

**PUBLIC JOINT-STOCK COMPANY JOINT STOCK
BANK “UKRGASBANK”**

Interim Condensed Financial statements

*for the 3 months ended 31 March 2024,
together with independent auditors' report on review of interim condensed
financial statements*

Translation from Ukrainian

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Independent Auditors' Report on Review of Interim Condensed Financial Statements

To the Shareholders
of PUBLIC JOINT-STOCK COMPANY JOINT STOCK BANK
“UKRGASBANK”

Report on Review of Interim Condensed Financial Statements

Introduction

We have reviewed the accompanying interim condensed financial statements of PUBLIC JOINT-STOCK COMPANY JOINT STOCK BANK “UKRGASBANK” (the “Bank”) as at 31 March 2024 and for the three-months then ended, which comprise:

- the interim statement of financial position as at 31 March 2024;
- the interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2024;
- the interim statements of changes in equity for the three-month period ended 31 March 2024;
- the interim statements of cash flows for the three-month period ended 31 March 2024; and
- notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of this interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 (ISRE), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we

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PJSC “KPMG Audit”, a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration No. 31032100 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Registration No. 2397 in the Register of Auditors and Auditing Entities.



would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements as at 31 March 2024 and for the three-month period ended 31 March 2024 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Emphasis of matter - Material Uncertainty Related to Going Concern

We draw attention to Notes 2 and 3(c) of the interim condensed financial statements, which describes the negative effects on the Bank's operations of the military invasion launched by the Russian Federation on the territory of Ukraine on 24 February 2022. As also stated in Note 3, these events or conditions, along with other matters as set forth in Notes 2 and 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other matter

The comparative information for the three-month period ended 31 March 2023 presented in the interim condensed financial statements were not subject to review or audit.

Report on Other Legal and Regulatory Requirements

Information disclosed in accordance with the requirements of the National Securities and Stock Market Commission.

Pursuant to the "Requirements for information related to audit or review of financial statements of participants of capital markets and organized commodity markets, which are supervised by the National Securities and Stock Market Commission" approved by the Resolution of the National Securities and Stock Market Commission (the "NSSMC") No. 555 dated 22 July 2021 we provide the following information.

Reporting on the NSSMC's Requirements

- The review of Public Joint-Stock Company Joint Stock Bank "UkrGasbank" (Registration number 23697280 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations) was conducted on the basis of agreement No. 37-SA/2024 dated 26 April 2024. The review was conducted between 27 March 2024 and the date of this report.
- Information on the ownership structure and the ultimate controlling party of the Bank is included in Note 1 to the interim condensed financial statements.
- As at 31 March 2024 the Bank is neither a controlling party, nor a member of non-banking financial group.
- The Bank is a public interest entity in accordance with the Law of Ukraine "On accounting and financial statements in Ukraine".
- As at 31 March 2024, the Bank does not have subsidiaries.



The engagement partner on the review resulting in this independent auditors' report is:


Anna Parkhomenko
Registration No. 101539 in the Register of Auditors and Auditing Entities
Deputy Director



PJSC “KPMG Audit”

30 April 2024

Kyiv, Ukraine

INTERIM STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

(UAH thousands)

	Notes	31 March 2024	31 December 2023
Assets			
Cash and cash equivalents	7	44,245,999	49,749,451
Loans and other balances with banks		1,428,510	1,633,211
Loans and advances to customers	8	64,022,707	63,332,947
Investments in securities	9	58,717,847	55,728,665
Derivative financial assets		1,184	2,933
Investment property		105,641	154,269
Current tax assets		1,070,155	1,070,155
Deferred tax assets		5,775	54,449
Property, equipment and intangible assets		1,195,876	1,225,785
Right-of-use assets		147,874	138,631
Other financial assets		747,587	2,112,157
Other non-financial assets		622,099	664,730
Total assets		172,311,254	175,867,383
Liabilities			
Due to banks	10	2,984,545	2,794,957
Due to customers	11	146,705,233	154,133,564
Derivative financial liabilities		2,204	20,376
Other borrowed funds	12	6,441,966	5,579,937
Provisions	14		
Provisions for loan commitments and financial guarantee contracts		449,123	677,152
Other provisions		145,674	153,335
Other financial liabilities		1,102,545	648,999
Other non-financial liabilities		701,518	613,411
Total liabilities		158,532,808	164,621,731
Equity			
Issued capital		13,837,000	13,837,000
Share premium		135,942	135,942
Result from transactions with the shareholder		(1,102,304)	(1,102,304)
Treasury shares		(518,439)	(518,439)
Reserve and other funds of a bank		967,777	967,777
Other reserves		2,138,811	1,528,277
Retained earnings		(1,680,341)	(3,602,601)
Total equity		13,778,446	11,245,652
Total equity and liabilities		172,311,254	175,867,383

Authorized and signed on behalf of the Bank management by

Acting Chairman of the Management Board

Chief Accountant
30 April 2024

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Rodion MOROZOV

Nataliia ILNYTSKA

**INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the three months ended 31 March 2024**

(UAH thousands)

		<i>Reporting period</i>	<i>Previous period</i>
		<i>For the 3 months ended 31 March 2024</i>	<i>For the 3 months ended 31 March 2023 (reclassified*, not subject to review or audit)</i>
	<i>Notes</i>		
Interest income		5,142,591	3,361,029
Interest revenue calculated using effective interest method	15	5,122,131	3,342,816
Other interest income		20,460	18,213
Commission income		534,463	628,548
Interest expense	16	(2,903,309)	(2,295,611)
Commission expense		(235,065)	(268,731)
Net gain on operations with financial instruments at fair value through profit or loss		20,827	184,384
Net gain on operations with debt financial instruments, at fair value through other comprehensive income		80,567	18,156
Net gain from trading in foreign currencies		69,688	91,868
Net (loss)/gain from revaluation of foreign exchange		(1,031)	47,251
Reversal of impairment loss in accordance with IFRS 9	7, 8, 9, 17	289,272	752,425
Other gains		71,033	35,776
Employee benefits expense		(764,396)	(759,494)
Depreciation and amortisation expense		(124,862)	(100,080)
Other administrative and operating expense		(291,493)	(271,476)
Reversal of impairment loss/ (Impairment loss) for non-financial assets	17	12,003	(11,527)
Profit from operating activities		1,900,288	1,412,518
Gain arising from derecognition of financial assets measured at amortised cost		81	1,483
Profit before income tax		1,900,369	1,414,001
Tax income reimbursement		7,399	19,558
Profit		1,907,768	1,433,559

*Comparative information was reclassified. Details of the reclassification are provided in Note 3(d).

**INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (continued)
for the three months ended 31 March 2024**
(UAH thousands)

	<i>Reporting period</i>	<i>Previous period</i>
	<i>For the 3 months ended 31 March 2024</i>	<i>For the 3 months ended 31 March 2023 (reclassified*, not subject to review or audit)</i>
<i>Notes</i>		
Statement of Comprehensive Income		
Other comprehensive income		
Components of other comprehensive income that will not be reclassified to profit or loss, before income tax		
Net change in fair value of debt instruments at fair value through other comprehensive income	357,696	(158,892)
Reclassification of cumulative (loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss	(80,567)	(18,156)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	403,967	109,555
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	3	1
Total other comprehensive income/(loss), that will be reclassified to profit or loss, before income tax	681,099	(67,492)
Total other comprehensive income/(loss), before income tax	681,099	(67,492)
Income tax relating to changes in revaluation surplus of property, plant and equipment, right-of-use assets and intangible assets included in other comprehensive income	(5,903)	-
Income taxes related to financial assets measured at fair value through other comprehensive income included in other comprehensive income	(50,170)	(19,720)
Total other comprehensive income (loss)	625,026	(87,212)
Total comprehensive income	2,532,794	1,346,347
Weighted average number of shares (in thousands)	13,837,000	13,837,000
Basic earnings per share (in UAH)	0.14	0.10

*Comparative information was reclassified. Details of the reclassification are provided in Note 3(d).

Authorized and signed on behalf of the Bank management by:

Acting Chairman of the Management Board

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Chief Accountant

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30 April 2024

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INTERIM STATEMENT OF CHANGES IN EQUITY

for the three month ended 31 March 2024

(UAH thousands)

	Issued capital	Share premium	Result from transactions with the shareholder	Treasury shares	Reserve and other funds of a bank	Other reserves			Retained earnings	Total equity
						Revaluation surplus	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Reserve of gains and losses from investments in equity instruments		
As at 1 January 2023	13,837,000	135,942	(1,102,304)	(518,439)	967,777	233,920	(1,096,436)	(1,925)	(5,539,413)	6,916,122
Profit	-	-	-	-	-	-	-	-	1,433,559	1,433,559
Other comprehensive income	-	-	-	-	-	-	(87,213)	1	-	(87,212)
Comprehensive income	-	-	-	-	-	-	(87,213)	1	1,433,559	1,346,347
As at 31 March 2023 <i>(not subject to review or audit)</i>	13,837,000	135,942	(1,102,304)	(518,439)	967,777	233,920	(1,183,649)	(1,924)	(4,105,854)	8,262,469
As at 1 January 2024	13,837,000	135,942	(1,102,304)	(518,439)	967,777	202,991	1,328,691	(3,405)	(3,602,601)	11,245,652
Profit	-	-	-	-	-	-	-	-	1,907,768	1,907,768
Other comprehensive income	-	-	-	-	-	(5,903)	630,926	3	-	625,026
Comprehensive income	-	-	-	-	-	(5,903)	630,926	3	1,907,768	2,532,794
Increase (decrease) through other changes, equity	-	-	-	-	-	(14,492)	-	-	14,492	-
As at 31 March 2024	13,837,000	135,942	(1,102,304)	(518,439)	967,777	182,596	1,959,617	(3,402)	(1,680,341)	13,778,446

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Acting Chairman of the Management Board



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30 April 2024

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INTERIM STATEMENT OF CASH FLOWS (direct method)

for the three month ended 31 March 2024

(UAH thousands)

	<i>Notes</i>	<i>For the 3 months ended 31 March 2024</i>	<i>For the 3 months ended 31 March 2023 (reclassified*, not subject to review or audit)</i>
Cash flows from (used in) operating activities			
Interest received		5,526,708	3,379,576
Interest paid		(2,929,926)	(2,163,877)
Fees and commissions received		532,966	648,458
Fees and commissions paid		(235,065)	(268,731)
Net gain from trading in foreign currencies		69,689	91,868
Result on operations with derivative financial instruments		1,272	169,741
Other gains received		57,215	46,851
Employee benefits expense		(667,377)	(720,060)
Other administrative and operating expense		(282,782)	(256,408)
Cash flows from (used in) operating activities before changes in operating assets and liabilities		2,072,700	927,418
<i>Net increase/(decrease) in operating assets</i>			
Loans and other balances with banks		232,375	538,922
Loans and advances to customers		266,995	3,888,994
Other assets		1,479,012	367,925
<i>Net increase/(decrease) in operating liabilities</i>			
Due to banks		153,678	(1,214,294)
Due to customers		(8,328,904)	14,816,347
Other liabilities		482,901	(211,033)
Net cash flows from (used in) operating activities before income taxes		(3,641,243)	19,114,279
Income taxes paid		-	-
Net cash flows from (used in) operating activities		(3,641,243)	19,114,279
Cash flows from (used in) investing activities			
Acquisition of securities		(19,892,179)	(13,461,534)
Proceeds on sale and repayment of securities		16,760,261	9,041,354
Acquisition of property and equipment and intangible assets		(73,553)	(31,614)
Proceeds on disposal of property and equipment		11	-
Proceeds on investment property		67,761	3,092
Proceeds on disposal of other property		27	-
Net cash flows from (used in) investing activities		(3,137,672)	(4,448,702)
Cash flows from (used in) financing activities			
Proceeds of borrowed funds from credit institutions		998,500	119,648
Repayment of borrowed funds from credit institutions		(136,932)	(43,103)
Repayment of lease liability principal amount		(18,082)	(21,324)
Net cash flows from (used in) financing activities		843,486	55,221
Effect of exchange rate changes on cash and cash equivalents		439,926	291,454
Effect of expected credit losses on cash and cash equivalents		(7,949)	(13,010)
Net increase/(decrease) in cash and cash equivalents		(5,503,452)	14,999,242
Cash and cash equivalents at the beginning of the period		49,749,451	35,346,787
Cash and cash equivalents at the end of the period		44,245,999	50,346,029

Authorized and signed on behalf of the Bank management by

Acting Chairman of the Management Board

Rodion MOROZOV

Chief Accountant

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30 April 2024

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(in thousands of Ukrainian hryvnias, unless otherwise indicated)

1. General information

Organizational structure and operations

PUBLIC JOINT-STOCK COMPANY JOINT STOCK BANK "UKRGASBANK" (the "Bank") was established on 21 July 1993 based on the merger of several commercial banks. Since September 2009, the Government of Ukraine exercises control over the Bank by holding a majority stake of its share capital.

The Bank is engaged in accepting deposits from individuals and legal entities and extending loans, transferring payments in Ukraine and abroad, exchanging currencies and providing other banking services to its corporate and retail customers. The Bank Head Office is located in Kyiv. As at 31 March 2024 the Bank network consisted of 222 registered outlets (including 218 operating outlets) (2023: 223 registered outlets, including 200 operating outlets) in different regions of Ukraine. The registered address of the Bank is : 1 Yerevanska St., Kyiv, Ukraine. The Bank mailing address: 19, 21,23 Staronavodnytska St., Kyiv, Ukraine.

