

**“The State Export-Import Bank of Ukraine”
Joint Stock Company**

Interim condensed consolidated financial statements

For six months ended 30 June 2024

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

(thousands of Ukrainian hryvnia)

	Notes	30 June 2024 (unaudited)	31 December 2023
Assets			
Cash and cash equivalents	4	107,300,793	110,794,727
Loans and advances to banks	7	1,123,721	1,009,865
Loans and advances to customers	8	76,445,654	74,569,673
Investments in securities	9	74,485,495	69,994,403
Current tax assets		415,737	3,039
Derivative financial assets	12	244,509	652,249
Other financial assets	10	636,895	545,524
Other non-financial assets	11	210,627	150,405
Investment property		606,527	752,086
Property, plant and equipment		1,999,606	2,074,934
Intangible assets		104,681	50,822
Deferred tax asset		1,840,007	1,840,007
Non-current assets classified as held for sale		56,538	61,585
Assets		265,470,790	262,499,319
Liabilities			
Due to other banks	13	4,367,613	6,391,084
Customer accounts	15	214,592,470	213,949,142
Derivative financial liabilities	12	812	1,377
Other borrowed funds	14	27,862,209	28,730,787
Current tax liabilities		—	596,600
Other financial liabilities	10	746,476	932,072
Other non-financial liabilities	11	460,062	474,210
Allowance for loan commitments and financial guarantee contracts		112,216	246,447
Subordinated debt		4,066,036	3,805,882
Liabilities		252,207,894	255,127,601
Equity	16		
Issued capital		45,570,041	45,570,041
Other reserves		2,104,622	580,926
Result from transactions with the shareholder		635,104	635,104
Accumulated losses		(35,046,871)	(39,414,353)
Total equity		13,262,896	7,371,718
Total equity and liabilities		265,470,790	262,499,319

Authorised for release and signed

16 September 2024

Chairman of the Management Board

Viktor PONOMARENKO

Chief Accountant

Nataliia POTESKA

V.M. Medko 247-89-16

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for six months ended 30 June 2024

(thousands of Ukrainian hryvnia)

		2024		2023	
		for three months ended 30 June	for six months ended 30 June	for three months ended 30 June	for six months ended 30 June
Notes		(unaudited)			
Interest income calculated using effective interest method		5,618,508	10,890,533	5,169,891	9,578,142
Other interest income		229,533	460,644	336,719	671,048
Interest expense		(4,001,441)	(8,059,552)	(4,481,666)	(8,728,906)
Fee income		377,428	721,700	309,548	603,626
Fee expense		(166,270)	(316,725)	(126,618)	(227,010)
Other income		30,880	60,188	35,082	104,010
Net gain/(loss) from financial instruments at fair value through profit or loss	9,12	634,828	943,147	(530,149)	(194,917)
Net gain/(loss) from financial assets held for trading		239,188	417,775	140,469	191,420
Net gain/(loss) from operations with debt financial instruments at fair value through other comprehensive income		95,123	99,356	2	3,510
Net gain/(loss) from trading in foreign currencies		360,770	633,114	189,006	470,374
Net gain/(loss) from foreign exchange translation		(752,682)	(1,389,827)	(38,643)	(193,633)
Gains/ (losses) on initial recognition of financial assets at interest rates above or below market		19,647	27,957	(11,000)	(178,118)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	6	634,230	1,145,010	652,030	1,137,613
Employee benefits expense	18	(539,867)	(1,050,063)	(437,706)	(867,437)
Depreciation and amortisation expense		(28,069)	(55,010)	(21,716)	(44,157)
Other administrative and operating expenses	18	(234,233)	(487,141)	(229,916)	(407,637)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	11	(8,350)	(20,255)	(346)	5,506
Gain (loss) arising from derecognition of financial assets at amortised cost		(110,336)	337,359	40,252	45,321
Profit (loss) before tax		2,398,887	4,358,210	995,239	1,968,755
Tax expense		—	—	—	—
Profit (loss)		2,398,887	4,358,210	995,239	1,968,755

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for six months ended 30 June 2024

(thousands of Ukrainian hryvnia)

	2024		2023	
	<i>for three months ended 30 June</i>	<i>for six months ended 30 June</i>	<i>for three months ended 30 June</i>	<i>for six months ended 30 June</i>
	(unaudited)			
Profit (loss)	2,398,887	4,358,210	995,239	1,968,755
Other comprehensive income				
<i>Components of other comprehensive income that will be reclassified to profit or loss before tax:</i>				
Gains on financial assets measured at fair value through other comprehensive income before tax (Note 16)	977,893	1,534,149	909,706	952,355
<i>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss</i>				
Income tax relating to changes in revaluation of financial assets measured at fair value through other comprehensive income	—	—	—	—
Total other comprehensive income	977,893	1,534,149	909,706	952,355
Total comprehensive income	3,376,780	5,892,359	1,904,945	2,921,110

