104)**	**(47 574)**	**-**	**(113 591)**

The Bank has no fixed assets limited in use, title or management by the law.

As at December 31, 2023, the Bank has no fixed assets pledged as collateral.

The Bank has no fixed assets temporarily out of use or decommissioned for sale.

The historical value of fully amortized fixed assets as at December 31, 2023 was UAH 70649 thousand (December 31, 2022 – UAH 43544 thousand). The Bank continues to use these assets.

In the reporting period there was no increase or decrease through revaluation or impairment losses recognized or reversed in equity.

In 2022, the Bank recognized impairment loss of UAH 13829 thousand for cash collecting vehicles transferred to Armed forces and other military formations during the martial law in accordance with Ukrainian law. In 2023, three vehicles were returned by the Army and the Bank recorded recovery of assets for UAH 2284 thousand.

Table 11.3. Right-of-use assets

(UAH'000)

		31.12.2023	31.12.2022
1	Historical value of right-of-use asset	265 159	292 630
2	Depreciation of right-of-use asset	(105 247)	(73 031)
3	**Carrying amount of right-of-use asset**	**159 912**	**219 599**

Table 11.4. Change in right-of-use assets during the period ending on December 31, 2023

(UAH'000)

Value	Buildings	Vehicles	Total
January 1, 2023, in accordance with IFRS 16	291 123	1 507	292 630
Acquisition	40 802	-	40 802
Disposal	(68 273)	-	(68 273)
December 31, 2023	263 652	1 507	265 159
Accumulated depreciation			
January 1, 2023, in accordance with IFRS 16	(72 606)	(425)	(73 031)
Acquisition	(100 107)	(311)	(100 418)
Disposal	68 202	-	68 202
December 31, 2023	(104 511)	(736)	(105 247)
Depreciated value			
January 1, 2023, in accordance with IFRS 16	218 517	1 082	219 599
December 31, 2023	159 141	771	159 912

Table 11.5. Change in right-of-use assets during the period ending on December 31, 2022

(UAH'000)

Value	Buildings	Vehicles	Total
January 1, 2022, in accordance with IFRS 16	210 752	1 378	212 130
Acquisition	132 058	129	132 187
Disposal	(51 687)	-	(51 687)
December 31, 2022	291 123	1 507	292 630
Accumulated depreciation			
January 1, 2022, in accordance with IFRS 16	(37 998)	(138)	(38 136)
Acquisition	(86 101)	(287)	(86 388)
Disposal	51 493	-	51 493
December 31, 2022	(72 606)	(425)	(73 031)
Depreciated value			
January 1, 2022, in accordance with IFRS 16	172 754	1 240	173 994
December 31, 2022	218 517	1 082	219 599

The Bank used the option to extend the contract so that the total term of all contracts signed prior to 01.04.2023 is 60 months in accordance with IFRS 16, except for contracts where the right-of-use assets are located at temporarily occupies territories. As of 01.04.2023, the uncancellable lease term is equal to the lease term stated in the lease contract. Lease contracts do not include guarantees of salvage value or sale and leaseback. The Bank uses leased objects for its stated operations.

As at 31.12.2023, the Bank accounts for 149 contracts in accordance with IFRS 16, including 5 contracts with variable lease payments depending on inflation index. Calculation of lease liabilities under contracts with variable lease payments is based on future cash outflows using the latest official inflation index. The effect of change of inflation index on subsequent lease liabilities is insignificant, being UAH 7,0 thousand.

Note 12. Other assets

Table 12.1. Other assets

(UAH'000)

		31.12.2023	31.12.2022
1	*Other financial assets*	*221 334*	*145 462*
1.1	Receivables under transactions with pay cards	64 231	25 932
1.2	Cash limited in use	118 133	93 727
1.3	Nonconfirmed cash	347	841
1.4	Receivables under transactions with customers	15 394	4 906
1.5	Receivables under transactions with banks	3 719	3 375
1.6	Accrued income under bank transactions	19 510	16 681
2	Provision for impairment of other financial assets	(21 731)	(8 018)
3	***Total other financial assets less provisions***	**199 603**	***137 444***
4	*Other non-financial assets*	*164 879*	*124 150*
4.1	Receivables under prepaid assets and services	82 680	14 581
4.2	Receivables under business transactions	1 096	1 454
4.3	Inventories	4 603	3 777
4.4	Assets received by the Bank as a mortgagor	76 500	104 338
5	Provision for impairment of other non-financial assets	(693)	(1 612)
6	***Total other non-financial assets less provisions***	**164 186**	***122 538***

Cash of the Bank limited in use is the cash coverage placed at PUMB JSC and National Bank of Ukraine to cover the settlements under pay card transactions, Bank FAMILNY PrJSC to cover cash transfers by individuals, and funds at correspondent accounts in russian and byelorussian banks limited in accordance with NBU decree №18 of 24.02.2022 and other rules and regulations as a result of russian military aggression against Ukraine.

Table 12.2. Provision for impairment of other financial assets in 2023

(UAH'000)

	Provision	Cash limited in use	Non-confirmed cash	Accrued income under bank transactions	Receivables under transaction with customers	Receivables under transactions with banks	Total
1	**Balance as at January 1, 2023**	**(2 511)**	**(382)**	**(1 593)**	**(157)**	**(3 375)**	**(8 018)**
2	(Increase)/decrease of provision for impairment during the period	(13 782)	43	66	-	-	(13 673)

	Provision	Cash limited in use	Non-confirmed cash	Accrued income under bank transactions	Receivables under transaction with customers	Receivables under transactions with banks	Total
3	Assets written off through provision	-	-	189	156	-	345
4	FX difference	(34)	(8)	-	1	(344)	(385)
5	**Balance as at December 31, 2023**	**(16 327)**	**(347)**	**(1 338)**	**-**	**(3 719)**	**(21 731)**

In 2023, the Bank wrote off bad debts under other financial assets in an amount of UAH 14 thousand through provision for bad debts and bad debt of UAH 1 thousand under other financial assets written off in previous periods, disclosed as decrease of net impairment loss of financial assets in the Statement of profit and loss and other comprehensive income.

Table 12.3. Changes of provision for impairment of other financial assets in 2022

(UAH’000)

	Provision	Cash limited in use	Non-confirmed cash	Accrued income under bank transactions	Receivables under transaction with customers	Receivables under transactions with banks	Total
1	**Balance as at January 1, 2022**	**(409)**	**-**	**(556)**	**(117)**	**-**	**(1 082)**
2	(Increase)/decrease of provision for impairment during the period	(2 024)	(382)	(1 170)	-	(3 375)	(6 951)
3	Assets written off through provision	-	-	133	-	-	133
4	FX difference	(78)	-	-	(40)	-	(118)
5	**Balance as at December 31, 2022**	**(2 511)**	**(382)**	**(1 593)**	**(157)**	**(3 375)**	**(8 018)**

Table 12.4. Changes of provision for impairment of other non-financial assets in 2023

(UAH’000)

	Provision	Receivables under prepaid assets and services	Receivables under business transactions	Total
1	**Balance as at January 1, 2023**	**(1 008)**	**(604)**	**(1 612)**
2	(Increase)/decrease of provision for impairment during the period	901	30	931
3	Assets written off through provision	-	10	10
4	FX difference	-	(22)	(22)
5	**Balance as at December 31, 2023**	**(107)**	**(586)**	**(693)**

Table 12.5. Changes of provision for impairment of other non-financial assets in 2022

(UAH'000)

	Provision	Receivables under prepaid assets and services	Receivables under business transactions	Total
1	**Balance as at January 1, 2022**	**(2 175)**	**(477)***	**(2 652)**
2	(Increase)/decrease of provision for impairment during the period	1 158	16	1 174
3	Assets written off through provision	9		9
4	FX difference	-	(143)	(143)
5	**Balance as at December 31, 2022**	**(1 008)**	**(604)***	**(1 612)**

*- correction of error of previous period: as at January 1, 2022, a provision of UAH 56 thousand was transferred from receivables under prepaid assets and services into receivables under business transactions; as at December 30, 2022, UAH 40 thousand, respectively.

Table 12.6. Credit quality of other financial assets as at December 31, 2023

(UAH'000)

		Receivables under pay card transactions	Cash limited in use	Non-confirmed cash	Receivables under transactions with customers	Receivables under transactions with banks	Accrued income under bank transactions	Total
1	Not overdue and not impaired receivables	64 231	100	-	15 394	-	17 398	97 123
1.1	Small companies	64 231	-	-	15 394	-	13 588	93 213
1.2	Receivables from financial institutions	-	100	-	-	-	3 810	3 910
2	Overdue but not impaired debt	-	-	-	-	-	116	116
3	Debt impaired at group basis	-	-		-	-	929	929
3.1	0 – 7 days delay	-	-		-	-	35	35
3.2	8 - 30 days delay	-	-		-	-	22	22
3.3	31 – 60 days delay	-	-		-	-	47	47
3.4	61 - 80 days delay	-	-		-		43	43
	81 – 90 days delay	-	-		-	-	1	1
3.5	Over 90 days delay	-	-		-		781	781
4	Debt impaired at individual basis	-	118 033	347	-	3 719	1 067	123 166
5	Total other financial assets, provision included	64 231	118 133	347	15 394	3 719	19 510	221 334
6	Provision for	-	(16 327)	(347)	-	(3 719)	(1 338)	(21 731)

		Receivables under pay card transactions	Cash limited in use	Non-confirmed cash	Receivables under transactions with customers	Receivables under transactions with banks	Accrued income under bank transactions	Total
	impairment of other financial assets							
7	**Total other financial assets net of provision**	**64 231**	**101 806**	**-**	**15 394**	**-**	**18 172**	**199 603**

Table 12.7. Credit quality of other financial assets as at December 31, 2022

(UAH’000)

		Receivabl under pay car transactio	Cash imited in use	Non-confirmed cash	Receivables under transactions vith customers	Receivables under transactions with banks	Accrued income under bank transactions	Total
1	Not overdue and not impaired receivables	25 932	100	-	4 749	-	12 202	42 983
1.1	Small companies	25 932	-	-	4 749	-	10 646	41 327
1.2	Receivables from financial institutions	-	100	-	-	-	1 556	1 656
2	Overdue but not impaired debt	-	-	-	-	-	3	3
3	Debt impaired at group basis	-	-		-	-	1 091	1 091
3.1	0 – 7 days delay	-	-		-	-	69	69
3.2	8 - 30 days delay	-	-		-	-	42	42
3.3	31 – 60 days delay	-	-		-	-	130	130
3.4	61 - 80 days delay	-	-		-		75	75
	81 – 90 days delay	-	-		-	-	62	62
3.5	Over 90 days delay	-	-		-		713	713
4	Debt impaired at individual basis	-	93 627	841	157	3 375	3 385	101 385
5	Total other financial assets, provision included	25 932	93 727	841	4 906	3 375	16 681	145 462
6	Provision for impairment of other financial assets	-	(2 511)	(382)	(157)	(3 375)	(1 593)	(8 018)
7	**Total other financial assets net of provision**	**25 932**	**91 216**	**459**	**4 749**	**-**	**15 088**	**137 444**

Table 12.8. Assets received by the Bank as a mortgagor

(UAH’000)

		31.12.2023	31.12.2022
1	Property received by the Bank	104 338	106 684
2	Impairment of property received by the Bank as mortgagor	(30 628)	(2 346)
3	Inflow	2 790	-
4	**Total assets received by the Bank as a mortgagor**	**76 500**	**104 338**

Property received by the Bank as a mortgagor includes 4 objects of non-residential premises (garages) of total 76,1 sq. m. of estimated value of UAH 3835 thousand and three objects of residential premises (apartments) of total 474,2 sq. m. of estimated value of UAH 72665 thousand foreclosed by the Bank to settle the debt under loan contracts.

Assets received by the Bank as the mortgagor are disclosed at net realizable value of UAH 76 500 thousand as at December 31, 2023.

Note 13. Due to banks

Table 13.1. Due to banks

(UAH’000)

		31.12.2023	31.12.2022
1	Funds received from National Bank of Ukraine	-	989 965
2	**Total due to other banks**	**-**	**989 965**

Note 14. Due to customers

Table 14.1. Due to customers

(UAH’000)

		31.12.2023	31.12.2022
1	Other legal entities	12 843 750	7 085 701
1.1	Current accounts	6 406 614	6 625 383
1.2	Term deposits	6 437 136	460 318
2	Individuals:	6 628 361	2 910 423
2.1	Current accounts	1 466 911	772 271
2.2	Term deposits	5 161 450	2 138 152
3	**Total due to customers**	**19 472 111**	**9 996 124**

Due to customers include accrued interest expense under current accounts and term deposits of legal entities of UAH 11167 thousand (31.12.2022 – UAH 3 229 thousand) and individuals of UAH 60003 thousand (31.12.2022 - UAH 15 643 thousand).

Balance of cash limited in use (arrested) is UAH 867705 thousand.