As at 31 March 2024 and 31 December 2023, the Bank issued shares were held by the following shareholders:

Shareholder	31 March 2024, %	31 December 2023, %
Ministry of Finance of Ukraine	94.94	94.94
Other	5.06	5.06
Total	100.00	100.00

As at 31 March 2024 and 31 December 2023, the Bank ultimate controlling party was the state of Ukraine represented by the Ministry of Finance of Ukraine.

The Bank has no subsidiaries.

These interim condensed financial statements have been authorized for issue and signed by the Bank management 30 April 2024.

2. Operating environment

The Bank activities are influenced by the economy and financial markets of Ukraine, which demonstrate characteristics of a developing market. Legal, tax and administrative systems continue to develop, but are associated with the risk of ambiguity in the interpretation of their requirements, which are also subject to frequent changes, which, together with other legal and fiscal obstacles, creates additional problems for entities that conduct business in Ukraine.

On 24 February 2022, the Russian Federation launched a full-scale military invasion to Ukraine. The ongoing war has led to significant civilian casualties, massive displacement of the population, damage to infrastructure, electricity outages, and overall significant disruption to economic activity in Ukraine. This also had a detrimental and long-lasting impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to the military invasion, the President of Ukraine introduced the state of martial law, which is currently extended until 13 May 2024.

Throughout 2023 and early 2024, active hostilities remain intense, albeit concentrated in eastern and southern Ukraine, and the Autonomous Republic of Crimea and most of the territory of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation. Additionally, since October 2022, the Russian Federation has launched missile and drone attacks that have affected the power grid as well as other critical civilian infrastructure across Ukraine.

Despite the ongoing war, macroeconomic indicators have turned out to be more resilient than initially expected. Annual inflation decreased to 4.2% in annual terms. There was also a reduction in the National Bank of Ukraine (hereinafter - the NBU) discount rate from 15% to 14.5% and the abandonment of the exchange rate peg policy. However, there are expectations of a slowdown in growth due to the ongoing war. Meanwhile, the budget balance continues to show a significant deficit caused by defense and national security-related expenditures. The forecasts are generally subject to significant risks, primarily due to increased uncertainty caused by the war, as well as possible delays or reductions in external financing.

From a full-scale military invasion, the NBU introduced certain administrative restrictions on currency conversion transactions and capital movements, including restrictions on interest and dividend payments abroad. Due to these restrictions, UAH lacks exchangeability and is not freely convertible. From August 2023, the National Bank of Ukraine is gradually easing a number of restrictions for the population and businesses.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

After invasion, all global rating agencies lowered the Ukraine's ratings: Fitch - to the level of CC, Moody's - to the level of Ca with a stable outlook, and S&P - to the level of CC with a negative outlook.

In December 2023, amendments were made to the Tax Code of Ukraine, which set the income tax rate for banks based on the results of 2023 at the level of 50%, and starting from 2024, the income tax rate at the level of 25%. The income tax rate for the three months ended 31 March of 2024 results was set at 18%.

According to the decisions of the NBU, public sector banks, including JSC "UKRGAZBANK", are included in the list of critical infrastructure facilities in the banking system of Ukraine and the list of authorized banks of Ukraine that are involved in the operating during a special period.

3. Basis of preparation

(a) Statement of compliance

These interim condensed financial statement of the Bank has been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting," which should be read in conjunction with the Bank published annual interim condensed financial statements for the year 2023. This interim condensed financial statement does not include all the information required for a complete set of interim condensed financial statements in accordance with IFRS accounting standards issued by the International Accounting Standards Board but only specific disclosures to explain events and transactions that are significant for understanding the changes in the financial position and results of the Bank operations since the date of the last annual financial statements.

These interim condensed financial statement includes the following components: an interim statement of financial position as of the end of the period; a interim statement of profit or loss and other comprehensive income for the period; an interim statement of changes in equity for the period; an interim statement of cash flows for the period; notes containing a summary of significant accounting policies and other explanatory information. This interim financial statement provides disclosures regarding the principal changes in the composition of assets and liabilities, income, expenses, and equity for the period that occurred since the date of submission of the financial statements for the previous reporting period.

(b) Basis of measurement

These interim condensed financial statements have been prepared on the historical cost basis, except for buildings that are carried at revalued amount, investment property carried at fair value, assets held for sale, which are carried at the lower of carrying amount or fair value less cost to sell, and financial instruments measured at fair value, as explained in the accounting policies below.

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, regardless of whether that price is directly observable in the market or is assessed using a different valuation technique. In measuring the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability as if the market participants took those characteristics into account when pricing the asset or liability at the measurement date.

(c) Going concern

Under the current circumstances, the Bank continues its operational activities.

As of 31 March 2024, as per the requirements of the National Bank of Ukraine, JSB "UKRGASBANK" has 121 core outlets (outlets of the Bank that are equipped with generators and have guaranteed backup communication lines and/or are equipped with Starlink satellite communication and are able to work in blackout conditions), which is 55% of the total network of the Bank. The Bank has a Business Continuity Plan. In addition to the core outlets, other outlets of the Bank were provided with generators, backup communication channels, etc. In total, of 218 operating outlets, 198 outlets were provided with generators and backup communication channels.

The Cabinet of Ministers of Ukraine, by its Resolution No. 356-r dated 7 May 2022, approved the Main (Strategic) Areas of Activity for Public Sector Banks for the Period of Martial Law and Post-War Economic Recovery ("the Main Areas"). The Main Areas provide for the active participation of banks in providing for the financial stability of Ukraine, support and functioning of the banking sector, securing financing for priority sectors of the economy and the uninterrupted operation of critical infrastructure facilities, including those owned by the state.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

At the same time, based on the Memorandum of Economic and Financial Policy dated 11 March 2024, JSB "UKRGASBANK" will be prepared for sale by selecting and appointing an internationally recognized financial advisor under a transparent procedure by the end of May 2024 and involving IFIs as observers in preparation for the privatization of banks that have major state ownership. As of the date of approval of these interim condensed financial statements, the Government of Ukraine has not yet completed the preparation of the relevant legislative framework and the Bank's management has not taken any actions aimed at its privatization.

Today, the Bank continues to function as a universal bank with a full range of banking services to all categories of customers and ensures the implementation of the strategic goals of public sector banks in line with the Main Areas and the Budget of the Bank for 2024.

As at 31 March 2024, the Bank has breached non-financial covenants for loans received from credit institutions, which provide for the event of default and cross-default under loan agreements in the amount of UAH 5,732,571 thousand. The Bank obtained waiver from 1 creditor with regard to covenants breached for the period until 31 July 2024, with a loan amounted to UAH 708,535 thousand, and from another creditor, with a loan amounted to UAH 3,232,434 thousand, without time limit. Other loans received from credit institutions, for which the Bank did not receive the waiver to fulfill non-financial covenants, were shown as on demand in the amount of UAH 1,791,601 thousand as at 31 March 2024 (Note 18). As at 31 March 2024, the Bank has received waiver letters from 2 creditors until July 2024 and other creditors until the end of 2024. As at the date of approval of these financial statements, the lenders have provided neither claims for early repayment of debt.

The Bank is in constant communication with creditors and expects to receive from creditors the necessary waivers until the end of 2024. The result of these efforts cannot be predicted, however, in case the early repayment request would be received, the Bank has sufficient funds to continue its uninterrupted activities and will not require additional financing for settlement of these loans.

Based on the results of the Bank stability assessment conducted by the NBU in 2023, the necessary level of capital adequacy was determined for the Bank. In accordance with the requirements of the legislation, the Bank has developed an appropriate capitalization program, which provides for compliance with capital adequacy standards at the current regulatory level until 30 September 2024, and compliance with the increased necessary threshold levels of capital adequacy standards until 31 March 2026. The developed capitalization program was submitted to the NBU for approval on 26 March 2024. As at 31 March 2024, the Bank adheres to the current capitalization program..

As of 31 March 2024 the Bank complies with all prudential regulations, currency position limits and current requirements for capital standards provided for by the capitalization program..

The Management of the Bank monitors the development of the current situation in Ukraine caused by the armed conflict, and takes measures, if necessary, to minimize any negative consequences as much as possible and provide a full range of banking services.

However, the continuation of military operations may have negative consequences for the Bank activities. Furthermore, the hostilities can also lead to extension of the current or introduction of additional administrative restrictions from the NBU, which may pose a threat to the Bank operations and cause further disruption of the financing for both the Bank and its customers.

Therefore, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Bank ability to continue as a going concern. These interim condensed financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary had the Bank been unable to continue as a going concern.

These interim condensed financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the Bank operations and financial position. Future operating conditions may differ from management's assessments.

(d) Reclassifications

When preparing the interim condensed financial statements as at and for the three months ending on 31 March 2024, the Bank reviewed the principles of aggregation of essential captions and made reclassifications in the interim condensed statement of profit and loss and other comprehensive income to achieve representation in accordance with the nature and types of transactions and taking into account presentation based on the taxonomy of financial reporting according to international standards. Accordingly, certain changes were made to the presentation of comparative information for the three months ending 31 March 2023 to bring it into line with the new presentation format.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

In particular, the following reclassifications were made in the interim condensed financial statement of profit or loss and other comprehensive income:

- (1) Line "Net gains on foreign exchange operations" is represented by separate lines "Net gain (loss) from trading in foreign currencies" and "Net gain (loss) from revaluation of foreign exchange" in accordance with the type of operations;
- (2) Changes in impairment provisions for Cash and cash equivalents, Loans and other balances with banks, Loans and advances to customers, Investments in securities, Other financial assets, Financial guarantees and Loan commitments were reclassified from captions "Credit loss expense", "Change in impairment allowance for assets and other provisions" and included into captions "Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9". Changes in impairment provisions for other non-financial assets were reclassified from the caption "Changes in the provision for impairment of assets and other provisions" and included in the caption "Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets" and included in the caption "Other gains (loss)";
- (3) Caption "Net gain/(losses) on derecognition of financial liabilities", "Net gains/(losses) on investment property" are reclassified into captions "Other gains (loss)". These changes were made in accordance with the type of operations;
- (4) Captions "Depreciation and amortization", "Depreciation of right-of-use assets" are combined into single caption "Depreciation and amortization expense" in accordance with the nature of operations;

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of profit or loss and other comprehensive income as at 31 March 2023 and for the three months ending 31 March 2023:

		31 March 2023		31 March 2023
	#	(Before reclassifications)	Reclassifications	(After reclassifications)
Net gain from trading in foreign currencies	(1)	-	91,868	91,868
Net gain (loss) from revaluation of foreign exchange	(1)	-	47,251	47,251
Net gains on foreign exchange operations	(1)	139,119	(139,119)	-
Reversal of impairment loss determined in accordance with IFRS 9	(2)	-	752,425	752,425
Reversal of impairment loss/ (impairment loss) for non-financial assets	(2)	-	(11,527)	(11,527)
Credit loss expense	(2)	699,360	(699,360)	-
Change in allowance for impairment of assets and other provisions	(2)	23,967	(23,967)	-
Other gains	(2)	-	35,776	35,776
Other administrative and operating expense	(3)	-	(271,476)	(271,476)
Net gain on derecognition of financial liabilities	(3)	167	(167)	-
Other income	(3)	50,088	(50,088)	-
Net gains on investment property	(3)	3,092	(3,092)	-
Other operating expense	(3)	(271,466)	271,466	-
Depreciation and amortisation expense	(4)	-	(100,080)	(100,080)
Depreciation and amortization	(4)	(78,842)	78,842	-
Depreciation of right-of-use assets	(4)	(21,238)	21,238	-
Other items		889,312	10	889,322
Profit		1,433,559	-	1,433,559
<i>Other comprehensive income</i>				
Total other comprehensive income (loss)		(87,212)	-	(87,212)
Total comprehensive income		1,346,347	-	1,346,347

(e) Functional and presentation currency

These interim condensed financial statements are presented in thousands of Ukrainian hryvnias, unless otherwise indicated. The Bank functional and presentation currency is the Ukrainian hryvnia ("UAH").

4. Significant accounting policies

In preparing this interim condensed financial statement, the same accounting policies and calculation methods were applied as those used in preparing the latest annual financial statements, except as specified below.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Taxation

The income tax expense recognized in interim period is based on the best estimate of the weighted-average annual income tax rate expected for the full year in accordance with tax legislation of Ukraine applied to the pre-tax income of the interim period

Changes in accounting policies

The Bank applied certain amendments that became effective for the annual reporting periods beginning on or after 1 January 2024. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

Application of new and revised International Financial Reporting Standards ("IFRS")

New and revised IFRS

From 1 January 2024 and later, the following amendments to IFRS enter into force:

- ▶ 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 special conditions";
- ▶ Amendments to IFRS 16 "Lease" - "Lease obligation in sale and leaseback transactions";
- ▶ Amendments to IAS 7 and IFRS 7 - "Supplier financing agreements".