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for six months ended 30 June 2024

(thousands of Ukrainian hryvnia)

				<u>Other reserves</u>			
				<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investment instruments</i>		
	<i>Issued capital</i>	<i>Result from transactions with the shareholder</i>	<i>Property revaluation reserve</i>			<i>Retained loss</i>	<i>Equity</i>
As at 1 January 2024	45,570,041	635,104	991,768	(345,161)	(65,681)	(39,414,353)	7,371,718
Profit for the period	–	–	–	–	–	4,358,210	4,358,210
Other comprehensive income for the period (Note 16)	–	–	–	1,532,867	1,282	–	1,534,149
Total comprehensive income for the period	–	–	–	1,532,867	1,282	4,358,210	5,892,359
Increase (decrease) through other changes, equity (Note 16)	–	–	(10,453)	–	–	9,272	(1,181)
As at 30 June 2024 (unaudited)	45,570,041	635,104	981,315	1,187,706	(64,399)	(35,046,871)	13,262,896
As at 1 January 2023	45,570,041	635,104	1,052,303	(2,449,725)	(63,844)	(42,708,885)	2,034,994
Profit for the period	–	–	–	–	–	1,968,755	1,968,755
Other comprehensive income for the period (Note 16)	–	–	–	951,704	651	–	952,355
Total comprehensive income for the period	–	–	–	951,704	651	1,968,755	2,921,110
Increase (decrease) through other changes, equity (Note 16)	–	–	(13,587)	–	–	13,587	–
As at 30 June 2023 (unaudited)	45,570,041	635,104	1,038,716	(1,498,021)	(63,193)	(40,726,543)	4,956,104

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

for six months ended 30 June 2024

(thousands of Ukrainian hryvnia)

	Notes	For the period ended 30 June	
		2024	2023
		(unaudited)	
Cash flows from (used in) operating activities			
Interest received		11,805,867	10,362,841
Fee income received		748,433	622,608
Net (increase)/decrease from operations with financial instruments at fair value through profit or loss		214,035	671,706
Net increase/(decrease) from trading in foreign currencies		633,114	470,374
Other cash receipts from operating activities		56,073	121,921
Interest paid		(7,846,414)	(8,144,344)
Fee expenses paid		(314,779)	(226,666)
Payments to and on behalf of employees		(1,055,341)	(848,092)
Administrative expenses and other paid operating expenses		(443,323)	(392,333)
Net (increase)/decrease in securities held for trading		336,695	(971,913)
Net (increase)/decrease in loans and advances to banks		(34,641)	(192,936)
Net (increase)/decrease in loans and advances to customers		898,067	8,647,525
Net (increase)/decrease in other financial assets		(122,100)	(5,840)
Net (increase)/ decrease in other assets		(143,805)	46,786
Net increase/(decrease) in due to other banks		(2,091,552)	(18,822,683)
Net increase/(decrease) in customer accounts		(3,174,057)	40,716,656
Net increase/(decrease) in other financial liabilities		(212,220)	146,765
Net increase/(decrease) in other liabilities		(26,315)	(305)
Income taxes (paid) refund		(1,009,298)	(143)
Cash flows from operating activities		(1,781,561)	32,201,927
Cash flows from (used in) investing activities			
Purchase of securities		(15,086,533)	(14,881,093)
Proceeds from sale of investments in securities		13,052,658	4,308,419
Cash flows from loss of control over subsidiaries or other businesses		—	3,136
Proceeds from sale of property, plant and equipment		337	4,519
Purchase of property, plant and equipment		(97,417)	(76,185)
Purchase of intangible assets		(6,412)	—
Proceeds from sale of investment property		146,661	2,164
Dividends received		2,166	958
Proceeds from sale of assets held for sale		7,174	21,014
Cash flows (used in) from investing activities		(1,981,366)	(10,617,068)
Cash flows from (used in) financing activities			
Receipt of other borrowed funds	5	62,503	1,629,844
Return of subordinated debt	5	—	(380,923)
Return of other borrowed funds	5	(2,583,458)	(3,335,247)
Payments of lease liabilities	5	(1,034)	(989)
Cash flows used in financing activities		(2,521,989)	(2,087,315)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes		(6,284,916)	19,497,544
Effect of exchange rate changes on cash and cash equivalents		2,788,313	901,043
Impact of expected credit losses on cash and cash equivalents		2,669	6,280
Increase (decrease) in cash and cash equivalents		(3,493,934)	20,404,867
Cash and cash equivalents at the beginning of the period	4	110,794,727	81,386,122
Cash and cash equivalents at the end of the period	4	107,300,793	101,790,989

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1. Principal activities

“The State Export-Import Bank of Ukraine” Joint Stock Company (hereinafter – “Ukreximbank” JSC, Ukreximbank or the Bank) was founded in 1992 and entered to the State Register of Banks under #5 on 23 January 1992. The Bank operates under banking licence #2.

