

**JOINT STOCK COMPANY
“STATE SAVINGS BANK OF UKRAINE”
Interim Condensed Consolidated Financial Statements**

For six months ended 30 June 2023

Translation from Ukrainian original

Translation from Ukrainian original

JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

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JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023
(in thousands of UAH)

	Notes	For the three months ended 30 June 2023	For the six months ended 30 June 2023	For the three months ended 30 June 2022	For the six months ended 30 June 2022
Interest income on financial assets at amortised cost and at fair value through other comprehensive income	5	6,557,240	13,110,821	4,193,816	8,316,617
Interest income on financial assets at fair value through profit or loss	5	953,175	1,888,120	856,562	1,730,764
Interest expense	5	(3,311,272)	(6,153,912)	(1,794,650)	(3,591,823)
Net interest income		4,199,143	8,845,029	3,255,728	6,455,558
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	27	700,927	1,234,944	(4,346,624)	(5,416,384)
Net interest income after allowance for expected credit losses on interest bearing assets		4,900,070	10,079,973	(1,090,896)	1,039,174
Fee and commission income	6	2,848,999	5,636,400	1,871,446	4,002,993
Fee and commission expense	6	(1,195,486)	(2,312,477)	(620,946)	(1,683,399)
Dealing in foreign currencies, net		165,512	336,333	496,059	637,104
Translation differences, net		41,517	104,365	13,602	(918,974)
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	7	1,156,291	(203,635)	(2,160,700)	12,024
(Accrual)/reversal of allowance for expected credit losses on other financial assets and guarantees	27	67,554	199,743	83,680	(253,616)
(Accrual)/reversal of allowance for impairment losses on other non-financial assets		(16,207)	(23,521)	12,864	2,687
Gains/(losses) arising on initial recognition of financial assets at an interest rate higher or lower than the market rate		(14,494)	(32,848)	69,841	(28,339)
Net profit from transactions with debt financial instruments at fair value through other comprehensive income		-	-	573	573
Net gain/(loss) on modifications of financial assets		(175,174)	(216,819)	(45,946)	(134,151)
Other income		81,743	244,833	86,095	146,731
Net non-interest income		2,960,255	3,732,374	(193,432)	1,783,633
Operating income/ (expenses)		7,860,325	13,812,347	(1,284,328)	2,822,807
Personnel expenses	8	(1,733,140)	(3,499,767)	(1,856,996)	(4,369,063)
Depreciation and amortization	8	(468,219)	(931,705)	(479,617)	(930,151)
Other administrative and operational expenses	8	(1,366,862)	(2,547,719)	(1,039,506)	(1,942,554)
Profit/(loss) from operating activities		4,292,104	6,833,156	(4,660,447)	(4,418,961)
Profit/(loss) from derecognition of financial assets measured at amortised cost		5,348	5,542	3,428	4,033
Profit/(loss) before tax		4,297,452	6,838,698	(4,657,019)	(4,414,928)
Income tax (expense)/benefit		42	73	205	301
Net profit/(loss) for the period		4,297,494	6,838,771	(4,656,814)	(4,414,627)
Attributable to:					
Shareholder of the Bank		4,297,214	6,838,605	(4,656,753)	(4,414,169)
Non-controlling interest		280	166	(61)	(458)

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(in thousands of UAH)**

	Notes	30 June 2023	31 December 2022
Assets			
Cash and cash equivalents	11	59,773,862	28,376,712
Loans to customers	12	80,552,322	83,215,595
Investments	13	139,434,758	143,398,851
Investment property		626,789	626,789
Fixed assets		6,748,999	6,521,344
Intangible assets		2,497,568	2,106,476
Income tax prepaid		502,039	470,943
Other financial assets	14	2,833,398	1,319,773
Other non-financial assets	14	4,403,046	3,237,587
Total assets		297,372,781	269,274,070
Liabilities and equity			
Liabilities			
Due to banks	15	325,596	543,326
Customer accounts	16	258,232,546	233,940,309
Eurobonds issued	17	3,771,680	6,041,534
Other borrowed funds	18	2,952,345	2,676,153
Provisions	19	895,982	1,179,977
Other financial liabilities	19	475,013	606,965
Other non-financial liabilities	19	1,254,032	1,290,000
Deferred income tax liabilities	9	104,236	97,833
Subordinated debt	20	481,170	716,442
Total liabilities		268,492,600	247,092,539
Equity			
Share capital	21	49,724,980	49,724,980
Property revaluation reserve		1,473,046	1,473,482
Revaluation reserve for financial assets at fair value through other comprehensive income		19,257	60,894
Revaluation reserve for investments in equity instruments at fair value through other comprehensive income		778,058	684,601
Cumulative foreign exchange differences		2,537	2,537
Accumulated deficit		(23,130,646)	(29,777,746)
Non-controlling interest		12,949	12,783
Total equity		28,880,181	22,181,531
Total liabilities and equity		297,372,781	269,274,070

On behalf of the Management Board:


S.V. Naumov
Chairman of the Management Board

29 September 2023


G.S. Kostenko,
Chief Accountant

29 September 2023

Prepared by: O.V. Rybalka, 537-47-75, K.G. Zadneprovsky, 537-47-84

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED ON 30 JUNE 2023 (in thousands of UAH)

	Notes	Share capital	Property revaluation reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for investments in equity instruments at fair value through other comprehensive income	Cumulative foreign exchange differences	Accumulated deficit	Total equity attributable to the Bank's shareholder	Non-controlling interest	Total Equity
1 January 2022		<u>49,724,980</u>	<u>1,564,504</u>	<u>146,089</u>	<u>544,219</u>	<u>1,469</u>	<u>(30,106,919)</u>	<u>21,874,342</u>	<u>13,195</u>	<u>21,887,537</u>
Profit for the period		-	-	-	-	-	(4,414,169)	(4,414,169)	(458)	(4,414,627)
Other comprehensive income/(expenses) for the period, net of income tax		-	(97,468)	(62,925)	(38,452)	227	-	(198,618)	-	(198,618)
Total comprehensive income/(expenses) for the period		-	(97,468)	(62,925)	(38,452)	227	(4,414,169)	(4,612,787)	(458)	(4,613,245)
Payment of the profit share based on the financial result for the year	21	-	-	-	-	-	(318,117)	(318,117)	-	(318,117)
Disposal of premises revaluation reserve		-	(4,014)	-	-	-	4,014	-	-	-
30 June 2022		<u>49,724,980</u>	<u>1,463,022</u>	<u>83,164</u>	<u>505,767</u>	<u>1,696</u>	<u>(34,835,191)</u>	<u>16,943,438</u>	<u>12,737</u>	<u>16,956,175</u>
1 January 2023		<u>49,724,980</u>	<u>1,473,482</u>	<u>60,894</u>	<u>684,601</u>	<u>2,537</u>	<u>(29,777,746)</u>	<u>22,168,748</u>	<u>12,783</u>	<u>22,181,531</u>
Profit for the period		-	-	-	-	-	6,838,605	6,838,605	166	6,838,771
Other comprehensive income/(expenses) for the period, net of income tax		-	-	(41,637)	93,457	-	-	51,820	-	51,820
Total comprehensive income/(expenses) for the period		-	-	(41,637)	93,457	-	6,838,605	6,890,425	166	6,890,591
Payment of the profit share based on the financial result for the year	21	-	-	-	-	-	(191,941)	(191,941)	-	(191,941)
Disposal of premises revaluation reserve		-	(436)	-	-	-	436	-	-	-
30 June 2023		<u>49,724,980</u>	<u>1,473,046</u>	<u>19,257</u>	<u>778,058</u>	<u>2,537</u>	<u>(23,130,646)</u>	<u>28,867,232</u>	<u>12,949</u>	<u>28,880,181</u>

On behalf of the Management Board:

S.V. Naumov
Chairman of the Management Board

29 September 2023



G.S. Kostenko,
Chief Accountant

29 September 2023

Prepared by: O.V. Rybalka, 537-47-75, K.G. Zadneprovsky, 537-47-84

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original
JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023
(in thousands of UAH)

	Notes	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Cash flows from operating activities			
Interest received		13,315,561	8,380,283
Interest paid		(5,971,270)	(3,629,260)
Fees and commissions received		5,631,970	4,013,419
Fees and commissions paid		(2,312,628)	(1,683,399)
Foreign currency transactions		336,333	637,104
Other income received		143,193	18,670
Staff costs paid		(3,538,114)	(4,125,814)
Operating expenses paid		(2,615,146)	(1,789,327)
Cash flow from operating activities before changes in operating assets and liabilities		4,989,899	1,821,676
Changes in operating assets and liabilities			
<i>Decrease/(increase) in operating assets</i>			
Loans to customers		3,149,999	(6,938,119)
Other financial assets		(1,414,360)	151,214
Other non-financial assets		(379,412)	49,575
<i>Increase/(decrease) in operating liabilities</i>			
Due to banks		(221,688)	(7,514,008)
Customer accounts		23,785,497	3,866,929
Other financial liabilities		4,843	(32,975)
Other non-financial liabilities		36,773	13,671
Net cash proceeds/(outflow) from operating activities before income tax		29,951,551	(8,582,037)
Income tax (paid)/benefit		(31,146)	(56,267)
Net cash proceeds/(outflow) from operating activities		29,920,405	(8,638,304)
Cash flows from investing activities			
Acquisition of investments		(2,571,061,437)	(2,363,530,026)
Proceeds on sale and redemption of investments		2,577,140,803	2,376,457,421
Purchase of fixed assets		(1,694,611)	(704,580)
Purchase of intangible assets		(568,500)	(69,832)
Proceeds from sale of fixed assets		4,057	5,838
Net cash proceeds/(outflow) from investing activities		3,820,312	12,158,821
Cash flows from financing activities			
Proceeds of other borrowed funds	18	709,200	–
Payment of the profit share based on the financial result for the year	21	(191,941)	(318,117)
Proceeds of other borrowed funds	18	(478,531)	(753,785)
Repayment of Eurobonds issued	17	(2,194,116)	(1,755,294)
Repayment of subordinated debt	20	(228,554)	(173,358)
Repayment of lease liabilities	19	(92,185)	(78,081)
Net cash proceeds/(outflow) from financing activities		(2,476,127)	(3,078,635)

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JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (CONTINUED)
(in thousands of UAH)

23 Ukraine regulated by the Ukrainian
 legislation No. 4 On Joint Stock
 with the Approval of the President

	Notes	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Effect of exchange rates changes on cash and cash equivalents		138,783	465,974
Cash on hand located in the temporarily occupied territories		-	(156,112)
Effect of change in expected credit losses on cash and cash equivalents		(6,223)	1,505
Net increase/(decrease) of cash and cash equivalents		31,397,150	753,249
Cash and cash equivalents, at the beginning of the period		28,376,712	19,001,319
Cash and cash equivalents, at the end of the period	11	59,773,862	19,754,568

On behalf of the Management Board:


 S.V. Naumov
 Chairman of the Management Board




 G.S. Kostenko,
 Chief Accountant

29 September 2023

29 September 2023

Prepared by: O.V. Rybalka, 537-47-75, K.G. Zadneprovsky, 537-47-84

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JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

1. ORGANIZATION

The Bank is a legal successor of all rights and obligations of the State Specialized Commercial Savings Bank of Ukraine registered by the National Bank of Ukraine (hereinafter – the “NBU”) on 31 December 1991, registration No. 4. Open Joint Stock Company “State Savings Bank of Ukraine” was established in accordance with the Decree of the President of Ukraine No. 106 dated 20 May 1999 *On Corporatisation of the State Specialised Commercial Savings Bank of Ukraine* and the Resolution of the Cabinet of Ministers of Ukraine No. 876 dated 21 May 1999 *On Certain Issues of Management of the State Specialised Commercial Savings Bank of Ukraine*, by converting the State Specialized Commercial Savings Bank of Ukraine into Open Joint Stock Company “State Savings Bank of Ukraine”. Open Joint Stock Company “State Savings Bank of Ukraine” was registered by the NBU on 26 May 1999, registration No. 4. In accordance with the Law of Ukraine *On Joint Stock Companies*, the type of open joint stock company “State Savings Bank of Ukraine” was changed to a public joint stock company by the Resolution of the Cabinet of Ministers of Ukraine No. 502 dated 6 April 2011 *On Amendments to the Resolution of the Cabinet of Ministers of Ukraine No. 261 dated 25 February 2003*. The change of name to Public Joint Stock Company “State Savings Bank of Ukraine” was registered on 7 June 2011. On 5 June 2019, the Cabinet of Ministers of Ukraine adopted Resolution No. 568 *Issue of Joint Stock Company “State Savings Bank of Ukraine”*, which was officially published and came into force on 10 July 2019, according to which the type of public joint stock company “State Savings Bank of Ukraine” was changed from public to private and renamed it to the joint stock company “State Savings Bank of Ukraine” (“the Bank”). The Charter was revised accordingly and was agreed with the National Bank of Ukraine. On 18 July 2019, its state registration was done.

On 27 August 2022, the Cabinet of Ministers of Ukraine adopted Resolution No. 958 *On Amendments to the Charter of the joint-stock company “State Savings Bank of Ukraine”*, which was officially published on 1 September 2022, according to which the Charter of JSC “Oschadbank” is set out in a new version. Changes to the Bank’s Charter, after their approval by the NBU, enter into force from the day of their state registration.

On 21 October 2022, state registration of the new edition of the Bank's Charter was done.

The new edition of the Bank's Charter specifies that deposits of individuals placed with the Bank are guaranteed in the manner and in the amounts stipulated by the Law of Ukraine *“On the System of Guaranteeing Deposits of Individuals”*. The Bank has been a member of the Individual Deposit Guarantee Fund since April 2022.

As at 30 June 2023 and 31 December 2022, 100% of the Bank’s shares were state-owned.

The Bank is operating under a banking license issued by the National Bank of Ukraine. The Bank has a general licenses issued by the National Securities and Stock Market Commission (the “NSSMC”) to carry out professional activities in the stock market - securities trading activities: securities management, underwriting, brokerage and dealing activities.

The Bank provides banking and other financial services (other than insurance services, except for insurance intermediary functions), and carries out other activities in national and foreign currencies. The Bank’s primary business is maintaining bank accounts and attracting deposits from legal entities and individuals, issuing loans, transferring payments, trading in securities and operating with foreign currencies.

The registered address of the Bank is at: 12G Hospitalna str., Kyiv, 01001, Ukraine.

These interim condensed consolidated financial statements have been prepared for the Bank and PJSC “Home Loans Refinancing Agency” (hereinafter – “the Group”):

Name	Country of operation	Participatory/voting interest (%) as at		Type of activities
		30 June 2023	31 December 2022	
JSC “Oschadbank”	Ukraine		Parent company	Banking
PJSC “Home Loans Refinancing Agency”	Ukraine	70.86	70.86	Loan refinancing

PrJSC “Home Loans Refinancing Agency” (hereinafter – PrJSC “HLRA”) was established on 17 February 2012. The primary activity of the company is refinancing mortgage loans through the issue of mortgage securities.

On 30 November 2022, the Bank’s supervisory board made a decision to put on the General Meeting of

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Shareholders of PrJSC “HLRA” agenda’s the following: PrJSC “HLRA” liquidation, the election of a liquidation commission, approval of the order and terms of liquidation, and the order of distribution among shareholders of the property remaining after the satisfaction of creditors' demands. By this decision, the Bank's management board was empowered to make decisions and take all necessary actions on liquidation of the company. On 4 April 2023, the Bank's management board approved the proposals of PrJSC “HLRA” regarding the draft agenda of the Annual General Meeting of PrJSC “HLRA” and the plan of measures for the liquidation of PrJSC “HLRA”. On 5 May 2023, at the remote annual general meeting of shareholders, a decision was made to terminate PrJSC "Home Loans Refinancing Agency" by liquidating it. A liquidation commission was elected from among the Bank's representatives, to which the powers of the supervisory board and the board of PrJSC “HLRA” were transferred, and the liquidation process was started.