Table 14.2. Due to customers by types of economic activity

(UAH'000)

	Type of activity	31.12.2023		31.12.2022	
		amount	%	amount	%
1	Agriculture, forestry and fishing	122 187	0,63%	52 984	0,53%
2	Production of food products, beverages and tobacco products	161 925	0,83%	71 890	0,72%
3	Production of basic pharmaceutical products and pharmaceutical preparations	28 347	0,15%	25 560	0,26%
4	Production of rubber and plastic products, other non-metallic mineral products	194 329	1,00%	128 441	1,28%
5	Production of electrical equipment	448 190	2,30%	123 430	1,23%
6	Production of machines and equipment, not elsewhere specified or included	11 897	0,06%	7 432	0,07%
7	Production of vehicles	172 679	0,89%	152 621	1,53%
8	Supply of electricity, gas, steam and air conditioning	716 004	3,68%	925 030	9,25%
9	Construction	1 481 927	7,61%	269 245	2,69%
10	Transport, warehousing, postal and courier services	443 190	2,28%	147 861	1,48%
11	Wholesale and retail trade; repair of motor vehicles and motorcycles	2 259 646	11,60%	1 420 623	14,21%
12	Publishing activity, radio broadcasting and television	26 064	0,13%	3 239	0,03%
13	Financial and insurance activities	846 300	4,35%	497 476	4,98%
14	Real estate transactions	364 219	1,87%	160 936	1,61%
15	Law, accounting, architecture and engineering, technical testing and research	220 927	1,13%	80 091	0,80%
16	Other professional, scientific and technical activities	842 275	4,32%	829 295	8,30%
17	Administrative and auxiliary services	141 041	0,72%	59 852	0,60%
18	Arts, entertainment and recreation	2 713 439	13,94%	443 981	4,44%
19	Non-resident legal entities	447 630	2,30%	1 257 336	12,58%
20	Individuals	6 628 361	34,04%	2 910 423	29,12%
21	Others	1 201 534	6,17%	428 378	4,29%
22	**Total due to customers**	**19 472 111**	**100%**	**9 996 124**	**100%**

Table 14.3. Customers’ funds used as a security under loan liabilities

(UAH’000)

		31.12.2023	31.12.2022
1	Loans:	116 012	159 660
1.1	Funds of individuals	114 683	24 715
1.2	Funds of legal entities	1 329	134 945
2	Guarantees:	84 930	68 208
2.1	Funds of legal entities	82 322	66 600
2.2	Funds of individuals	2 608	1 608
3	Aval promissory notes:	10 258	10 258
3.1	Funds of legal entities	10 258	10 258
4	**Total**	**211 200**	**238 126**

Note 15. Provisions for liabilities

Table 15.1. Changes of provisions for liabilities in 2023

(UAH’000)

	Provisions	Loan liabilities	Total
1	**Balance as at January 1, 2023**	**4 820**	**4 820**
2	Setting and/or increase of provision	2 224	2 224
3	**Balance as at December 31, 2023**	**7 044**	**7 044**

Table 15.2. Changes of provisions for liabilities in 2022

(UAH’000)

	Provisions	Loan liabilities	Total
1	**Balance as at January 1, 2022**	**12 828**	**12 828**
2	Setting and/or increase of provision	(8 008)	(8 008)
3	**Balance as at December 31, 2022**	**4 820**	**4 820**

The Bank established provisions for loan liabilities, namely, liabilities under overdraft loans of entities and individuals and guarantees provided to corporate customers.

Note 16. Other liabilities

Table 16.1. Other liabilities

(UAH’000)

		31.12.2023	31.12.2022
1	***Other financial liabilities***	**270 748**	**300 679**
1.1	Lease liabilities	171 870	230 377
1.2	Payables under transactions with customers	65 867	43 721
1.3	Payables under pay card transactions	24 244	21 914
1.4	Payables under off-balance sheet transactions	5 566	4 404

		31.12.2023	31.12.2022
1.5	Payables under lease	224	185
1.6	Accrued expenses under banking transactions	2 977	78
2	***Other non-financial liabilities***	**81 940**	**41 615**
2.1	Payables under employee benefits	109	439
2.2	Provision for vacations	45 613	26 570
2.3	Deferred income	3 170	2 153
2.4	Payables under taxes and dues, except for income tax	23 394	8 267
2.5	Payables under acquisition of assets	318	1 085
2.6	Payables for services	9 336	3 101

Table 16.2. Lease liabilities

(UAH'000)

		31.12.2023	31.12.2022
1	Lease liabilities recognized	170 022	227 777
2	Accrued interest expense under lease liabilities	1 848	2 600
3	**Carrying amount of lease liabilities as at the end of the reporting period**	**171 870**	**230 377**

Using the principle of consistency, the Bank in the conditions of martial law in Ukraine, as well as during the pandemic (COVID-19), believes that lease concessions do not lead to the modification of the right-of-use asset, but only affect the reduction of the recognized lease liabilities as per IFRS 16 *Leases*. The Bank recognizes the change in the amount of lease payments as "Other operating income" in the Statement of Profits and Losses. As of the end of the day on December 31, 2023, the lease concession is UAH 13631 thousand.

Note 17. Share capital and share premium

Registered and paid share capital of the Bank as at December 31, 2023, is UAH 284 540 thousand (31.12.2022 - UAH 284 540 thousand) represented by 277 600 registered ordinary shares of nominal value of UAH 1 025 each.

There were no changes in the share capital of the Bank in the reporting period. Share capital of the Bank is presented below:

(UAH'000)

		Number of shares in circulation (thousands of units)	Ordinary shares	Total
1	**Balance as at January 1, 2022**	**278**	**284 540**	**284 540**
2	**Balance as at December 31, 2022/January 1, 2023**	**278**	**284 540**	**284 540**
3	**Balance as at December 31, 2023**	**278**	**284 540**	**284 540**

Note 18. Assets and liabilities by maturities

(UAH'000)

		Note	31.12.2023 Less than 12 months	31.12.2023 Over 12 months	31.12.2023 Total	31.12.2022 Less than 12 months	31.12.2022 Over 12 months	31.12.2022 Total
ASSETS								
1	Cash and cash equivalents	6	14 232 930	16 841	**14 249 771**	5 979 171	-	**5 979 171**
2	Loans and due from customers	7	574 406	181 042	**755 448**	787 184	192 831	**980 015**
3	Investments in securities	8	1 635 003	2 891 417	**4 526 420**	2 590 625	1 478 247	**4 068 872**
4	Investment property	9	-	53 530	**53 530**	-	6 207	**6 207**
5	Receivables under current income tax		-	-	-	1 198	-	**1 198**
6	Deferred tax asset	25	3 067	-	**3 067**	5 639	-	**5 639**
7	Intangible assets	10	-	17 757	**17 757**	-	21 049	**21 049**
8	Fixed assets and right-of-use assets	11	-	362 186	**362 186**	-	392 280	**392 280**
9	Other financial assets	12	199 603	-	**199 603**	137 444	-	**137 444**
10	Other non-financial assets	12	87 686	76 500	**164 186**	18 200	104 338	**122 538**
11	**Total assets**		**16 732 695**	**3 599 273**	**20 331 968**	**9 519 461**	**2 194 952**	**11 714 413**
LIABILITIES								
12	Due to banks	13	-	-	-	-	989 965	**989 965**
13	Due to customers	14	19 461 844	10 267	**19 472 111**	9 985 859	10 265	**9 996 124**
14	Liabilities under current income tax		49 160	-	**49 160**	-	-	-
15	Provisions for liabilities	15	7 044	-	**7 044**	4 511	309	**4 820**
16	Other financial liabilities	17	153 578	117 170	**270 748**	124 056	176 623	**300 679**
	Including lease liabilities		*55 249*	*116 621*	***171 870***	*54 368*	*176 009*	***230 377***
17	Other non-financial liabilities	17	81 940	-	**81 940**	41 615	-	**41 615**
18	**Total liabilities**		**19 753 566**	**127 437**	**19 881 003**	**10 156 041**	**1 177 162**	**11 333 203**

Note 19. Interest income and expense

(UAH'000)

		2023	**2022**
INTEREST INCOME CALCULATED BASED ON EFFECTIVE INTEREST RATE			
Interest income under financial assets at amortized cost			
1	Loans and due from customers	219 312	281 272
2	NBU deposit certificates	1 106 736	258 932
3	Debt securities	653 447	880 257
4	Due from banks	-	279
5	Correspondent accounts in other banks	263	126

		2023	2022
6	**Total interest income under financial assets at amortized cost**	**1 979 758**	**1 420 866**
Interest income under financial assets at fair value through other comprehensive income			
7	Debt securities	4 011	3 267
8	Total income under financial assets at fair value through other comprehensive income	4 011	3 267
9	**Total interest income calculated based on effective interest rate**	**1 983 769**	**1 424 133**
10	**Total interest income**	**1 983 769**	**1 424 133**
	INTEREST EXPENSE CALCULATED BASED ON EFFECTIVE INTEREST		
Interest expense under financial liabilities at amortized cost			
11	Term deposits of legal entities	(390 774)	(25 978)
12	Term deposits of individuals	(379 331)	(107 736)
13	Term deposits of other banks	(41 703)	(638 832)
14	Current accounts	(310 749)	(214 145)
15	Other	(9 426)	(2 171)
16	**Total interest expense calculated based on effective interest rate**	**(1 131 983)**	**(988 862)**
17	Lease liabilities	(25 009)	(24 852)
18	**Total interest expense**	**(1 156 992)**	**(1 013 714)**
19	**Net interest income**	**826 777**	**410 419**

Note 20. Commission income and expense

(UAH’000)

		2023	2022
COMMISSION INCOME:			
1	Cash settlements transactions	651 973	437 566
2	Debt servicing	1 891	3 103
3	Currency market transactions	118 552	86 785
4	Guarantees issued	18 893	10 546
5	Other	1 211	1 147
6	**Total commission income**	**792 520**	**539 147**
COMMISSION EXPENSES:			
7	Cash settlements transactions	(120 391)	(46 047)
8	Bank services under pay card transactions	(18 292)	(11 475)
9	Other	(1 414)	(2 794)
10	**Total commission expenses**	**(140 097)**	**(60 316)**
11	**Net commission income**	**652 423**	**478 831**

Note 21. Other operating income

(UAH'000)

		2023	2022
1	Operating lease income	8 666	2 185
	Including lease oof investment property	*6 631*	*224*
2	Sub-lease income	418	563
3	Income under agent agreements	341	527
4	Revaluation (devaluation) of right-of-use asset and lease liability	17 949	25 177
	Including lease concession	*13 631*	*21 243*
5	Income from derecognition of financial liabilities at amortized cost	3 744	653
6	Fines and penalties under loan transactions	20	2 315
7	Income from recovery of fixed assets up to market value	2 284	-
8	Income from foreclosed mortgaged property	882	-
9	Other	1 065	660
10	**Total operating income**	**35 369**	**32 080**

Note 22. Administrative and other operating expenses

Table 22.1. Employee benefits

(UAH'000)

		2023	2022
1	Salaries and bonuses	725 104	443 781
2	Payroll charges	94 485	70 137
3	Other payments to employees	8 670	4 422
4	**Total labour cost**	**828 259**	**518 340**

Table 22.2. Depreciation and amortization

(UAH'000)

		2023	2022
1	Depreciation of fixed assets	36 237	25 737
2	Amortization of software and intangible assets	4 929	4 378
3	Depreciation of fight-of-use asset	58 509	49 665
4	**Total depreciation and amortization**	**99 675**	**79 780**

Table 22.3. Other administrative and other operating expenses

(UAH'000)

		2023	2022
1	Cost of maintenance of fixed and intangible assets, telecommunications and other operating services	102 914	66 032
2	Expenses under operating lease (low-value and short-term leases)	10 929	7 494
3	Professional services	4 471	2 280
4	Marketing and advertising	7 484	3 286

		2023	2022
5	Insurance payments	56 688	35 269
6	Security	15 576	11 894
7	Payment of other taxes and dues, except for income tax	38 099	20 092
8	Household expenses	21 905	11 293
9	Utilities	19 489	13 335
10	Cash collection and transportation of valuables	879	985
11	Sponsorship and charity	7 073	4 969
12	Devaluation of assets received by the Bank as a mortgagor	30 628	2 372
13	Expenses under agent agreements	112 040	44 245
14	Royalty	9 146	3 116
15	Cost of modification of financial assets	9 092	13 592
16	Fines	21 139	169
17	Lease concession	57	1 264
18	Cost of transactions with self-service terminals	15 923	-
19	Impairment losses through financial performance	-	14 464
20	Other expenses	6 305	3 392
21	**Total other administrative and other operating expenses**	**489 837**	**259 543**

Note 23. Income tax expenses

Table 23.1. Income taxes paid

(UAH’000)

		2023	2022
1	Current income tax	80 369	2 084
2	Change of deferred income tax related to:	(2 362)	(1 959)
2.1	Origination or write-off of temporary differences at the rate of 18%	(154)	(1 959)
2.2	Origination or write-off of temporary differences at the rate of 25%	(2 208)	-
3	**Total income tax expenses**	**78 007**	**125**

Table 23.2. Reconciliation of financial income (loss) and taxable income (loss)

(UAH’000)