Amendments to IAS 1 "Presentation of financial statements" - "Classification of liabilities as current and non-current". It has been clarified that a liability is classified as non-current if the entity has the right to postpone the settlement of the liability for at least 12 months - this right must exist at the end of the reporting period. The right to defer settlement of the liability for at least 12 months after the end of the reporting period must be real and must exist at the end of the reporting period, regardless of whether the entity plans to exercise this right. If the right to postpone the settlement of the obligation depends on the fulfillment of certain conditions by the economic entity, then such right exists as of the end of the reporting period only if the economic entity has fulfilled these conditions as of the end of the reporting period. It is necessary to fulfill these conditions on the date of the end of the reporting period, even if the verification of their fulfillment is carried out by the creditor later. The classification of the liability is not affected by the probability that the entity will exercise its right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Amendments to IAS 1 "Presentation of financial statements" - "Non-current liabilities with special conditions" provide that an entity may classify liabilities arising under a credit agreement as non-current if the entity's right to defer repayment these obligations are conditioned by the economic entity fulfillment of special conditions within twelve months after the end of the reporting period. In particular, the notes will need to disclose information that enables users of the interim condensed financial statements to understand the risk that the liability may become recoverable within 12 months after the end of the reporting period: a) information about special conditions (including the nature of special conditions and when the economic entity is required to fulfill them) and the book value of related liabilities; b) facts and circumstances, if any, which indicate that it may be difficult for the business entity to comply with special conditions: for example, that the business entity during the reporting period or after its completion has taken actions aimed at avoiding or limiting the consequences of a potential violation.

From 1 January 2025, the following amendments to IFRS will enter into force:

- ▶ Amendments to IAS 21 "Effect of changes in exchange rates" - "Lack of convertibility".

The above-mentioned changes do not have a material impact on the interim condensed financial statements.

5. Significant accounting judgments and estimates

The preparation of the interim condensed financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is as follows.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

In preparing this interim condensed financial statement, the same significant accounting judgments and estimates were applied as those used in preparing the latest annual financial statements.

Management has prepared these interim condensed financial statements on a going concern basis. Forming such a professional judgment, the management took into account the Bank financial condition, its intentions, the budgeted profitability of operations in the future and access to financial resources, as well as analyzed the impact of the current financial and economic situation on the Bank future activities. (Note 3)

6. Segment information

For management purposes, the Bank has defined five operating segments based on its products and services, which are as follows:

Corporate banking:	Mainly granting purpose loans, servicing deposits and current accounts of customers whose activities meet certain criteria and limits.
Customers of small and medium-sized enterprises (hereinafter – "SME"):	Mainly customer servicing under target lending programs, deposits and current accounts of customers whose activities meet certain criteria and limits and attracting funds from state organizations for targeted customer lending.
Retail banking:	Mainly servicing individual customer deposits and granting consumer loans, overdrafts, handling credit cards and funds transfer facilities and attracting funds from state organizations for targeted customer lending..
Financial institutions, treasury and investment business:	The main components are interbank operations, operations with securities, operations with foreign currencies and bank metals, depository operations, operations with financial institutions.
Other activities:	A key element of other types of activities is the internal bank function, through which internal funding is carried out between segments of business areas. The financial result of the internal bank, formed by the transfer result between the Bank divisions, refers to other types of activities. Additionally, the segment carries out operational leasing operations, return of previously written-off assets, revaluation, increase/ decrease the usefulness of non-current assets and other centralized management functions, including distribution general banking expenses of the Bank departments etc.

In the interim condensed financial statements for the 3 months ended 31 March 2024, the Bank added intersegment revenues and expenses to segment results. Changes in the comparative period for the 3 months ended 31 March 2023 were also added to the results of the reporting segments.

For the purposes of this note, the management of the Bank refers to the Chairperson and members of the Bank Management Board, as well as the heads of the Bank business units.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the financial statements. Income taxes are managed centrally and are not allocated to operating segments.

Substantial reconciliation items include intersegment revenues and expenses, including in the part of the transfer result, bank-wide expenses (distribution) of the support units of the main institution of the Bank and the apparatus of directorates and branches, teller divisions.

The basis for allocation and redistribution of bank-wide support costs is the number of personnel of the relevant business line.

The segment information below is presented on the basis used by the Bank chief operating officer to evaluate performance, in accordance with IFRS 8 *Operating Segments*. Management reviews discrete financial information for each of its segments, including estimates of operating results, assets, and liabilities.

During the three months ended 31 March of 2024, the Bank received revenue from transactions with the Client 1 in the amount of UAH 1,795,575 thousand (30.36%) and with the Client 2 in the amount of UAH 842,313 thousand (14.24%). During the three months ended 31 March of 2023, the Bank revenue from transactions with the Client 1 amounted to UAH 876,902 thousand (20.20%).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The following tables summarize income and expenses and certain other assets and liabilities information regarding the Bank operating segments.

For the 3 month ended 31 March 2024	Operating segments					Total
	Corporate banking	SME	Retail banking	Financial institution, treasury and investment business	Other activities	
Interest income	1,531,773	443,706	160,761	3,006,351	–	5,142,591
Interest expense	(1,753,246)	(600,180)	(492,152)	(54,984)	(2,747)	(2,903,309)
Transfer income/expenses	668,344	409,048	712,385	(2,685,797)	896,020	–
Interest income (expenses) taking into account transfer income/expenses	446,871	252,574	380,994	265,570	893,273	2,239,282
Commission income	197,956	140,464	189,386	6,657	–	534,463
Commission expense	(45,717)	(11,733)	(162,109)	(15,506)	–	(235,065)
Depreciation costs with consideration of inter- segment distribution	(22,346)	(32,885)	(63,980)	(5,610)	(41)	(124,862)
Significant items of income and expenses distribution	462,662	(223,250)	(409,883)	(352,509)	9,531	(513,449)
Profit (loss) before income tax	1,039,426	125,170	(65,592)	(101,398)	902,763	1,900,369
Tax income (expense) (income from tax refunds)	–	–	–	–	7,399	7,399
Profit (loss)	1,039,426	125,170	(65,592)	(101,398)	910,162	1,907,768
Assets	48,021,226	10,111,868	6,107,208	104,437,093	3,633,859	172,311,254
Liabilities	87,868,495	28,399,095	35,375,653	5,659,701	1,229,864	158,532,808
Other segment information						
Capital expenditures	16,586	6,779	28,570	–	21,618	73,553

For the 3 month ended 31 March 2024 (not subject to review or audit)/ 31 December 2023	Operating segments					Total
	Corporate banking	SME	Retail banking	Financial institution, treasury and investment business	Other activities	
Interest income	1,503,699	292,048	135,397	1,429,885	–	3,361,029
Interest expense	(1,385,812)	(467,649)	(328,675)	(110,830)	(2,645)	(2,295,611)
Transfer income/expenses	314,470	344,535	545,533	(1,020,383)	(184,155)	–
Interest income (expenses) taking into account transfer income/expenses	432,357	168,934	352,255	298,672	(186,800)	1,065,418
Commission income	205,531	116,415	198,559	31,842	76,201	628,548
Commission expense	(41,402)	(7,903)	(135,236)	(48,674)	(35,516)	(268,731)
Depreciation costs with consideration of inter- segment allocation	(18,975)	(27,348)	(48,915)	(3,139)	(1,703)	(100,080)
Significant items of income and expenses allocation	747,415	(201,462)	(446,866)	4,131	(14,372)	88,846
Profit (loss) before income tax	1,324,926	48,636	(80,203)	282,832	(162,190)	1,414,001
Tax income (expense) (income from tax refunds)					19,558	19,558

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

For the 3 month ended 31 March 2024 (not subject to review or audit)/ 31 December 2023	Operating segments					Total
	Corporate banking	SME	Retail banking	Financial institution, treasury and investment business	Other activities	
Profit (loss)	1,324,926	48,636	(80,203)	282,832	(142,632)	1,433,559
Assets	48,407,547	9,673,540	6,261,544	107,662,646	3,862,106	175,867,383
Liabilities	92,684,287	29,422,361	35,934,903	5,489,882	1,090,298	164,621,731
Other segment information						
Capital expenditures	10,392	4,483	15,331	–	1,408	31,614

Fee and commission income and expense comprised:

	For the 3 months ended 31 March 2024	For the 3 months ended 31 March 2023 (reclassified*, not subject to review or audit)
Settlements	347,665	420,811
Guarantees and letters of credit	98,637	90,177
Agent operations in the foreign exchange market	71,520	103,238
Loan servicing to customers	8,628	7,355
Transactions with securities	1,153	1,348
Other	6,860	5,619
Fee and commission income	534,463	628,548
Settlements	(175,285)	(211,271)
Guarantees and letters of credit	(50,622)	(46,702)
Agent operations in the foreign exchange market	(9,028)	(10,604)
Other	(130)	(154)
Fee and commission expense	(235,065)	(268,731)

For the three-month period that ended on 31 March 2024, the revenue from contracts with customers determined in accordance with IFRS 15 amounted to UAH 435,826 thousand. (for the three-month period that ended on 31 March 2023: UAH 538,371 thousand).

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2024	31 December 2023
Current accounts with other credit institutions	18,080,661	21,207,261
Deposit certificates of the National Bank of Ukraine (overnight)	14,016,639	15,018,493
Current accounts with the National Bank of Ukraine	8,470,006	10,374,688
Cash on hand	3,693,482	3,155,849
	44,260,788	49,756,291
Less: expected credit losses	(14,789)	(6,840)
Cash and cash equivalents	44,245,999	49,749,451

The current accounts with the National Bank of Ukraine represent the amounts for daily settlements and other operations of the Bank. There are no restrictions of access to the funds placed on the current accounts with the National Bank of Ukraine.

As at 31 March 2024 and 31 December 2023, the Bank complied with the requirements of the National Bank of Ukraine regarding the obligatory reserve amounts.

In terms of cash and cash equivalents, the Bank has not identified an event of increase of credit risk and classifies these assets in Stage 1 due to their short-term nature and quick period of update on the balance sheet.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

8. Loans and advances to customers

Loans and advances to customers comprise:

	31 March 2024	31 December 2023
Corporate banking	57,415,576	58,093,443
SME	11,431,393	11,012,747
Retail banking	7,392,536	6,759,984
Gross loans and advances to customers	76,239,505	75,866,174
Less: expected credit losses	(12,216,798)	(12,533,227)
Loans and advances to customers	64,022,707	63,332,947

As at 31 March 2024, loans and advances to customers included loans and advances to customers of UAH 24,010 thousand (2023: UAH 29,531 thousand), the contractual terms of which do not comply to the terms of the basic lending arrangement, and which are measured at FVTPL. Information regarding fair value measurement of loans and advances to customers which are measured at FVTPL is provided in Note 19.

As at 31 March 2024, loans and advances to customers included loans and advances to customers of UAH 2,925 thousand (2023: UAH 2,925 thousand) held under the business model, the purpose of which is to retain financial assets to obtain contractual cash flows and sales. Information regarding fair value measurement of loans and advances to customers which are measured at FVOCI is provided in Note 19.

As at 31 March 2024, the amount of loans to legal entities and SMEs located in the territories occupied as a result of the military operations amounted to UAH 2,579,732 thousand, for which a provision of UAH 2,379,724 thousand was created (2023: UAH 2,775,432 thousand, for which a provision of UAH 2,524,078 thousand, accordingly).

As at 31 March 2024, the amount of loans to individuals located in the territories occupied as a result of military operations amounted to UAH 46,931 thousand, for which a provision of UAH 32,098 thousand was created (2023: UAH 60,056 thousand, for which a provision of UAH 43,826 thousand, accordingly).

The bank is an authorized person-participant of the state program of affordable mortgage lending to individuals "eOselya". As at 31 March 2024, the amount of loans to individuals issued under this program is UAH 3,205,130 thousand. (2023: UAH 2,363,423 thousand).

The analysis of changes in the gross carrying value for the three months ended 31 March 2024, excluding loans and advances to customers which are measured at FVOCI, is as follows:

Corporate banking	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2024	14,031,854	28,252,397	15,190,530	618,662	58,093,443
New assets and other changes					
in existing assets	5,916,641	1,174,832	110,935	36,268	7,238,676
Repaid assets	(6,605,036)	(1,539,612)	(254,400)	(12,816)	(8,411,864)
Transfer to Stage 1	7,793,615	(7,792,757)	(858)	-	-
Transfer to Stage 2	(1,058,578)	1,058,578	-	-	-
Transfer to Stage 3	(374,979)	-	374,979	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(107,305)	(16,916)	(124,221)
Foreign exchange differences	137,623	224,955	245,891	11,073	619,542
As at 31 March 2024	19,841,140	21,378,393	15,559,772	636,271	57,415,576

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2024	5,883,721	2,683,581	2,416,542	(628)	10,983,216
New assets and other changes					
in existing assets	1,817,928	49,666	21,185	-	1,888,779
Repaid assets	(1,030,348)	(282,276)	(177,910)	-	(1,490,534)
Transfer to Stage 1	834,856	(831,602)	(3,254)	-	-
Transfer to Stage 2	(407,764)	408,415	(651)	-	-
Transfer to Stage 3	-	(26,670)	26,670	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(2,695)	-	(2,695)
Foreign exchange differences	8,723	234	19,660	-	28,617
As at 31 March 2024	7,107,116	2,001,348	2,299,547	(628)	11,407,383

Retail banking	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2024	4,866,337	52,023	1,822,664	18,960	6,759,984
New assets and other changes					
in existing assets	1,052,906	1,237	4,858	524	1,059,525
Repaid assets	(387,641)	(5,656)	(40,290)	(1,171)	(434,758)
Transfer to Stage 1	29,234	(21,640)	(7,594)	-	-
Transfer to Stage 2	(35,697)	36,859	(1,162)	-	-
Transfer to Stage 3	(3,026)	(16,541)	19,567	-	-
Amounts written off or derecognised as a result of a significant modification	(1)	(737)	(33,465)	-	(34,203)
Foreign exchange differences	230	59	41,699	-	41,988
As at 31 March 2024	5,522,342	45,604	1,806,277	18,313	7,392,536

The new assets and other changes in assets, in addition to the emergence of new assets, also include the accrual of interest and the disbursement of loans within open credit facilities at the appropriate stages during the three months ended 31 March 2024.