These interim condensed consolidated financial statements were approved by the Management Board on 29 September 2023.

2. OPERATING ENVIRONMENT

The improvement of logistics and the absence of power outages contributed to the recovery of the Ukrainian economy in the first half of 2023. As a result of revitalization of domestic demand, improvement of consumer attitudes of the population, stabilization of production in some industries, in particular in metallurgy, food industry, and taking into account the effect of the comparison base, real GDP growth in the second quarter compared to last year amounted to 19.5%. The regulator revised the real GDP growth forecast in 2023 from 2.0% to 2.9%. At the same time, risks to the country's economy remain significant due to the continuation of military operations, which are accompanied by Russian shelling of port and energy infrastructure, blocking of grain corridors with the aim of destroying the economic potential of the country as a whole. International financial and humanitarian aid plays an important role in stabilizing the situation in the economy.

The decrease in world prices on commodity markets, a significant supply of food and fuel, improvement in inflation and exchange rate expectations against the background of a stable situation on the cash currency market, led to a slowdown in the level of consumer inflation to 12.8% y/y at the end of the first half of 2023. At the end of June, the NBU approved the Strategy for softening currency restrictions, transitioning to greater exchange rate flexibility and gradually returning to inflation targeting. In the paradigm of ensuring exchange rate stability, the level of the discount rate remained at the level of 25% throughout the first half of the year. At the same time, due to favorable external factors, in particular, a rapid decrease in inflation, the necessary prerequisites for lowering the discount rate were formed.

The operational efficiency of the banking sector remained at a high level during the second quarter of 2023. Profitability was mainly ensured by public sector banks, although more than 80% of banking institutions were operationally profitable. Impairment losses on financial assets were insignificant in the first half of the year as banks suspended recognition of credit losses, which also had a positive impact on the profit of the banking system. At the same time, the credit risk of the banking sector of Ukraine remains at a high level due to the suspension of part of the business, the destruction/damage of the production infrastructure and collateral, the decrease in the solvency of borrowers, etc. The share of non-performing loans in the banking sector reached 38.9% at the end of the first half of the year.

Lending to the corporate sector continues mainly within the framework of the state support program "Affordable loans 5-7-9%", the gross volume of loans during the second quarter increased by 8.2% compared to the previous quarter. Loans provided within the program will continue to form about a third of the operating gross hryvnia portfolio of business loans.

The increase in liabilities of solvent banks during the second quarter was mainly driven by business funds, the share of which increased to 49.5% in the structure of liabilities. Changes in the NBU's monetary policy continued to influence the increase in the volume of term deposits of individuals in the national currency - in the second quarter of 2023, the volume of hryvnia funds of individuals increased by 7.5%.

As a result of a set of measures aimed at increasing the attraction from placement of domestic government bonds on the primary market, the Government of Ukraine borrowed UAH 195.6 billion, USD 1.96 billion and EUR 0.64 billion during the first half of 2023. Borrowings of the Government by UAH 80.5 billion in equivalent exceeded payments: UAH 126.77 billion, USD 1.76 billion and EUR 0.53 billion were allocated to repayment of domestic debt securities during this period. In addition to the possibility for banks to cover up to half of the total amount of required reserves with benchmark government bonds, the NBU allowed non-residents to

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transfer abroad the funds received from interest payments on such securities, subject to certain requirements for a continuous holding period, starting in the second quarter.

According to the results of the second quarter of 2023, international reserves reached almost USD 39 billion. This is the highest level in the entire history of independent Ukraine. The increase in the amount of international reserves was ensured by foreign currency inflows to the Government's accounts from partner countries and international organizations, the results of the NBU's operations on the foreign exchange market, the revaluation of the value of financial instruments and the proceeds from the sale of foreign currency domestic government bonds.

Based on the analysis of political, economic, social and technological factors influencing the development of the economy and financial system of Ukraine, the NBU presented an improved Strategy for the development of the financial sector for the coming years in May 2023. The strategy defines short-term and medium-term measures aimed at ensuring stability, preventing the deterioration of the situation in the financial system and the economy as a whole and launching transformations that will become the basis for further economic recovery and growth.

On 23 June 2023, the international rating agency Fitch Ratings confirmed the sovereign long-term issuer default ratings (IDRs) of Ukraine in foreign currency at the level of "CC" and in the national currency at the level of "CCC-". The rating of the country's ceiling at "B-" level, as well as the short-term IDRs in foreign and national currencies at the "C" level, were also confirmed.

On 6 April 2023, the international rating agency Standard & Poor's downgraded the long-term sovereign credit rating of Ukraine in foreign currency to the level of "CCC" from "CCC+" and confirmed the long- and short-term sovereign credit rating of Ukraine in the national currency at "CCC+/C" levels as well as short-term credit rating in foreign currency at the level "C". The forecast has been changed to "negative". Ukraine's national scale rating has been affirmed at 'uaBB'.

The management staff focuses on maintaining the Bank's stable operations, which corresponds to the existing circumstances and available information. However, against the background of the current situation, the possibility of the emergence of external factors that may have a negative impact on the stability of the banking system in general, and therefore on the results of operations and financial condition of the Bank, the nature and consequences of which cannot be determined at the present time, is not excluded.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Statements* (IAS 34), and in compliance with the requirements of paragraph 8.2, section III of Instruction about the order of preparation and publication of Ukrainian banks' financial statements, approved by the Resolution of the Management Board of the NBU No. 373 dated 24 October 2011 (with amendments).

Therefore, it does not contain all information required by the International Financial Reporting Standards ("IFRS"), produced by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements should be considered together with the Group's consolidated financial statements as at 31 December 2022 and for the year than ended, that are published on the official website of the Bank (www.oschadbank.ua).

The accounting policies and calculation methods used in the preparation of these interim condensed consolidated financial statements were the same as those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

3.2. Basis of presentation

These interim condensed consolidated financial statements are presented in thousands of UAH, unless otherwise indicated.

These interim condensed consolidated financial statements of the Group do not include all information and disclosures that could materially duplicate the information included in the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with the IFRS, such as accounting policies. The

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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Management believes that the interim condensed consolidated financial statements reflect all adjustments necessary to present a true and fair view of the Group's financial position, operating results, statement of changes in equity and statement of cash flows for the interim period.

Going concern basis

These interim condensed consolidated financial were prepared on a going concern basis. During the preparation of the financial statements, the Group's management assessed the Group's ability to continue its operations in future, taking into account hostilities in Ukraine, which have already caused and continue to cause significant negative consequences for the economy of the country as a whole and for the Group's customers as described in Note 2.

The Group has analyzed Group's ability to continue its operations in future on going concern basis based on the following assumptions:

- the macroeconomic forecast corresponds to the forecasts of the NBU and data published in international information and analytical systems, in particular Bloomberg ;
- Bank's customer accounts (including current accounts) will grow in volumes sufficient to ensure the Bank's financing of active operations and the formation of highly liquid assets' stock, taking into account the current reserve requirement ratios for funds on a correspondent account with the NBU;
- credit portfolio for retail business will show tendencies towards retention; for corporate clients - lending to critical industries, enterprises of the agro-industrial complex, in particular within state programs monetary credit support ;
- a slight increase in commission income compared to the pre-war level is expected despite the decrease of transactions volume and the closure of branches at the occupied territories. The Bank is taking a prudent approach to the restoration of tariffs for commission services, planning to gradually renew tariffs for payments, transfers, cash transactions, acquiring, and at the same time maintaining reduced commissions for critical transactions;
- credit risks in the forecast period are growing, which requires recognition of additional allowance for expected credit losses;
- the Management Board of the Bank will continue to implement measures to optimize operating expenses, which will partially compensate for the negative impact of macroeconomic factors on the growth of their volume. At the same time, additional expenses related to the restoration of the functioning of the network of bank branches, the increase in the cost of goods and services because of the devaluation of the national currency and the strengthening of inflationary expectations are possible;
- regulatory requirements take into account all officially approved at the forecast date plans of the NBU to introduce new requirements during the forecast period.

Assumptions underlying management's going concern assessments do not take into account external factors that may change in the future, namely: changes in capital market conditions in Ukraine and in the world as a whole, other and / or macroeconomic impacts not included in the Group's estimates, geopolitical changes, significant changes in legislation, including banking, changes in reporting and accounting standards, changes in tax legislation, as well as other changes that may occur in the future and over which the Group has no influence.

The Bank's management believes that over the next 12 months, the Bank will meet its obligations on time and in full and will repay approximately USD 89 million in equivalent (USD 100 million including interest) of external borrowings, of which EUR 7.5 million and USD 6.3 million have already been repaid in July 2023 and September 2023 (including interest – EUR 8.1 million and USD 7 million, respectively).

Taking into account the expected credit losses due to the military aggression of the Russian Federation against Ukraine, the dynamics of macroeconomic factors that may adversely affect the revaluation of the Bank's financial instruments, including indexed government bonds, as well as the results of stress testing of banks planned by the NBU in 2023, the Bank may not have sufficient capital to meet the NBU's regulatory requirements. Under such conditions, the Bank has to formulate and activate recovery plan, which potentially will include, in particular, additional capitalization at the expense of the shareholder. In accordance with Resolution No. 23 of the NBU dated 25 February 2022 (as amended), the Bank is not subject to sanctions during martial law for violations of capital, liquidity, credit risk and investment ratios, caused by the negative impact of the military aggression of the Russian Federation against Ukraine.

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There is still a material uncertainty, due to the unpredictable impact of ongoing hostilities on the territory of Ukraine, that may cast significant doubt on the Bank’s ability to continue as a going concern and, therefore, it will not be able to realize its assets and repay its liabilities in the ordinary course of business.

The management of the Group based on forecast indicators of liquidity, capital standards, the amount of expected credit losses, believes that there are sufficient grounds for drawing up these interim condensed consolidated financial statements based on the going concern assumption.

3.3. Functional currency

The Bank and its subsidiaries’ functional currency and currency of presentation of these interim condensed consolidated financial statements is Hryvnia (“UAH”). All amounts are rounded to thousands, unless otherwise indicated.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the appropriate spot exchange rates effective at the reporting date. Foreign currency transactions are accounted for at the exchange rates set at the date of the transaction. Gains and losses arising from these translations as well as from the settlement of foreign exchange transactions are included in net gain/(loss) on foreign exchange operations.

The official exchange rates at period-end used by the Group in preparation of the interim condensed consolidated financial statements are as follows:

	30 June 2023	31 December 2022
UAH/USD 1	36.5686	36.5686
UAH/EUR 1	40.0006	38.9510

3.4. Significant assumptions and sources of estimation uncertainty

While preparing the interim condensed consolidated financial statements of the Group, management is required to make assumptions, estimates and use professional judgment in terms of the carrying amount of assets and liabilities that are not apparent from other sources. The estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

While preparing the interim condensed consolidated financial statements, the critical judgments made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with the IFRS.

Assessment of expected credit losses

Approaches for assessment of expected credit losses (ECL) were the same as those applied to the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with the IFRS.

Buildings and properties under construction

The Group provides revaluation of properties (buildings) as part of property and equipment with sufficient regularity so that the carrying amount does not differ significantly from that, which would be determined using fair value at the end of the reporting period. The frequency of revaluations depends on changes in the fair value of the revalued items of property and equipment. If the fair value of a revalued asset differs materially from its carrying amount, a revaluation is performed.

Real estate (buildings) in property, plant and equipment are stated at fair value. The last valuation was conducted on 1 December 2020 with the involvement of an independent appraiser. The value of real estate was determined by an independent appraiser using income and comparative approaches.

As at 30 June 2023, buildings and office premises owned by the Group were not revalued. According to management estimates during 6 months ended 30 June 2023 market value of real estate property has not

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changed significantly, thus the carrying value of buildings and office premises owned by the Group does not differ materially from that which would be determined using fair value at the end of the reporting period.

Deferred tax assets

Deferred tax assets related to tax losses carried forward are mostly not recognized in the statement of financial position, as the Group's management believes that the probability of using such an asset in the future is low due to uncertainty connected with the martial law introduced in Ukraine.

Exchange rate of hryvnia to foreign currencies

National Bank of Ukraine by Board's Resolution No.18 dated 24 February 2022 “*On the operation of the banking system during the introduction of martial law*” fixed the official exchange rate of the hryvnia to foreign currencies. On 21 July 2022, National Bank of Ukraine corrected the official exchange rate of UAH to USD by 25% from 29.2549 to 36.5686 hryvnia for one US dollar. At the same time, as at 30 June 2023, the commercial weighted average exchange rate of UAH to USD when buying/selling on the cash foreign exchange market of Ukraine differs from the official exchange rate of UAH to USD by 1.00% та 1.97%, respectively. The Group continues to accounting monetary assets and liabilities denominated in foreign currencies at the official exchange rate of the hryvnia to foreign currencies established by the National Bank of Ukraine on the reporting date, as required by the Group's accounting policy.

Other sources of uncertainty

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukraine's banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could negatively affect the Group's consolidated financial position, results of operations, and development prospects.

The effects on the Group's consolidated financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and capital markets cannot be reliably estimated. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Amendments to the standards, which come into force on 1 January 2022

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following new or amended standards and interpretations had no significant impact on the Group's consolidated financial statements:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

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In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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5. NET INTEREST INCOME

Net interest income is presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Interest income comprises:		
Interest income, calculated using effective interest method:		
Interest income on financial assets measured at amortised cost		
interest on investments	6,445,456	3,800,345
interest on loans to customers	6,121,287	4,298,501
interest on due from banks	290,232	3,787
other interest income	-	89
Interest income on financial assets measured at fair value through other comprehensive income		
interest on investments	253,846	213,895
Total interest income, calculated using effective interest method	13,110,821	8,316,617
Interest income on financial assets measured at fair value through profit or loss		
interest on investments	1,509,888	1,424,767
interest on loans to customers	378,232	305,997
Total interest income	14,998,941	10,047,381
Interest expense comprises:		
Interest expense on financial liabilities measured at amortised cost		
interest on customer accounts	(5,835,735)	(2,858,967)
interest on Eurobonds issued (Note 17)	(211,295)	(322,786)
interest on other borrowed funds (Note 18)	(52,990)	(50,784)
interest on subordinated debt (Note 20)	(28,204)	(26,942)
interest on funds due to banks	-	(308,595)
Other interest expense		
Interest on lease liabilities	(25,688)	(23,749)
Total interest expense	(6,153,912)	(3,591,823)
Net interest income	8,845,029	6,455,558

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6. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense are presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Fee and commission income:		
Payment card transactions	3,883,193	2,649,282
Cash and settlement transactions	1,444,481	1,159,163
Foreign currency transactions	122,697	61,485
Loan servicing to customers	71,364	36,447
Off-balance sheet operations	23,791	22,010
Transactions with securities	2,640	1,491
Other	88,234	73,115
Total fee and commission income	5,636,400	4,002,993
Fee and commission expense:		
Payment card transactions	(2,195,834)	(1,630,501)
Foreign currency transactions	(54,652)	(11,437)
Cash and settlement transactions	(45,192)	(28,455)
Off-balance sheet operations	(10,317)	(6,224)
Transactions with securities	(1,398)	(1,154)
Other	(5,084)	(5,628)
Total fee and commission expense	(2,312,477)	(1,683,399)

7. NET GAIN/(LOSS) ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) on transactions with financial instruments at fair value through profit or loss is presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
<i>Trading transactions, net:</i>		
Investments	526	142
<i>Change in fair value:</i>		
Investments	273,308	1,161,837
Loans to customers	(477,469)	(1,149,955)
Total net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(203,635)	12,024

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8. OPERATING EXPENSES

Operating expenses are presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Personnel expenses		
Salary and bonuses	2,525,449	2,529,743
Social security costs	605,772	742,179
Other short-term employee payments	367,996	1,096,963
Other employee expense	550	178
Total personnel expenses	3,499,767	4,369,063
Depreciation and amortization		
Depreciation of fixed assets (without of right-of-use assets)	650,147	662,889
Amortization of intangible assets	185,741	163,813
Depreciation of right-of-use assets	95,817	103,449
Total depreciation and amortization	931,705	930,151
Other administrative and operational expenses		
Fixed assets maintenance	942,249	546,852
Deductions to the Individual Deposit Guarantee Fund	496,242	153,195
Communication services	186,598	179,812
Utilities	126,063	190,306
Taxes other than income tax	97,144	73,624
Office maintenance	79,985	45,270
Fuel expenses	78,460	63,644
Leases	59,353	50,132
Professional services	47,310	31,673
Security	36,406	36,958
Insurance	12,568	18,696
Advertising costs	12,836	7,569
Business trip expenses	6,141	3,957
Impairment of fixed assets	-	207,880
Impairment of investment property	-	5,605
Other expenses	366,364	327,381
Total other administrative and operational expenses	2,547,719	1,942,554
Total operating expenses	6,979,191	7,241,768

9. INCOME TAX

The Bank calculates income tax based on the tax accounts maintained and prepared in accordance with the current Ukrainian tax legislation, which may differ from International Financial Reporting Standards.