		2023	2022
1	Earnings before taxes	132 558	(5 542)
2	Theoretical tax charges at respective tax rate *	66 279	(998)
ADJUSTMENT OF FINANCIAL INCOME (LOSS):			
3	Effect of non-deductible expenses recognized in accounting	29 586	7 693
4	Effect of deductible expenses not recognized in accounting	(15 496)	(4 611)
5	Effect of deferred income tax	(2 362)	(1 959)
6	**Total tax on income (loss)**	**78 007**	**125**

*income tax rate in 2023 - 50%, 2022 - 18%

Table 23.3. Tax effects of recognition of deferred tax assets and liabilities in 2023

(UAH'000)

		Balance as at 01.01.2023	**Recognized in profit /loss at the rate of**		**Recognized in other comprehensive income**	**Balance as at 31.12.2023**
			18%	**25%**		
1	Tax effect of temporary differences decreasing (increasing) taxable object and tax loss carry-forward	5 639	154	2 208	(4 934)	3 067
1.1	Fixed and intangible assets	4 053	(11)	1 572		5 614
1.2	Other assets	599	(234)	142		507
1.3	Other liabilities	868	399	494		1 761
1.4	Revaluation of securities through equity	119			(4 934)	(4 815)
2	**Net deferred tax asset (liability**	**5 639**	**154**	**2 208**	**(4 934)**	**3 067**
3	**Deferred tax asset recognized**	**5 639**	**154**	**2 208**	**(4 934)**	**3 067**

Table 23.4. effects of recognition of deferred tax assets and liabilities in 2022

(UAH'000)

		Balance as at 01.01.20223	**Recognized in profit /loss**	**Recognized in other comprehensive income**	**Balance as at 31.12.2022**
1	Tax effect of temporary differences decreasing (increasing) taxable object and tax loss carry-forward	3 576	1 959	104	5 639
1.1	Fixed and intangible assets	710	3 343	-	4 053
1.2	Other assets	542	57	-	599
1.3	Other liabilities	2 309	(1 441)	-	868
1.4	Revaluation of securities through equity	15	-	104	119
2	**Net deferred tax asset (liability**	**3 576**	**1 773**	**104**	**5 639**
3	**Deferred tax asset recognized**	**3 576**	**1 773**	**104**	**5 639**

Note 24. Earnings/(loss) per ordinary share

Table 24.1. Net and adjusted earnings/(loss) per ordinary share

(UAH'000)

		2023	**2022**
1	Earnings (loss) attributable to owners of ordinary shares of the Bank	54 551	(5 667)
2	Profit of the reporting period	54 551	(5 667)
3	Average number of circulating ordinary shares (thou pcs) *	278	278
4	**Net and adjusted earnings per ordinary share (UAH per share)**	**196,51**	**(20,41)**

* In 2023, the average annual number of circulating ordinary shares was 277 600 pcs.

The Bank has no dilutive potential ordinary shares, so the net profit does not differ from the adjusted profit.

Note 25. Operating segments

Information by operating segments:

A segment is a separable component of a bank that provides products or services (operating segment) or is engaged in providing products or services in a separate economic region (geographic segment) and is subject to risks and provides returns different from those inherent in other segments. Information on segments that receive most of their income from third parties and whose income, performance or assets are at least ten percent of all segments is presented separately from other segments.

Within this financial statement, the bank did not display geographical segments, as the bank does not operate outside of Ukraine.

The main form of presentation of information by segments of the bank's activity is presentation of information by operational segments.

The Bank conducts its activities in the following main operating segments:

- Services to individual customers - provision of banking services to private customers: keeping current accounts of individuals, including use of payment cards, accepting deposits, safekeeping services, issuance of loans.
- Services to corporate clients – settlement and cash transactions on current accounts of legal entities and private entrepreneurs, acceptance of deposits, provision of overdrafts, loans and other credit services, foreign currency transactions, etc.
- Transactions with banks - opening and keeping of correspondent accounts of other banks, transactions on the purchase and sale of cash and non-cash foreign currency at interbank currency exchange, transactions on placement (attraction) of funds, purchase and sale of state and other securities from banks, cash collection services, etc.
- Banknote business (collection) – services on collection of funds of entities and banks, transportation of currency and other valuables between the banks and their branches, cash collection and servicing of ATMs, transportation of valuables between Ukrainian cities, transportation of funds of individuals.

Assets of a reporting segment are recognized as assets that are used to perform normal activities and that can be directly attributed to this segment or reasonably allocated to this segment. Segment assets do not include income tax assets.

Segment liabilities are liabilities arising from the ordinary activities of the segment that are directly attributable to the segment or can be reasonably allocated to the segment. Segment liabilities do not include income tax liabilities.

Information on segments is presented based accrued income and expenses as this approach is used in management accounting.

The concentration of interest income at *Services to Banks* segment includes income from transactions with State bonds and NBU deposit certificates as disclosed in Note 19 *Interest Income*.

In 2023, the Bank changed presentation of information disclosing Banknote business (cash collection) as a separate reporting segment.

Table 25.1. Income, expenses and performance of reporting segments in 2023

(UAH'000)

		Reporting segments				**Other segments and transaction**	**Total**
		Services to corporate customers	**Services to individuals**	**Services to banks**	**Banknote business (cash collection)**	**Unallocated items**	
1	Interest income	128 425	90 887	1 764 457	-	-	1 983 769
2	Interest expense	(702 977)	(387 336)	(41 703)	(1 048)	(23 928)	(1 156 992)
3	Interest transfer	1 281 190	509 582	(1 790 772)	-	-	-
4	**Net interest income**	**706 638**	**213 133**	**(68 018)**	**(1 048)**	**(23 928)**	**826 777**
5	Commission income	310 952	246 565	452	234 551	-	792 520

		Reporting segments				Other segments and transaction	Total
		Services to corporate customers	**Services to individuals**	**Services to banks**	**Banknote business (cash collection)**	**Unallocated items**	
6	Commission transfer	-	(4 228)	(56 494)	60 722	-	-
7	Commission expense	(24 675)	(62 875)	(2 585)	(49 962)	-	(140 097)
8	Other operating income	4 230	2 266	51	281	28 541	35 369
9	Net profit/(loss) from transactions with derivatives	-	-	(294)	-	-	(294)
10	Net profit/(loss from transactions with debt securities at fair value through other comprehensive income	-	-	102	-	-	102
11	Net profit/(loss) from currency transactions	-	158 381	121 344	-	-	279 725
12	Net profit/(loss) from currency revaluation	-	(489)	2 061	-	-	1 572
13	Net profit/(loss from revaluation of investment property	-	-	-	-	28 908	28 908
14	Net loss from impairment of financial assets	(83 562)	(833)	(190 245)	-	125	(274 515)
15	Net profit/(loss) from increase/(decrease of provisions for liabilities	(1 728)	(496)	-	-	-	(2 224)
16	Net profit/(loss) from derecognition of financial assets at amortized cost	724	519	1 243	-	-	2 486
17	Employee benefits	(116 776)	(419 928)	(50 359)	(241 196)	-	(828 259)
18	Depreciation and amortization	-	-	-	-	(99 675)	(99 675)
19	Other administrative and other operating expenses	(171 867)	(142 433)	(14 956)	(160 581)	-	(489 837)
20	**Segment performance: Earnings before taxes**	**623 936**	**(10 418)**	**(257 698)**	**(157 233)**	**(66 029)**	**132 558**

2022 segment performance is presented in 2023 reporting format, namely *Banknote Business (cash collection* segment is disclosed as a separate segment.

Table 25.2. Income, expenses and performance of reporting segments in 2022

(UAH’000)

		Reporting segments				Other segments and transaction	Total
		Services to corporate customers	**Services to individuals**	**Services to banks**	**Banknote business (cash collection)**	**Unallocated items**	
1	Interest income	180 354	100 918	1 142 861	-	-	1 424 133
2	Interest expense	(238 736)	(111 316)	(638 832)	(843)	(23 987)	(1 013 714)
3	Interest transfer	612 577	137 711	(749 961)	(327)	-	-
4	**Net interest income**	**554 195**	**127 313**	**(245 932)**	**(1 170)**	**(23 987)**	**410 419**
5	Commission income	226 672	145 227	1 494	165 754	-	539 147
6	Commission transfer	-	(1 398)	(14 704)	16 102	-	-

		Reporting segments				Other segments and transaction	Total
		Services to corporate customers	Services to individuals	Services to banks	Banknote business (cash collection)	Unallocated items	
7	Commission expense	(14 171)	(30 931)	(3 039)	(12 175)	-	(60 316)
8	Other operating income	1 305	2 386	74	646	27 669	32 080
9	Net profit/(loss) from transactions with derivatives	-	-	(39 014)	-	-	(39 014)
10	Net profit/(loss) from currency transactions	-	99 227	67 873	-	-	167 100
11	Net profit/(loss) from currency revaluation	-	107	102 376	-	-	102 483
12	Net profit/(loss from revaluation of investment property	-	-	-	-	(53)	(53)
13	Net loss from impairment of financial assets	(285 292)	(17 403)	(4 750)	-	(1 589)	(309 034)
14	Net profit/(loss) from increase/(decrease) of provisions for liabilities	7 846	162	-	-	-	8 008
15	Net profit/(loss) from derecognition of financial assets at amortized cost	654	470	177	-	-	1 301
16	Employee benefits	(53 380)	(272 327)	(28 712)	(163 921)	-	(518 340)
17	Depreciation and amortization	-	-	-	-	(79 780)	(79 780)
18	Other administrative and other operating expenses	(71 043)	(78 312)	(7 747)	(102 441)	-	(259 543)
19	**Segment performance: Earnings before taxes**	**366 786**	**(25 479)**	**(171 904)**	**(97 205)**	**(77 740)**	**(5 542)**

Table 25.3. Assets and liabilities of reporting segments as at December 31, 2023

(UAH’000)

	Reporting segments			Other segments and transactions/ Unallocated items	Total
	Services to corporate customers	Services to individuals	Services to banks		
SEGMENT ASSETS					
1 Segment assets	556 910	198 538	17 254 835	2 321 685	20 331 968
2 Total assets	**556 910**	**198 538**	**17 254 835**	**2 321 685**	**20 331 968**
SEGMENT LIABILITIES					
3 Segment liabilities	12 849 596	6 629 559	-	401 848	19 881 003
4 Total liabilities	**12 849 596**	**6 629 559**	**-**	**401 848**	**19 881 003**

Table 25.4. Assets and liabilities of reporting segments as at December 31, 2022

(UAH’000)

		Reporting segments			Other segments and transactions/ Unallocated items	Total
		Services to corporate customers	**Services to individuals**	**Services to banks**		
	SEGMENT ASSETS					
1	Segment assets	758 278	221 737	8 619 791	2 114 607	11 714 413
2	**Total assets**	**758 278**	**221 737**	**8 619 791**	**2 114 607**	**11 714 413**
	SEGMENT LIABILITIES					
3	Segment liabilities	7 089 819	2 911 125	989 965	342 294	11 333 203
4	**Total liabilities**	**7 089 819**	**2 911 125**	**989 965**	**342 294**	**11 333 203**

Note 26. Financial risk management

CB «ACCORDBANK» PJSC has been created a risk management system that corresponds to the size, business model, scale of operations, types, and complexity of the bank's operations and provides detection, measurement (assessment), monitoring, reporting, control and mitigation of all significant bank risks in order to determine the amount of capital required by the bank to cover all significant risks inherent in its activities.

The process of risk management consists in identifying (identifying) risks, assessing their magnitude, controlling risk positions, as well as continuous monitoring of risks to ensure timely response in view of their dynamics.

Risk management in the Bank is based on the following basic principles:

- efficiency – ensuring an objective assessment of the size of the bank's risks and the completeness of risk management measures with optimal use of financial resources, personnel and information systems for the bank's risk management;
- timeliness – ensuring timely (at an early stage) detection, measurement, monitoring, control, reporting and mitigation of all types of risks at all organizational levels;
- structuredness – a clear distribution of functions, responsibilities and risk management powers between all structural units and employees of the bank, and their responsibilities in accordance with such distribution;
- segregation of duties (separation of the control function from the execution of bank operations) – avoiding a situation in which the same person conducts bank operations and performs control functions;
- versatility and comprehensiveness – coverage of all types of bank activity at all organizational levels and in all its structural divisions, assessment of the mutual impact of risks;
- proportionality – compliance of the risk management system with the bank's business model, its systemic importance, as well as the level of complexity of operations conducted by the bank;
- independence – freedom from circumstances that pose a threat to the impartial performance of the risk management unit and the compliance control unit of their functions;
- confidentiality – restricting access to information that must be protected from unauthorized access;
- transparency – disclosure by the bank of information on the risk management system and risk profile.

The internal regulatory framework for risk management, which meets internal and external requirements for modern risk management, is based on domestic and foreign practice and is constantly updated. The main task of the internal regulatory framework for risk management is the formation of a methodological basis for the implementation of risk management in the Bank.

The organizational structure of the Bank's risk management system is based on the division of responsibilities between the Bank's divisions using the model of three lines of defence:

1) **on the first line of defence** are the bank's business units and support units. They are the owners of all risks arising in the area of their responsibility. These divisions are responsible for identifying and assessing risks, taking management measures and reporting on such risks;

2) **on the second line of defence**, the Department of Risk Management and the Department of Control over Observance of Norms (Compliance), which manage risks;

3) **on the third line of defence**, the Internal Audit Office assesses the effectiveness of the risk management system by units of the first and second levels of defence.