The analysis of changes in the gross carrying value for the three months ended 31 March 2023, excluding loans and advances to customers which are measured at FVOCI, is as follows:

Legal entities	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	17,315,721	28,785,249	14,533,691	567,327	61,201,988
New assets and other changes					
in existing assets	4,308,513	422,535	199,503	9,831	4,940,382
Repaid assets	(5,679,208)	(2,098,807)	(79,640)	(3,138)	(7,860,793)
Transfer to Stage 1	1,347,038	(1,347,038)	-	-	-
Transfer to Stage 2	(2,169,241)	3,753,742	(1,584,501)	-	-
Transfer to Stage 3	-	(339,257)	339,257	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(60,511)	-	(60,511)
Foreign exchange differences	33,664	170,607	57,648	-	261,919
As at 31 March 2023 <i>(not subject to review or audit)</i>	15,156,487	29,347,031	13,405,447	574,020	58,482,985

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	5,230,965	3,056,688	2,433,410	-	10,721,063
New assets and other changes					
in existing assets	774,609	194,080	36,166	-	1,004,855
Repaid assets	(1,132,848)	(355,314)	(101,092)	-	(1,589,254)
Transfer to Stage 1	453,318	(397,171)	(56,147)	-	-
Transfer to Stage 2	(1,009,891)	1,051,338	(41,447)	-	-
Transfer to Stage 3	(5,735)	(92,569)	98,304	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(1,276)	-	(1,276)
Foreign exchange differences	1,895	22,411	6,460	-	30,766
As at 31 March 2023 <i>(not subject to review or audit)</i>	4,312,313	3,479,463	2,374,378	-	10,166,154

Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	3,562,564	103,543	2,026,730	16,611	5,709,448
New assets and other changes					
in existing assets	267,759	4,780	17,336	38	289,913
Repaid assets	(471,353)	(10,008)	(40,848)	(1,321)	(523,530)
Transfer to Stage 1	158,086	(117,770)	(40,316)	-	-
Transfer to Stage 2	(214,926)	247,215	(32,289)	-	-
Transfer to Stage 3	(1,819)	(178,346)	180,165	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(12,286)	(231)	(12,517)
Foreign exchange differences	-	-	126	-	126
As at 31 March 2023 <i>(not subject to review or audit)</i>	3,300,311	49,414	2,098,618	15,097	5,463,440

The new assets and other changes in assets, in addition to the emergence of new assets, also include the accrual of interest and the disbursement of loans within issued credit facilities at the appropriate stages during 2023.

Write-offs of loan debts are represented by bad debts in the amount of UAH 161,119 thousand (2023: UAH 999,029 thousand).

Expected credit losses on loans and advances to customers for the three months ended 31 March 2024 were as follows:

Corporate banking	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2024	40,890	279,585	9,143,307	224,910	9,688,692
New assets	9,251	-	-	-	9,251
Repaid assets	(3,086)	(174)	(8,334)	-	(11,594)
Transfer to Stage 1	48,703	(47,845)	(858)	-	-
Transfer to Stage 2	(4,421)	4,421	-	-	-
Transfer to Stage 3	-	-	-	-	-
Changes in expected credit losses	(13,089)	56,334	(471,316)	39,390	(388,681)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>37,358</i>	<i>12,736</i>	<i>(480,508)</i>	<i>39,390</i>	<i>(391,024)</i>
Changes in impaired interest	-	-	104,195	-	104,195
Amounts written off	-	-	(107,305)	(16,916)	(124,221)
Foreign exchange differences	396	3,122	115,837	4,618	123,973
As at 31 March 2024	78,644	295,443	8,775,526	252,002	9,401,615

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2024	21,036	12,800	1,331,629	(628)	1,364,837
New assets	6,281	-	-	-	6,281
Repaid assets	(83)	(2)	(6,682)	-	(6,767)
Transfer to Stage 1	6,443	(4,033)	(2,410)	-	-
Transfer to Stage 2	(2,167)	2,433	(266)	-	-
Transfer to Stage 3	-	(2,585)	2,585	-	-
Changes in expected credit losses	(7,760)	2,285	(47,713)	-	(53,188)
<i>Total allowance expense before the effect of foreign exchange difference</i>	2,714	(1,902)	(54,486)	-	(53,674)
Changes in impaired interest	-	-	19,522	-	19,522
Amounts written off	-	-	(2,695)	-	(2,695)
Foreign exchange differences	34	(34)	16,952	-	16,952
As at 31 March 2024	23,784	10,864	1,310,922	(628)	1,344,942

Retail banking	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2024	11,105	4,273	1,450,937	13,383	1,479,698
New assets	3,380	2	-	19	3,401
Repaid assets	(229)	(589)	(8,582)	-	(9,400)
Transfer to Stage 1	7,811	(3,359)	(4,452)	-	-
Transfer to Stage 2	(1,525)	2,335	(810)	-	-
Transfer to Stage 3	(2,162)	(3,883)	6,045	-	-
Changes in expected credit losses	(6,079)	6,457	1,239	(8,478)	(6,861)
<i>Total allowance expense before the effect of foreign exchange difference</i>	1,196	963	(6,560)	(8,459)	(12,860)
Changes in impaired interest	-	-	3,608	-	3,608
Amounts written off	(1)	(737)	(33,465)	-	(34,203)
Foreign exchange differences	-	2	33,996	-	33,998
As at 31 March 2024	12,300	4,501	1,448,516	4,924	1,470,241

Expected credit losses on loans and advances to customers for the three months ended 31 March 2023 were as follows:

Corporate banking	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	73,382	765,933	8,479,676	201,464	9,520,455
New assets	33,066	-	-	-	33,066
Repaid assets	(16,288)	(806)	-	-	(17,094)
Transfer to stage 1	11,125	(11,125)	-	-	-
Transfer to stage 2	(25,279)	1,167,769	(1,142,490)	-	-
Transfer to stage 3	-	(7,244)	7,244	-	-
Change of reserve	(23,091)	(979,583)	246,184	(4,630)	(761,120)
<i>Total credit loss expense before the effect of exchange differences</i>	(20,467)	169,011	(889,062)	(4,630)	(745,148)
Changes in impaired interest	-	-	135,892	2,255	138,147
Amounts written off	-	-	(60,511)	-	(60,511)
Exchange differences	17	3,594	47,195	-	50,806
As at 31 March 2023 <i>(not subject to review or audit)</i>	52,932	938,538	7,713,190	199,089	8,903,749

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SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	49,575	90,312	1,472,935	-	1,612,822
New assets	3,673	-	13	-	3,686
Repaid assets	(417)	(434)	(3,884)	-	(4,735)
Transfer to stage 1	7,827	(5,077)	(2,750)	-	-
Transfer to stage 2	(9,477)	16,855	(7,378)	-	-
Transfer to stage 3	(44)	(6,680)	6,724	-	-
Change of reserve	(18,094)	(26,880)	(12,897)	-	(57,871)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(16,532)</i>	<i>(22,216)</i>	<i>(20,172)</i>	-	<i>(58,920)</i>
Changes in impaired interest	-	-	21,194	-	21,194
Amounts written off	-	-	(1,276)	-	(1,276)
Exchange differences	4	904	4,113	-	5,021
As at 31 March 2023 <i>(not subject to review or audit)</i>	33,047	69,000	1,476,794	-	1,578,841

Retail banking	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	77,463	30,680	1,685,648	6,956	1,800,747
New assets	2,089	-	2,058	-	4,147
Repaid assets	(1,315)	(2,145)	(6,835)	(7)	(10,302)
Transfer to stage 1	34,179	(22,301)	(11,878)	-	-
Transfer to stage 2	(32,111)	45,743	(13,632)	-	-
Transfer to stage 3	(182)	(50,540)	50,722	-	-
Change of reserve	(35,122)	12,017	13,823	(1,189)	(10,471)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(32,462)</i>	<i>(17,226)</i>	<i>34,258</i>	<i>(1,196)</i>	<i>(16,626)</i>
Changes in impaired interest	-	-	9,391	260	9,651
Amounts written off	-	-	(12,286)	(231)	(12,517)
Exchange differences	-	-	112	-	112
As at 31 March 2023 <i>(not subject to review or audit)</i>	45,001	13,454	1,717,123	5,789	1,781,367

Collateral

The following table summarizes the total loan portfolio by types of collateral:

Type of collateral	31 March 2024				Of them in Stage 3 and POCI
	Corporate banking	SME	Retail banking	Total	
Deposits	964,831	359,869	2,916	1,327,616	403,845
Real estate	23,449,522	3,731,856	5,099,926	32,281,304	9,783,574
Other assets	17,156,044	5,858,687	633,383	23,648,114	4,536,735
Unsecured	15,845,179	1,480,981	1,656,311	18,982,471	5,595,640
Total loans	57,415,576	11,431,393	7,392,536	76,239,505	20,319,794
Type of collateral	31 December 2023				Of them in Stage 3 and POCI
	Corporate banking	SME	Retail banking	Total	
Deposits	803,508	411,225	16	1,214,749	38,249
Real estate	23,851,987	3,628,470	4,374,445	31,854,902	9,931,167
Other assets	17,599,772	5,443,654	745,687	23,789,113	4,659,795
Unsecured	15,838,176	1,529,398	1,639,836	19,007,410	5,438,280
Total loans	58,093,443	11,012,747	6,759,984	75,866,174	20,067,491

The above amounts represent the carrying amounts of the loans before expected credit losses and do not represent the fair value of collateral. The Bank assesses the fair value of collateral at the loan origination, change of collateral

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

structure, collateral repossession when the borrower is unable to repay the loan, and in cases and with frequency required by Ukrainian regulations.

As at 31 March 2024 and 31 December 2023, other assets include movable property, goods in turnover, etc.

If no of collateral the expected credit losses on loans and advances to customers at Stage 3 as at 31 March 2024 and 31 December 2023 would be higher by:

	31 March 2024	31 December 2023
Corporate banking	5,181,661	4,559,593
SME	801,923	883,034
Retail banking	303,713	222,476
	6,287,297	5,665,103

Loans and advances to clients in the amount of UAH 351,378 thousand. were provided to municipal institutions, according to which ECL is defined as Stage 1 (2023: UAH 416,632 thousand).

As at 31 March 2024, loans and advances to customers and finance leases in the amount of UAH 24,298,317 thousand were granted to the ten largest borrowers/groups of Bank related counterparties (31.87% of the total loans to customers); allowance for expected credit losses of UAH 2,034,117 thousand was made for these loans and advances to customers and finance leases (2023: UAH 23,903,598 thousand, or 31.51%, and the allowance for expected credit losses of UAH 2,371,300 thousand).

The loans are primarily granted to the customers operating in Ukraine in the following industries:

	31 March 2024	31 December 2023
Electric power industry	12,140,454	12,164,048
Agriculture and food industry	12,055,631	12,059,443
Extraction, trade in gas and fuel	11,812,645	11,730,922
Trade	9,902,753	10,734,023
Individuals	7,392,536	6,759,984
Real estate	5,773,796	5,627,296
Manufacturing	4,128,112	3,557,854
Transport	3,592,531	3,419,613
Construction	2,163,468	2,164,065
Metallurgy	1,884,021	1,983,776
Service sector	1,853,554	1,836,919
Finance	619,703	620,674
Municipality	367,438	432,482
Telecommunications	27,763	27,390
Other	2,525,100	2,747,685
Total	76,239,505	75,866,174

9. Investments in securities

Investments in securities include:

	31 March 2024	31 December 2023
Investments at fair value through other comprehensive income		
Ukrainian domestic government bonds (UDGB)	46,631,387	44,419,609
State Mortgage Institution bonds	1,190,621	1,192,852
Municipal bonds	1,124,061	1,136,847
Corporate bonds	99,555	98,394
Corporate shares	9,858	9,854
	49,055,482	46,857,556
Investments in securities at fair value at amortized cost		
Deposit certificates issued by the National Bank of Ukraine	9,662,365	8,871,109
	9,662,365	8,871,109
Investments in securities	58,717,847	55,728,665

As at 31 March 2024, investments in securities included deposit certificates issued by the National Bank of Ukraine in the amount of UAH 9,662,365 thousand. (2023: UAH 8,871,109 thousand) held under the business model whose purpose

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is to hold financial assets to obtain contractual cash flows. Information on investments in securities valued at amortized cost, the fair value of which is disclosed, is presented in Note 19.

The Bank classifies overnight deposit certificates issued by the National Bank of Ukraine as cash and cash equivalents. Deposit certificates issued by the National Bank of Ukraine with 3 months maturity are classified as investments in securities, valued at amortized cost.

At its own discretion, the Bank classified certain investments in equity instruments as investments in equity instruments which are measured at fair value through other comprehensive income on the grounds that they are not used for trading purposes.