Movements in deferred tax assets/(liabilities) are presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
At the beginning of the period	(97,833)	(173,704)
Change in deferred income tax liabilities recognised in profit or loss	77	303
Tax effect of property revaluation reserve change	-	22,109
Tax effect on revaluation reserve of securities measured at fair value through other comprehensive income	(6,480)	15,197
At the end of the period	(104,236)	(136,095)

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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10. EARNINGS PER SHARE

For the purposes of these interim condensed consolidated financial statements, the earnings per share are not disclosed whereas 100% of the Bank’s shares belong to the state.

11. CASH AND CASH EQUIVALENTS

	<u>30 June 2023</u>	<u>31 December 2022</u>
Correspondent accounts	22,331,831	12,911,000
Less: allowance for expected credit losses	(27,795)	(21,420)
<i>Total correspondent accounts</i>	22,304,036	12,889,580
Cash on hand	13,467,156	11,974,282
Balances with the National Bank of Ukraine	24,002,670	3,512,850
Total cash and cash equivalents	<u>59,773,862</u>	<u>28,376,712</u>

Balances with the NBU are funds placed to ensure daily settlements and other transactions.

As at 30 June 2023, cash on hand in the amount of UAH 92,085 thousand (31 December 2022: UAH 106,909 thousand), has 100% expected credit losses, which were located in the Bank’s branches located in the temporarily occupied territories of Ukraine and over which control was lost. Therefore these cash on hand did not conform the definition of cash and cash equivalents, they were reclassified as restricted cash and cash equivalents in Other financial assets, Note 14.

Movements in expected credit losses for cash and cash equivalents are presented in Note 27.

As at 30 June 2023, corresponding accounts including cash and cash equivalents in the amount of UAH 14,733,803 thousand (24.64%) were placed in two banks of one banking group (31 December 2022: UAH 9,694,541 thousand (34.14%) were placed in two banks of one banking group), which is the evidence of high concentration.

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12. LOANS TO CUSTOMERS

	30 June 2023	31 December 2022
Loans to customers measured at amortised cost	80,222,903	82,734,176
Loans to customers measured at fair value through profit or loss (Note 24)	329,419	481,419
Total loans to customers	80,552,322	83,215,595
Loans measured at amortised cost		
Loans to legal entities:		
Loans to corporate entities	79,745,356	81,210,567
Less: allowance for expected credit losses	(19,281,237)	(19,793,660)
Total loans to corporate entities	60,464,119	61,416,907
Loans to state and municipal authorities	8,190,977	10,094,679
Less: allowance for expected credit losses	(201,508)	(253,599)
Total state and municipal authorities	7,989,469	9,841,080
Mortgage loans	1,035	1,543
Total mortgage loans	1,035	1,543
Loans to individuals:		
Mortgage loans	4,300,986	3,683,923
Less: allowance for expected credit losses	(782,260)	(772,268)
Total mortgage loans	3,518,726	2,911,655
Other loans	12,103,577	12,646,782
Less: allowance for expected credit losses	(3,854,023)	(4,083,791)
Total other loans	8,249,554	8,562,991
Total loans measured at amortised cost	80,222,903	82,734,176
Loans to customers measured at fair value through profit or loss		
Loans to corporate entities	329,419	481,419
Total loans measured at fair value through profit or loss	329,419	481,419

Movements in the allowance for expected credit losses of loans to customers are disclosed in Note 27.

As at 30 June 2023, loans with gross carrying amount of UAH 46,471,840 thousand (44%) (31 December 2022: UAH 46,793,095 thousand (43%)), were granted to ten borrowers, which represents a significant concentration.

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The table below represents the structure of the Group's borrowers by economic sectors:

	30 June 2023		31 December 2022	
Analysis by economic sectors	Gross carrying value	Allowance for ECL	Gross carrying value	Allowance for ECL
Energy	20,105,179	(4,663,047)	20,627,849	(4,680,409)
Individuals	16,404,563	(4,636,280)	16,330,705	(4,856,059)
Agriculture	14,728,969	(1,941,604)	14,227,669	(1,966,173)
Oil, gas and chemical production	12,106,101	(433,585)	12,180,124	(497,880)
Construction and real estate	9,673,103	(5,452,651)	9,798,994	(5,420,767)
Trade	8,324,110	(1,374,837)	9,669,016	(1,636,751)
Food and beverage manufacturing and processing	6,166,906	(2,091,340)	6,679,837	(2,384,681)
Road construction and maintenance	5,934,483	(176,496)	6,100,301	(188,851)
Mining and metallurgy	5,103,934	(2,785,004)	4,892,472	(2,719,830)
Municipal authorities	2,256,495	(25,013)	3,994,378	(64,748)
Industrial and consumer goods manufacturing	1,209,407	(97,207)	1,064,339	(103,182)
Services	982,573	(338,168)	895,916	(264,892)
Transport	699,093	(45,111)	1,138,665	(53,638)
Financial services	355,930	9,661	66,522	10,064
Engineering	289,624	(43,336)	171,083	(49,704)
Press and publishing	48,465	(3,363)	41,631	(4,783)
Media and communications	16,556	(1,741)	15,025	(1,844)
Other	265,859	(19,906)	224,387	(19,190)
Total loans to customers	104,671,350	(24,119,028)	108,118,913	(24,903,318)

The Group repossessed real estate property and other assets as a repayment of non-performing loans. As at 30 June 2023, such assets in the amount of UAH 741,212 thousand (31 December 2022: UAH 682,856 thousand) thousand, respectively, were included in other assets (Note 14).

Loans to individuals are presented by the following products:

	30 June 2023	31 December 2022
Mortgage loans	4,300,986	3,683,923
Other loans:		
Payment card loans	4,867,224	5,558,342
Car loans	4,414,335	4,209,385
Consumer loans secured by real estate and guarantees	1,331,713	1,344,085
Other consumer loans	1,490,305	1,534,970
	16,404,563	16,330,705
Less: allowance for impairment losses	(4,636,283)	(4,856,059)
Total loans to individuals	11,768,280	11,474,646

In October 2022, the Bank became a participant in the new state programme of affordable mortgage lending "eOselya" initiated by the President of Ukraine (Note 18). During the first half of 2023, the Group issued 583 loans in the amount of UAH 804,962 thousand. (During 2022, the Group issued 340 loans in the amount of UAH 462,388 thousand). As at 30 June 2023, the gross carrying value of these loans amounted to UAH 792,943 thousand (31 December 2022: UAH 460,746 thousand).

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13. INVESTMENTS

	30 June 2023			31 December 2022		
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost
Ukrainian government debt securities						
Short-term Ukrainian government debt securities	-	-	11,281,040	197	-	18,282,939
Medium-term Ukrainian government debt securities	3,352	6,182,240	42,937,309	3,236	6,094,568	28,765,399
Long-term Ukrainian government debt securities	55,534,906	2,038,172	5,780,836	54,575,386	2,006,502	5,779,243
Allowance for expected credit losses	-	-	(732,351)	-	-	(475,453)
Total Ukrainian government debt securities	55,538,258	8,220,412	59,266,834	54,578,819	8,101,070	52,352,128
Other:						
Corporate debt securities:						
Bonds issued by corporate entities	-	-	-	-	-	40,863
Bonds issued by State Mortgage Institution	-	-	892,292	-	-	853,700
Allowance for expected credit losses	-	-	(27,759)	-	-	(10,699)
Total corporate debt securities	-	-	864,533	-	-	883,864
Other debt securities:						
Debt commitments of the NBU	-	-	14,503,596	-	-	26,533,398
Bonds issued by local government authorities	-	-	231,706	-	-	232,834
Allowance for expected credit losses	-	-	(2,208)	-	-	(2,177)
Total other debt securities	-	-	14,733,094	-	-	26,764,055
Total debt securities	55,538,258	8,220,412	74,864,461	54,578,819	8,101,070	80,000,047
Equity securities:						
Corporate shares	-	811,627	-	-	718,915	-
Total equity securities	-	811,627	-	-	718,915	-
Total investments	55,538,258	9,032,039	74,864,461	54,578,819	8,819,985	80,000,047

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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Movements in the allowance for expected credit losses of investments are disclosed in Note 27.

As at 30 June 2023, in compliance with the terms of the agreement on storage of cash of the National Bank, Ukrainian state debt securities were pledged as collateral, state bonds at fair value through profit or loss with carrying amount of UAH 13,509,615 thousand (31 December 2022: UAH 13,181,984 thousand).

As at 30 June 2023, Ukrainian state debt securities carried at amortized cost with a carrying amount of UAH 3,917,319 thousand were used as collateral under a non-revolving credit line received from PrJSC "Ukrainian Financial Housing Company" (31 December 2022: UAH 1,689,234 thousand) (Note 18).

As at 3 March 2023, the Bank excluded from the pledge Ukrainian government debt securities provided as collateral under the general loan agreement with the National Bank of Ukraine, as at 31 December 2022 the Group pledged under this agreement Ukrainian state debt securities carried at amortized cost with a carrying amount UAH 1,927,686 thousand.

Company shares are investments in equity instruments designated at fair value through other comprehensive income, which are represented mainly by shares of Visa and Mastercard payment systems.

14. OTHER ASSETS

Other assets comprise:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Other financial assets:		
Restricted cash and cash equivalents	913,911	963,783
Less: allowance for expected credit losses	(92,092)	(106,917)
Total restricted cash and cash equivalents	821,819	856,866
Settlements with money transfer systems	349,308	310,114
Income accrued	285,683	268,985
Other receivables	1,517,227	27,357
Fair value of spot foreign currency transactions	893	-
Less: allowance for expected credit losses	(141,532)	(143,549)
Total accounts receivable for transactions and other receivables	2,011,579	462,907
Total other financial assets	2,833,398	1,319,773
Other non-financial assets:		
Collateral repossessed by the Group	741,212	682,856
Prepayments:		
Prepayments for purchase of assets	2,295,632	1,536,155
Deferred expenses	1,031,851	748,878
Prepaid services	118,121	144,325
Less: allowance for expected credit losses	(103,870)	(80,152)
Total prepayments	3,341,734	2,349,206
Inventories	265,148	162,281
Precious metals	25,699	29,415
Miscellaneous assets:		
Receivables from employees and third parties	33,270	33,222
Obligatory payments	27,948	13,319
Other	283	5
Less: allowance for expected credit losses	(32,522)	(33,016)
Total miscellaneous assets	28,979	13,530
Receivables on taxes other than income tax		
Receivables on value added tax (VAT)	274	299
Total receivables on taxes other than income tax	274	299
Total other non-financial assets	4,403,046	3,237,587

Restricted cash and cash equivalents as at 30 June 2023 are represented by balances on escrow accounts with the National Bank of Ukraine in the amount of UAH 745,125 thousand and cash on hand in the amount of UAH 92,085 thousand, which were kept in the Bank's branches located in the temporarily occupied territories of Ukraine (Note 11), were reclassified to restricted cash and cash equivalents in Other financial assets.

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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Movements in allowance for other financial assets are disclosed in Notes 27.

In the first half of 2023, the Group sold repossessed assets with a carrying value of UAH 66,720 thousand. As a result, gain in amount of UAH 13,529 thousand was recognized in the interim consolidated statement of profit or loss and other comprehensive income within Other income.

Precious metals are represented by gold and silver in vault.

15. DUE TO BANKS

Due to banks comprises:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Correspondent accounts of other banks	325,596	543,326
Total due to banks	<u>325,596</u>	<u>543,326</u>

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Term deposits:		
Balances on term deposits from customers	94,874,932	78,928,950
Balances on other deposits from customers	2,545,349	2,507,162
Demand accounts:		
Balances on current accounts from customers	158,398,324	150,677,669
Balances on demand deposits from customers	2,413,941	1,826,528
Total customer accounts	<u>258,232,546</u>	<u>233,940,309</u>

Balances on other deposits from customers included deposits from customers for which the agreements have expired and for which customers did not withdraw funds for three or more years.

As at 30 June 2023, total balances on accounts of top ten customers amounted to UAH 29,446,064 thousand which represented 11% of total customer balances (31 December 2022: UAH 15,463,883 thousand, which represented 7%). As at 30 June 2023, total balance on accounts of one largest customer comprised 4% of total balances on customers' accounts (31 December 2022: 1%).

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The table below represents customer accounts’ structure by industry sectors:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Analysis by sector of economy:		
Individuals	175,099,051	168,637,281
Energy	15,187,823	14,628,762
Agriculture	10,591,551	7,830,821
Oil, gas and chemical production	9,447,582	1,073,826
Trade	8,709,204	8,786,690
Transport	7,245,210	2,494,109
Services	5,947,123	5,481,932
Construction and real estate	3,877,859	4,047,533
State authorities and local governments	3,681,679	3,981,625
Financial services	3,180,680	2,631,779
Media and communications	2,982,880	1,794,974
Engineering	1,677,208	2,426,258
Industrial and consumer goods manufacturing	1,354,519	1,332,156
Food and beverage manufacturing and processing	1,301,924	1,391,742
Mining and metallurgy	876,112	779,598
Press and publishing	80,889	70,144
Other	6,991,252	6,551,079
Total customer accounts	<u>258,232,546</u>	<u>233,940,309</u>

As at 30 June 2023, included in customer accounts are deposits in the amount of UAH 617,564 thousand (31 December 2022: UAH 42,181 thousand), that are held as a collateral for financial guarantees issued and other commitments (Note 22).

The Group derecognized liabilities on customer accounts for which clients identification data was no longer available. At the same time, the Group recognized a provision to cover possible payments under these liabilities in full. The provision was accrued to cover payments on liabilities on customer accounts in case of receiving of all information for client identification as required by the current legislation of Ukraine. As at 30 June 2023 amount of provisions for liabilities to customers comprised UAH 271,310 thousand (31 December 2022: UAH 271,909 thousand) (Note 19).

17. EUROBONDS ISSUED

Eurobonds issued are presented as follows:

Currency	Maturity	30 June 2023		31 December 2022		
		Coupon rate p.a., %	Carrying value	Maturity	Coupon rate p.a., %	Carrying value
USD	March 2023	9.375	–	March 2023	9.375	1,319,187
	September 2023–			March 2023 –		
USD	March 2025	9.625	3,771,680	March 2025	9.625	4,722,347
Total Eurobonds issued			<u>3,771,680</u>			<u>6,041,534</u>

Changes within the Eurobonds issued are presented as follows:

	<u>For the six months ended 30 June 2023</u>	<u>For the six months ended 30 June 2022</u>
At the beginning of the period	6,041,534	7,908,096
Repayment on Eurobonds	(2,194,116)	(1,755,294)
Effect of changes in the foreign exchange rates	–	574,034
Interest expense (Note 5)	211,295	322,786
Interest paid	(287,033)	(397,876)
At the end of the period	<u>3,771,680</u>	<u>6,651,746</u>

On 8 March 2023, the Group made full repayment in the amount of USD 35,000 thousand (UAH 1,279,901 thousand as of the maturity date) of the balance of Eurobonds issued in March and July 2011. On 16 March, the Group repaid USD 25,000 thousand (UAH 914,215 thousand as of the maturity date) of Eurobonds issued in March 2013. The repayments were made on time, in accordance with the terms of the Eurobonds issue.