The organizational structure of the risk management system in the Bank is defined in the internal document «Regulations on the organizational structure of the risk management system of «CB «ACCORDBANK» PJSC, which defines the distribution of functions, responsibilities and powers of risk management between all subjects of the risk management system and other employees Bank, and the order of interaction between them.

The system of identification and assessment of certain types of risks assumed by the Bank is based on uniform principles for certain types of risks and modern risk assessment methodology. The main task of the system of identification and assessment of certain types of risks is to ensure timely detection of risks and assessment of their level as an information base for making management decisions regarding risk management. The system includes methods and procedures for identification and assessment of certain types of risks, methods of stress testing of certain types of risks.

The Bank conducts a comprehensive assessment of the following significant types of risks inherent in its activities:

- credit risk;
- liquidity risk;
- interest rate risk of the bank book;
- market risk;
- operational risk;
- compliance risk;
- strategic risk.

A system of risk reporting, control and monitoring, the main tasks of which are:

- regularly informing the Bank's management about the level of risks;
- determination of the Bank's tolerance levels for certain types of risks, which is expressed in the establishment of a system of normative values of indicators or their limits, and their constant updating;
- ensuring compliance with internal risk regulations and NBU regulations through appropriate risk control and monitoring mechanisms.

Limits are set and the departments responsible for their implementation are determined at the ALMC meeting based on the proposals of the Risk Management Department. Approval of these limits is conducted at the meeting of the Supervisory Board of the Bank at the request of the Committee of the Supervisory Board on Risk Management.

Risk management is the basis of banking business and an essential component of banking operations. The main risks inherent in the Bank's operations are risks related to the issuance of loans, liquidity, market fluctuations of interest rates and exchange rates, as well as operational risks.

Credit risk

The Bank identifies and accepts credit risk as the major risk, namely the risk of the Bank incurring losses as a result of non-performance, untimely or incomplete performance by the debtor/counterparty of financial obligations to the Bank in accordance with the terms of the contract. Credit risk in the Bank is determined and managed on the basis of internal bank provisions, credit risk assessment models, including those developed in accordance with the standards of the Basel Committee on Banking Supervision, in accordance with the requirements of NBU Board Resolution No. 351 (Basel II standards), NBU Board Resolution No. 64 , Resolutions of the Board of the NBU No. 97.

The Bank's credit risk management involves the Supervisory Board, the Supervisory Board Committee on Risk Management, the Management Board, the Asset and Liability Management Committee, the Credit Committee, the Risk Management Department, the Internal Audit Department, the Treasury Operations Department, the Credit Department, the Corporate Products Department and service, the Department of Card Business Development and Consumer Credit, the Department of Investment Business, the Department of Security, the Department of Financial Monitoring, units responsible for accounting and reporting.

The credit risk management system is governed by the Bank's Credit Risk Management Policy, the Regulation on the Procedure for Calculation of the Amount of Credit Risk Based on Active Banking Operations, the Methodology for Assessing the Bank's Financial Status and Determining the Class of the Bank's Debtor (Counterparty), the Bank's Collateral Property Management Policy and other internal bank documents.

During credit risk management, the Bank:

- calculates the amount of credit risk by assets on an individual and group basis;
- determines the value of each of the credit risk components (PD, LGD and EAD);
- determines quantitative indicators of risk appetite for credit risk;
- measures the risk of concentration;

- establishes credit acceptance criteria;
- establishes the value of credit risk limits;
- applies internal control mechanisms;
- defines a clear process of making credit decisions, taking into account the powers of collegial bodies to make relevant decisions;
- determines the list of documents and information necessary for making credit decisions;
- creates documentation for each credit decision;
- grants loans to persons associated with the Bank on terms that do not differ from the terms of granting such types of loans to other persons;
- does not involve members of the Supervisory Board of the Bank or collegial bodies who have the right to make a credit decision, but who are related parties to the borrower, in the approval of the decision on issuance loans.

The Bank's credit risk management process is continuous and based on the following principles:

- compliance with credit risk standards established by the National Bank of Ukraine;
- distribution of functions and responsibilities for risk management;
- formation of reporting on credit risk on an ongoing basis;
- establishment of normative values of risk indicators and regular monitoring of their compliance;
- regularity of revision of credit risk standards (at least once a year);
- regularity of informing the bank's management about the level of credit risk;
- development of a system for estimating and forecasting expected credit losses (NBU Resolution No. 351), formation of necessary reserves for expected credit losses (IFRS);
- regularity of stress testing of the credit portfolio.

When managing credit risk, the Bank uses the following approaches:

- credit risk is subdivided into individual and portfolio risks;
- separate analysis of risk of concentration of assets;
- analytic substantiation of issuance of loans;
- reliability of information base for adequate administering and monitoring of loans;
- proper work with non-performing assets.

The bank uses the following credit risk management methods:

- risk prevention as a method of credit risk management allows you to protect yourself from possible random events by taking preventive actions;
- risk identification – recognition and understanding of existing risks or risks that may arise in connection with new business initiatives;
- risk measurement is the basis for risk control and monitoring. Risk assessment tools must be adequate to the complexity and level of risks assumed by the bank;
- risk control is conducted by establishing restrictions and bringing them to the executors by means of provisions, standards and/or procedures that determine the duties and powers of employees;
- risk monitoring to ensure timely tracking of risk levels and exceptions to certain rules.

The maximum indicators of credit risk for the articles of the Statement of Financial Position are reflected as accurately as possible in their gross carrying amount:

(UAH’000)

	Gross carrying amount as at 31.12.2023	**Gross carrying amount as at 31.12.2022**
Statement of financial position		
Balances at correspondent account in NBU and other banks	**12 645 534**	**4 465 955**
Loans and due from customers	**1 388 258**	**1 769 062**
Investments in securities	**4 689 832**	**4 068 872**
Other financial assets	**221 334**	**145 462**
	18 944 958	**10 449 351**
Off-balance sheet items		
Loan commitments	**1 101 902**	**1 127 063**

In order to control the level of portfolio credit risk, the bank has established internal limits for the structure of the loan portfolio, the quality of the loan portfolio, the structure of collateral for loans, the structure of loans to industries, etc. As at December 31, 2023, their actual values are as follows:

	Limits	31.12.2023	31.12.2022
1. Limits of the credit portfolio structure			
- specific weight of overdrafts in the loan portfolio	**< 20%**	**11,26%**	**13,47%**
- specific weight of the guarantees provided in the loan portfolio	**< 25%**	**26,60%**	**19,53%**
2. Credit portfolio quality limits			
– the share of expected losses (losses) on active banking operations due to the realization of credit risk	**< 30%**	**26,27%**	**28,50%**
– the share of non-performing assets (NPA) in the loan portfolio	**< 20%**	**25,08%**	**28,64%**
– the maximum volume of NPA in % of the respective portfolio of loans by types of economic activity	**No limit**	**100,00%**	**100,00%**
3. Limits of structure of provisions under loans			
– specific weight of blank loans in loan portfolio of the Bank	**< 55%**	**48,14%**	**46,20%**
- including specific weight of blank loans to **legal entities** in loan portfolio of the Bank	**< 30%**	**29,09%**	**31,45%**
- including specific weight of blank loans to **individuals** in loan portfolio of the Bank	**< 25%**	**19,05%**	**14,75%**
– specific weight loans secured by goods	**< 30%**	**1,12%**	**1,95%**
– specific weight of loans secured by movables	**< 40%**	**29,52%**	**17,02%**
– specific weight of loans secured by property	**< 80%**	**21,37%**	**28,81%**
4. Limits of concentration of loan portfolio by industries			
– specific weight of loans to trade entities in loan portfolio	**< 40%**	**29,53%**	**32,31%**
– specific weight of loans to construction entities in loan portfolio	**< 15%**	**1,93%**	**4,04%**
– specific weight of loans to industrial entities in loan portfolio	**< 40%**	**25,24%**	**18,68%**
– specific weight of loans to individuals in loan portfolio	**<30%**	**20,51%**	**15,78%**
– maximal geographic concentration of loan portfolio compared to total loan portfolio	**<15% of LP (except for Kyiv)**	**5,80%**	**3,72%**
5. Limits of maximal credit risk of borrowers			
– maximal risk per one borrower or a group of related borrowers	**< 25% RC**	**19,27%**	**20,71%**
– maximal scope of large loans	**< 300% RC**	**58,29%**	**126,99%**
– total maximal risk of the Bank-related borrowers	**< 25% RC**	**0,29%**	**3,75%**
– maximal debt per one borrower/a group of related borrowers, % of total loan portfolio	**< 7% LP**	**5,61%**	**4,82%**
– maximal scope of loan portfolio by loan products compared to total loan portfolio	**No limit**	**77,86%**	**81,70%**
6. Limits of active investments			
– share of securities portfolio in assets (except for SC and NBU deposit certificates)	**< 10%**	**0,0%**	**0,0%**
– share of receivables in assets	**< 5%**	**0,5%**	**0,3%**

As at December 31, 2023, basic prudential ratios (based on file 01 data) were:

- H7 (maximal credit risk per one counterpart) was 19,27% (2022 - 20,71%) when it should not be higher than 25%;
- H8 (high credit risk ratio) was 58,29% (2022 - 126,99 %) when it should not be higher than 800%.
- H9 (maximal credit risk under transactions with Bank related parties) was 0,29% (2022 - 3,75%) when it should not be higher than 25% of regulatory capital.

The Bank uses the following methods to cover credit risk: provision of security (collateral/mortgage, cash coverage, guarantee).

As at December 31, 2023, collateral for total of UAH 1 793 928 thousand is recorded at off-balance sheet accounts (2022 - UAH 2 271 755 thousand)

In accordance with internal Bank regulations the following steps are taken to implement the integral system of security under loans (collateral/mortgage):

- Evaluation of market (fair) value of collateral at the stage of decision on active transaction;
- Registration of encumbrance over the pledged assets in respective state registers;
- Periodic revaluation of market value of the collateral;
- Monitoring of existence and state of assets before taking decision on active transaction and regular monitoring during the term of crediting;
- Insurance of the assets at accredited insurance company for the term and under conditions approved by the Bank.

Work with mortgages assets should comply with the following principles:

- Principle of unimpeded foreclosure;
- Principle of fair valuation;
- Principle of saving;
- Principle of availability;
- Principle of proper protection of Bank interests as the lender.

Limits of structure of collateral under loans were established and complied with. E.g., as at 31.12.2023 loans secured by movables were 29,5% (2022 - 17,0%) with the limit not higher than 40%; loans secured by property were 21,4% (2022 - 28,8%) with the limit not higher than 80%; blank loans in loan portfolio of the Bank were 48,1% (2022 - 46,2%) with the limit not higher than 55%.

Major principles and terms of acceptance, valuation, revaluation and monitoring of assets offered (accepted) as collateral under active transactions of the Bank are set by Policies of management of pledged assets of the Bank and Credit risk management policies of the Bank.

Credit quality by assets related to the items of the statement of financial position regarding crediting based on external ratings and the Bank system of credit ratings is disclosed in Notes 6 and 7.

The Bank measures ECL under a financial instrument in a way that reflects objective probability-weighted amount measured by review of certain range of possible results taking into account time value of money based on reasonably necessary and confirmable information on past events, current situation and forecast of future economic conditions that may be received without extra cost or efforts as at the reporting date.

On February 24, 2022, the terrorist country (russia) invaded Ukraine, starting full-scale war. A lot of Ukrainian cities, towns and villages suffered significant damage trough regular bombing and shelling, resulted in killing of thousands of persons and wounding a lot more. In summer of 2023, russian ruined Kakhovka HPS, causing flooding of large territories and shutdowns of water supply in southern regions. The suspension of business operations during air-raid alerts was negatively affecting business during the year. As the war continued in 2023, Ukraine suffered greater losses and damages. Power infrastructure continues to suffer bombing and shelling resulting in electric power deficit.

The government introduced certain extraordinary measures to stabilize the country's economy. Still, the war with russia goes on causing significant damage to property and other assets in Ukraine and significant relocation of people in and outside of Ukraine – during previous year number of forced Ukrainian migrants to other countries continued to grow thus reducing recovery of consumer demand. Military situation changes daily, and their long-term effect cannot be accurately measured. Their further effect depends on the way the russian military aggression would end as well as successful implementation of new reform and strategy of recovery by the Ukrainian government and cooperation with international foundations.

NBU measured that the drop of real GDP in 2022 was 28,8% annual. It was the deepest drop of Ukrainian economy in the history. Still, after significant drop at the beginning of the war Ukrainian economy gradually started to recover due to liberation of occupied territories, adaptation of entities and individuals to martial law, development of logistics, improvement of business and consumers expectations. Ukrainian government receives financing and grants from international organizations from several countries, including donations to support financial stability, payment of social benefits and support the army. As a result, in 2023 real GDP went up by 5,3%. On one hand, relatively high growth of GDP was achieved after deep drop in 2022 (28,8%). On other hand, recovery of economy in the situation of active hostilities, high security risks and terrorist attacks of russia is a significant result. A major input into economic growth was made by soft fiscal policies, stimulating internal consumer and investing demand. Record-breaking budget expenditures for defence and security of the country lead to further increase of the role of state sector in the economy. Positive dynamics of development of most businesses in 2023 compared to low basis for comparison in the first year of the war resulted for successful adaptation of business to war and significant state support.