For the purposes of the table below, movements in gross carrying amount of investments in securities at fair value through other comprehensive income below excluding revaluation:

<i>Investments in securities at fair value through other comprehensive income</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	34,176,603	11,164,308	1,583,141	46,924,052
New created and purchased assets	10,307,084	–	–	10,307,084
Assets repaid	(1,640,649)	(510,774)	(38,395)	(2,189,818)
Assets sold	(8,202,714)	(6,180)	–	(8,208,894)
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Accrued income (expenses)	1,619,856	342,032	40,796	2,002,684
Write-offs	–	–	–	–
Foreign exchange differences	9,835	–	–	9,835
Gross carrying amount as at 31 March 2024	36,270,015	10,989,386	1,585,542	48,844,943

<i>Investments in securities at fair value through other comprehensive income</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	5,895,024	17,354,591	2,015,955	25,265,570
New created and purchased assets	13,436,681	–	–	13,436,681
Assets repaid	(1,336,835)	(1,211,595)	–	(2,548,430)
Assets sold	(6,671,612)	(806,460)	–	(7,478,072)
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Accrued income (expenses)	442,964	487,849	51,828	982,641
Write-offs	–	–	–	–
Foreign exchange differences	(119)	–	–	(119)
Gross carrying amount as at 31 March 2023 <i>(not subject to review or audit)</i>	11,766,103	15,824,385	2,067,783	29,658,271

Movements in gross carrying amount of investments in securities valued at amortized cost include:

<i>Investments in securities at fair value at amortized cost</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	8,871,109	–	–	8,871,109
New created and purchased assets	9,365,000	–	–	9,365,000
Assets repaid	(8,964,529)	–	–	(8,964,529)
Assets sold	–	–	–	–
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Accrued income (expenses)	390,785	–	–	390,785
Write-offs	–	–	–	–
Foreign exchange differences	–	–	–	–
Gross carrying amount as at 31 March 2024	9,662,365	–	–	9,662,365

Changes in expected credit losses of investments in securities at fair value through other comprehensive income for the three months ended 31 March 2024 were as follows:

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Investments in securities at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2024	923,965	370,562	110,642	1,405,169
New created and purchased assets	218,204	-	-	218,204
Assets repaid	(11)	-	-	(11)
Assets sold	(121,931)	(16)	-	(121,947)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	248,637	41,358	17,726	307,721
Write-off	-	-	-	-
Exchange differences	283	-	-	283
Expected credit losses as at 31 March 2024	1,269,147	411,904	128,368	1,809,419

For the purpose of ECL determination of Ukrainian government bonds the Bank applied PD in the range of 8.45% - 26.56% and LGD 50% from international credit agency Fitch based on the Ukraine's credit rating as at 31 March 2024.

Changes in expected credit losses of investments in securities valued at amortized cost include for the three months ended 31 March 2023 were as follows:

Investments in securities valued at amortized cost	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2023	139,009	854,204	105,352	1,098,565
New created and purchased assets	242,735	-	-	242,735
Assets repaid	(2,320)	(1,395)	-	(3,715)
Assets sold	(5,189)	(4,615)	-	(9,804)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	(4,481)	(129,005)	306	(133,180)
Write-off	-	-	-	-
Exchange differences	14	-	-	14
Expected credit losses as at 31 March 2023 (not subject to review or audit)	369,768	719,189	105,658	1,194,615

Breakdown of provisions for expected credit losses on sold and redeemed securities is included in net income from investments measured at fair value through other comprehensive income, in the statement of profit and loss and other comprehensive income.

As at 31 March 2024, UDGB with fair value of UAH 7,582,674 thousand (2023: UAH 7,681,278 thousand) were pledged for a long-term loans received from a credit institution (Note 12).

10. Due to banks

Due to banks comprise:

	31 March 2024	31 December 2023
Current accounts	2,818,199	2,598,716
Other amounts due to banks	166,346	196,241
Due to banks	2,984,545	2,794,957

As at 31 March 2024, the balances of due to banks amounted to UAH 1,903,330 thousand (63.77%) raised from three banks (2023: balances amounted to UAH 1,725,988 thousand (61.75%) raised from three banks).

As at 31 March 2024, current accounts due to banks included funds raised in precious metals, which are measured at

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fair value through profit or loss in the amount to UAH 94,462 thousand (2023: UAH 89,745 thousand).

As at 31 March 2024, the funds of credit institutions include balances in the amount of UAH 8,033 thousand borrowed from banks of the Russian Federation and the Republic of Belarus (2023: UAH 8,033 thousand).

11. Due to customers

Due to customers by operating segments comprise:

	31 March 2024	31 December 2023
Current accounts		
- Corporate banking	71,864,343	78,647,725
- SME	12,711,767	13,723,251
- Retail banking	16,372,682	17,802,655
	100,948,792	110,173,631
Time deposits		
- Corporate banking	15,360,677	13,137,863
- SME	14,928,314	15,114,810
- Retail banking	15,467,450	15,707,260
	45,756,441	43,959,933
Due to customers	146,705,233	154,133,564

As at 31 March 2024, balances due to customers of UAH 46,398,913 thousand (31.63%) included the amounts due to ten largest customers of the Bank (2023: UAH 45,970,012 thousand (29.82%)).

As at 31 March 2024, balances due to budget organizations amounted to UAH 1,334,519 thousand and included the amounts due to customers: UAH 1,328,042 thousand - in the Corporate banking segment (2023: UAH 840,933 thousand) and UAH 6,477 thousand - in the SME segment (2023: UAH 1,126 thousand).

As at 31 March 2024, balances due to customers included funds raised in precious metals, which are measured at fair value through profit or loss, in the amount of UAH 20,437 thousand in the Corporate banking segment (2023: UAH 18,563 thousand), UAH 192,955 thousand - in the Retail banking segment (2023: UAH 176,376 thousand).

The amounts due to customers by industry are summarized as follows:

	31 March 2024	31 December 2023
Individuals	31,923,551	33,613,597
Service sector	31,407,775	31,759,784
Power engineering	17,586,127	13,156,659
Production	13,132,096	19,641,843
Transport	12,725,861	17,431,057
Mining industry	10,620,201	9,749,638
Trade	9,420,173	10,774,429
Agriculture and food industry	5,921,846	4,088,633
Finance	3,875,171	3,867,146
Insurance	2,523,296	2,513,300
Construction	2,495,958	3,107,956
Metallurgy	1,751,846	1,150,496
Other	3,321,332	3,279,026
Due to customers	146,705,233	154,133,564

As at 31 March 2024, balances due to customers by industry in the Retail banking segment in the amount of UAH 31,923,551 thousand (2023: UAH 33,613,597 thousand) included SME share of due to customers in the amount of UAH thousand (2023: UAH 103,682 thousand).

As at 31 March 2024, items attributed to Other included the funds of non-resident legal entities of UAH 3,126,582 thousand (2023: UAH 3,108,017 thousand).

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As at 31 March 2024, loans and advances to customers were secured by amounts due to customers of UAH 1,327,616 thousand (2023: UAH 1,214,749 thousand) (Note 8).

As at 31 March 2024, amounts due to customers were pledged to secure the commitments and contingencies in the amount of UAH 2,635,888 thousand (2023: UAH 2,425,706 thousand) (Note 14).

12. Other borrowed funds

Other borrowed funds comprise:

	31 March 2024	31 December 2023
Term deposits and loans	6,441,966	5,579,937
Other borrowed funds	6,441,966	5,579,937

As at 31 March 2024, the balances of other borrowed funds amounted to UAH 5,231,078 thousand (81.20%) raised from three banks (2023: balances amounted to UAH 4,543,605 thousand 81.43% raised from three banks).

As at 31 March 2024, other borrowed funds include loans received from international and other organizations in the amount of UAH 2,500,137 thousand. (2023: UAH 2,651,981 thousand). The balances of these loans on both reporting dates are denominated in Euro. The range of interest rates is from 6.904% to 9.396% per annum (2023: from 6.904% to 9.445% per annum) for loans in Euro, repayment dates according to the terms of the agreements in the years 2024 - 2026 (2023: in the years 2024 - 2026).

As at 31 March 2024, other borrowed funds include loans received from state organizations in the amount of UAH 3,941,829 thousand. (2023: UAH 2,927,956 thousand). The balances of these loans on both reporting dates are denominated in Euro and in hryvnias. The range of interest rates is: for the Euro from 6.193% to 6.693%, for the hryvnia from 3% to 14.15% per annum (2023: for the Euro from 6.255% to 6.755%, for the hryvnia from 3% to 14.28% per annum) for hryvnia loans, repayment dates in accordance with the terms of the contracts in 2024 - 2044 (2023: in 2024 - 2044).

Information on future cash flows in terms of maturity according to the terms of the contracts is provided in Note 18, taking into account violations of covenants and letters regarding the refusal of early repayment of loans and requirements to fulfill certain conditions of credit agreements ("waiver").

As at 31 March 2024, a long-term loans received from credit institutions were secured by the Ukrainian domestic government bonds with a fair value of UAH 7,582,674 thousand (2023: UAH 7,681,278 thousand) (Note 9).

13. Equity

Share capital

As at 31 March 2024, the authorized issued share capital comprised 13,836,522,922 ordinary shares and 477,078 preferred shares (2023: 13,836,522,922 ordinary shares and 477,078 preferred shares) with the nominal value of UAH 1 per share. Ordinary shares give rights to their holders to participate in the General Shareholders' Meetings, to receive dividends and, in case of liquidation of the Bank, to receive a portion of the Bank property or its value in proportion to the value of the Bank shares owned by them in the order and in accordance with the procedure stipulated by the legislation of Ukraine and the Bank charter. The shareholders that own preferred shares have a right to vote in certain cases according to the charter and are entitled to receive annual fixed amounts of dividends, unless otherwise envisaged by the law.

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The number of issued and fully paid shares is as follows:

	<i>Number of shares, thousand</i>		<i>Nominal value, thousand UAH</i>		<i>Nominal value, thousand UAH</i>	<i>Total, thousand UAH</i>
	<i>Ordinary</i>	<i>Preferred</i>	<i>Ordinary</i>	<i>Preferred</i>		
As at 31 December 2022	13,836,523	477	13,836,523	477	13,837,000	13,837,000
Issued and registered shares	–	–	–	–	–	–
As at 31 December 2023	13,836,523	477	13,836,523	477	13,837,000	13,837,000
Issued and registered shares	–	–	–	–	–	–
As at 31 March 2024	13,836,523	477	13,836,523	477	13,837,000	13,837,000

Reserve fund

The Bank creates a reserve fund to cover unexpected losses on all items of assets and off-balance liabilities. The amount of charges to the reserve fund should be not less than 5 percent of the Bank profit until it reaches 25 percent of the Bank regulatory capital. As at 31 March 2024, the Bank reserve fund amounted to UAH 967,777 thousand (2023: UAH 967,777 thousand). The Reserve Fund is included in the line "Reserve and other funds of the Bank" of the Statement of Financial Position.

If as a result of the Bank operations the amount of its regulatory capital decreases to the amount below its share capital, then annual charges to the reserve fund should be 10 percent of the Bank net profit until it reaches 35 percent of the Bank share capital.

14. Commitments and contingencies

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. The Bank management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

The Ukrainian tax system is characterized by numerous taxes and frequent changes in the legislation. Tax regulations are often unclear, open to wide interpretation and, in some instances, are controversial. Instances of inconsistent tax law treatment among the fiscal authorities, authorized institutions, entities and other government bodies are not infrequent. Tax returns are subject to review and investigation by a number of authorities that are authorized to impose penalties and interest charges. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

The management believes that it has complied with all existing tax legislation requirements. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank compliance with existing legislation and assess fines and penalties.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Commitments and contingencies

As at 31 March 2024 and 31 December 2023, contractual commitments and contingencies were as follows:

	31 March 2024	31 December 2023
Credit-related commitments		
Financial guarantees	6,681,371	7,596,041
Loan commitments	15,335,935	16,414,703
Letters of credit:	3,700,445	3,629,211
- including secured letters of credit	676,743	890,432
- including unsecured letters of credit	3,023,702	2,738,779
Aval	58,923	2,933
	25,776,674	27,642,888
Performance guarantees	833,015	896,326
	833,015	896,326
Commitments and contingencies	26,609,689	28,539,214

As at 31 March 2024, loan commitments amounted to UAH 15,335,935 thousand (2023: UAH 16,414,703 thousand), including

- ▶ loan commitments to strategic customers of the Bank (clients to whom the Bank will fulfill its lending obligations in conditions of crisis and limited liquidity) in the amount of UAH 1,559,676 thousand (2023: UAH 1,794,476 thousand)
- ▶ loan commitments to other customers of the Bank in the amount of UAH 13,776,259 thousand (2023: UAH 14,620,227 thousand).

As at 31 March 2024 and 31 December 2023, the loan commitments are revocable commitments.

As at 31 March 2024, the estimated allowances for ECLs in respect of credit-related commitments amounted to UAH 449,123 thousand (2023: UAH 677,152 thousand).

As at 31 March 2024, the estimated allowances for performance guarantees amounted to UAH 898 thousand (2023: UAH 6,222 thousand).

As at 31 March 2024, the commitments and contingencies were secured by cash collateral for UAH 2,635,888 thousand (2023: UAH 2,425,706 thousand) (Note 11).

The "Other provision" of the Statement of the financial position for the year ended 31 March 2024 includes the estimated reserve for legal and other risks of UAH 144,776 thousand (2023: UAH 147,116 thousand) and an estimated reserve for performance guarantees of UAH 898 thousand (2023: UAH 6,219 thousand).