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Along with the planned redemptions of the principal amount of Eurobonds, the Group also paid accrued interest.

On 4 March 2022, the Group repaid in the amount of USD 35,000 thousand (UAH 1,023,922 thousand as of the maturity date) of Eurobonds issued in March and July 2011. On 17 March 2022, the Group repaid USD 25,000 thousand (UAH 731,372 thousand as of the maturity date) of Eurobonds issued in March 2013. The repayments were made on time, in accordance with the terms of the Eurobonds issue. Along with the planned redemptions of the principal amount of Eurobonds, the Group also paid accrued interest.

The Bank is obliged to comply with certain covenants specified in the loan agreement with SSB No.1 Plc in relation to the Eurobonds issued. Those covenants include: requirement to submit financial statements according to the schedule, restriction to declare or pay dividends or make other distributions if this may lead to delays in repayment of the Eurobonds or if such distributions, in aggregate, exceed 30% of net profits of the Bank for the relevant period (calculated in accordance with the laws of Ukraine), certain limitations on transactions with related parties, etc.

18. OTHER BORROWED FUNDS

Other borrowed funds include:

	30 June 2023				31 December 2022		
	Currency	Maturity	Coupon rate p.a., %	Carrying value	Maturity	Coupon rate p.a., %	Carrying value
Loans from the European Investment Bank	EUR	December 2023 – December 2024	4.26	566,119	June 2023 – December 2024	4.26	735,205
Loans from the European Investment Bank	EUR	September 2023 – September 2024	4.43	573,640	March 2023 – September 2024	4.43	744,944
Loans from the European Investment Bank	EUR	July 2023– July 2025	3.91	560,563	January 2023– July 2025	3.91	655,139
Loans from the PrJSC "Ukrainian Financial Housing Company"	UAH	October 2023- October 2043	3.00	<u>1,252,023</u>	October 2023- October 2043	3.00	<u>540,865</u>
Total other borrowed funds				<u>2,952,345</u>			<u>2,676,153</u>

Changes in other borrowed funds are presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
At the beginning of the period	2,676,153	2,818,312
Proceeds of other borrowed funds	709,200	–
Repayment of other borrowed funds	(478,531)	(753,785)
Interest expense (Note 5)	52,990	50,784
Interest paid	(55,916)	(61,322)
Effect of changes in the foreign exchange rates	48,449	11,601
At the end of the period	<u>2,952,345</u>	<u>2,065,590</u>

Under the loan agreement with the European Investment Bank the Bank is obliged to comply with a range of information requirements and financial covenants, which include maintaining certain coefficients (ratios) at determined levels.

On 4 October 4 2022, in order to ensure the Bank's participation in the state program for providing affordable mortgage lending to citizens of Ukraine "eOselya", the Bank and PrJSC "Ukrainian Financial Housing Company" (hereinafter - "UFHC") concluded a non-revolving credit line agreement. As at 30 June 2023, debt securities measured at amortized cost with a carrying amount of UAH 3,917,319 thousand (31 December 2022: UAH 1,689,234 thousand) (Note 13) were used as collateral under the non-revolving credit line with the UFHC.

19. OTHER LIABILITIES

Other liabilities include:

	30 June 2023	31 December 2022
Provisions		
Provisions for expected credit losses for guarantees and other credit commitments:		
Provisions for credit commitments	438,025	380,902
Provisions for financial guarantee contracts	186,647	527,166
Total provisions for expected credit losses for guarantees and other credit commitments	624,672	908,068
Other provisions:		
Provisions for liabilities to customers	271,310	271,909
Total other provisions	271,310	271,909
Total provisions	895,982	1,179,977
Other financial liabilities		
Lease liabilities	332,954	392,712
Other accounts payable:		
Accrued expenses for cash operations	39,136	43,781
Accounts payable for other operations	21,182	11,156
Fair value of spot foreign currency transactions	1,638	–
Total other accounts payable	61,956	54,937
Accrued expenses	80,103	159,316
Total other financial liabilities	475,013	606,965
Other non-financial liabilities		
Taxes payable other than income tax:		
Value added tax payables	8,458	19,520
Accounts payable for other taxes and mandatory payments	131,624	107,715
Total taxes payable other than income tax	140,082	127,235
Advances received	92,346	83,052
Accounts payable for payments to banks employees:		
Provisions for unused vacations	705,628	673,934
Accrued bonuses and salaries	30,324	100,365
Other accounts payable for payments to banks employees	1,286	547
Total accounts payable for payments to banks employees and advances receives	829,584	857,898
Accounts payable on fees to the Individual Deposit Guarantee Fund	250,214	236,577
Other	34,152	68,290
Total other non-financial liabilities	1,254,032	1,290,000
Total other liabilities	2,625,027	3,076,942

Movements in allowance for expected credit losses for guarantees and other commitments are disclosed in Notes 27.

Provisions for liabilities to customers were formed to cover payments on liabilities to the customer accounts in the event of receipt of all information to identify the customer, as required by current legislation of Ukraine (Note 16).

Movement in lease liabilities is presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
At the beginning of the period	392,712	428,638
Liabilities recognition	29,374	32,889
Interest accrual (Note 5)	25,688	23,749
Interest paid	(22 635)	(22,906)
Liabilities repayments	(92,185)	(78,081)
At the end of the period	332,954	384,289

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20. SUBORDINATED DEBT

Subordinated debt is presented as follows:

Currency	Maturity of the principal	Interest rate, %	30 June 2023	Interest rate, %	31 December 2022
USD	19 January 2024	12.00	481,170	10.19	716,442
Total subordinated debt			481,170		716,442

Changes in subordinated debt are presented as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
At the beginning of the period	716,442	878,960
Interest expense (Note 5)	28,204	26,942
Interest paid	(34,922)	(30,460)
Repayment of subordinated debt	(228,554)	(173,358)
Effect of changes in the foreign exchange rates	-	52,738
At the end of the period	481,170	754,822

On 17 January 2023, the Group repaid part of the subordinated debt in the amount of USD 6,250 thousand, which amounted to equivalent of UAH 228,554 thousand at the maturity date. Along with the scheduled repayments of the principal, the Group also repaid accrued interest.

On 14 January 2022, the Group repaid part of the subordinated debt in the amount of USD 6,250 thousand, which amounted to equivalent of UAH 173,358 thousand at the maturity date. Along with the scheduled repayments of the principal, the Group also repaid accrued interest.

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

21. SHARE CAPITAL

Share capital is presented as follows:

	Number of shares	Nominal value, UAH thousand	Adjusted amount, UAH thousand
31 December 2021	42,649	49,472,840	49,724,980
31 December 2022	42,649	49,472,840	49,724,980
30 June 2023	42,649	49,472,840	49,724,980

As at 30 June 2023 and 31 December 2022 the nominal value of each share amounted to UAH 1,160,000. All shares rank equally and carry one vote.

These interim condensed consolidated financial statements reflect the amount of paid share capital carried at cost, which was adjusted for the effect of hyperinflation in the amount of UAH 252,140 thousand that existed before 31 December 2000.

In 2023, based on the financial result of 2022, the Group paid out a portion of profit in the amount of UAH 191,941 thousand to the State Budget of Ukraine in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 18 April 2023 No. 358 “On Approval of the Basic Standard for Deduction of the Share of Profit Allocated to Payment of Dividends Based on the Results of Financial and Business Activities in 2022 of Business Companies with State Corporate Rights in the Charter Capital”.

In 2022, based on the financial result of 2021, the Group paid out a portion of profit in the amount of UAH 318,117 thousand to the State Budget of Ukraine in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 3 March 2022 No. 183 “Some issues of dividend payment by state banks in 2022”.

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As at 30 June 2023 and 31 December 2022 the Group’s capital was established and paid in by cash, by Ukrainian government debt securities and using the profit of UAH 49,724,980 thousand, contributed to increase the share capital, taking into account effect of hyperinflation as required by IAS 29 Financial Reporting in Hyperinflationary Economies.

The cash contributed to the Group share capital is used for the activities envisaged by the Group Charter.

22. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risks, are not reflected in the interim consolidated statement of financial position.

The Group’s maximum exposure to credit risk under contingent liabilities and contractual commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral, or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for operations recorded in the interim consolidated statement of financial position.

As at 30 June 2023 and 31 December 2022, the nominal or contractual amounts were as follows:

	30 June 2023	31 December 2022
Contingent financial liabilities and credit commitments		
Irrevocable commitments on loans and unused credit lines	12,067,894	11,187,489
Financial guarantees issued and similar commitments	603,326	644,277
Letters of credit and other contingencies	255,980	742,190
Total contingent financial liabilities and credit commitments	12,927,200	12,573,956

As at 30 June 2023, non-financial guarantees amounted to UAH 46,685 thousand (31 December 2022: UAH 10,642 thousand).

As at 30 June 2023, provisions for contingent financial liabilities and credit commitments, including financial guarantees and other liabilities amounted to UAH 624,668 thousand (31 December 2022: UAH 908,068 thousand) (Notes 19, 27); provisions for non-financial guarantees amounted to UAH 4 thousand (31 December 2022: UAH 38 thousand).

As at 30 June 2023, guarantees issued and other liabilities were provided by cash deposits in the amount of UAH 617,564 thousand (31 December 2022: UAH 42,181 thousand) (Note 16).

Increase of loans to customers within loans and credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers’ financial performance, debt service quality, and other conditions. As at 30 June 2023, the total amount of such revocable commitments amounted to UAH 22,825,955 thousand (31 December 2022: UAH 16,574,045 thousand).

The total amount of debt for unused credit lines, letters of credit and guarantees under the agreements do not necessarily represent future cash claim, since the expiration or cancellation of those commitments without providing funds to the borrower could be possible.

Litigations

As at 30 June 2023, there were disputes in the courts for UAH 42,234 thousand (31 December 2022: UAH 27,918 thousand), the probability of resource outflows for which the Group assesses as possible. Taking into account the Group’s assessment of the prospects for resolving the disputes, no provisions were made for these risks.

Taxation

Due to presence in the Ukrainian legislation, in particular, tax legislation, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, Ukrainian tax authorities may take a stricter position in their interpretation of the law during the tax audits. Combined with possible efforts to increase collection of taxes to

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meet state budget requirements this could increase the level and frequency of inspections by the tax authorities. In particular, it is possible that transactions and activities that were not challenged in the past, may be challenged. As a result, significant additional taxes, penalties and fines may be assessed. Such uncertainty may relate to the valuation of financial instruments, allowances for expected credit losses, operations with non residents and the market level for pricing of deals.

In respect of certain areas, the Ukrainian tax legislation does not contain clear guidance. From time to time, the Group uses the interpretation of such uncertain areas, based on the provisions of current Ukrainian legislation, intergovernmental legislative acts on avoidance of double taxation, which results in application by the Group (the tax agent) of the tax rates which are based on intergovernmental agreements. As noted above, such tax positions may be subject to detailed inspection. The impact of any claims by the tax authorities cannot be reliably estimated; however, it may be material to the financial position and/or general operations of the Group.

As at 30 June 2023 and 31 December 2022, the Group had no overdue liabilities in paying taxes (presence/absence of tax liability). The Group believes that it has already made all tax payments, and, therefore, no allowance has been made in the interim condensed consolidated financial statements. Tax records remain open to review by the tax authorities for three years, taking into account the statute of limitations.

As at 30 June 2023 and 31 December 2022, the Group had no contingent assets and/or liabilities with a high probability of their recognition in the balance sheet, except for those reported in the financial statements as at 30 June 2023 and for the year then ended 31 December 2022.

23. RELATED PARTY TRANSACTIONS

The Group's transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel of the Group, and entities, if any, that are controlled or jointly controlled, by them.

Government-related entities are entities that are controlled, jointly controlled, or significantly influenced by the government bodies.

In considering each possible related party relationship, one should pay analyze substance of the relationship and not merely the legal form.

Related party transactions and balances which are transactions with the government, entities related to public authorities (directly or indirectly), entities that are controlled, jointly controlled by key management personnel of the Group are disclosed as other related party transactions.

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The Group's balances with its related parties as at 30 June 2023 and 31 December 2022 are presented in the table below.

	30 June 2023				31 December 2022			
	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category
Assets								
Cash and cash equivalents	–	24,210,237	24,210,237	59,773,862	–	3,806,255	3,806,255	28,376,712
Loans to customers	973	28,990,866	28,991,839	80,552,322	1,234	30,040,860	30,042,094	83,215,595
Investments	–	138,420,857	138,420,857	139,434,758	–	142,435,472	142,435,472	143,398,851
Other financial assets	–	745,225	745,225	2,833,398	–	786,901	786,901	1,319,773
Liabilities								
Due to banks	–	18,651	18,651	325,596	–	165,927	165,927	543,326
Customer accounts	75,442	34,248,475	34,323,917	258,232,546	61,702	17,334,714	17,396,416	233,940,309
Other borrowed funds	–	1,252,023	1,252,023	2,952,345	–	540,865	540,865	2,676,153
Other non-financial liabilities	5,966	–	5,966	1,254,032	4,383	–	4,383	1,290,000
Contingent liabilities and credit commitments, including allowance for expected credit losses	440	2,782,892	2,783,332	35,799,844	664	2,545,503	2,546,167	29,158,681

As at 30 June 2023, gross loans to customers and allowances for expected credit losses amounted to UAH 30,006,504 thousand (31 December 2022: UAH 31,089,927 thousand) and UAH (1,015,638) thousand (31 December 2022: UAH (1,049,067) thousand), respectively, for other related parties.

As at 30 June 2023, gross investment and allowance for expected credit losses amounted to UAH 139,180,967 thousand (31 December 2022: UAH 142,921,414 thousand) and UAH (760,110) thousand (31 December 2022: UAH (485,942) thousand), respectively, for other related parties.