The Bank measures ECL based on the risk of default at of the two-time horizons depending on whether the credit risk of a borrower went up significantly as of the moment of initial recognition of the asset. ECL (allowance) for financial assets without significant increase of credit risk as if the initial recognition (stage 1 of impairment) is based at ECL for 12 months. ECL (allowance) for the financial assets that demonstrate significant increase of credit risk (stage 2 and stage 3") is based on ECL during total life of the financial asset.

Stage 2 – financial instruments with significant increase of credit risk without indications of default where ECL is measured for their total life;

Stage 3 – defaulted financial assets where ECL is measured for their total life, including POCI assets (purchased or originated credit-impaired assets).

The Bank measured risk under financial instrument as low if the counterpart has a good ability to fulfil its contractual obligations in the short-term perspective, while probability of changes (objective or subjective) that would negatively affect cash inflows is estimated as low, so the risk of default is low.

Signs indicating significant increase of credit risk, meaning that there are circumstances to transfer an asset to Stage 2 include:

- Restructuring (except for financial restructuring) of the debt of counterpart related to financial difficulties of the debtor, including restructuring without requirement of prior full settlement of the debt as at the date of restructuring. Restructuring related to extension to total term of crediting (not related to certain tranches) through decrease of interest rate by over 15% of initial rate;
- Existence of overdue debt under financial asset: 31 and more calendar days for legal entities (except for banks) and individuals, 5 and more calendar days for debtor banks;
- Existence of negative dynamics of financial indicators of debtors – legal entities (except for banks), including losses (or negative EBIDTA), absence of clear inflows to the accounts of legal entities – debtors (except for banks) and private entrepreneurs or their insignificant scope (not over 1,5 time of the debt under loan; total clear inflows are calculated for 12 calendar months prior to calculations);
- Allocation of the debtor to classes 9 – 10 (legal entities, except for banks, budget institutions and legal entities – debtors under investment project loan) / to classes 4 – 5 (other debtors) in accordance with Regulation 351 (with changes and amendments) and internal regulations on assessment of credit risk, taking into account the possibility of the situation when, based on assessment/reassessment, a class of the same debtor under different financial assets differs (change under one asset). The Bank establishes class of such borrower/counterpart at the lowest class under all financial assets – increase of credit risk;
- Significant decrease of the value of collateral during the life of financial asset and/or existence of other encumbrances (except for Bank encumbrances) over collateral during the life of the asset. Significance is measured for each type of collateral, namely, property – decrease of value over 35%, movables – over 50%;
- Negative dynamics of external ratings by Standard & Poor’s, Fitch Ratings, Moody’s Investors Service and Credit-Rating agency for resident banks.

Qualitative and qualitative indicators developed by the Bank are considered at assessment of default under liabilities of a debtor/counterpart.

Signs of impairment of assets (existence of a single factor) is a precondition for transfer to Stage 3:

- Existence of overdue debt under financial asset: 91 and more calendar days for legal entities (except for banks) and individuals, 91 and more calendar days for debtor banks;
- Existence of overdue debt under restructured financial asset that, as at the date of restructuring, was recognized as NPL (as per requirements of Regulation 351);
- Existence of information on occurrence of default, e.g., the debtor declared bankruptcy, the debtor is recognized as a bankrupt/procedure of liquidation (termination) of legal entity was initiated in accordance with the law/debtor bank was included into category of non-solvent banks by decisions of NBU/bank license was withdrawn rating of debtor bank is declared as RD and/or D;
- Restructuring of debt (considering the sings of allocation of the asset to Stage 2) related to financial difficulties of the debtor, providing for, namely:
    - ✓ Forgiveness of a part of the debt;

- ✓ Capitalization of interest accrued and not paid (commission) or replacement them with some other asset;
- ✓ Extension of the total term of crediting with worse terms for the creditor and without clearance of the deb;
- ✓ Change of interest rate under the loan contract for more than 30% of initial rate.

Signs of termination of default are the removal of all above indications of impairment and fulfilment of contractual obligations by the customer for at least 180 calendar days after elimination of all signs of default.

For loans at Stage 1 the Bank calculates allowance based on ELC for 12 months for individual and portfolio levels. The Bank, in order to calculate allowance, divides financial instruments portfolio into groups with similar characteristics. ECL is calculated based on the following information: portfolio losses at 12-month horizon in previous periods, current economic conditions, respective period prior to possible losses in future.

For loans at Stage 2, Stage 3 and/or initially impaired loans the Bank estimates allowance for ECL considering indications of materiality and specific type of crediting individually or at portfolio level. The following factors are relevant: current economic situation, existence of preconditions for compliance with business plan, analysis of forecasted cash flows, inflow of funds from sale of collateral, portfolio losses in previous periods.

War related risks are included into calculation of ECL to provide for proper level of provisioning. When calculating ECL, the Bank excluded or significantly revised value of collateral, located at temporarily occupied territories and/or damaged because of military aggression and/or lost in hostilities. Bank experts selected the most sensitive industrial segments of loan portfolio, including consumer loans, mechanical engineering, certain lines of wholesale trade and made changes in the ECL forecast. So, the Bank introduces step-up ratios as multipliers for current level of ECL to account for effect of war:

- For all borrowers in retail loan portfolio;
- In foreign currency – for all corporate customers.

In 2023, within the framework of Rules of servicing/support of customers under martial law, Rules of restructuring and refinancing of debts under loans, the Bank took the following steps:

- Restructuring of 1221 of consumer loans of individuals with total debt of UAH 82 879,1 thousand (2022 - 3339 of consumer loans of individuals with total debt of UAH 197 922,4 thousand);
- Restructuring of 18 loans to entities with total debt of UAH 495 781,4 thousand (2022 – 20 loans to entities with total debt of UAH 801 553,7 thousand);
- The Bank continues to analyse and identify the most sensitive customer segments: individuals under consumer loan programs (loss of employment, IDPs, forced emigration, etc.), production entities with assets lost at temporarily occupied territories (mechanical engineering, production of vegetable oils and animal fats, etc.), damage of assets (transactions with real estate, solar generation entities, power generating entities, etc.), lost markets/demands (tourist bureaus, air transportation companies, wholesale of metal scrap, development, construction, etc.), damaged logistic chains (agrarian entities, wholesale trade), losses of financial companies (e.g., leasing companies) moved by the Bank to Stage 2/3 of impairment of assets. Besides, the Bank analyses effect of macro-indicators on operation of Bank borrowers (dynamics of real GDP, inflation index, dynamics of consumer and investment demand, dynamics or rehabilitation of logistic chains, dynamics of added value in different industries). Dynamics of recovery of usefulness under such loans, improvement of servicing and settlements of debts demonstrate balanced individual approach of the Bank to identification and minimization of these risks;
- The Bank performed planned/unplanned steps to reevaluate and monitor collaterals under loans, taking into account potential risks (monitoring at territories freed from temporary occupation, location of objects at territories close to zones of hostilities, territories/objects suffering bombing and shelling, etc.) and realized risks (damage or loss of assets), for timely disclosure of their effects on fair value of such assets.

Due to restructuring, the Bank managed to decrease the level of bad debts of individuals from 60% of loan portfolio (as at the end of spring 2022) initially to 30% (by the end of 2022) of loan portfolio of individuals. As at the end of 2023 the level of bad debts in the portfolio in not higher than 24% of loan portfolio of individuals.

Restructuring of loans of corporate segment made it possible to restore the usefulness for the loans of UAH 208 mln (19% of corporate segment portfolio).

As of 2023, based on the recommendations of the auditor in compliance with IFRS requirements, best practices, approaches and recommendation of audit companies, keeping in mind existing market uncertainties, increase of negative expectations mostly related to full-scale military aggression against Ukraine, significant risks on the situation with approval of financing of supply of arms to Ukraine (military aid) during the war and microfinancing to support Ukrainian economy (economic aid), level of counteractions by terrorist country (russia) and its supporters in USA and EU (Hungary, Slovakia), absence of confidence regarding full and timely compliance with 2024 figures of the State budget of Ukraine, significant portfolio of active Banak transactions with SB and related risks, the Bank approved the Methodology of measurement of ECL for securities portfolio and formed respective allowances.

Approaches used are based on studies of leasing rating agencies - S&P, Moody's Investors Service, Fitch Ratings, namely, annual reviews on defaulted countries/instruments, rates of return by currencies and liabilities, measurement of sovereign ratings of countries, including sovereign ratings of Ukraine (current/actual values), statistical values of respective assessment of defaults by categories, taking into account risk-oriented approach. In the absence of a significant increase of credit risk and/or default, the Bank calculates ECL using annual 12-month default probability ratio (Stage 1) for SB portfolio.

The approach to measurement of ECL is regularly revised based on forecast of dynamics of real GDP in the country, weakening of UAH FX rate regarding key currencies, stability of functioning of banking system and their effect on real sector of economy. The Bank continues to take all necessary steps to support stability of its operations, although possible unexpected events, e.g., in business environment might worsen expectations on financial position of the Bank, nature and impact of which currently are impossible to foresee. The risk management department continuously analyses allowances for ECL in accordance with internal rules and regulations of the Bank.

Market risk

Market risk is managed to limit possible losses at open positions that may be incurred by the bank over a specified period of time with a specified probability due to an unfavourable change in currency rates, securities quotations, interest rates, by establishing a system of appropriate limits for each type of transactions carried out, and monitoring compliance with the established system of limits.

Major types of market risks are:

- currency risk – the probability of losses associated with an unfavourable exchange rate movement in the presence of an open currency position;
- price risk – the probability of losses associated with an unfavourable change in prices on the stock market, commodity and other markets (if there is an open position);
- interest rate risk – risk of possible losses as a result of unfavourable dynamics of interest rates. Interest rate risk arises when assets and liabilities differ in terms of maturity/revision of rates, a general change in the interest rate curve, a change in interest and placement rates relative to each other, a change in payment flows due to the presence of options (explicit and those embedded in financial instruments).

Control over market risk is conducted through a system of limits and restrictions depending on the type of portfolio and the financial instruments included in it. Based on these indicators, a system of reporting on the amount of market risk is formed.

The authority to make decisions regarding the approval of market positions of relevant persons and units is entrusted in accordance with the principles of currency risk management and interest rate risk management.

- ***Currency risk***

By currency risk, the Bank understands the existing or potential risk to profit and capital, which arises because of unfavourable changes in exchange rates and prices for bank metals.

The Bank's main instrument for currency risk management is limiting. The bank applies this tool by setting limits on:

- the total open currency position of the bank as a whole, in terms of subdivisions and operations;
- the amount of possible losses from exchange rate changes;
- treasury operations (trade operations, non-trade)

Table 26.1. Currency risk

(UAH'000)

		31.12.2023			**31.12.2022**		
		monetary assets	**monetary liabilities**	**net position**	**monetary assets**	**monetary liabilities**	**net position**
1	USD	1 699 714	(1 687 206)	**12 508**	1 718 762	(1 728 608)	(9 846)
2	EUR	839 606	(838 322)	**1 284**	441 599	(437 313)	4 286
4	Other	21 720	(30 274)	**(8 554)**	28 312	(24 688)	3 624
5	**Total**	**2 561 040**	**(2 555 802)**	**5 238**	**2 188 673**	**(2 190 609)**	**(1 936)**

Table 26.2. Change in profit or loss and equity because of possible changes in the official exchange rate of the hryvnia to foreign currencies established at the reporting date, provided that all other variable characteristics remain fixed
The calculation is made for cash balances in currencies different from the functional currency.

(UAH'000)

		31.12.2023		**31.12.2022**	
		impact on profit/loss	**impact on equity**	**impact on profit/loss**	**impact on equity**
1	USD strengthening (40 % - 2023, 40% - 2022)	5 003	5 003	(3 938)	(3 938)
2	USD weakening by 20 %	(2 502)	(2 502)	1 969	1 969
3	EUR strengthening (40 % - 2023, 40% - 2022)	514	514	1 715	1 715
4	EUR weakening by 20 %	(257)	(257)	(857)	(857)
5	Strengthening of other currencies and bank metals by 10%	(855)	(855)	362	362
6	Weakening of other currencies and bank metals by 20%	1 711	1 711	(725)	(725)

Table 26.3. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies, which is set as a weighted average rate, provided that all other variables stay fixed

(UAH'000)

		Average weighted exchange rate of 2023		**Average weighted exchange rate of 2022**	
		impact on profit/loss	**impact on equity**	**impact on profit/loss**	**impact on equity**
1	USD strengthening (40 % - 2023, 40% - 2022)	4 818	4 818	(3 483)	(3 483)
2	USD strengthening (40 % - 2023, 40% - 2022)	(2 409)	(2 409)	1 742	1 742
3	EUR strengthening (40 % - 2023, 40% - 2022)	481	481	1 496	1 496
4	EUR weakening by 20 %	(241)	(241)	(748)	(748)
5	Strengthening of other currencies and bank metals by 10%	(929)	(929)	331	331
6	Weakening of other currencies and bank metals by 20%	1859	1859	(661)	(661)

- ***Interest rate risk of bankbook***

Interest rate risk of bankbook results from:

- the difference in terms of repayment of assets and liabilities and revaluation of the rate;
- the risk of changing the yield curve;
- the absence of a sufficiently close connection between the adjustment of rates received and paid for different instruments;
- the risk of the right to choose, which arises in the event of the right to refuse the execution of the agreement.