Changes in the expected credit loss allowance for financial guarantees for the three months ended 31 March 2024 were as follows:

Corporate banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	469,212	43,468	73,392	586,072
New guarantees	7,016	-	-	7,016
Expired guarantees	(35,022)	(14)	(74,199)	(109,235)
Transfer to Stage 1	2,656	(2,656)	-	-
Transfer to Stage 2	(695)	695	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(71,895)	(35,531)	1,079	(106,347)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(97,940)</i>	<i>(37,506)</i>	<i>(73,120)</i>	<i>(208,566)</i>
Foreign exchange differences	(384)	16	(268)	(636)
As at 31 March 2024	370,888	5,978	4	376,870

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	9	208	-	217
New guarantees	293	-	-	293
Expired guarantees	(13)	-	-	(13)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(49)	88	-	39
<i>Total allowance expense before the effect of foreign exchange differences</i>	231	88	-	319
Foreign exchange differences	8	6	-	14
As at 31 March 2024	248	302	-	550

Changes in the expected credit loss allowance for financial guarantees for the three months ended 31 March 2023 were as follows:

Corporate banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	23,934	203,193	42,399	269,526
New guarantees	17,931	-	-	17,931
Expired guarantees	(3,363)	(2,268)	-	(5,631)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(17,674)	17,674	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(16,220)	(51,503)	-	(67,723)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(19,326)	(36,097)	-	(55,423)
Foreign exchange differences	(14)	-	-	(14)
As at 31 March 2023 <i>(not subject to review or audit)</i>	4,594	167,096	42,399	214,089

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	37	156	-	193
New guarantees	5	-	-	5
Expired guarantees	(14)	(7)	-	(21)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(24)	(151)	-	(175)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(33)	(158)	-	(191)
Foreign exchange differences	-	2	-	2
As at 31 March 2023 <i>(not subject to review or audit)</i>	4	-	-	4

Changes in allowances for performance guarantees for the three months ended 31 March 2024 were as follows:

Corporate banking	Total
As at 1 January 2024	6,187
Reversal	(5,479)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(5,479)
Foreign exchange differences	177
As at 31 March 2024	885

SME	Total
As at 1 January 2024	32
Reversal	(19)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(19)
Foreign exchange differences	-
As at 31 March 2024	13

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Changes in allowances for performance guarantees for the three months ended 31 March 2023 were as follows:

Corporate banking	Total
As at 1 January 2023	126
Accrual	17,991
<i>Total allowance expense before the effect of foreign exchange differences</i>	17,991
Foreign exchange differences	-
As at 31 March 2023	18,117
<i>(not subject to review or audit)</i>	

SME	Total
As at 1 January 2023	17
Accrual	10
<i>Total allowance expense before the effect of foreign exchange differences</i>	10
Foreign exchange differences	-
As at 31 March 2023	27
<i>(not subject to review or audit)</i>	

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the three months ended 31 March 2024.

Stage 3 is defined in accordance with the balance sheet of these instruments

Corporate banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	4,202	4,255	68,054	76,511
New loan commitments	255	-	-	255
Expired loan commitments	(955)	-	-	(955)
Transfer to Stage 1	668	(668)	-	-
Transfer to Stage 2	(439)	439	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(2,619)	(962)	(14,393)	(17,974)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(3,090)	(1,191)	(14,393)	(18,674)
Foreign exchange differences	-	5	1,432	1,437
As at 31 March 2024	1,112	3,069	55,093	59,274

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	358	23	1,065	1,446
New loan commitments	386	-	-	386
Expired loan commitments	(15)	(1)	(980)	(996)
Transfer to Stage 1	59	(22)	(37)	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(272)	9	72	(191)
<i>Total allowance expense before the effect of foreign exchange differences</i>	157	(13)	(945)	(801)
Foreign exchange differences	-	-	-	-
As at 31 March 2024	515	10	120	645

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Retail banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	7,078	1	5,827	12,906
New loan commitments	242	-	-	242
Expired loan commitments	(142)	-	(372)	(514)
Transfer to Stage 1	747	(1)	(746)	-
Transfer to Stage 2	(12)	58	(46)	-
Transfer to Stage 3	(18)	-	18	-
Change in allowance	(4)	(56)	(833)	(893)
<i>Total allowance expense before the effect of foreign exchange differences</i>	813	1	(1,979)	(1,165)
Foreign exchange differences	-	-	43	43
As at 31 March 2024	7,891	2	3,891	11,784

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the three months ended 31 March 2023.

Stage 3 is defined in accordance with the balance sheet of these instruments.

Corporate banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	2,629	219	-	2,848
New loan commitments	813	-	-	813
Expired loan commitments	(66)	(412)	-	(478)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(395)	395	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(1,765)	1,897	-	132
<i>Total allowance expense before the effect of foreign exchange differences</i>	(1,413)	1,880	-	467
Foreign exchange differences	-	-	-	-
As at 31 March 2023 <i>(not subject to review or audit)</i>	1,216	2,099	-	3,315

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	212	38	-	250
New loan commitments	10	-	-	10
Expired loan commitments	(4)	(35)	-	(39)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(83)	(19)	-	(102)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(94)	(37)	-	(131)
Foreign exchange differences	-	-	-	-
As at 31 March 2023 <i>(not subject to review or audit)</i>	118	1	-	119

Retail banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	23,544	8	6,371	29,923
New loan commitments	1,357	-	57	1,414
Expired loan commitments	(332)	-	(854)	(1,186)
Transfer to Stage 1	2,153	(7)	(2,146)	-
Transfer to Stage 2	(122)	1,380	(1,258)	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(8,887)	(1,376)	(726)	(10,989)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(5,831)	(3)	(4,927)	(10,761)
Foreign exchange differences	-	-	-	-
As at 31 March 2023 <i>(not subject to review or audit)</i>	17,713	5	1,444	19,162

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Provisions for claims, guarantees and commitments are recorded as liabilities.

Assets pledged as collateral

The Bank pledges the assets as collateral stated in the statement of financial position in terms of various current transactions carried out under the normal conditions applicable to such agreements.

As at 31 March 2024, the assets pledged by the Bank as collateral include:

<i>Liability type</i>	<i>Liability amount</i>	<i>Asset type</i>	<i>Asset carrying amount</i>
Long-term loan from a financial institutions	3,941,829	UDGB	7,582,674
Total	3,941,829		7,582,674

As at 31 December 2023, the assets pledged by the Bank as collateral include:

<i>Liability type</i>	<i>Liability amount</i>	<i>Asset type</i>	<i>Asset carrying amount</i>
Long-term loan from a financial institutions	2,927,956	UDGB	7,681,278
Total	2,927,956		7,681,278

Provisions for legal risks relate to other property of the Bank to which the title is likely to be lost, and legal claims on which the Bank is likely to incur losses.

The Change in provisions for legal and other risks was as follows:

	<i>Provision for legal and other risks</i>
As at 1 January 2024	147,116
Accrual	(1,244)
Used	(1,096)
As at 31 March 2024	144,776

	<i>Provision for legal and other risks</i>
As at 1 January 2023	395,920
Accrual	(431)
Write-off	(135,206)
As at 31 March 2023 <i>(not subject to review or audit)</i>	260,283

15. Interest revenue calculated using effective interest method

The Table below discloses interest revenue calculated using effective interest method, reflected in the statement of profit and loss and other comprehensive income for the three months ended 31 March 2024 and 2023:

	<i>For the 3 months, ended 31 March 2024</i>	<i>For the 3 months, ended 31 March 2023 (not subject to review or audit)</i>
Loans and advances to customers	2,115,780	1,912,930
Investments in securities	2,002,684	982,641
Deposit certificates of the National Bank of Ukraine	842,221	312,171
Loans and advances to banks	161,446	135,074
Interest revenue calculated using effective interest method	5,122,131	3,342,816

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

16. Interest expense

The Table below discloses interest expense, reflected in the statement of profit and loss and other comprehensive income for the three months ended 31 March 2024 and 2023:

	<i>For the 3 months, ended 31 March 2024</i>	<i>For the 3 months, ended 31 March 2023 (not subject to review or audit)</i>
Due to customers	(2,810,632)	(2,169,317)
Due to the National Bank of Ukraine	–	(62,299)
Due to banks	(88,979)	(60,580)
	(2,899,611)	(2,292,196)
Other interest expense		
Lease liabilities	(3,698)	(3,415)
	(3,698)	(3,415)
Interest expense	(2,903,309)	(2,295,611)

17. Impairment loss determined in accordance with IFRS 9

The Table below discloses the impairment gain and reversal of impairment loss (the impairment loss) determined in accordance with IFRS 9 recorded in the statement of profit or loss and other comprehensive income for the three months ended 31 March 2024:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	7,599	–	–	–	7,599
Loans and other balances with banks		(109)	–	–	–	(109)
Loans and advances to customers	8	41,268	11,797	(541,554)	30,931	(457,558)
Loss reversal from the recognition of POCI		–	–	–	(12,684)	(12,684)
Investments in securities at fair value through other comprehensive income	9	344,899	41,342	17,726	–	403,967
Return of loans and advances to customers written-off in the current year		–	–	(51)	–	(51)
Other financial assets		(142)	145	(1,552)	–	(1,549)
Financial guarantees	14	(97,709)	(37,418)	(73,120)	–	(208,247)
Undrawn loan commitments	14	(2,120)	(1,203)	(17,317)	–	(20,640)
Total impairment loss determined in accordance with IFRS 9		293,686	14,663	(615,868)	18,247	(289,272)

The Table below discloses the impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 recorded in the statement of profit or loss and other comprehensive income for the three months ended 31 March 2023:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	12,451	–	–	–	12,451
Loans and advances to banks		(672)	–	–	–	(672)
Loans and advances to customers	8	(69,461)	129,569	(874,976)	(5,826)	(820,694)
Investments in securities at fair value through other comprehensive income	9	238,254	(129,005)	306	–	109,555
Return of loans and advances to customers written-off in the current year		–	–	–	–	–
Other financial assets		6,858	(2,796)	8,912	–	12,974
Financial guarantees	14	(19,359)	(36,255)	–	–	(55,614)
Undrawn loan commitments	14	(7,338)	1,840	(4,927)	–	(10,425)
Total impairment gain determined in accordance with IFRS 9 (not subject to review or audit)		160,733	(36,647)	(870,685)	(5,826)	(752,425)

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

18. Risk management

The risk management system of the Bank is designed to take into account its size, business model, scale of operations, types and complexity of transactions and ensures identification, measurement (assessment), monitoring, reporting, control, mitigation of all material risks of the Bank in order to determine the amount of capital required to cover all material risks inherent in its activities.

The risk management system and structure have not undergone any changes compared to the disclosed information in the annual financial statements.

Credit risk

Credit risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit, because its borrower/counterparty failed to discharge its contractual obligations.

Credit-related commitment risks

The Bank makes guarantees available to its customers, which provide that the Bank should make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. These guarantees expose the Bank to the risks similar to credit risks, which are mitigated by using the same control processes and policies.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Classification of the Bank financial assets according to credit ratings

As at 31 March 2024, the credit rating of Ukraine, according to the international rating agencies, was CC (2023: CC). The Bank uses the following approach to determining the rating based on the ratings of several international rating agencies:

- ▶ if there are two different ratings, the lower rating of the rating agency will be taken into account;
- ▶ if there are three different ratings, the rating of the rating agency that is the lower of the two highest ones is taken into account.

Investments in securities at fair value through other comprehensive income include: Ukrainian domestic government bonds and unrated municipal bonds, were assigned by the Bank to the category in accordance with the external sovereign credit rating of Ukraine.

Other balances of cash and cash equivalents, loans and other balances with banks and investments in securities are classified with reference to the current credit ratings assigned by the international rating agencies. In the event a counterparty does not have an international rating assigned to it at the reporting date, the Bank used the ratings assigned to the parent companies by the international rating agencies, and if the counterparty (for example, NBU) is owned by the government or the state, the corresponding sovereign rating of the owner's country was used. The highest possible rating is AAA. The investment grade of financial assets corresponds to ratings from AAA to BBB-. The financial assets, which have ratings lower than BBB-, are classified as a speculative grade according to the acceptable international practice.

As at 31 March 2024, the classification by credit ratings of the Bank financial assets with such ratings is as follows:

	AAA – A	BBB – BB	B	CCC	Below CCC	Not rated	31 March 2024
Cash and cash equivalents (other than cash on hand)	16,681,879	1,043,284	–	339,535	22,486,645	1,174	40,552,517
Loans and other balances with banks	1,049,042	103,301	–	11,325	998	263,844	1,428,510
Derivative financial assets	898	212	–	–	–	74	1,184
Investments in securities	30	–	–	–	58,615,094	102,723	58,717,847

As at 31 December 2023, the classification by credit ratings of the Bank financial assets with such ratings is as follows:

	AAA – A	BBB – BB	B	CCC	Below CCC	Not rated	31 December 2023
Cash and cash equivalents (other than cash on hand)	17,655,039	3,251,879	–	293,503	25,393,181	–	46,593,602
Loans and other balances with banks	1,068,089	105,784	–	10,287	891	448,160	1,633,211
Derivative financial assets	1,629	1,271	–	–	–	33	2,933
Investments in securities	26	–	–	–	55,627,077	101,562	55,728,665

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The allowance for active operations with unrated banks is determined by reference to the country's sovereign rating using the Bank internal ratings.

The principles of impairment assessment, definition of default, and identification of significant increase in credit risk have not undergone significant changes compared to the disclosed information in the annual financial statements.

Forward-looking information and economic scenarios

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- ▶ GDP growth;
- ▶ Inflation (consumer price index), to the corresponding month of the previous year (%);
- ▶ Discount rates of the National Bank of Ukraine;
- ▶ Unemployment rates;
- ▶ Foreign exchange rates;
- ▶ Prices for iron ore;
- ▶ Prices for wheat;
- ▶ Growth of real wages, YoY.