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Included in the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 and 2022 were the following amounts which arose due to transactions with related parties:

	For the period ended 30 June 2023				For the period ended 30 June 2022			
	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category
Interest income	51	10,243,172	10,243,223	14,998,941	50	6,885,933	6,885,983	10,047,381
Interest expense	(761)	(1,117,092)	(1,117,853)	(6,153,912)	(379)	(1,066,110)	(1,066,489)	(3,591,823)
Fee and commission income	89	135,075	135,164	5,636,400	171	176,444	176,615	4,002,993
Fee and commission expense	-	(27,354)	(27,354)	(2,312,477)	-	(8,308)	(8,308)	(1,683,399)
Net (loss)/gain on transactions with financial instruments at fair value through profit or loss	-	273,834	273,834	(203,635)	-	1,161,979	1,161,979	12,024
Net profit from transactions with debt financial instruments at fair value through other comprehensive income	-	-	-	-	-	(184)	(184)	573
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	-	(168,995)	(168,995)	1,234,944	-	(264,627)	(264,627)	(5,416,384)
Net gain/(loss) on modifications of financial assets	-	(136,912)	(136,912)	(216,819)	-	(38,224)	(38,224)	(134,151)
Other income	-	17,750	17,750	244,833	-	3,033	3,033	146,731
Personnel expenses	(63,729)	-	(63,729)	(3,499,767)	(101,212)	-	(101,212)	(4,369,063)
Other administrative and operational expenses	-	(540,065)	(540,065)	(2,547,719)	-	(337,284)	(337,284)	(1,942,554)
Key management personnel remuneration:	(61,311)	-	(61,311)	(3,499,767)	(100,306)	-	(100,306)	(4,369,063)
short-term employee benefits	(59,383)	-	(59,383)	-	(94,973)	-	(94,973)	-
social charges	(1,928)	-	(1,928)	-	(5,333)	-	(5,333)	-

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24. FAIR VALUE

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value. The estimates presented in the interim condensed consolidated financial statements are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

Fair value of the Group’s financial assets and financial liabilities at fair value on a recurring basis and fair value of buildings

Some of the Group’s financial assets and financial liabilities, as well as the Group’s buildings, are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Assets/Liabilities	Fair value hierarchy	Valuation techniques and key inputs
Investments, shares	1	Quoted bid prices of shares (unadjusted) in an active market (available to the Group on assessment date) for identical investments. Fair value of shares is assessed using market approach.
Investments, debt securities	1	Quoted bid prices of debt securities (unadjusted) in an active market (available to the Group on assessment date) for identical investments. Fair value of debt securities is assessed using market approach.
	2	Discounted cash flows on debt securities. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows on debt securities Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile. The fair value of the embedded option on indexed domestic government loan bonds is calculated using the adjusted option pricing model for European currency options (Garman-Kohlhagen’s form of the Black-Scholes’s formula). The following input data are used in the calculations: <ul style="list-style-type: none"> • strike rate of US dollar against UAH. Defined as the average US dollar exchange rate against UAH on the interbank market for the month preceding the date of issue of the relevant series of bonds with indexed value (according to the indexation mechanism provided for in the terms of issue). For the Ukrainian government bonds with indexed value received by the Group as contribution to the share capital, strike rate was in the range UAH 14.81-27.23 per US dollar for a package of bonds depending on the date of issue of relevant series of UDGB; • forward US dollar exchange rate against UAH. Determined based maturity of indexed Ukrainian government debt securities: <ul style="list-style-type: none"> for Ukrainian government debt securities with maturity up to one year forward USD/UAH exchange rate is determined based on official NBU USD/UAH exchange rate and taking into account the risk-free rate of return in the US dollars (according to the yield to maturity of the United States government securities) as well as the national currency (according to zero-coupon yield curve published by the National Bank of Ukraine). for Ukrainian government debt securities with maturity from 1 to 2 years forward USD/UAH exchange rate is determined based on quotation of non-delivery forward contracts (NDF) for the currency pair UAH/USD.

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Assets/Liabilities	Fair value hierarchy	Valuation techniques and key inputs
		<p>for Ukrainian government debt securities with maturity over 2 years forward USD/UAH exchange rate is determined based on quotation of NDF with 2 years maturity for the currency pair UAH/USD and taking into account the risk-free rate of return in the US dollars (according to the yield to maturity of the United States government securities) as well as the national currency (according to zero-coupon yield curve published by the National Bank of Ukraine).</p> <p>As at 30 June 2023, the estimated value of the forward US dollar in UAH, which is adopted for calculating the fair value of the embedded option, ranged from 49.08 UAH/USD for 1.39 year time horizon to 72.77 UAH/USD for 8.65 year time horizon (31 December 2022: from 38.98 UAH/USD for 0.56 year time horizon to 73.54 UAH/USD for 9.14 year time horizon);</p> <ul style="list-style-type: none"> • volatility of the US dollar against UAH. Defined as the annual volatility of quotation of NDF with one year maturity. As at 30 June 2023, the volatility of the US dollar against the hryvnia was 19.64% (31 December 2022: 19.66%); • discount rate. The discount rate is determined according zero-coupon yield curve published by the National Bank of Ukraine. As at 30 June 2023, the discount rate ranged from 18.61% per annum for the term of 2.33 years to 10.64% per annum for the period of 8.65 years (31 December 2022: from 18.64% per annum for the term of 1.89 years to 10.40% per annum for the period of 9.14 years).
Loans, to customers measured at fair value through profit or loss	3	<p>Discounted cash flows on loans to customers measured at fair value through profit or loss.</p> <p>Future cash flows on loans to customers measured at fair value through profit or loss are estimated based on expected cash flows attributable to the repayment of loans and are risk-adjusted considering the Group’s analytical evaluations of respective amounts and maturities and taking into account the probabilities of their origination. Cash flows are discounted applying risk-free interest rates adjusted for systemic risk in respective currencies determined according zero-coupon yield curve published by the National Bank of Ukraine.</p>
Real estate: capital investments on construction in progress	3	<p>The Group engages professional independent appraisers to determine the fair values of its constructions in progress.</p> <p>To assess the fair value of constructions in progress, a combination of market, income and cost approaches is used, considering time from the beginning of construction, degree of readiness of construction and prospect of completion of the valuation objects.</p> <p>Prospective low-readiness projects that have been purchased or recently started can be evaluated using a cost approach. The cost approach shows an estimate of the cost of replacing or replacing an object minus all types of wear (physical, functional, economic).</p>
Real estate: <i>buildings</i>	3	<p>The Group engages professional independent appraisers to determine the fair value of its buildings. To determine the fair value, the appraiser used the income approach for office and retail properties in Kyiv and regional centers and the comparative approach for properties outside of regional centers.</p> <p>Inputs and assumptions used: for the sales comparison approach, market sales prices for comparable properties in the immediate vicinity are adjusted for differences in key parameters (such as area of the property). The main parameter used in this valuation method is the price per square meter of a property.</p>
Real estate: <i>investment property</i>	3	<p>The Group engages professional independent appraisers to determine the fair value of its investment property. To determine the fair value, the appraiser used the income approach for office and retail properties in Kyiv and regional centers and the comparative approach for properties outside of regional centers.</p> <p>Inputs and assumptions used: for the sales comparison approach, market sales prices for comparable properties in the immediate vicinity are adjusted for differences in key parameters (such as area of the property). The main parameter used in this valuation method is the price per square meter of a property.</p>

The following table summarizes financial instruments and real estate carried at fair value using a fair value hierarchy. The levels reflect the ability of direct determination of the fair value based on the market data:

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	Level 1	Level 2	Level 3	30 June 2023 Total
Assets				
Investments at fair value through profit or loss:				
Ukrainian government debt securities	–	3,352	55,534,906	55,538,258
Investments at fair value through other comprehensive income:				
Ukrainian government debt securities	–	8,220,412	–	8,220,412
Equity securities	782,469	–	29,158	811,627
Loans measured at fair value through profit or loss				
Loans measured at fair value through profit or loss	–	–	329 419	329 419
Real estate:				
construction in progress	–	–	6,612	6,612
buildings	–	–	2,892,426	2,892,426
Investment property	–	–	626,789	626,789
Total	782,469	8,223,764	59,419,310	68,425,543
	Level 1	Level 2	Level 3	31 December 2022 Total
Assets				
Investments at fair value through profit or loss:				
Ukrainian government debt securities	–	3,433	54,575,386	54,578,819
Investments at fair value through other comprehensive income:				
Ukrainian government debt securities	–	8,101,070	–	8,101,070
Equity securities	689,467	–	29,448	718,915
Loans measured at fair value through profit or loss				
Loans measured at fair value through profit or loss	–	–	481,419	481,419
Real estate:				
construction in progress	–	–	6,612	6,612
buildings	–	–	2,664,771	2,664,771
Investment property	–	–	626,789	626,789
Total	689,467	8,104,503	58,384,425	67,178,395

During six months ended 30 June 2023 the Group did not carry out transfers between Level 2 and Level 3 hierarchies of fair value. The Group policy determines that the transfers between the levels of the fair value hierarchy is considered to be made at the reporting date.

As at 30 June 2022 in comprise with 31 December 2021 debt securities measured at fair value through other comprehensive income in amounts UAH 2,190,824 thousands were transferred from Level 2 to Level 3 hierarchies of fair value owing to some changes of observable inputs. During six months ended 30 June 2022 some quotes and other observable market data were not available for these securities, so their fair value was estimated using valuation methods that use information that is different from observable market data.

The following tables present movements in fair values of Level 3 for financial instruments measured at fair value:

Investments measured at fair value through other comprehensive income

Debt securities			
1 January 2023	–	1 January 2022	548,630
Total income and expense:		Total income and expense:	
In profit or loss:	–	In profit or loss:	118,001
Interest income and dividends	–	Interest income and dividends	125,113
trading result	–	trading result	(182)
(accrual)/release of allowance for expected credit losses	–	(accrual)/release of allowance for expected credit losses	(6,930)
In other comprehensive income:	–	In other comprehensive income:	(16,246)
- net change in fair value of investments at FVOCI	–	- net change in fair value of investments at FVOCI	(16,246)
Coupon income collected	–	Coupon income collected	(115,902)
Sale	–	Sale	(34,789)
Transfers from Level 2 to Level 3	–	Transfers from Level 2 to Level 3	2,190,824
30 June 2023	–	30 June 2022	2,690,518

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Equity securities

1 January 2023	29,448	1 January 2022	29,734
Total income and expense:		Total income and expense:	
In profit or loss:		In profit or loss:	
dividends	2,397	dividends	–
In other comprehensive income:		In other comprehensive income:	
net change in fair value of investments at FVOCI	(290)	net change in fair value of investments at FVOCI	2,036
Dividend collection	(2,397)	Dividend collection	–
30 June 2023	29,158	30 June 2022	31,770

Investments measured at fair value through profit or loss

Debt securities

1 January 2023	54,575,386	1 January 2022	42,786,103
Total income and expense:		Total income and expense:	
In profit or loss:		In profit or loss:	
interest income	1,782,872	interest income	2,584,491
net change in fair value	1,509,650	net change in fair value	1,422,698
Coupon income collected	273,222	Coupon income collected	1,161,793
	(823,352)		(823,352)
30 June 2023	55,534,906	30 June 2022	44,547,242

Loans measured at fair value through profit or loss

1 January 2023	481,419	1 January 2022	2,037,961
Total income and expense:		Total income and expense:	
In profit or loss:		In profit or loss:	
interest income	(99,237)	interest income	(843,957)
net change in fair value	378,232	net change in fair value	305,997
Interest income collected	(477,469)	Interest income collected	(1,149,954)
Repayment	(52,763)	Repayment	(836)
	–		(5,000)
30 June 2023	329,419	30 June 2022	1,188,168

Sensitivity analysis of fair value of Level 3 financial instruments measured at fair value

Sensitivity of the fair value measurement for Level 3 financial instruments to reasonably possible changes in inputs used is presented below:

Investments at fair value through profit or loss

Fair value of investments measured at fair value through profit or loss (domestic government debt securities with indexed value denominated in hryvnias) consists of the fair value of the principal contract and the fair value of the embedded option. The table below provides information on the sensitivity of the fair value measurement of investments, measured at fair value through profit or loss, taking into account the sensitivity to market indicators (indicators), the change of which affects the fair value of the financial instruments (the forward exchange rate of the US dollar to the hryvnia, the volatility of the dollar USD to hryvnia and discount rates):

Government securities

	Change of index		Change in fair value of embedded derivative			
			30 June 2023		31 December 2022	
Forward USD/UAH exchange rate	+ 1%	- 1%	478,063	(477,985)	502,652	(502,548)
Volatility of USD/UAH exchange rate	+1 p.p.	-1 p.p.	12,138	(10,237)	13,013	(10,921)
Discount rate	+1 p.p.	-1 p.p.	(1,205,605)	1,264,799	(1,424,176)	1,495,527

The fair value of the embedded option is most sensitive to the changes in discount rates by 1 p.p. increase/decrease in discount rate would result in the fair value of the option decrease/increase by UAH (- 1,205,605)/+1,264,799 thousand as at 30 June 2023 (31 December 2022: by UAH (- 1,424,176)/+1,495,527 thousand).

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The Group also carried out a simulation of the fair value change of the hybrid instrument on the basis of changes that were objectively feasible – an increase in the forward rate of the US dollar to the hryvnia by 10% and simultaneous increase of discount rates by 1 p.p. If the above scenario is implemented, the fair value of the investments will increase by UAH 3,458,535 thousand as at 30 June 2023 (31 December 2022: UAH 3,464,351 thousand). Reduction of the forward exchange rate of the US dollar to the hryvnia by 5% and reduction of discount rates by 1 p.p. will result reduction in the fair value of investments of UAH 1,186,631 thousand as at 30 June 2023 (31 December 2022: UAH 1,090,152 thousand).

Investments at fair value through other comprehensive income

Other securities and equity securities

Risk premium applied on observable discount rate as at (input)

	Change in input		Fair value	Change in fair value	
30 June 2023	+1 p.p.	-1 p.p.	29,158	(1,003)	1,053
31 December 2022	+1 p.p.	-1 p.p.	29,448	(1,070)	1,125

Sensitivity analysis of the fair value of loans measured at fair value through profit or loss

Presented below is the sensitivity of the fair value of loans measured at fair value through profit or loss to the changes in the inputs by 1 p.p.

Discount rate as at (input)	Change in discount rate		Change in fair value	
30 June 2023	+1 p.p.	-1 p.p.	(19,198)	20,568
31 December 2022	+1 p.p.	-1 p.p.	(27,619)	29,697

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Other financial instruments

For financial assets and liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to on-demand deposits and current accounts without defined maturity.

The Group’s management believes that, except for included in the table below, the carrying amounts of financial assets and financial liabilities recognized in the interim condensed consolidated financial statements approximate their fair values.

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans to legal entities	68,454,623	69,274,699	71,259,530	74,330,995
Loans to individuals	11,768,280	9,525,087	11,474,646	10,002,021
Investments	74,864,461	74,329,051	80,000,047	78,999,699
Total assets	155,087,364	153,128,837	162,734,223	163,332,715
Liabilities				
Customer accounts	258,232,546	258,392,587	233,940,309	233,750,875
Eurobonds issued	3,771,680	2,839,816	6,041,534	3,712,384
Other borrowed funds	2,952,345	2,042,574	2,676,153	1,419,694
Subordinated debt	481,170	443,213	716,442	494,560
Total liabilities	265,437,741	263,718,190	243,374,438	239,377,513

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

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Financial assets/ financial liabilities	Level of the fair value hierarchy	Valuation techniques and key inputs
Due from banks	2	Discounted cash flows on due from banks. Future cash flows on due from banks are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Loans to customers at amortised cost	3	Discounted cash flows on loans to customers at amortised cost. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile. Cash flows are discounted applying risk-free interest rates adjusted for systemic risk in respective currencies determined according zero-coupon yield curve published by the National Bank of Ukraine.
Investments at amortised cost	2	Discounted cash on investments at amortised cost. Future cash flows on investments at amortised cost are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash on investments at amortised cost. Future cash flows on investments at amortised cost are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Due to banks	2	Discounted cash flows on due to banks. Future cash flows on due to banks are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Customer accounts	2	Discounted cash flows on customer accounts. Future cash flows on customer accounts are estimated based on both observable and unobservable inputs.
Eurobonds issued	2	Discounted cash flows on Eurobonds issued.
		Future cash flows on Eurobonds issued are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Other borrowed funds	2	Discounted cash flows on other borrowed funds.
		Future cash flows on other borrowed funds are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Subordinated debt	2	Discounted cash flows on subordinated debt.
		Future cash flows on subordinated debt are estimated based on the inputs that are not observable directly, and the estimates use one or more unobservable prices for orderly transactions in the markets that are not considered active.

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The table below analyses financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required). Levels correspond to the ability to measure fair value directly based on market data:

30 June 2023, fair value	Level 1	Level 2	Level 3	Total
Assets				
Loans to customers	-	-	78,799,786	78,799,786
Investments	-	73,253,636	1,075,415	74,329,051
Total	-	73,253,636	79,875,201	153,128,837
Liabilities				
Customer accounts	-	258,392,587	-	258,392,587
Eurobonds issued	-	2,839,816	-	2,839,816
Other borrowed funds	-	2,042,574	-	2,042,574
Subordinated debt	-	443,213	-	443,213
Total	-	263,718,190	-	263,718,190

31 December 2022 fair value	Level 1	Level 2	Level 3	Total
Assets				
Loans to customers	-	-	84,333,016	84,333,016
Investments	-	77,760,063	1,239,636	78,999,699
Total	-	77,760,063	85,572,652	163,332,715
Liabilities				
Customer accounts	-	233,750,875	-	233,750,875
Eurobonds issued	-	3,712,384	-	3,712,384
Other borrowed funds	-	1,419,694	-	1,419,694
Subordinated debt	-	494,560	-	494,560
Total	-	239,377,513	-	239,377,513

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Group consists of share capital, reserves, and accumulated deficit as disclosed in the interim consolidated statement of changes in equity, and borrowed funds, which include subordinated debt disclosed in Note 20.