Interest rate risk is measured as the sensitivity of the value of portfolios to changes in the interest rate, that is, as a change in the market value of instruments and portfolios as a result of a parallel shift of the yield curve by a certain number of basis points. Interest rate sensitivity is measured based on scenarios that assume a shift in interest rate curves by a certain amount regardless of instruments or currency. The interest rate risk limit is set based on the sensitivity of the value of the portfolios when the yield curve changes by +/-100 basis points.

Also, interest rate risk management instruments are:

- adequate and effective risk assessment procedures - the main assessment methods are the method of coefficients (consists of maintaining a system of indicators that reflect the relationship between the volumes of operations and the correspondingly received/paid revenues and expenses), the method of assessing gaps based on GAP analysis with an assessment of the maximum drop in net interest income (ΔNII) under 5 scenarios of changes in interest rates and assessment of the fall in the economic value of capital (ΔEVE) under 6 scenarios of changes in interest rates;

- risk management control tools - setting limits and restrictions in accordance with the level of the bank's tolerance for this type of risk;
- adequate information system;
- a reporting system for the management bodies regarding interest rate risk.

Table 26.4. General analysis of interest rate risk

(UAH'000)

		On demand and less than 1 month	1 - 12 months	More than 1 year	Total
	2023				
1	Total financial assets	8 624 369	5 486 970	3 089 301	**17 200 640**
2	Total financial liabilities	10 596 986	8 629 446	116 630	**19 343 062**
3	**Net interest rate gap at the end of the period**	**(1 972 617)**	**(3 142 476)**	**2 972 671**	**(2 142 422)**
	2022				
4	Total financial assets	4 602 999	3 267 711	1 719 426	**9 590 136**
5	Total financial liabilities	3 505 220	6 217 510	1 000 258	**10 722 988**
6	**Net interest rate gap at the end of the period**	**1 097 779**	**(2 949 799)**	**719 168**	**(1 132 852)**

The analysis of the interest rate risk of the banking book in 2022 was conducted on the basis of the GAP analysis. Interest gaps, estimates of the decline in net interest income (ΔNII) and the economic cost of capital (ΔEVE) indicated a significant increase in the interest rate risk of the bankbook, caused by the military aggression, when loan servicing significantly worsened at the same time as the cost of funding sharply increased - from June 2022, the discount rate increased 2.5 times from 10% to 25% per annum, gradually going down in 2023 to 15%. Thanks to the diversification of active investments, in particular, the placement of resources in highly liquid financial instruments refinanced by the National Bank of Ukraine, it was possible to avoid a catastrophic drop in net interest income and to stabilize it.

The interest rate risk was also assessed using the ratio method, within which the net interest margin, the bank's net spread, and the dynamics of the profitability of interest-bearing assets and the value of interest-bearing liabilities are calculated. The net interest margin increased to 7,1% per annum at the set limit of 4% per annum (2022 – 3.8%, the net spread decreased to 3.5% per annum (2022 - 10.8%).

Table 26.5. Monitoring of interest rates under financial instruments

(% annual)

		2023			**2022**		
		UAH	**USD**	**EUR**	**UAH**	**USD**	**EUR**
	Assets						
1	SB and deposit certificates	18,6	4,5	3,1	17,4	3,9	-
2	Loans and due from customers	19,2	7,8	5,8	18,6	8,1	8,9
	Liabilities						
3	Due to banks	-	-	-	25,0	-	-
4	Due to customers:	9,8	0,4	0,1	10,3	0,5	0,2
4.1	Current accounts	4,3	0,01	0,002	9,4	0,1	0,01
4.2	Term deposits	13,2	0,8	0,4	14,5	0,9	0,9
5	Lease liabilities	12,8	-	-	12,0	-	-

Interest on all the above items of assets and liabilities is calculated at a fixed rate. The Bank has no financial assets and liabilities with a floating interest rate, except for refinancing loans, the rate of which changes in accordance with changes in the National Bank's discount rate.

- ***Other price risk***

Price risk management is conducted with the aim of limiting the amount of possible losses on open positions that may be incurred by the bank over a specified period of time with a specified probability due to unfavourable changes in currency rates, securities quotations, interest rates, by establishing a system of appropriate limits for each type of transactions. and monitoring compliance with the established system of limits.

The VaR methodology is used to estimate the price market risk. The basis for assessment of the risk is dynamics of FX rates and instruments' prices within a certain period in the past. In connection with the regulatory fixation of the official exchange rate from February 2022 up to October 2023, caused by military aggression, the use of VaR was ineffective since the hypothesis about the normality of the distribution of exchange rates was not confirmed. The basis for risk assessment is the dynamics of rates and prices of instruments for a set period of time in the past. In parallel with the application of the VaR methodology, the bank is considering conducting an assessment of market risk based on alternative approaches, adequate for rapidly changing market conditions, with the aim of their possible use in subsequent work.

Geographical risk

Currently the Bank operates in all regions of Ukraine, except for temporarily occupied territories. In the future, it is planned to expand activities within Ukraine using a client-oriented approach. The expansion will be supported by analytical data on geographic concentrations in the respective reports regularly presented to the Bank's management.

Table 26.6. Geographic concentration of financial assets and liabilities in 2023

(UAH'000)

		Ukraine	OECD	Other countries	Total
	Assets				
1	Cash and cash equivalents	14 248 200	1 571	-	**14 249 771**
2	Loans and due from customers	755 448	-	-	**755 448**
3	Investments in securities	4 526 420	-	-	**4 526 420**
4	Other financial assets	197 945	1 006	652	**199 603**
5	**Total financial assets**	**19 728 013**	**2 577**	**652**	**19 731 242**
	Liabilities				
6	Due to customers	18 968 899	56 104	447 108	**19 472 111**
7	Other financial liabilities	270 295	248	205	**270 748**
	Including lease liabilities	*171 870*	-	-	***171 870***
8	**Total financial liabilities**	**19 239 194**	**56 352**	**447 313**	**19 742 859**
9	Net position under financial instruments	488 819	(53 775)	(446 661)	(11 617)
10	Loan commitments	1 101 902	-	-	**1 101 902**

Table 26.7. Geographic concentration of financial assets and liabilities in 2022

(UAH'000)

		Ukraine	OECD	Other countries	Total
	Assets				
1	Cash and cash equivalents	5 979 171	-	-	5 979 171
2	Loans and due from customers	980 015	-	-	980 015
3	Investments in securities	4 068 872	-	-	4 068 872
4	Other financial assets	121 667	306	15 471	137 444
5	**Total financial assets**	**11 149 725**	**306**	**15 471**	**11 165 502**
	Liabilities				

		Ukraine	OECD	Other countries	Total
6	Due to banks	989 965	-	-	989 965
7	Due to customers	8 732 627	870 921	392 576	9 996 124
8	Lease liabilities	300 544	97	38	300 679
	Other financial liabilities	*230 377*	-	-	*230 377*
9	**Total financial liabilities**	**10 023 136**	**871 018**	**392 614**	**11 286 768**
10	Net balance sheet position for financial instruments	1 126 589	(870 712)	(377 143)	(121 266)
11	Loan commitments	1 127 063	-	-	**1 127 063**

Concentration of other risks

Concentrations of other risks are within the established limit values.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to fulfil its payment obligations when they fall due under normal or unforeseen conditions. Liquidity risk includes the inability to manage unplanned reductions or changes in funding sources. Liquidity risk also arises from the inability to recognize or account for changes in market conditions that affect the ability to quickly realize assets with minimal loss of value.

Liquidity risk management involves the structuring of the bank's assets and liabilities, in which it would be able to fulfil its obligations in due time and in full.

The Bank's liquidity risk management process is continuous and based on the following principles:

- compliance with liquidity standards established by the National Bank of Ukraine;
- division of the risk management process into immediate and long-term liquidity management;
- continuity of instant liquidity management during the operating day;
- assessment of prospective liquidity - based on the analysis of future cash flows in accordance with the real terms of realization of assets and liabilities;
- reporting on liquidity risk on a daily basis;
- establishment of normative values of risk indicators and daily monitoring of their compliance;
- distribution of functions and responsibilities for risk management;
- distribution of functions and responsibilities for risk management;
- regular review of the action plan for maintaining liquidity in case of crisis circumstances;
- regular revision of internal liquidity standards (at least once a year);
- regular reporting to Bank's management (Supervisory Board, Management Board, ALMC) on the level of liquidity risk.

The liquidity risk management mechanism is based on the methods of GAP analysis and construction of future cash flows. The implementation of GAP-analysis involves the calculation of gaps between assets and liabilities with the corresponding final repayment terms in terms of individual currencies, as well as the establishment of normative values of such gaps and ensuring their implementation. The construction of future cash flows is also conducted on a daily basis by currency, with the calculation of cumulative cash flows for certain time intervals, for which the threshold values for daily execution are also set.

For the purposes of determining liquidity risk, the Bank discloses information on assets and liabilities grouped by terms from the reporting date to the maturity date. Grouping and analysis of maturities of assets and liabilities provides an opportunity to assess sources of funding for active operations and the Bank's ability to maintain liquidity at a level sufficient to fulfil its obligations to depositors and customers.

Table 26.8. Financial assets and liabilities by maturities based on expected maturity on a discounted basis in 2023

(UAH’000)

		On demand and less than 1 month	1 - 12 months	1 - 5 years	Total
	Assets				
1	Cash and cash equivalents	8 077 785	6 155 145	16 841	14 249 771
2	Loans and due from customers	22 194	552 212	181 042	755 448
3	Investments in securities	75 255	1 559 748	2 891 417	4 526 420
4	Other financial assets	82 761	116 842	-	199 603

		On demand and less than 1 month	1 - 12 months	1 - 5 years	Total
5	**Total financial assets**	**8 257 995**	**8 383 947**	**3 089 300**	**19 731 242**
	Liabilities				
6	Due to customers	15 525 115	3 936 729	10 267	19 472 111
7	Other financial liabilities	103 914	49 664	117 170	270 748
	Including lease liabilities	*5 927*	*49 322*	*116 621*	*171 870*
8	**Total financial liabilities**	**15 629 029**	**3 986 393**	**127 437**	**19 742 859**
9	Net liquidity gap as at the end of the day December 31	(7 371 034)	4 397 554	2 961 863	(11 617)
10	Cumulative liquidity gap as at the end of the day December 31	(7 371 034)	(2 973 480)	(11 617)	-

Table 26.9. Financial assets and liabilities by maturities based on expected maturity on a discounted basis in 2022

(UAH'000)

		On demand and less than 1 month	1 - 12 months	1 - 5 years	Total
	Assets				
1	Cash and cash equivalents	5 979 171	-	-	5 979 171
2	Loans and due from customers	109 167	678 017	192 831	980 015
3	Investments in securities	29 338	2 561 287	1 478 247	4 068 872
4	Other financial assets	59 470	77 974	-	137 444
5	**Total financial assets**	**6 177 146**	**3 317 278**	**1 671 078**	**11 165 502**
	Liabilities				
6	Due to banks	-	-	989 965	989 965
7	Due to customers	6 062 243	3 923 616	10 265	9 996 124
8	Other financial liabilities	72 670	51 386	176 623	300 679
	Including lease liabilities	*6 330*	*48 038*	*176 009*	*230 377*
9	**Total financial liabilities**	**6 134 913**	**3 975 002**	**1 176 853**	**11 286 768**
10	Net liquidity gap as at the end of the day December 31	42 233	(657 724)	494 225	(121 266)
11	Cumulative liquidity gap as at the end of the day December 31	42 233	(615 491)	(121 266)	-

Table 26.10. Financial liabilities by maturities based on expected maturities on an undiscounted basis in 2023

(UAH'000)

		On demand and less than 1 month	1 - 12 months	1 - 5 years	Total
	Liabilities				
1	Due to customers	15 526 218	3 940 233	10 381	19 476 832
2	Other financial liabilities	104 063	65 700	125 726	295 489
	Including lease liabilities	*6 076*	*65 358*	*125 177*	*196 611*
3	**Total financial liabilities**	**15 630 281**	**4 005 933**	**136 107**	**19 772 321**

Table 26.11. Financial liabilities by maturities based on expected maturities on an undiscounted basis in 2022

(UAH'000)

		On demand and less than 1 month	**1 - 12 months**	**1 - 5 years**	**Total**
	Liabilities				
1	Due to banks	21 021	226 479	1 590 746	1 838 246
2	Due to customers	6 076 298	3 973 258	10 579	10 060 135
3	Other financial liabilities	72 670	51 386	176 623	300 679
	Including lease liabilities	*6 330*	*48 038*	*176 009*	*230 377*
4	**Total financial liabilities**	**6 169 989**	**4 251 123**	**1 777 948**	**12 199 060**

Note 27. Capital management

The Bank manages capital to ensure that it will be able to function as a going concern while maximizing shareholder returns by optimizing the ratio of borrowed funds to equity.