The Bank performed a statistical analysis of the dependence of the probability of default of the Bank customers on economic indicators. The Bank identified the indicators that are mostly close related to the level of borrowers defaults in each of the portfolio segments.

For obtaining forecast information, the Bank uses data from external sources to obtain the required forward-looking information (prepared by the NBU, the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine and other government bodies, forecasts by the IMF, the World Bank and other leading international organizations, forecasts by leading international rating agencies (companies), such as Moody's, Fitch Ratings, S&P Global Ratings and Bloomberg information system data).

The table below gives the forecast of the economic indicators used in economic scenario for calculation of the ECL as at 31 March 2024.

Key drivers	ECL scenario Probability, %		2024	2025
Inflation (consumer price index), to the corresponding month of the previous year (%)	Optimistic	25	7,5	3,5
	Base	50	9,8	6,0
	Pessimistic	25	12,1	8,5
NBU discount rate	Optimistic	25	13,0	8,2
	Base	50	15,0	11,1
	Pessimistic	25	17,0	14,0

To analyze the impact of changes in macro factors on the amount of expected credit losses, the assumption of a 10% improvement or deterioration of the indicator of macro factors was used.

Thus, as at 31 March 2024 the improvement in the macro factors by 10% will lead to a decrease of the ECLs by UAH 574 thousand (by the corporate and medium business segment by UAH 239 thousand, by the small and micro business segment by UAH 139 thousand, by the retail business segment by UAH 196 thousand).

A 10% deterioration in the macro factors will lead to an increase of the ECLs by UAH 921 thousand as at 31 March 2024 (for the corporate and medium business segment by UAH 516 thousand, by the small and micro business segment by UAH 161 thousand, by the retail business segment by UAH 244 thousand).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The credit quality of financial assets is managed by the Bank using the internal credit ratings, as described above. The Table below shows the credit quality by class of asset, statement of financial position based on the Bank credit rating system.

31 March 2024	Notes		High grade	Standard grade	Belowstandard grade	Impaired	Total
Cash and cash equivalents (other than cash on hand)	7	Stage 1	40,279,117	8,365	279,824	-	40,567,306
Loans and other balances with banks measured at amortised cost		Stage 1	791,659	24,997	263,844	-	1,080,500
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	-	-
Loans and advances to customers at amortized cost:	8						
- Corporate banking		Stage 1	4,001,952	10,265,442	5,573,746	-	19,841,140
		Stage 2	-	4,555,791	16,822,602	-	21,378,393
		Stage 3	-	-	9,654,893	5,832,050	15,486,943
		POCI	-	-	388,016	248,255	636,271
- SME		Stage 1	3,887,695	1,994,156	1,225,265	-	7,107,116
		Stage 2	259,789	395,474	1,346,085	-	2,001,348
		Stage 3	-	81,796	1,313,078	904,673	2,299,547
		POCI	-	-	-	(628)	(628)
- Retail banking		Stage 1	5,398,256	124,053	23	10	5,522,342
		Stage 2	21,895	18,626	5,083	-	45,604
		Stage 3	-	9,471	1,092	1,788,294	1,798,857
		POCI	6,214	805	-	11,294	18,313
Investments in securities at fair value through other comprehensive income	9	Stage 1	38,508,658	-	-	-	38,508,658
		Stage 2	10,927,642	-	99,755	-	11,027,397
		Stage 3	-	-	-	1,318,990	1,318,990
Investments valued at amortized cost	9	Stage 1	9,662,365	-	-	-	9,662,365
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	-	-
Undrawn loan commitments:							
- Corporate banking		Stage 1	4,835,704	2,902,950	377,749	-	8,116,403
		Stage 2	1,500,000	1,516,873	390,124	-	3,406,997
		Stage 3	-	-	49,435	42,522	91,957
- SME		Stage 1	439,974	160,048	113,434	-	713,456
		Stage 2	3,066	2,668	1,672	-	7,406
		Stage 3	-	644	6	2	652
- Retail banking		Stage 1	2,963,970	25,577	364	1,052	2,990,963
		Stage 2	42	2,316	776	-	3,134
		Stage 3	-	996	75	3,896	4,967
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):	14						
- Corporate banking		Stage 1	370,258	2,598,002	2,684,448	-	5,652,708
		Stage 2	-	799,035	3,093,556	-	3,892,591
		Stage 3	-	-	-	-	-
- SME		Stage 1	9,431	85,060	37,889	-	132,380
		Stage 2	-	-	86,317	-	86,317
		Stage 3	-	-	-	-	-
Total			123,867,687	25,573,145	43,809,151	10,150,410	203,400,393

31 December 2023	Notes		High grade	Standard grade	Belowstandard grade	Impaired	Total
Cash and cash equivalents (other than cash on hand)	7	Stage 1	46,310,958	289,484	-	-	46,600,442
Loans and other balances with banks measured at amortised cost		Stage 1	834,392	478,128	-	-	1,312,520
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	-	-
Loans and advances to	8						

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

31 December 2023	Notes		High grade	Standard grade	Belowstandard grade	Impaired	Total
customers at amortized cost:							
- Corporate banking		Stage 1	4,254,982	5,539,322	4,237,550	-	14,031,854
		Stage 2	93,891	8,880,915	19,277,591	-	28,252,397
		Stage 3	-	-	9,213,292	5,906,709	15,120,001
		POCI	-	-	370,057	248,605	618,662
- SME		Stage 1	3,330,249	1,596,658	956,814	-	5,883,721
		Stage 2	594,091	596,437	1,493,053	-	2,683,581
		Stage 3	-	85,615	1,381,185	949,742	2,416,542
		POCI	-	-	-	(628)	(628)
- Retail banking		Stage 1	4,744,661	121,646	20	10	4,866,337
		Stage 2	28,527	14,334	9,162	-	52,023
		Stage 3	-	14,420	1,134	1,799,924	1,815,478
		POCI	6,539	1,155	(140)	11,406	18,960
Investments in securities at fair value through other comprehensive income	9	Stage 1	34,176,603	-	-	-	34,176,603
		Stage 2	11,063,487	-	100,821	-	11,164,308
		Stage 3	-	-	-	1,583,141	1,583,141
Investments valued at amortized cost	9	Stage 1	8,871,109	-	-	-	8,871,109
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	-	-
Undrawn loan commitments:							
- Corporate banking		Stage 1	4,684,372	2,534,366	1,816,985	-	9,035,723
		Stage 2	1,556,429	2,031,682	111,342	-	3,699,453
		Stage 3	-	-	57,114	43,605	100,719
- SME		Stage 1	337,845	82,009	102,317	-	522,171
		Stage 2	3,228	36,368	12,446	-	52,042
		Stage 3	-	2,289	6	2	2,297
- Retail banking		Stage 1	2,969,151	22,664	219	501	2,992,535
		Stage 2	72	1,535	863	-	2,470
		Stage 3	-	1,658	115	5,521	7,294
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):	14						
- Corporate banking		Stage 1	377,788	2,243,293	2,840,128	-	5,461,209
		Stage 2	3,306	226,887	4,362,772	-	4,592,965
		Stage 3	-	-	97,194	-	97,194
- SME		Stage 1	9,891	41,442	49,059	-	100,392
		Stage 2	-	-	85,993	-	85,993
		Stage 3	-	-	-	-	-
Total			124,251,571	24,842,307	46,577,092	10,548,538	206,219,508

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The following Table describes the grouping of balances by the rating categories.

Description of the internal rating	Number of days past due	Level of internal rating	Rating of external international rating agency (Fitch), non-resident counterparties	Rating of external international rating agency (Fitch) and level of internal rating resident Banks and securities issuers
High grade	No overdue payments	A1, A2, A3	AAA+ to BBB-	For resident banks - with an intra-bank rating of 1, 2 and CC (Ukraine's rating), For issuers of securities - domestic government bonds, municipal bonds and deposit certificates of the NBU
Standard grade	From 1 to 30 days, from 31 to 60 days	B1, B2, B3	BB+ to B-	For resident banks - with an intra-bank rating 3 (with the credit rating not lower than rating CC or NR) For issuers of securities - are not rated but in stage 1
Below standard grade	From 61 to 90 days	C1, C2, C3, D1, D2, D3	CCC to C	For resident banks - with an intra-bank rating 4 (with the credit rating not lower than rating CC or NR) For issuers of securities - are not rated but in stage 2
Impaired	More than 90 days	E	D	For resident banks - with an intra-bank rating 5 (with the credit rating D or NR). For issuers of securities - are not rated but in stage 3

The Internal grade for the individuals and small and micro business segments (part of the SME) for which no level internal or internal rating is assigned are determined based on the number of days in arrears (column 2).

For the individuals and small and micro business segments (part of the SME in Stage 3, the rating cannot be higher than "Standard" even if there is no overdue debt.

The Internal grade for the legal entities and medium business segments (part of SME) is determined based on the internal rating (column 3).

For non-residents the internal grade is determined based on international ratings (column 3).

For resident Banks and securities issuers the rating is determined based on the lower of internal rating and international credit rating (column 4).

For government bonds and municipal bonds the rating is determined as High (column 4). For the disclosure of external credit rating of these instruments please refer to the section Classification of the Bank financial assets according to external credit ratings of this note.

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations as they fall due without incurring unacceptable losses, or as a result of its inability to manage unplanned cash outflows, changes in funding sources and/or to honor its off-balance sheet liabilities. To mitigate this risk, management uses different sources of funding in addition to the main base of deposits. Management also performs the Bank day-to-day liquidity management activities, with due account for balances on the correspondent accounts and cash inflow/outflow projections; management of current liquidity (up to 1 month) through identification of the Bank requirements for liquid assets and assessment of the liquidity gaps for the period; management of liquidity over one month through assessment of mismatch between maturities on assets and liabilities and development of remedial measures to maintain the Bank relevant liquidity levels in the future.

Analysis of financial liabilities grouped based on duration of periods from the reporting date to the maturity date is carried out in accordance with the applicable agreement.

As at 31 March 2024 and 31 December 2023, the Bank complied with the regulatory requirements of the National Bank of Ukraine regarding the minimum level of liquidity coverage ratio in all currencies and separately in individual foreign currencies (regulatory ratios as at 31 March 2024 and 31 December 2023 were not less than 100%) and regarding the minimum value of the net stable financing ratio (the statutory ratio is at least 100% as at 31 March 2024 and 31 December 2023).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The values of liquidity coverage ratios in all currencies and separately in foreign currencies, and the ratio of net stable funding are as follows:

	31 March 2024	31 December 2023
All-currency LCR, liquidity coverage ratio for all currencies	199.20%	189.78%
Foreign currency LCR, liquidity coverage ratio in foreign currency	195.73%	217.69%
Net Stable Funding Ratio	146.53%	139.18%

Analysis of financial liabilities by remaining contractual maturities

The information on future undiscounted cash flows of financial liabilities as at 31 March 2024 and 31 December 2023 based on the remaining contractual maturities is presented in the table below. Gross settled derivative instruments that are presented in terms of amounts receivable and payable as per maturities. Liabilities that are subject to repayment on demand are believed to be the instruments repayable on the earliest possible date. However, the Bank expects that most customers will not demand repayment on the earliest possible date.

Considering covenants incompliance and waivers received from creditors, as at 31 March 2024 the Bank classifies long-term liabilities in the amount of UAH 1,791,601 thousand on demand, liabilities in the amount of UAH 1,417,930 thousand in accordance with the terms specified in the waivers and UAH 3,232,434 thousand in accordance with the terms determined by the credit agreement with the creditor. Information on waivers received by the Bank from creditors is provided in Note 3. As of 31 December 2023, Bank classifies long-term liabilities in the amount of UAH 3,198,099 thousand in accordance with the terms specified in the waivers.

Financial liabilities as at 31 March 2024	On demand and up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Due to other banks	2,827,659	156,886	-	-	2,984,545
Other borrowed funds	2,058,307	1,365,992	997,281	3,124,260	7,545,840
Derivative financial instruments:					
- contractual amounts receivable	(871,475)	-	-	-	(871,475)
- contractual amounts payable	873,679	-	-	-	873,679
Due to customers	136,366,830	9,161,743	2,059,964	74,714	147,663,251
Other financial liabilities	536,964	41,433	103,452	-	681,849
Total undiscounted financial liabilities	141,791,964	10,726,054	3,160,697	3,198,974	158,877,689

Financial liabilities as at 31 December 2023	On demand and up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Due to other banks	2,643,027	151,930	-	-	2,794,957
Other borrowed funds	371,840	3,104,568	738,422	2,346,195	6,561,025
Derivative financial instruments:					
- contractual amounts receivable	(2,452,144)	-	-	-	(2,452,144)
- contractual amounts payable	2,472,521	-	-	-	2,472,521
Due to customers	145,745,081	8,226,283	1,091,792	677	155,063,833
Other financial liabilities	535,289	54,761	102,712	-	692,762
Total undiscounted financial liabilities	149,315,614	11,537,542	1,932,926	2,346,872	165,132,954

The contractual maturities of commitments and contingencies of the Bank are presented in the table below. Each undrawn loan commitment is included in the time horizon containing the earliest date when a customer may require its fulfillment. For the issued financial guarantee contracts, the maximum guarantee amount is attributed to the earliest period, in which the guarantee could be required for settlement.

	On demand
As at 31 March 2024	25,776,674
As at 31 December 2023	27,642,888

19. Fair value measurements

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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, regardless of whether that price is directly observable in the market or is assessed using a different valuation technique.

The fair values are determined by the Bank using the observable market information, where it exists, and the appropriate valuation methodologies. However, certain judgment is required to interpret the market data to determine the estimated fair value. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its entire holdings of a particular instrument or pay in the transfer of liabilities.