The Group reviews the capital structure on a regular basis. As a part of this review the cost of capital, its components and the risks, that are inherent to the Group and might cause the loss of a component of capital are comprehensively analyzed. The Group balances its overall capital structure, in particular, through new share issues as well as the issue/redemption of subordinated debt.

As at 30 June 2023 and 31 December 2022, the Group complied with the requirements of the National Bank of Ukraine regarding adequacy of the regulatory capital.

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26. REGULATORY MATTERS

The Group monitors its capital adequacy using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in its supervision of the Bank and entities over which the Bank has power, risk or exposure to variable returns and is able to affect those returns through its power over the investee.

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

Quantitative measures established by the Basel Committee to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total capital (8%) and Tier 1 capital (4%) to risk-weighted assets.

The following table analyses the Group’s regulatory capital resources for capital adequacy purposes in accordance with the Basel Capital Accord 1988:

	<u>30 June 2023</u>	<u>31 December 2022</u>
Regulatory capital:		
Tier 1 capital		
Share capital	49,724,980	49,724,980
Accumulated deficit	(23,130,646)	(29,777,746)
Total Tier 1 qualified capital	<u>26,594,334</u>	<u>19,947,234</u>
Tier 2 capital		
Revaluation reserves	2,272,898	2,221,514
Subordinated debt	91,422	182,843
Total Tier 2 qualified capital up to a limit of 100% total Tier 1 capital	<u>2,364,320</u>	<u>2,404,357</u>
Total regulatory capital	<u>28,958,654</u>	<u>22,351,591</u>
Capital ratios:		
Total regulatory capital as a percentage of total risk-weighted assets	<u>17.75%</u>	<u>15.02%</u>
Total Tier 1 capital as a percentage of total risk-weighted assets	<u>16.30%</u>	<u>13.41%</u>

27. RISK MANAGEMENT POLICIES

With the exception of credit risk and geographical concentration risk, disclosed below, there were no material changes in the Group’s risk management approach during the reporting period compared to those disclosed in the consolidated financial statements for the year ended 31 December 2022 prepared in accordance with IFRS.

Credit risk

As at 30 June 2023, to assess ECL the Group has applied a differentiated approach to assessing the probability of default on loans based on the collective assessment in terms of increasing its value depending on whether the territory of granting the loan is temporarily occupied or the territory in which active hostilities are taking place. In particular, the aggregate ECL allowance for loans in the temporarily occupied territory was recognized at 98%, including 100% ECL rate for borrowers, for which there are no sources of repayment outside this territory.

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Change in gross carrying value and allowances for losses on financial instruments by Stages subject to the IFRS 9 impairment requirements

Cash and cash equivalents, other than cash on hand and balances with the National Bank of Ukraine

	Gross carrying value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life-time ECL (not impaired)	Life-time ECL (impaired)		12-month ECL	Life-time ECL (not impaired)	Life-time ECL (impaired)	
Balance as at 1 January 2022	6,712,301	–	–	6,712,301	7,064	–	–	7,064
New assets	–	–	–	–	–	–	–	–
Repaid assets	(602,878)	–	–	(602,878)	(41)	–	–	(41)
Other changes	(112,069)	–	–	(112,069)	(1,463)	–	–	(1,463)
Foreign exchange differences	287,710	–	–	287,710	337	–	–	337
Balance as at 30 June 2022	6,285,064	–	–	6,285,064	5,897	–	–	5,897
Balance as at 1 January 2023	12,911,000	–	–	12,911,000	21,420	–	–	21,420
New assets	3,466	–	–	3,466	–	–	–	–
Repaid assets	(508,447)	–	–	(508,447)	–	–	–	–
Other changes	9,802,002	–	–	9,802,002	6,223	–	–	6,223
Foreign exchange differences	123,810	–	–	123,810	152	–	–	152
Balance as at 30 June 2023	22,331,831	–	–	22,331,831	27,795	–	–	27,795

The table does not disclose information on cash on hand and balances with the National Bank of Ukraine included in cash and cash equivalents as these assets are free from credit risk and, accordingly, are not subject to expected credit losses.

Movements in the gross carrying amount and allowance for expected credit losses of cash on hand that did not meet the definition of cash and cash equivalents (Notes 11,14) are disclosed in Other financial assets.

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**Investments measured at amortised cost
Government debt securities of Ukraine**

	Gross carrying value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life-time ECL (not impaired)	Life-time ECL (impaired)		12-month ECL	Life-time ECL (not impaired)	Life-time ECL (impaired)	
Balance as at 1 January 2022	64,038,062	–	–	64,038,062	114,383	–	–	114,383
New assets	28,578,230	–	–	28,578,230	144,224	–	–	144,224
Repaid assets	(33,474,331)	–	–	(33,474,331)	(24,987)	–	–	(24,987)
Other changes	(60,780)	–	–	(60,780)	(19,770)	–	–	(19,770)
Foreign exchange differences	957,942	–	–	957,942	1,282	–	–	1,282
Balance as at 30 June 2022	60,039,123	–	–	60,039,123	215,132	–	–	215,132
Balance as at 1 January 2023	45,481,773	7,345,808	–	52,827,581	270,055	205,398	–	475,453
New assets	35,758,375	–	–	35,758,375	428,539	–	–	428,539
Repaid assets	(28,021,599)	(1,611,002)	–	(29,632,601)	(438)	(103)	–	(541)
Other changes	889,038	46,030	–	935,068	(177,652)	4,909	–	(172,743)
Foreign exchange differences	110,762	–	–	110,762	1,643	–	–	1,643
Balance as at 30 June 2023	54,218,349	5,780,836	–	59,999,185	522,147	210,204	–	732,351

**Investments measured at amortised cost
Corporate debt securities**

	Gross carrying value				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Life-time ECL (not impaired)	Life-time ECL (impaired)		12-month ECL	Life-time ECL (not impaired)	Life-time ECL (impaired)	
Balance as at 1 January 2022	41,439	–	830,542	871,981	989	–	8,673	9,662
Repaid assets	–	–	–	–	–	–	–	–
Other changes	(303)	–	38,688	38,385	45	–	2,589	2,634
Balance as at 30 June 2022	41,136	–	869,230	910,366	1,034	–	11,262	12,296
Balance as at 1 January 2023	40,863	–	853,700	894,563	210	–	10,489	10,699
Repaid assets	(41,358)	–	–	(41,358)	(7)	–	–	(7)
Other changes	495	–	38,592	39,087	(203)	–	17,270	17,067
Balance as at 30 June 2023	–	–	892,292	892,292	–	–	27,759	27,759

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Investments measured at amortised cost
Other debt securities

	Gross carrying value				ECL			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
Balance as at 1 January 2022	17,735,387	–	–	17,735,387	2,589	–	–	2,589
New assets	9,005,671	–	–	9,005,671	–	–	–	–
Repaid assets	(17,503,836)	–	–	(17,503,836)	–	–	–	–
Other changes	858	–	–	858	1,087	–	–	1,087
Balance as at 30 June 2022	9,238,080	–	–	9,238,080	3,676	–	–	3,676
Balance as at 1 January 2023	26,766,232	–	–	26,766,232	2,177	–	–	2,177
New assets	81,285,898	–	–	81,285,898	–	–	–	–
Repaid assets	(93,588,644)	–	–	(93,588,644)	–	–	–	–
Other changes	271,816	–	–	271,816	31	–	–	31
Balance as at 30 June 2023	14,735,302	–	–	14,735,302	2,208	–	–	2,208

Investments measured at fair value through other comprehensive income
Ukrainian government debt securities

	Gross carrying value				ECL			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
Balance as at 1 January 2022	2,262,148	–	–	2,262,148	7,904	–	–	7,904
Other changes	(63,764)	–	–	(63,764)	5,221	–	–	5,221
Foreign exchange differences	–	–	–	–	–	–	–	–
Balance as at 30 June 2022	2,198,384	–	–	2,198,384	13,125	–	–	13,125
Balance as at 1 January 2023	6,248,794	2,031,816	–	8,280,610	154,225	25,315	–	179,540
Other changes	(67,515)	29,258	–	(38,257)	(70,568)	(2,413)	–	(72,981)
Foreign exchange differences	86,441	–	–	86,441	1,823	–	–	1,823
Balance as at 30 June 2023	6,267,720	2,061,074	–	8,328,794	85,480	22,902	–	108,382

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Investments measured at fair value through other comprehensive income
 Corporate debt securities

	Gross carrying value				ECL			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
Balance as at 1 January 2022	552,327	–	–	552,327	3,697	–	–	3,697
Repaid assets	–	–	–	–	–	–	–	–
Other changes	(41,671)	–	–	(41,671)	1,700	–	–	1,700
Balance as at 30 June 2022	510,656	–	–	510,656	5,397	–	–	5,397
Balance as at 1 January 2023	–	–	–	–	–	–	–	–
Balance as at 30 June 2023	–	–	–	–	–	–	–	–

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original
JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

Loans that are measured at amortised cost
Loans to corporate entities

	Gross carrying value				Total	ECL				Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	
Balance as at 1 January 2022	29,241,339	11,172,314	7,372,378	9,775,151	57,561,182	160,549	1,634,008	4,964,411	2,754,481	9,513,449
New assets	11,177,143	-	-	617,088	11,794,231	213,427	-	-	-	213,427
Stage 1	24,409	(21,631)	(2,778)	-	-	590	(167)	(423)	-	-
Stage 2	(1,425,306)	1,425,308	(2)	-	-	(10,074)	10,074	-	-	-
Stage 3	(1,235,788)	(1,868,837)	3,104,625	-	-	(101,249)	(59,787)	161,036	-	-
Repaid assets	(1,707,995)	(10,773)	(4,406)	-	(1,723,174)	(11,334)	(19)	(1,115)	-	(12,468)
Other changes	66,941	(666,627)	(170,261)	157,861	(612,086)	199,801	293,070	2,578,213	522,416	3,593,500
Adjustment of interest income	-	-	-	-	-	-	-	188,900	80,469	269,369
Write-off of assets	-	-	(167,629)	-	(167,629)	-	-	(167,629)	-	(167,629)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	(1,150,147)	(460,971)	(1,611,118)	-	-	(1,035,032)	(277,257)	(1,312,289)
Reversal of ECL	-	-	-	-	-	-	-	-	-	-
Effect of modifications	(106,757)	(7,362)	2	-	(114,117)	(21,738)	-	-	-	(21,738)
Foreign exchange differences	390,667	262,055	265,296	260,721	1,178,739	2,991	24,645	161,990	61,767	251,393
Balance as at 30 June 2022	36,424,653	10,284,447	9,247,078	10,349,850	66,306,028	432,963	1,901,824	6,850,351	3,141,876	12,327,014
Balance as at 1 January 2023	20,986,210	29,179,609	19,506,764	11,537,984	81,210,567	222,648	1,481,152	11,873,175	6,216,685	19,793,660
New assets	11,187,811	-	-	562,334	11,750,145	324,413	-	-	61,635	386,048
Stage 1	1,254,174	(1,143,369)	(110,805)	-	-	217,881	(173,621)	(44,260)	-	-
Stage 2	(5,402,423)	5,496,143	(93,720)	-	-	(181,963)	213,060	(31,097)	-	-
Stage 3	(51,928)	(109,490)	161,418	-	-	(738)	(11,493)	12,231	-	-
Repaid assets	(1,100,006)	(918,207)	(153,919)	3,003	(2,169,129)	(4,029)	(161,694)	(196,105)	3,238	(358,590)
Other change	(4,921,666)	(5,490,626)	(87,294)	(143,525)	(10,643,111)	(222,728)	(134,061)	(180,458)	(747,333)	(1,284,580)
Adjustment of interest income	-	-	-	-	-	-	-	462,315	223,394	685,709
Write-off of assets	-	-	(16,232)	-	(16,232)	-	-	(16,232)	-	(16,232)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	(215,374)	(337,339)	(552,713)	-	-	(154,065)	(7,314)	(161,379)
Reversal of ECL	-	-	-	141,660	141,660	-	-	-	141,660	141,660
Effect of modifications	(33,428)	(134,872)	(13,616)	(18,907)	(200,823)	(33,796)	(28,139)	(13,616)	58,676	(16,875)
Foreign exchange differences	2,269	13,451	206,216	3,056	224,992	-	10	111,161	645	111,816
Balance as at 30 June 2023	21,921,013	26,892,639	19,183,438	11,748,266	79,745,356	321,688	1,185,214	11,823,049	5,951,286	19,281,237

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original
JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

Loans that are measured at amortised cost
Loans to individuals

	Gross carrying value				ECL			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
Balance as at 1 January 2022	10,070,705	1,282,636	2,114,194	13,467,535	241,448	123,992	2,014,189	2,379,629
New assets	929,987	–	–	929,987	103,804	–	–	103,804
Stage 1	110,810	(106,362)	(4,448)	–	23,973	(22,168)	(1,805)	–
Stage 2	(2,774,955)	2,777,798	(2,843)	–	(10,802)	11,776	(974)	–
Stage 3	(1,219,008)	(211,566)	1,430,574	–	(113,861)	(42,876)	156,737	–
Repaid assets	(553,922)	(197,967)	(36,386)	(788,275)	(14,096)	(7,384)	(27,850)	(49,330)
Other change	(137,063)	(552,005)	72,800	(616,268)	71,326	54,174	1,222,691	1,348,191
Adjustment of interest income	–	–	–	–	–	–	(504)	(504)
Write-off of assets	–	–	(49,680)	(49,680)	–	–	(49,680)	(49,680)
Restructuring of an asset, resulted in derecognition of financial instrument	–	–	–	–	–	–	(30)	(30)
Recovery of previously written-off assets	–	–	–	–	–	–	–	–
Effect of modifications	(5,566)	(3,164)	(1,262)	(9,992)	139	(2,918)	(719)	(3,498)
Foreign exchange differences	54	–	47,242	47,296	1	–	47,243	47,244
Sale of assets	–	–	–	–	–	–	–	–
Balance as at 30 June 2022	6,421,042	2,989,370	3,570,191	12,980,603	301,932	114,596	3,359,298	3,775,826
Balance as at 1 January 2023	4,776,761	3,942,782	3,927,239	12,646,782	291,288	238,953	3,553,550	4,083,791
New assets	2,126,171	–	–	2,126,171	47,547	–	–	47,547
Stage 1	1,283,181	(1,252,307)	(30,874)	–	355,214	(341,631)	(13,583)	–
Stage 2	(1,346,500)	1,425,055	(78,555)	–	(107,117)	118,030	(10,913)	–
Stage 3	(29,669)	(265,774)	295,443	–	(3,020)	(130,424)	133,444	–
Repaid assets	(889,913)	(340,592)	(276,604)	(1,507,109)	(47,777)	(11,915)	(233,727)	(293,419)
Other change	(197,839)	(720,906)	(84,323)	(1,003,068)	(242,577)	312,972	54,767	125,162
Adjustment of interest income	–	–	–	–	–	–	49,934	49,934
Write-off of assets	–	–	(15,310)	(15,310)	–	–	(15,310)	(15,310)
Restructuring of an asset, resulted in derecognition of financial instrument	–	–	–	–	–	–	(1,991)	(1,991)
Recovery of previously written-off assets	–	–	–	–	–	–	24	24
Effect of modifications	(2,912)	(845)	(1,438)	(5,195)	(236)	(1,221)	(1,438)	(2,895)
Foreign exchange differences	33	–	3,704	3,737	2	–	3,609	3,611
Sale of assets	–	–	(142,431)	(142,431)	–	–	(142,431)	(142,431)
Balance as at 30 June 2023	5,719,313	2,787,413	3,596,851	12,103,577	293,324	184,764	3,375,935	3,854,023