The bank covers credit, market and operational risks at the expense of its own funds (capital) in order to ensure financial stability and limit the risk of insolvency.

The capital adequacy ratio is defined as the ratio of the size of own funds to assets weighted by the level of risk.

Capital adequacy calculation is conducted by the Consolidated Balance Sheet and Reporting Department, monitored by the Risk Management Department and provided to the bank's management for decision-making.

Based on the reports and conclusion of the Risk Management Department, the ALMC makes the following decisions:

- on the need to reduce the risks (or the possibility of accepting additional risks) inherent in operations on the credit and financial markets by establishing the following restrictions and limits once a quarter:
    - the ratio of the volume of negatively classified assets to the regulatory capital;
    - the ratio of the number of involved deposits of individuals to the regulatory capital;
    - the ratio of accrued but actually unpaid revenues to regulatory capital;
- on the need to change the structure of assets to improve the efficiency of capital use;
- on the need to change the authorized capital of the bank.

In the event of a decision on the need for capital increase, the ALMC and/or the Bank's Management Board formulate appropriate proposals for the Bank's Supervisory Board.

Capital increase can be conducted:

- at the expense of internal sources (increase in income from operations, sale of assets with a profit);
- at the expense of external sources (increase in investments in the bank's authorized capital, attracting subordinated debt).

As of the end of the day on December 31, 2023 and 2022, the Bank has the following ratios of regulatory capital, calculated in accordance with the requirements of the Instruction on the Procedure of Regulation of the Activities of Banks in Ukraine, approved by Resolution of the Board of the NBU No. 368 of August 28, 2001, based on the daily balance (file 01x):

- regulatory capital of the Bank is UAH 526 778 thousand (2022 - UAH 412 918 thousand) with a regulatory value of at least UAH 200 mln;
- adequacy of regulatory capital (H2 - solvency) is 20,03% (2022 - 16,76%) with a regulatory value not less than 10%);
- adequacy of basic capital - 13,62% (2022 - 4,85%) with a regulatory value not less than 7%.

In the reporting year the Bank did not violate the capital sufficiency (adequacy) standards established by the National Bank of Ukraine, did not experience a shortage of funds, settled its obligations in a timely manner, and fulfilled customer payment instructions without interruption.

Table 27.1 Structure of regulatory capital

The structure of regulatory capital is provided in accordance with the elements included in the calculation of regulatory capital (primary and additional) in accordance with the requirements of the current regulations of the National Bank of Ukraine.

(UAH'000)

		2023	2022
1.1	**Main capital (tier 1 capital):**	**358 197**	**365 984**
1.1.1	Actually paid registered share capital	284 540	284 540
1.1.2	Disclosed reserves created or increased through retained earnings	103 048	103 048
1.1.3	Decrease of main capital:	(29 391)	(21 604)
1.1.3.1	Intangible assets net of amortization	(17 517)	(19 206)
1.1.3.2	Capital investments in intangible assets	-	(653)
1.1.3.3	Losses of previous periods	(5 667)	-
1.1.3.4	Non-core assets	(6 207)	(1 745)
1.2	**Additional capital (tier 2 capital):**	**168 581**	**46 934**
1.2.1	Estimated profit of the reporting year	168 581	46 934
	Total regulatory capital	**526 778**	**412 918**

The Bank does not operate at the international level, it does not report on the full consolidation method, and therefore it does not compile the capital structure calculated based on the Basel Capital Agreement.

Note 28. Contingent liabilities

Litigations

In the course of its current activities, the Bank from time to time has to act as a defendant in lawsuits submitted to judicial authorities in relation to the Bank. During 2023, 4 claims were filed against the Bank with the follow-up by Legal department of the Bank> The court hearing are still continuing. According to the lawsuits presented to the Bank in previous years (2019 - 2022) - 4 lawsuits were left without consideration, 1 claim was approved (an appeal was filed); consideration of another claim is ongoing. The predominant nature of the lawsuits is the obligation to perform certain actions, protection of consumer rights, collection of funds. The Bank believes that consideration of these court cases does not entail a negative risk for the Bank's financial condition and stability.

Taxation

Currently, the Tax Code is in force in Ukraine, which includes income tax, value added tax, personal income tax, as well as other taxes and fees. The basis for determining the taxable profit is the financial result determined according to accounting rules in accordance with IFRS. The sections governing these taxes change frequently and their provisions are often unclear. There is also insufficient judicial precedent on these issues. There are different points of view regarding the interpretation of legal norms among government ministries and organizations (for example, the fiscal service and the Ministry of Finance), which causes general uncertainty and creates grounds for conflict situations. The correctness of the preparation 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 authorized by law to impose fines and penalties in significant amounts. The listed factors determine the presence of tax risks in Ukraine that are significantly greater than those in countries with a more developed tax system.

Management believes that the Bank's activities are conducted in full compliance with the current legislation governing its activities, and that the Bank has calculated all relevant taxes. In cases where there is uncertainty regarding the amounts of taxes to be paid, the calculation is made based on the estimates of the Bank's management based on the analysis of the information at its disposal.

Increased basic income tax rate of 50% is used to calculate 2023 income tax.

Loan commitments

Table 28.1. Loan commitments

(UAH'000)

		31.12.2023	31.12.2022
1	Overdraft loam commitments	194 933	133 670
2	Guarantees issued	583 491	498 257
3	Avals issues	11 998	10 665
4	Provision for loan commitments	(7 044)	(4 820)
	Total irrevocable commitments	**783 378**	**637 772**
5	Unused credit lines (non-risk commitments)	311 480	484 471
6	**Total loan commitments net of provision**	**1 094 858**	**1 122 243**

As at December 31, 2023, the Bank had no unforeseen loan commitments.

Table 28.2 Credit quality of loan commitments as at December 31, 2023

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	Loan commitments	**1 082 868**	**17 235**	**1 799**	**1 101 902**
2	Minimal credit risk	775 128	-	-	**775 128**
3	Low credit risk	40 492	11 904	-	**52 396**
4	Medium credit risk	267 248	5 234	-	**272 482**
5	High credit risk	-	97	1 731	**1 828**
6	Defaulted assets	-	-	68	**68**
7	Total loan commitments	**1 082 868**	**17 235**	**1 799**	**1 101 902**
8	Provision for impairment of loan commitments	(6 931)	(12)	(101)	**(7 044)**
9	**Total loan commitments net of provision**	**1 075 937**	**17 223**	**1 698**	**1 094 858**

Table 28.3 Credit quality of loan commitments as at December 31, 2022

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	Loan commitments	**1 067 051**	**28 110**	**31 902**	**1 127 063**
2	Minimal credit risk	487 190	-	-	**487 190**
3	Low credit risk	96 962	26 006	-	**122 968**
4	Medium credit risk	482 899	2 093	-	**484 992**
5	High credit risk	-	11	31 862	**31 873**
6	Defaulted assets	-	-	40	**40**
7	Total loan commitments	**1 067 051**	**28 110**	**31 902**	**1 127 063**
8	Provision for impairment of loan commitments	(4 729)	(54)	(37)	**(4 820)**
9	**Total loan commitments net of provision**	**1 062 322**	**28 056**	**31 865**	**1 122 243**

Table 28.4. Changes of provision for impairment of loan commitments in 2023

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Provision for impairment as at January 1, 2023**	**(4 729)**	**(54)**	**(37)**	**(4 820)**
2	Loan commitments issued	(5 403)	(10)	(57)	**(5 470)**
3	Loan commitments derecognized or terminated (except for those written off)	3 591	54	1	**3 646**
4	Total effect of transfer between stages:	(390)	(2)	(8)	**(400)**
4.1	Transfer to Stage 1	(390)	(1)	(7)	**(398)**
4.2	Transfer to Stage 2	-	(1)	-	**(1)**
4.3	Transfer to Stage 3	-	-	(1)	**(1)**
5	**Provision for impairment as at December 31, 2023**	**(6 931)**	**(12)**	**(101)**	**(7 044)**

Table 28.5. Changes of provision for impairment of loan commitments in 2022

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Provision for impairment as at January 1, 2022**	**(12 795)**	**(5)**	**(28)**	**(12 828)**
2	Loan commitments issued	(1 565)	-	-	**(1 565)**
3	Loan commitments derecognized or terminated (except for those written off)	6 370	-	4	**6 374**
4	Total effect of transfer between stages:	3 261	(49)	(13)	**3 199**
4.1	Transfer to Stage 1	3 260	-	(1)	**3 259**
4.2	Transfer to Stage 2	-	(49)	-	**(49)**
4.3	Transfer to Stage 3	1	-	(12)	**(11)**
5	**Provision for impairment as at December 31, 2022**	**(4 729)**	**(54)**	**(37)**	**(4 820)**

Table 28.6. Changes of gross carrying amount/nominal value of loan commitments through impairment in 2023

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross carrying amount as at January 1, 2023**	**1 067 051**	**28 110**	**31 902**	**1 127 063**
2	Loan commitments issued	1 393 665	12 028	282	**1 405 975**
3	Loan commitments derecognized or terminated (except for those written off)	(1 294 885)	(28 109)	(29 423)	**(1 352 417)**
4	Total effect of transfer between stages:	(110 710)	5 183	42	**(105 485)**
5	Transfer to Stage 1	-	23	-	**23**
6	Transfer to Stage 2	26 699	-	(1 004)	**25 695**
7	FX differences	1 048	-	-	**1 048**
8	**Gross carrying amount as at December 31, 2023**	**1 082 868**	**17 235**	**1 799**	**1 101 902**

Table 28.7. Changes of gross carrying amount/nominal value of loan commitments through impairment in 2022

(UAH'000)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross carrying amount as at January 1, 2022**	**1 417 479**	**20 747**	**237**	**1 438 463**
2	Loan commitments issued	405 208	-	1	**405 209**
3	Loan commitments derecognized or terminated (except for those written off)	(906 996)	(25 790)	(115)	**(932 901)**
4	Total effect of transfer between stages:	129 718	26 017	31 720	**187 455**
5	Transfer to Stage 1	16 384	1 883	-	**18 267**
6	Transfer to Stage 2	31	-	59	**90**
7	FX differences	5 227	5 253	-	**10 480**
8	**Gross carrying amount as at December 31, 2022**	**1 067 051**	**28 110**	**31 902**	**1 127 063**

Table 28.8. Loan commitments by currencies

(UAH'000)

		31.12.2023	31.12.2022
1	UAH	1 065 140	1 031 315
2	USD	23 568	55 255
3	EUR	13 194	40 493
4	**Total**	**1 101 902**	**1 127 063**

Assets pledged and assets limited in possession, use and disposal

Table 28.9. Assets pledges without derecognition

(UAH'000)

		31.12.2023		**31.12.2022**	
		Assets pledged	Secured liability (related to these assets)	Assets pledged	Secured liability (related to these assets)
1	Financial assets at amortized cost	104 028	-	1 364 846	989 965
1.1	Cash coverage in PUMB JSC for settlements under pay cards	104 028	-	76 870	-
1.2	SB pool	-	-	1 287 976	989 965
2	Financial assets at fair value through other comprehensive income	-	-	1 769	-
2.1	SB pool	-	-	1 769	-
3	**Total**	**104 028**	**-**	**1 366 615**	**989 965**

Note 29. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The best evidence of fair value is the market price of a financial instrument.

The Bank calculates the fair value of financial instruments based on available market information (if any) and using appropriate valuation methods.

Financial instruments measured at fair value, or their fair value is disclosed

The Bank uses the following hierarchy for determination and disclosure of the fair value of financial instruments in accordance with the valuation model:
Level 1: market quotations (without adjustments) of identical assets or liabilities at active markets;
Level 2: valuation methods using data from open markets received directly or indirectly, as basic data affecting fair value;
Level 3: valuation techniques that use non-market data as underlying data affecting fair value.
The fair value measurement at levels 2 and 3 of the fair value hierarchy was calculated using the discounted cash flow method.
- assets with fair value approximately equal to their carrying amount
The Bank believes that the fair value of liquid assets, such as cash and cash equivalents, is approximately equal to their carrying amount.

- due from and to other banks
For assets with a term of up to three months, the fair value is approximately equal to the carrying amount due to the relative short-term nature of these financial instruments.

- ***investments in securities at fair value***
When measuring the fair value of securities at fair value through other comprehensive income, the Bank used all available market information.

- financial assets and financial liabilities at amortized cost
The fair value of quoted bonds is based on quotations on the reporting date. The fair value of instruments that are not quoted and the fair value of which does not approach their carrying amount, namely loans to customers, long-term due from other banks, long-term due to other banks, customer funds, is measured by the method of discounted future cash flows using the rates existing at that moment in debts with similar terms, types of currencies, credit risk and maturity.