The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs that have a significant effect on the fair value are represented by directly or indirectly observable market data; and
- ▶ Level 3: techniques, which use inputs that have a significant effect on the fair value that are not observable on the market.

Fair value of the Bank financial assets and financial liabilities measured at fair value on a recurring basis, and fair value of buildings

Some of the Bank financial assets and financial liabilities as well as the Bank buildings are measured at fair value at the end of each reporting period. The information about how the fair value of these financial assets and financial liabilities is determined (in particular, the valuation techniques and inputs used) is presented in the table below:

Assets/liabilities	Fair value hierarchy level	Valuation techniques and key inputs
Investments in securities at fair value through other comprehensive income	2	Discounted cash flows: future cash flows are estimated based on the inputs that are observable either directly or indirectly. The estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Investments in securities at fair value through other comprehensive income	3	Discounted cash flows: future cash flows are estimated based on both observable and unobservable market data. Unobservable inputs include assumptions regarding future financial performance of the issuer, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the issuer operates.
Loans and advances to customers at fair value through profit or loss and Loans and advances to customers at fair value through other comprehensive income	3	Discounted cash flows: future cash flows are estimated based on both observable and unobservable market data. Unobservable data include assumptions about the borrower's future financial performance, risk profile, and economic assumptions about the industry and geographical jurisdiction in which the borrower operates.
Derivative financial instruments	2	Discounted cash flows: future cash flows are estimated based on forward exchange rates (represented by observable foreign exchange rates at the end of the reporting period) and contractual forward exchange rates discounted at a rate reflecting credit risk from different counterparties.
Buildings and land plots, investment property	2	The Bank engages professional independent appraisers to determine the fair values of its buildings and land plots and investment property using comparative approach and income approach for the items for which there are no market comparatives. In a comparative approach to evaluation, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of a property item). The main parameter used in this valuation technique is the price per square meter of a property item.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Assets/liabilities	Fair value hierarchy level	Valuation techniques and key inputs
Loans and other balances with banks at fair value through profit or loss	2	Financial assets in precious metals are recognized at fair value through profit or loss. The value of assets changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to banks at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to customers at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.

An analysis of the assets and liabilities recognized in the statement of financial position at fair value on initial recognition using a three-level fair value hierarchy is presented in the table below:

	31 March 2024			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Loans and other balances with banks at fair value through profit or loss	-	348,596	-	348,596
Derivative financial assets	-	1,184	-	1,184
Loans and advances to customers at fair value through profit or loss	-	-	24,010	24,010
Loans and advances to customers at fair value through other comprehensive income	-	-	2,925	2,925
Investments in securities at fair value through other comprehensive income	30	47,855,003	1,200,449	49,055,482
Investment property	-	105,641	-	105,641
Buildings and land plots	-	815,105	-	815,105
Total	30	49,125,529	1,227,384	50,352,943
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	-	94,462	-	94,462
Derivative financial liabilities	-	2,204	-	2,204
Due to customers at fair value through profit or loss	-	213,392	-	213,392
Total	-	310,058	-	310,058

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Loans and other balances with banks at fair value through profit or loss	-	321,371	-	321,371
Derivative financial assets	-	2,933	-	2,933
Loans and advances to customers at fair value through profit or loss	-	-	29,531	29,531
Loans and advances to customers at fair value through other comprehensive income	-	-	2,925	2,925
Investments in securities at fair value through other comprehensive income	26	45,654,850	1,202,680	46,857,556
Investment property	-	154,269	-	154,269
Buildings and land plots	-	817,559	-	817,559
Total	26	46,950,982	1,235,136	48,186,144
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	-	89,745	-	89,745
Derivative financial liabilities	-	20,376	-	20,376
Due to customers at fair value through profit or loss	-	194,939	-	194,939
Total	-	305,060	-	305,060

Movements in Level 3 financial instruments measured at fair value

The changes in the amounts of Level 3 assets and liabilities that are measured at fair value are presented in the table below:

	As at 1 January 2024	Unrealized income (revaluation)	Repayment	Write-down recognized in equity	Accrued interest as part of interest income	As at 31 March 2024
Financial assets						
Investments in securities at fair value through other comprehensive income	1,202,680	-	(38,395)	(4,632)	40,796	1,200,449
Loans and advances to customers at fair value through profit or loss	29,530	1,273	(7,578)	763	22	24,010

Impact of changes in the key assumptions on the fair value of Level 3 financial instruments measured at fair value

The impact of using reasonably possible alternative assumptions on measurements of the fair value of Level 3 instruments is summarized in the table below:

	31 March 2024		31 December 2023	
	Carrying amount	Impact of possible alternative assumptions	Carrying amount	Impact of possible alternative assumptions
Financial assets				
Investments in securities at fair value through other comprehensive income	1,200,449	82,942/ (76,512)	1,202,680	90,086/ (74,348)
Loans and advances to customers at fair value through profit or loss	24,010	262 / (255)	29,531	414 / (400)

To analyze the impact on the value of investments that are measured at fair value through other comprehensive income, assumptions about changes in the value of the interest rate along the yield curve. A decrease in the interest rate by 10% lead to an increase in the fair value on UAH 82,942 thousand (2023: UAH 90,086 thousand). An increase in the interest rate by 10% lead to a decrease in the fair value on UAH 76,512 thousand (2023: UAH 74,348 thousand).

To analyze the sensitivity of the loans and advances to customers at fair value through profit or loss, the assumption regarding changes in the discount rate of future cash flows was applied. A decrease in the discount rate by 10% will lead to a decrease in the value by UAH 262 thousand (2023: UAH 414 thousand). An increase in the discount rate by 10% will lead to a decrease in the value by UAH 255 thousand (2023: UAH 400 thousand).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Fair value of financial assets and liabilities not carried at fair value

The estimated fair values of financial assets and liabilities are determined using market prices, discounted cash flows and other appropriate valuation techniques and may not be indicative of the fair value of those instruments at the date these interim condensed financial statements are authorized for issue. Such calculations do not reflect any premiums or discounts that may arise as a result of an offer to sell the entire amount of a particular financial instrument at the same time. The fair value measurement is based on judgments about expected future cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Cash and cash equivalents and loans and other balances with banks comprise balances on correspondent accounts and short-term deposits. Due to the short-term nature of these financial instruments and the corresponding actual interest rates established for similar financial instruments, the carrying amount of cash and cash equivalents and balances of due from other banks approximates their fair value.

To determine the fair value, projected cash flows are discounted at the market rates established on the reporting date for similar instruments.

<i>Financial assets / financial liabilities</i>	<i>Fair value hierarchy level</i>	<i>Valuation techniques and key inputs</i>			
Loans and advances to banks	3	Discounted cash flows: Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include the assumptions regarding future financial performance of the counterparty, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the counterparty operates. The discount rate reflecting the credit risk of counterparties belonged to the most significant input data.			
		31 March 2024			
<i>Fair value</i>		Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed					
Loans and other balances with banks		-	1,079,914	-	1,079,914
Investments accounted for at amortized cost		-	9,662,365	-	9,662,365
Loans and advances to customers		-	-	66,746,754	66,746,754
Total		-	10,742,279	66,746,754	77,489,033
Liabilities for which fair values are disclosed					
Due to other banks		-	2,890,083	-	2,890,083
Other borrowed funds		-	6,441,966	-	6,441,966
Due to customers		-	146,515,771	-	146,515,771
Total		-	155,847,820	-	155,847,820
		31 December 2023			
<i>Fair value</i>		Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed					
Loans and other balances with banks		-	1,311,840	-	1,311,840
Investments accounted for at amortized cost		-	8,871,109	-	8,871,109
Loans and advances to customers		-	-	65,460,964	65,460,964
Total		-	10,182,949	65,460,964	75,643,913
Liabilities for which fair values are disclosed					
Due to other banks		-	2,705,212	-	2,705,212
Other borrowed funds		-	5,579,937	-	5,579,937
Due to customers		-	153,972,944	-	153,972,944
Total		-	162,258,093	-	162,258,093

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Set out below is a comparison by class of the carrying amounts and fair values of the Bank financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 March 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and other balances with banks	1,079,914	1,079,914	1,311,840	1,311,840
Investments accounted for at amortized cost	9,662,365	9,662,365	8,871,109	8,871,109
Loans and advances to customers	63,995,772	66,746,754	63,300,491	65,460,964
Total assets	74,738,051	77,489,033	73,483,440	75,643,913
Financial liabilities				
Due to other banks	2,890,083	2,890,083	2,705,212	2,705,212
Other borrowed funds	6,441,966	6,441,966	5,579,937	5,579,937
Due to customers	146,491,841	146,515,771	153,938,625	153,972,944
Total liabilities	155,823,890	155,847,820	162,223,774	162,258,093

20. Related party transactions

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability, directly or indirectly through one or more intermediaries, to control the other party or exercise significant influence over the party when making financial and operational decisions.

As at 31 March 2024, the Bank was 94.94% state-owned bank under the control of the Ministry of Finance of Ukraine (2023: 94.94%). Correspondingly, transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel and entities that are controlled, are under common control or are significantly influenced by them.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by the government.

Government refers to government agencies and similar bodies whether local, national or international.

Key management personnel are members of the Management Board and Supervisory Board.

Relatives of members of the Management Board and Supervisory Board are disclosed as "Other related parties".

In considering each possible related party relationship, attention is focused on the substance of such relationship and not merely its legal form. The balances and transactions with related parties at the end of the period and the relevant amounts of profit and loss for the period are as follows:

	31 March 2024				31 December 2023			
	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel
Assets								
Cash and cash equivalents	-	22,766,663	-	-	-	25,678,703	-	-
Loans and other balances with banks	-	12,323	-	-	-	11,177	-	-
Loans and advances to customers, gross	-	17,559,575	-	300	-	16,792,433	-	156
Loans and advances to customers, less: expected credit losses/allowance for impairment	-	(789,792)	-	-	-	(682,218)	-	(1)
Investments in securities	46,631,387	11,983,707	-	-	44,419,609	2,336,359	-	(8)
Right-of-use assets	-	2,576	-	-	-	2,946	-	-
Liabilities								
Due to banks								
- current accounts	-	130	-	-	-	19	-	-
- other amounts	-	1,244	-	-	-	1,216	-	-
Other borrowed funds	-	3,941,829	-	-	-	2,927,956	-	-
Due to customers:								

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Due to customers: time deposits received from related parties, the rate range is as follows (%):

Currency	31 March 2024		31 December 2023	
	Corporate banking	Retail banking	Corporate banking	Retail banking
UAH	11.0 – 16.5	13.2 – 15.5	12.0 – 16.5	15.0 – 15.7
USD	0.1 – 2.1	0.01 – 2.0	0.1 – 1.7	0.01 – 1.0
EUR	0.01	0.01	0.01	0.01

Risk concentration

Concentration risk - risk is determined by the Bank as the risk of possible losses due to concentration of risk in specific instruments, operations and industries.

The Bank activities are characterized by a significant scale of operations with state-owned companies resulting in concentration of credit and investment risks in relation to certain counterparties and groups of related counterparties and industries.

As at 31 March 2024, 57% of assets and 32% of liabilities were concentrated in operations with state-owned companies, the National Bank of Ukraine, state banks and government authorities (2023: 55% of assets and 32% of liabilities).

The Bank manages concentration risk in its credit and securities portfolios by setting limits for individual counterparties and groups of counterparties.

Remuneration to key management personnel comprises the following items:

	31 March 2024	31 March 2023 (not subject to review or audit)
Salaries and bonuses	22,530	18,006
Total remuneration to key management personnel	22,530	18,006

21. Capital adequacy

The Bank policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The main regulator, the National Bank of Ukraine, sets and monitors capital requirements for the Bank as a whole and monitors compliance with these requirements on the basis of reporting under national standards. The Bank as a whole and its individual banking operation are directly supervised by the local regulators.

Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2024 and 31 December 2023 the minimum level was 10%. The Bank complied with the statutory capital ratios during the periods ended 31 March 2024 and 31 December 2023.

The Bank analyzes its activities as regards its compliance with the minimum capital requirements, including the capital adequacy requirements in accordance with the Basel Accord of 1988, as defined in the *International Convergence: of Capital Measurement and Capital Standards* of Basel Committee on Banking Supervision (updated April 1998) and Amendment to the Basel Accord to incorporate market risks (updated November 2005), commonly known as Basel I. As at 31 March 2024 and 31 December 2023, the minimum capital adequacy ratio required by Basel I was 8% and the minimum Tier 1 capital adequacy ratio was 4%.

Analytical bases for calculating capital adequacy according to the requirements of the NBU and the requirements of Basel I are different, so they cannot be compared.

The Bank was in compliance with the capital adequacy ratio calculated in accordance with the Basel Accord as at 31 March 2024 and 31 December 2023.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

22. Subsequent events

As of the date these interim condensed financial statements were approved for issue, hostilities continue and there is a high level of uncertainty associated with the war. The military forces of the Russian Federation continue to destroy infrastructure and production facilities, part of the territory of Ukraine is under occupation.

On 9 March 2024, the Bank concluded an agreement on participation in risk sharing without prior financing with an international organization with a total credit limit not exceeding EUR 50,000 thousand with a termination date of 2030. The agreement provides that an international organization will reimburse part of credit losses in case of borrowers' default under granted loans.

The Board of the National Bank of Ukraine decided to reduce the discount rate from 14.5% to 13.5% from 26 April 2024.