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original
JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

Loans that are measured at amortised cost
Loans to state and municipal authorities

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	11,140,233	–	300	11,140,533	94,409	–	300	94,709
New assets	39,903	–	–	39,903	2,235	–	–	2,235
Stage 2	(1,606,814)	1,606,814	–	–	(21,126)	21,126	–	–
Repaid assets	–	–	–	–	–	–	–	–
Other changes	(472,230)	(64,046)	–	(536,276)	17,054	46,587	–	63,641
Foreign exchange differences	241,189	–	–	241,189	33	–	–	33
Balance as at 30 June 2022	9,342,281	1,542,768	300	10,885,349	92,605	67,713	300	160,618
Balance as at 1 January 2023	3,840,874	6,253,505	300	10,094,679	62,279	191,020	300	253,599
New assets	–	–	–	–	–	–	–	–
Stage 2	–	–	–	–	–	–	–	–
Repaid assets	(612,490)	–	–	(612,490)	(9,635)	–	–	(9,635)
Other changes	(1,048,717)	(242,495)	–	(1,291,212)	(28,212)	(14,244)	–	(42,456)
Foreign exchange differences	–	–	–	–	–	–	–	–
Balance as at 30 June 2023	2,179,667	6,011,010	300	8,190,977	24,432	176,776	300	201,508

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original
JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

Loans that are measured at amortised cost
Mortgage loans to corporate entities and individuals

	Gross carrying value				Total	ECL				Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	
Balance as at 1 January 2022	2,502,645	16,242	659,515	-	3,178,402	880	529	642,331	-	643,740
New assets	280,187	-	-	2,393	282,580	7,734	-	-	(13)	7,721
Stage 1	5,804	(2,753)	(3,051)	-	-	1,081	(63)	(1,018)	-	-
Stage 2	(510,910)	511,381	(471)	-	-	(519)	558	(39)	-	-
Stage 3	(93,137)	(2,355)	95,492	-	-	(7,259)	(355)	7,614	-	-
Repaid assets	(41,086)	(3,455)	(6,249)	-	(50,790)	(16)	-	(3,564)	-	(3,580)
Other change	(109,357)	(51,257)	(18,219)	-	(178,833)	160	540	47,875	-	48,575
Adjustment of interest income	-	-	-	-	-	-	-	(2,297)	-	(2,297)
Write-off of assets	-	-	(44,511)	-	(44,511)	-	-	(44,511)	-	(44,511)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	-	-	-	-	-	(289)	-	(289)
Effect of modifications	(9,624)	(380)	(38)	-	(10,042)	(363)	8	-	2	(353)
Foreign exchange differences	260	3	22,621	-	22,884	100	-	22,517	-	22,617
Balance as at 30 June 2022	2,024,782	467,426	705,089	2,393	3,199,690	1,798	1,217	668,619	(11)	671,623
Balance as at 1 January 2023	1,955,531	849,059	878,428	2,448	3,685,466	2,848	3,982	765,450	(12)	772,268
New assets	909,206	-	-	116	909,322	(531)	-	-	2	(529)
Stage 1	738,139	(719,187)	(18,952)	-	-	7,294	(4,721)	(2,573)	-	-
Stage 2	(291,806)	311,386	(19,580)	-	-	(519)	3,710	(3,191)	-	-
Stage 3	(5,129)	(31,777)	36,906	-	-	(20)	(1,172)	1,192	-	-
Repaid assets	(33,144)	(23,059)	(9,449)	(303)	(65,955)	(21)	(40)	(3,551)	(3)	(3,615)
Other change	(123,489)	(88,089)	(892)	(170)	(212,640)	(6,506)	370	21,052	(41)	14,875
Adjustment of interest income	-	-	-	-	-	-	-	5,915	(1)	5,914
Write-off of assets	-	-	(6,289)	-	(6,289)	-	-	(6,289)	-	(6,289)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	-	-	-	-	-	(1,698)	-	(1,698)
Effect of modifications	(7,561)	(2,540)	(700)	-	(10,801)	(846)	(94)	(653)	22	(1,571)
Foreign exchange differences	12	1	2,905	-	2,918	-	-	2,905	-	2,905
Balance as at 30 June 2023	3,141,759	295,794	862,377	2,091	4,302,021	1,699	2,035	778,559	(33)	782,260

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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In the first half of 2023, due to of the devaluation of the national currency, the gross carrying value of the loans to legal entities increased by UAH 224,994 thousand, that was followed by an increase in allowance in the amount of UAH 111,814 thousand (in the first half 2022: due to of the devaluation of the national currency, the gross carrying value of the loans to legal entities increased by UAH 1,490,110 thousand, that was followed by an increase in allowance in the amount of UAH 321,287 thousand).

During the first half of 2023, loans classified as Stage 3 with a gross carrying amount of UAH 63,297 thousand, for which provisions were made, including interest income adjustment, in the amount of 48,665 UAH and loans classified as POCI with a gross carrying amount of UAH 670,380 thousand for which provisions were made, including interest income adjustments, in the amount of UAH 11,497 thousand and, accordingly, the amount of initial impairment (discount) was UAH 333,041 thousand, were restructured, including with the replacement of the borrower. As a result of the restructuring, new loans classified as POCI were recognised with a total gross carrying amount of UAH 728,219 thousand (including the gross carrying amount of loans that were classified as Stage 3 before derecognition - UAH 57,779 thousand), the total initial impairment (discount) amounted to UAH 227,937 thousand (in particular, the initial impairment (discount) on loans that were included in Stage 3 before derecognition - UAH 2,281 thousand).

During the first half of 2022, loans classified as Stage 3 with a gross carrying amount of UAH 1,204,296 thousand, for which provisions were made, including interest income adjustment, in the amount of UAH 1,050,788 thousand and loans classified as POCI with a gross carrying amount of UAH 4,694,215 thousand for which provisions were made, including interest income adjustments, in the amount of UAH 292,168 thousand and, accordingly, the amount of initial impairment (discount) was UAH 4,233,243 thousand, were restructured, including with the replacement of the borrower. As a result of the restructuring, new loans classified as POCI were recognised with a total gross carrying amount of UAH 5,882,571 thousand (including the gross carrying amount of loans that were classified as Stage 3 before derecognition - UAH 1,185,302 thousand), the total initial impairment (discount) amounted to UAH 5,550,520 thousand (in particular, the initial impairment (discount) on loans that were included in Stage 3 before derecognition - UAH 1,040,021 thousand).

During the first half of 2023, the Bank made payments under the letters of credit assessed at Stage 3 in the amount of UAH 58,510 thousand, for which provisions of UAH 13,845 thousand were made by disbursing tranches of open credit lines. As a result, new loans classified as POCI were recognised with gross carrying amount before initial impairment of UAH 58,510 thousand and initial impairment (discount) of UAH 27,709 thousand was recognised.

During the first half of 2023, the Bank made payments under the guarantees assessed at Stage 3 in the amount of UAH 97,108 thousand, for which provisions in the amount of UAH 91,738 thousand were made, by disbursing tranches under open credit lines. As a result, new loans classified as POCI were recognised with gross carrying amount before initial impairment of UAH 97,108 thousand and initial impairment (discount) of UAH 83,016 thousand was recognised.

As at 30 June 2023, the amount of the initial impairment loss for purchased or originated credit impaired loans recognized at origination, which is not included in the allowance, comprised UAH 24,723,795 thousand (31 December 2022: UAH 24,702,821 thousand).

Loans to customers issued in the first half of 2023 amounted to UAH 1,178,738 thousand, representing 14% of loans granted to customers (during the first half of 2022: UAH 13,046,701 thousand, representing 15% of loans granted to customers as at 31 December 2021).

During the first half of 2023, loans to customers amounting to UAH 4,354,684 thousand have been fully repaid, representing 4% of loans to customers, remained on the Bank's balance sheet as at 31 December 2022 (during the first half of 2022: UAH 2,562,239 thousand, representing 3% of loans to customers as at 31 December 2021).

As at 30 June 2023, loans to customers overdue for more than 90 days (NPLs – non-performing loans) amounted to UAH 25,085,135 thousand, representing 24% of the total amount of loans to customers before deducting allowance for expected credit losses (31 December 2022: UAH 26,703,394 thousand, representing 25% of the total amount of loans to customers before deducting allowance for expected credit losses).

During the first half of 2023, the Bank wrote off loans to customers in the amount of UAH 37,831 thousand in hryvnia equivalent, which was 0.1% of the volume of loans to customers overdue for more than 90 days as of 31 December 2022 (during the first half of 2022: UAH 261,820 thousand in hryvnia equivalent, which was 3% of the volume of loans to customers overdue for more than 90 days as at 31 December 2021). According to the write-off, during the reporting period, the amount of loans and the provision for expected loan losses decreased.

The Group expects that a significant part of loans except for loans to customers located in the temporarily occupied territory, which are overdue for more than 90 days, will be repaid either by the proceeds from the

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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borrowers' own earnings or proceeds from the sale of collateral. Such expectations are based on the fact that a considerable part of overdue loans to legal entities are secured by marketable collateral and granted to entities which have potential ability to restore their solvency. The Group's ability to receive payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate or vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Group retains the right to demand repayments from the borrowers until the loan is repaid in full.

Translation from Ukrainian original
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Other financial assets

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	52,337	444,797	94,041	591,175	–	35,085	87,204	122,289
New assets	200,480	–	–	200,480	160,832	–	–	160,832
Stage 2	(33,735)	42,517	(8,782)	–	(2,115)	10,110	(7,995)	–
Stage 3	(2,724)	(23,763)	26,487	–	(2,605)	(11,954)	14,559	–
Repaid assets	–	(195,149)	(16,381)	(211,530)	–	(1,617)	(13,931)	(15,548)
Other changes	12,570	58,438	6,924	77,932	–	(2,129)	16,928	14,799
Write-off of assets	–	–	(539)	(539)	–	–	(539)	(539)
Foreign exchange differences	–	27,798	353	28,151	–	57	303	360
Sale of assets	–	–	–	–	–	–	–	–
Balance as at 30 June 2022	228,928	354,638	102,103	685,669	156,112	29,552	96,529	282,193
Balance as at 1 January 2022	887,838	461,909	220,492	1,570,239	7	37,437	213,022	250,466
New assets	–	83,395	–	83,395	–	3,642	–	3,642
Stage 2	–	24,716	(24,716)	–	–	22,432	(22,432)	–
Stage 3	–	(12,380)	12,380	–	–	(5,858)	5,858	–
Repaid assets	(54,745)	(302,540)	(20,871)	(378,156)	–	(4,335)	(18,847)	(23,182)
Other changes	6,612	1,777,365	8,185	1,792,162	1	(6,134)	11,890	5,757
Write-off of assets	–	–	(2,438)	(2,438)	–	–	(2,438)	(2,438)
Foreign exchange differences	–	1,561	52	1,613	–	13	52	65
Sale of assets	–	–	(686)	(686)	–	–	(686)	(686)
Balance as at 30 June 2023	839,705	2,034,026	192,398	3,066,129	8	47,197	186,419	233,624

As at 30 June 2023, 100% allowance for possible losses was made for cash on hand in the amount of UAH 92,085 thousand (31 December 2022: UAH 106,909 thousand), which was kept in the Bank's branches located in the temporarily occupied territories of Ukraine and over which control was lost. As these cash on hand balances did not meet the definition of cash and cash equivalents, they were reclassified to restricted cash and cash equivalents in Other financial assets.

Translation from Ukrainian original
JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

Credit commitments

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	18,262,305	37,363	18,093	18,317,761	313,998	5,780	3,820	323,598
Increase of commitments	1,150,003	–	–	1,150,003	19,896	–	–	19,896
Stage 1	19,136	(18,371)	(765)	–	1,122	(948)	(174)	–
Stage 2	(231,983)	232,006	(23)	–	(3,283)	3,283	–	–
Stage 3	(662,974)	(8,943)	671,917	–	(6,265)	(627)	6,892	–
Repaid commitments	(7,796,671)	(3,911)	(6,484)	(7,807,066)	(164,807)	(491)	(1,458)	(166,756)
Other changes	365,847	(1,659)	(580,064)	(215,876)	109,263	18,444	20,553	148,260
Foreign exchange differences	1,043	–	–	1,043	48	–	–	48
Balance as at 30 June 2022	11,106,706	236,485	102,674	11,445,865	269,972	25,441	29,633	325,046
Balance as at 1 January 2023	10,424,305	629,693	133,491	11,187,489	267,945	78,631	34,326	380,902
Increase of commitments	1,374,293	–	–	1,374,293	47,230	–	–	47,230
Stage 1	549,787	(516,176)	(33,611)	–	60,287	(53,766)	(6,521)	–
Stage 2	(900,661)	905,394	(4,733)	–	(23,382)	24,431	(1,049)	–
Stage 3	(46,612)	(39,765)	86,377	–	(1,389)	(3,949)	5,338	–
Repaid commitments	(840,310)	(23,415)	(9,029)	(872,754)	(32,875)	(8,452)	(2,407)	(43,734)
Other changes	408,714	(33,818)	3,777	378,673	(30,335)	75,853	8,109	53,627
Foreign exchange differences	–	(58)	251	193	–	–	–	–
Balance as at 30 June 2023	10,969,516	921,855	176,523	12,067,894	287,481	112,748	37,796	438,025

Credit commitments include irrevocable commitments on loans and unused credit lines.

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Financial guarantees issued and similar commitments

	Gross carrying value				ECL			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
Balance as at 1 January 2022	204,288	587,142	1,448,690	2,240,120	311	–	482,979	483,290
Increase of commitments	80,181	–	–	80,181	13,386	–	–	13,386
Stage 1	–	–	–	–	–	–	–	–
Stage 2	(157,761)	157,761	–	–	(311)	311	–	–
Stage 3	(69,081)	–	69,081	–	(13,386)	–	13,386	–
Repaid commitments	(6,534)	(23,033)	(395,707)	(425,274)	–	–	(52,845)	(52,845)
Other changes	–	(105,120)	(22,899)	(128,019)	–	(182)	36,090	35,908
Disposal due to asset recognition	–	–	–	–	–	–	–	–
Foreign exchange differences	(29)	(261)	74,909	74,619	–	(9)	10,823	10,814
Balance as at 30 June 2022	51,064	616,489	1,174,074	1,841,627	–	120	490,433	490,553
Balance as at 1 January 2023	225,675	700	1,160,092	1,386,467	1,276	–	525,890	527,166
Increase of commitments	245,281	–	–	245,281	266	–	–	266
Stage 1	1,408	(1,408)	–	–	–	–	–	–
Stage 2	(48,949)	50,357	(1,408)	–	–	–	–	–
Stage 3	(1,287)	–	1,287	–	–	–	–	–
Repaid commitments	(13,287)	(2,944)	(384,974)	(401,205)	–	–	(209,647)	(209,647)
Other changes	6,494	–	(222,113)	(215,619)	(1,340)	41	(32,978)	(34,277)
Disposal due to asset recognition	–	–	(155,618)	(155,618)	–	–	(96,861)	(96,861)
Foreign exchange differences	–	–	–	–	–	–	–	–
Balance as at 30 June 2023	415,335	46,705	397,266	859,306	202	41	186,404	186,647

Financial guarantees issued and similar commitments consist of financial guarantees issued, letters of credit and other contingencies.

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Effect of modifications on financial assets

Impact of modifications on financial assets at amortised cost:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Financial assets modified in the reporting period		
Amortised cost before modification		
Net result from modifications of loans to customers (lifetime ECL)	8,188,696	1,456,922
Financial assets modified at the date of initial recognition		
Gross balance value of financial assets for which the calculation of the allowance for impairment was replaced by a 12-month estimate of ECL	(174,958)	(10,955)
	1,199,919	9,047

Effect of security

The Group’s credit policy implies the compliance with a conservative lending principle – loans shall be secured.