Table 29.1. Fair value and hierarchy levels of input data used to measure assets and liabilities in 2023
(UAH’000)

		Fair value by different measurement methods			**Total fair value**	**Total carrying amount**
		Market quotes (level 1)	**All observable data (level 2)**	**Non-market data (level 3)**		
ASSETS						
1	Cash and cash equivalents	-	13 486 172	763 599	14 249 771	14 249 771
1.1	Cash		1 623 162	-	1 623 162	1 623 162
1.2	Cash in NBU	-	1 064 581	-	1 064 581	1 064 581
1.3	NBU deposit certificates	-	10 798 429	-	10 798 429	10 798 429
1.4	Correspondent accounts, deposits and overnight loans in banks	-	-	763 599	763 599	763 599
2	Loans at amortized cost	-	-	835 829	835 829	755 448
2.1	Corporate loans	-	-	572 022	572 022	556 910
2.2	Loans to private entrepreneurs	-	-	-	-	-
2.3	Mortgage loans	-	-	3 608	3 608	2 638
2.4	Consumer loans	-	-	260 199	260 199	195 900
3	Investments in securities		4 698 555	-	4 698 555	4 526 420
3.1	State bonds		4 698 555	-	4 698 555	4 526 420
4	Other financial assets	-	-	199 603	199 603	199 603
4.1	Receivables under pay card transactions	-	-	64 231	64 231	64 231
4.2	Cash limited in use	-	-	101 806	101 806	101 806
4.3	Other financial assets	-		33 566	33 566	33 566
5	Investment property	-	-	53 530	53 530	53 530
6	**Total assets**		**18 184 727**	**1 852 561**	**20 037 288**	**19 784 772**
LIABILITIES						
7	Due to customers		19 435 894	-	19 435 894	19 472 111
7.1	Other legal entities	-	12 801 539	-	12 801 539	12 843 750
7.2	Individuals	-	6 634 355	-	6 634 355	6 628 361
8	Other financial liabilities	-	-	270 748	270 748	270 748
8.1	Payables under pay card transactions	-	-	24 244	24 244	24 244
8.2	Other financial liabilities	-	-	74 634	74 634	74 634
8.3	Lease liabilities			171 870	171 870	171 870
9	**Total liabilities**	**-**	**19 435 894**	**270 748**	**19 706 642**	**19 742 859**

Table 29.2. Fair value and hierarchy levels of input data used to measure assets and liabilities in 2022

(UAH’000)

		Fair value by different measurement methods			**Total fair value**	**Total carrying amount**
		Market quotes (level 1)	**All observable data (level 2)**	**Non-market data (level 3)**		
ASSETS						
1	Cash and cash equivalents	-	5 203 951	775 220	5 979 171	5 979 171
1.1	Cash		1 519 468	-	1 519 468	1 519 468
1.2	Cash in NBU	-	549 537	-	549 537	549 537
1.3	NBU deposit certificates	-	3 134 946	-	3 134 946	3 134 946
1.4	Correspondent accounts, deposits and overnight loans in banks	-	-	775 220	775 220	775 220
2	Loans at amortized cost	-	-	1 036 468	1 036 468	980 015
2.1	Corporate loans	-	-	715 480	715 480	707 536
2.2	Loans to private entrepreneurs	-	-	339	339	329
2.3	Mortgage loans	-	-	55 915	55 915	53 695
2.4	Consumer loans	-	-	264 734	264 734	218 455
3	Investments in securities		3 885 832	-	3 885 832	4 068 872
3.1	State bonds		3 885 832	-	3 885 832	4 068 872
4	Other financial assets	-	-	137 444	137 444	137 444
4.1	Receivables under pay card transactions	-	-	25 932	25 932	25 932
4.2	Cash limited in use	-	-	91 216	91 216	91 216
4.3	Other financial assets	-		20 296	20 296	20 296
5	Investment property	-	-	6 207	6 207	6 207
6	Property transferred to the bank as a pledge holder	-	104 338	-	104 338	104 338
7	**Total assets**		**9 194 121**	**1 955 339**	**11 149 460**	**11 276 047**
LIABILITIES						
8	Due to banks	-	989 965	-	989 965	989 965
8.1	Loans from NBU		989 965	-	989 965	989 965
9	Due to customers		9 995 315	-	9 995 315	9 996 124
9.1	Other legal entities	-	7 085 695	-	7 085 695	7 085 701
9.2	Individuals	-	2 909 620	-	2 909 620	2 910 423
10	Other financial liabilities	-	-	300 679	300 679	300 679
10.1	Payables under pay card transactions	-	-	21 914	21 914	21 914
10.2	Other financial liabilities	-	-	48 388	48 388	48 388
10.3	Lease liabilities			230 377	230 377	230 377
11	**Total liabilities**	**-**	**10 985 280**	**300 679**	**11 285 959**	**11 286 768**

Changes in assets of Level 3 measured at fair value

Table 29.3. Amounts recognized in 2023 under Level 3 assets measured at fair value

(UAH’000)

		Investment property	Total assets
1	As at January 1, 2023	6 207	6 207
2	Profit (loss) recognized in the Statement of profit or loss	28 908	6 638
3	Acquisition	18 415	18 414
4	As at December 31, 2023	53 530	31 259

Table 29.4. Amounts recognized in 2022 under Level 3 assets measured at fair value

(UAH’000).

		Investment property	Total assets
1	As at January 1, 2022	6 260	6 260
2	Profit (loss) recognized in the Statement of profit or loss	(53)	(53)
3	As at December 31, 2022	6 207	6 207

Table 29.5. Regular measurements of fair value in 2023

(UAH’000)

Assets measured at fair value	Level 1	Level 2	Level 3	Total
Investments in securities at fair value through other comprehensive income	-	189 214	-	189 214
Investment property	-	53 530	-	53 530
Total fair value of regularly measured assets	**-**	**242 744**	**-**	**242 744**

Table 29.5. Regular measurements of fair value in 2022

(UAH’000)

Assets measured at fair value	Level 1	Level 2	Level 3	Total
Investments in securities at fair value through other comprehensive income	-	19 403	-	19 403
Investment property	-	6 207	-	6 207
Total fair value of regularly measured assets	**-**	**25 610**	**-**	**25 610**

During the reporting period, the Bank did not make transfers between levels of the fair value hierarchy.

Table 29.7. Methods of measurement and input data used in measurement of fair value as at December 31, 2023

(UAH’000)

Assets measured at fair value	Fair value	Method of measurement	Input data used
Investments in securities at fair value through other comprehensive income	189 214	Market method	Prices of quoted SB at market for similar securities
Investment property	53 530	Market method	Conclusion of independent appraiser
Total regularly measured fair value	**242 744**		

Table 29.8. Methods of measurement and input data used in measurement of fair value as at December 31, 2022

(UAH’000)

Assets measured at fair value	Fair value	Method of measurement	Input data used
Investments in securities at fair value through other comprehensive income	19 403	Market method	Prices of quoted SB at market for similar securities
Investment property	6 207	Market method	Conclusion of independent appraiser
Total regularly measured fair value	**25 610**		

Note 30. Financial instruments by categories of measurement

Table 30.1. Financial assets by categories of measurement as at December 31, 2023

(UAH’000)

		Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	ASSETS			
1	Cash and cash equivalents	14 249 771	-	14 249 771
2	Loans and due from customers:	755 448	-	755 448

		Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
2.1	Corporate loans	556 910	-	556 910
2.2	Mortgage loans	2 638	-	2 638
2.3	Consumer loans	195 900	-	195 900
3	Investments in securities	4 337 206	189 214	4 526 420
4	Other financial assets:	199 603	-	199 603
4.1	Receivables under pay card transactions	64 231	-	64 231
4.2	Cash limited in use	101 806	-	101 806
4.3	Other financial assets	33 566	-	33 566
5	**Total financial assets**	**19 542 028**	**189 214**	**19 731 242**

Table 30.2. Financial assets by categories of measurement as at December 31, 2022

(UAH'000)

		Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	ASSETS			
1	Cash and cash equivalents	5 979 171	-	5 979 171
2	Loans and due from customers:	980 015	-	980 015
2.1	Corporate loans	707 536	-	707 536
2.2	Loans to private entrepreneurs	329	-	329
2.3	Mortgage loans	53 695	-	53 695
2.4	Consumer loans	218 455	-	218 455
3	Investments in securities	4 049 469	19 403	4 068 872
4	Other financial assets:	137 444	-	137 444
4.1	Receivables under pay card transactions	25 932	-	25 932
4.2	Cash limited in use	91 216	-	91 216
4.3	Other financial assets	20 296	-	20 296
5	**Total financial assets**	**11 146 099**	**19 403**	**11 165 502**

All financial liabilities of the Bank are measured at amortized cost.

Note 31. Related party transactions

IAS 24 *Related Party Disclosures* provides disclosure of information necessary to draw attention to the possible impact on the financial condition and on the profit or loss of an economic entity caused by the existence of related parties in the financial statements of an economic entity, as well as transactions and balances, including liabilities between such parties.

Related parties — parties are considered related if a party has the ability to control the other or exercise significant influence over the other party's financial and operational decisions. A related party transaction is an exchange of resources or liabilities between related parties, whether or not a price is assigned.

When considering the relationship of each possible related party, special attention is paid to the substance of the relationship, and not just to its legal form.

Table 31.1. Balances under related party transactions as at December 31, 2023

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Loans and due from customers (contractual interest rate - 19,64%)	-	-	140
2	Due to customers (contractual interest rate - 8,24 %)	4 701	88 814	21 856
3	Provisions for liabilities	3	7	2
4	Other liabilities	-	4	2

Interest rates on loans granted to senior management personnel and other related parties, attracted funds of shareholders, senior management and other related parties, were set at the level of normal interest rates for the corresponding loan product and rates for attraction of funds from individuals.

Table 31.2. Income and expenses under related party transactions in 2023

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Interest income	-	1	49
2	Interest expense	(76)	(1 670)	(1 731)
3	Commission income	44	40	103
4	Net profit/(loss) from currency transactions	-	3	6
5	Net loss from impairment of financial assets	-	2	40
6	Net profit/(loss) from increase/(decrease) of provision for liabilities	-	1	(1)
7	Other operating income	-	9	7
8	Administrative and other operating expenses	(8 400)	(159 659)	(30 623)

Table 31.3. Other rights and obligations under related party transactions as at December 31, 2023

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Unused credit lines	500	602	94
2	Other obligations	-	4	2

Table 31.4. Total loans issued to and repaid by related parties in 2023

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Loans to related parties during the period	-	-	28
2	Loans repaid by related parties during the period	-	19	364

Table 31.5. Balances under related party transactions as at December 31, 2022

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Loans and due from customers (contractual interest rate - 15,66%)	-	19	476
2	Due to customers (contractual interest rate - 9,17 %)	3 824	15 963	17 968
3	Provision for liabilities	3	8	1
4	Other liabilities	-	1	2

Interest rates on loans granted to senior management personnel and other related parties, attracted funds of shareholders, senior management and other related parties, were set at the level of normal interest rates for the corresponding loan product and rates for attraction of funds from individuals.

Table 31.6. Income and expenses under related party transactions in 2022

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Interest income	3	1	58
2	Interest expense	(78)	(449)	(1 059)
3	Commission income	146	45	176
4	Net profit/(loss) from currency transactions	-	9	(202)
5	Net loss from impairment of financial assets	-	(2)	(16)
6	Net profit/(loss) from increase/(decrease) of provision for liabilities	(3)	(1)	-
7	Other operating income	-	6	6
8	Administrative and other operating expenses	(7 200)	(101 666)	(14 989)

Table 31.7. Other rights and obligations under related party transactions as at December 31, 2022

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Unused credit lines	500	631	45
2	Other obligations	-	1	2

Table 31.8. Total loans issued to and repaid by related parties in 2022

(UAH'000)

		The largest shareholders of the bank	Key management personnel	Other related parties
1	Loans to related parties during the period	-	19	269
2	Loans repaid by related parties during the period	-	-	139

Table 31.9. Payments to top management

(UAH'000)

		2023		2022	
		expense	accrued liability	expense	accrued liability
1	Current payments key management personnel (10 persons)	159 614	11 541	101 666	8 225
2	Retirement allowance (1 person)	45	-	-	-

Note 32. Subsequent events

As at the date of approval of the financial statements, hostilities continue in Ukraine, part of the territories of the south and east are temporarily occupied, the struggle for which continues.

The Bank does not plan to change its business model in the near future as a result of martial law and continues to operate as a universal bank providing a full range of banking services to all categories of customers. The Supervisory Board, the Management Board and Management Board committees continue to function. The personnel of the Bank continue to operate without loss of control or suspension of important processes. As at the date of issuance of these financial statements the Bank continues its operations. Management of the Bank controls all bank transactions.

Taking into account the structure and quality of the assets of the Bank, the dynamics and structure of liabilities, the high level of capitalization, liquidity and profitability, etc., as at the date of approval of the financial statements we estimate the negative impact of the consequences of the armed aggression of russian federation against Ukraine on the stability of the Bank's work as moderate.

However, taking into account that the negative consequences of the continuation of hostilities may have an impact in the future, the Bank will regularly monitor migration and loan defaults, review the Bank's risk appetite and conduct risk stress testing in order to assess the situation, build appropriate forecasts in the future, if necessary.

The management of CB «ACCORDBANK» PJSC is not aware of any other facts or events after the balance sheet date of December 31, 2023, which could negatively affect subsequent operations and require adjustments of 2023 financial statements of the Bank.

Approved for issue and signed on April 24, 2024

Acting Chairman of the Management Board ____________ Oleksandr HOLENIA

Chief accountant ____________ Oksana LITOSH