The estimate of the expected credit losses on collateralized financial instruments includes the amounts and timing of the cash flows expected from foreclosure, less discounted costs for receiving and disposing of collateral (the Group takes into account the probability of the foreclosure and the cash flows resulting from that). Accordingly, any cash flows expected from the sale of collateral after the contractual maturity date are included in the analysis. The loan portfolio of the Group is secured with the following types of collateral: vehicles, equipment and other movable property and the property rights thereto, real estate and property rights thereto, integral property complexes, government debt securities and guarantees issued by the government bodies, property rights to funds in cash, while some part of the Group’s loan portfolio is not secured.

The impact of collateral on the improvement of the credit quality and the maximum exposure to credit risk in terms of financial assets types carried at amortised cost and at fair value through other comprehensive income is presented as follows:

	As at 30 June 2023		As at 31 December 2022	
	Net carrying value	Collateral value	Net carrying value	Collateral value
Cash and cash equivalents	22,304,036	–	12,889,580	–
Loans to customers:	80,222,903	38,881,257	82,734,176	39,316,045
- <i>corporate customers</i>	68,454,623	27,761,677	71,259,530	29,867,124
- <i>individuals</i>	11,768,280	11,119,580	11,474,646	9,448,921
Investments	83,084,873	–	88,101,117	–
Other financial assets	2,833,398	–	1,319,773	–
Total	188,445,210	38,881,257	185,044,646	39,316,045

Collateral value used while calculating the allowance for expected credit losses is the collateral fair value, adjusted for the liquidity ratios and costs for the property sale, and discounted to reflect time value of money.

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The maximum exposure to credit risk of financial assets subject to the IFRS 9 impairment requirements comprises:

	30 June 2023	31 December 2022
Cash and cash equivalents, except cash	22,304,036	12,889,580
Investments:		
Ukrainian government debt securities	67,487,246	60,453,198
Corporate debt securities	864,533	883,864
Other debt securities	14,733,094	26,764,055
Loans to customers:		
Loans to corporate entities	60,464,119	61,416,907
Loans to state and municipal authorities	7,989,469	9,841,080
Mortgage loans	3,519,761	2,913,198
Other loans	8,249,554	8,562,991
Other financial assets	2,833,398	1,319,773
	188,445,210	185,044,646

As at 30 June 2023, the net carrying value of the credit-impaired loans amounted to UAH 13,464,230 thousand (31 December 2022: UAH 13,444,014 thousand) and the collateral value (vehicles, equipment and other movable property, real estate, integral property complexes, property rights to cash, and other types of collateral), used in calculating the allowance for expected credit losses, was UAH 8,201,711 thousand (31 December 2022: UAH 11,093,269 thousand).

As at 30 June 2023, the Group had loans to customers with carrying amount of 10,120,708 thousand (31 December 2022: UAH 7,464,379 thousand), for which no allowance for expected credit losses was recognised due to availability of sufficient collateral to cover the risk.

The maximum exposure to credit risk of contingent financial liabilities and credit commitments subject to the IFRS 9 impairment requirements comprises:

	30 June 2023	31 December 2022
The maximum exposure to credit risk:		
Credit commitments	11,629,869	10,806,587
Financial guarantees issued and similar commitments	672,659	859,301
	12,302,528	11,665,888

As at 30 June 2023, the guarantees and other credit commitments (including revocable credit commitments, but excluding performance guarantees), net of allowance for expected credit losses amounted to UAH 35,128,483 thousand (31 December 2022: UAH 28,239,933 thousand), and the collateral value (vehicles, equipment, other movable/immovable property, property rights to cash, and other types of collateral) used in the calculation of the allowance for expected credit losses amounted to UAH 4,424,000 thousand (31 December 2022: UAH 2,052,230 thousand).

The maximum exposure to credit risk of financial assets measured at fair value through profit or loss comprises:

	30 June 2023	31 December 2022
Investments:		
Ukrainian government debt securities	55,538,258	54,578,819
Loans to customers:		
Loans to corporate entities	329,419	481,419

The collateral used to reduce the credit risk for loans at fair value through profit or loss as at 30 June 2023 Bank accepted as collateral vehicles, equipment and other movable property, real estate, integral property complexes, and other types of collateral in the amount of UAH 590,807 thousand (31 December 2022: UAH 388,235 thousand).

Geographical concentration

Geographical concentration of assets and liabilities is presented below:

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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	Ukraine	Other non-OECD countries	OECD countries	30 June 2023 Total
Non-derivative financial assets				
Cash and cash equivalents	37,682,236	-	22,091,626	59,773,862
Loans to customers	80,552,322	-	-	80,552,322
Investments	138,652,288	-	782,470	139,434,758
Other financial assets	1,256,829	29	1,575,647	2,832,505
Total non-derivative financial assets	258,143,675	29	24,449,743	282,593,447
Non-derivative financial liabilities				
Due to banks	324,506	475	615	325,596
Customer accounts	257,773,165	263,413	195,968	258,232,546
Eurobonds issued	-	-	3,771,680	3,771,680
Other borrowed funds	1,252,023	-	1,700,322	2,952,345
Lease liabilities	332,954	-	-	332,954
Other financial liabilities	68,866	-	71,555	140,421
Subordinated debt	-	-	481,170	481,170
Total non-derivative financial liabilities	259,751,514	263,888	6,221,310	266,236,712
Net position on non-derivative financial instruments	(1,607,839)	(263,859)	18,228,433	
Derivative financial instruments and spot contracts				
Spot contracts	(1,102)	-	357	(745)
Net position on derivative financial instruments and spot contracts	(1,102)	-	357	
Net position	(1,608,941)	(263,859)	18,228,790	
	Ukraine	Other non-OECD countries	OECD countries	31 December 2022 Total
Non-derivative financial assets				
Cash and cash equivalents	16,286,802	-	12,089,910	28,376,712
Loans to customers	83,215,595	-	-	83,215,595
Investments	142,709,384	-	689,467	143,398,851
Other financial assets	1,249,836	-	69,937	1,319,773
Total non-derivative financial assets	243,461,617	-	12,849,314	256,310,931
Non-derivative financial liabilities				
Due to banks	542,220	475	631	543,326
Customer accounts	233,526,992	278,394	134,923	233,940,309
Eurobonds issued	-	-	6,041,534	6,041,534
Other borrowed funds	540,865	-	2,135,288	2,676,153
Lease liabilities	392,712	-	-	392,712
Other financial liabilities	150,082	-	64,171	214,253
Subordinated debt	-	-	716,442	716,442
Total non-derivative financial liabilities	235,152,871	278,869	9,092,989	244,524,729
Net position on non-derivative financial instruments	8,308,746	(278,869)	3,756,325	
Derivative financial instruments and spot contracts				
Spot contracts	-	-	-	-
Net position on derivative financial instruments and spot contracts	-	-	-	
Net position	8,308,746	(278,869)	3,756,325	

The Group's activities are focused mainly on the domestic market.

Financial assets located in other countries represent funds on accounts with non-resident banks.

The main proportion of financial liabilities raised from non-residents represent loans from international and other financial organizations, subordinated debt in US dollars and other borrowings from residents of OECD countries.

28. SEGMENT INFORMATION

Segment information refers to the services rendered within segments and provided to the Group’s management responsible for operating decision making in order to allocate resources and assess the segments’ activities.

There were no differences in the basis of the segment’s profit or loss assessment compared to the previous financial statements. The accounting policies and segment calculation methods used in the preparation of these interim condensed consolidated financial statements were the same as those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

Items that are unusual in nature, which affect the assets, liabilities or profit in the interim condensed consolidated financial statements by segments are absent.

The total amount of estimates of profit or loss of the reporting segments agrees with the Group’s profit.

During the first half of 2023 the Group recognised interest income received from Counterparty 1 in the amount of UAH 5,588,656 thousand, which is 25% of income and allocated to the Treasury and General management segments in the amount of UAH 1,763,734 thousand and UAH 3,824,922 thousand, respectively and from Counterparty 2 in the amount of UAH 2,521,765 thousand, which is 11% of income and allocated to the General management segments.

During the first half of 2022 the Group recognised interest income received from Counterparty 1 in the amount of UAH 4,336,434 thousand, which is 31% of income and allocated to the Treasury and General management segments in the amount of UAH 1,580,955 thousand and UAH 2,755,479 thousand, respectively.

Translation from Ukrainian original

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Income, expense and results of reportable segments for the six months ended 30 June 2023

Items	Name of a reportable segment							Unallocated amounts	Total Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management	Withdrawal			
Income	6,015,127	3,395,322	4,690,083	2,312,228	6,324,820	-	-	22,737,580	
Interest income	3,769,202	1,561,697	1,168,621	2,053,967	6,445,454	-	-	14,998,941	
Fee and commission income	1,101,470	1,365,940	3,010,385	152,961	5,644	-	-	5,636,400	
Profit/(loss) from derecognition of financial assets measured at amortized cost	-	-	5,542	-	-	-	-	5,542	
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	892,619	433,317	114,447	66,908	(272,347)	-	-	1,234,944	
(Accrual) /reversal of allowance for expected credit losses on other operations	248,851	4,084	(71,948)	(92)	(4,673)	-	-	176,222	
Dealing in foreign currencies, net	-	-	418,992	38,484	(16,778)	-	-	440,698	
Other income/(expense)	2,985	30,284	44,044	-	167,520	-	-	244,833	
Transfer income of segments	3,611,996	3,195,605	12,825,130	241,412	1,105,984	(20,980,127)	-	-	
Interest income	3,611,996	3,195,605	12,825,130	241,412	1,105,984	(20,980,127)	-	-	
Total segments income	9,627,123	6,590,927	17,515,213	2,553,640	7,430,804	(20,980,127)	-	22,737,580	
Interest expense	(4,856,881)	(2,531,881)	(4,715,847)	(6,786,681)	(8,242,749)	20,980,127	-	(6,153,912)	
Gains/(losses) arising on initial recognition of financial assets at an interest rate higher or lower than the market rate	(32,827)	-	(21)	-	-	-	-	(32,848)	
Net gain/(losses) on modifications of financial assets	(207,675)	6,852	(15,996)	-	-	-	-	(216,819)	
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(477,468)	-	-	273,833	-	-	-	(203,635)	
Fee and commission expense	(676,187)	(827,103)	(788,752)	(20,165)	(270)	-	-	(2,312,477)	
Operating expense	(599,518)	(1,156,305)	(4,346,918)	(287,329)	(589,121)	-	-	(6,979,191)	
SEGMENT RESULT (before taxation)	2,776,567	2,082,490	7,647,679	(4,266,702)	(1,401,336)	-	-	6,838,698	
Income tax (expense)/benefit	-	-	-	-	-	-	73	73	
Profit/(loss)	2,776,567	2,082,490	7,647,679	(4,266,702)	(1,401,336)	-	73	6,838,771	

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

Translation from Ukrainian original

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Income, expense and results of reportable segments for the six months ended 30 June 2022

Items	Name of a reportable segment							Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management	Withdrawal	Unallocated amounts	
Income	2,734,759	1,472,250	3,271,391	2,839,959	3,895,376			14,213,735
Interest income	3,250,423	697,432	703,226	1,595,866	3,800,434	-	-	10,047,381
Fee and commission income	612,022	771,179	2,537,387	82,298	107	-	-	4,002,993
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(1,149,955)	-	-	1,161,979	-	-	-	12,024
Net profit from transactions with debt financial instruments at fair value through other comprehensive income	573	-	-	-	-	-	-	573
Profit/(loss) from derecognition of financial assets measured at amortized cost	-	-	4,033	-	-	-	-	4,033
Other income/(expense)	21,696	3,639	26,745	(184)	94,835	-	-	146,731
Transfer income of segments	2,430,660	1,635,140	5,900,061	332,687	1,227,666	(11,526,214)		-
Interest income	2,430,660	1,635,140	5,900,061	332,687	1,227,666	(11,526,214)	-	-
Total segments income	5,165,419	3,107,390	9,171,452	3,172,646	5,123,042	(11,526,214)		14,213,735
Interest expense	(3,252,508)	(1,036,346)	(2,516,723)	(2,712,734)	(5,599,726)	11,526,214	-	(3,591,823)
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	(2,592,125)	(1,247,946)	(1,469,267)	(3,858)	(103,188)	-	-	(5,416,384)
(Accrual) /reversal of allowance for expected credit losses on other operations	(112,255)	(14,421)	15,505	(99)	(139,659)	-	-	(250,929)
Gains/(losses) arising on initial recognition of financial assets at an interest rate higher or lower than the market rate	(28,255)	-	(254)	170	-	-	-	(28,339)
Net gain/(losses) on modifications of financial assets	(45,536)	(68,581)	(20,034)	-	-	-	-	(134,151)
Dealing in foreign currencies, net	-	-	659,445	29,175	(970,490)	-	-	(281,870)
Fee and commission expense	(483,848)	(724,555)	(463,140)	(11,853)	(3)	-	-	(1,683,399)
Operating expense	(451,646)	(970,343)	(3,851,785)	(207,834)	(1,760,160)	-	-	(7,241,768)
SEGMENT RESULT (before taxation)	(1,800,754)	(954,802)	1,525,199	265,613	(3,450,184)			(4,414,928)
Income tax (expense)/benefit	-	-	-	-	-	-	301	301
Profit/(loss)	(1,800,754)	(954,802)	1,525,199	265,613	(3,450,184)		301	(4,414,627)

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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Assets and liabilities of the reportable segments as at 30 June 2023

Items	Name of reportable segments					Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management	
Segment assets	52,036,531	20,210,236	22,284,467	112,391,625	90,449,922	297,372,781
Segment liabilities	45,132,021	38,282,056	175,807,135	1,638,387	7,633,001	268,492,600
<i>Other segment items for the six months ended 30 June 2023:</i>						
Depreciation and amortization charges on fixed assets and intangible assets	(80,472)	(154,406)	(559,786)	(49,392)	(87,649)	(931,705)
Capital investments	-	-	-	-	1,503,432	1,503,432

Assets and liabilities of the reportable segments as at 31 December 2022

Items	Name of reportable segments					Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management	
Segment assets	57,747,880	17,333,992	20,478,119	79,946,664	93,767,415	269,274,070
Segment liabilities	29,493,735	36,436,534	169,272,155	1,138,650	10,751,465	247,092,539
<i>Other segment items for the six months ended 30 June 2022:</i>						
Depreciation and amortization charges on fixed assets and intangible assets	(71,970)	(148,355)	(594,610)	(43,921)	(71,295)	(930,151)
Capital investments	-	-	-	-	354,078	354,078

Notes set out on pages 7 to 59 form the integral part of these interim condensed consolidated financial statements.

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29. SUBSEQUENT EVENTS

According to part 21 of Art. 7 of the Law of Ukraine "On Banks and Banking Business" and clause 116 of the Charter of JSC "Oschadbank", the members of the Supervisory Board take up their position after their approval by the National Bank of Ukraine.

By the decision of Committee on Supervision and Regulation of Banks, Oversight of Payment dated 24 July 2023 No. 24/1364-рк, the NBU has appointed Volodymyr Mykolayovych Lavrenchuk as a member of the Supervisory Board of the Bank, appointed by the Resolution of the Cabinet of Ministers of Ukraine dated 21 April 2023 No. 343-r "Certain Issues of the Activities of the Joint Stock Company "State Savings Bank of Ukraine" (hereinafter - Resolution No. 343-r).

By the decisions of the Committee on Supervision and Regulation of Banks, NBU Payment Infrastructure Oversight dated 14 August 2023 No. 24/1514-rk and No. 24/1501-рк, respectively, the NBU approved Elizabeth Nelson and Michal Krupinski as members of the Bank's Supervisory Board appointed by the Resolution No. 343-r.