As at 30 June 2024 and 31 December 2023, 100% of Ukreximbank’s issued capital was owned by the state represented by the Cabinet of Ministers of Ukraine.

Ukreximbank’s head office is located in Kyiv at 127 Antonovycha St. Ukreximbank has 22 branches and 28 outlets (31 December 2023: 22 branches and 28 outlets) and two representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

Historically, the principal activity of Ukreximbank was the servicing of various export-import transactions. Currently, Ukreximbank’s customer base is diversified and includes a number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from entities and individuals, issues loans, transfers payments in Ukraine and abroad, exchanges currencies, makes investments, provides cash and settlements, and renders other banking services to its customers

One of Ukreximbank’s main activities is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government with other foreign governments. Ukreximbank acts as an agent, on behalf of the Ukrainian Government, with respect to loans from foreign financial institutions based on the aforementioned agreements.

The Bank’s aim (in accordance with the Charter) is to create favourable conditions for the economic development and support of the domestic producers, to service export and import operations, to provide credit and financial support of restructuring processes, to strengthen and implement the industrial and trade potential of the industries of economy and manufacturers that are export-oriented or carry out the activities related to the production of import-substituting products, and also to receive gains in favour of Ukreximbank and its shareholder.

Ukreximbank prepares interim condensed financial statements and interim condensed consolidated financial statements that comprise the consolidated performance indicators of the Bank and its subsidiary “Lease Company “Ukreximleasing”.

Subsidiary “Lease Company “Ukreximleasing”, Ukreximbank’s 100% owned subsidiary, was founded in 1997 and is registered in Ukraine. By the relevant resolutions of the Management Board of “Ukreximbank” JSC and the Supervisory Board of “Ukreximbank” JSC, the action plan (roadmap) for the termination of the Subsidiary “Lease Company “Ukreximleasing” was approved.

In June 2023, the Bank sold its subsidiary “Eximleasing” LLC, whose performance indicators up to the specified date are included in the Bank's consolidated financial statements.

2. Basis for the preparation and summary of significant accounting policies

Basis for preparation

These interim condensed consolidated financial statements for six months ended 30 June 2024, have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements do not include all information and data subject to disclosure in the annual financial statements and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2023, which have been prepared in accordance with IFRS and posted on the Bank’s website at <https://www.eximb.com/ua/bank/financial-information/financial-report/2023-rik.html>.

These interim condensed consolidated financial statements are presented in thousands of Ukrainian hryvnia (“UAH thousand”), unless otherwise indicated.

Going concern

These interim condensed consolidated financial statements for six months ended 30 June 2024, have been prepared on a going concern basis. In preparing the financial statements for six months of 2024 the Bank's management assessed the Bank's ability to continue its activities in the future, taking into account the ongoing hostilities in Ukraine that have already caused and further cause significant negative consequences for the economy of the country as a whole and for the customers of the Bank.

The Bank's management believes that over the next six months the Bank will meet its obligations on time and in full. Besides, the Bank plans additional lending to strategic corporate customers. The source of repayment of liabilities and increase in lending will be accumulated liquidity, redemption of Ukrainian state bonds and government-guaranteed corporate bonds, as well as, if necessary, attracting resources of international financial institutions

The Bank's estimates and forecasts for the next months are based on the following assumptions:

- forecast of macroeconomic indicators for 2024 based on the key indicators of economic and social development and forecast for Ukraine set out in the State Budget for 2024, NBU inflation reports, and international information and analytical systems for Ukraine;
- the customer base of individuals is estimated based on the analysis of customer activity statistics for 2023;
- improvement of the quality of the loan portfolio and further lending to the real sector of the economy;
- maintaining competitive rates for attracting resources in the domestic market;
- optimization of administrative expenses (limitation/postponement of expenses for the purchase of intangible assets (other than mandatory));
- financial support to priority sectors of the economy and critical infrastructure enterprises;
- uninterrupted effective work of the Bank's executives to ensure the adoption of necessary management decisions;
- maintenance of the financial stability of the Bank, identification of possible threats to such stability, as well as prompt response to the threats to financial stability and/or their avoidance;
- improvement of indicators of operational efficiency/profitability;
- regulatory requirements take into account all officially approved NBU plans at the reporting date on the introduction of new requirements during the forecast period.

During six months of 2024, the Bank violated the NBU requirements for capital ratios N2, N3 and credit risk - N7, N8 due to the formation of provisions for losses related to the military aggression of the Russian Federation against Ukraine. However, in accordance with the Resolution of the National Bank of Ukraine No. 23 dated February 25, 2022 (as amended), the Bank is not subject to any penalties for violation of capital, liquidity, credit risk and investment ratios during the martial law period, if such violations are caused by the impact of war. Still, the Bank plans to resolve the issue of compliance with the ratios and as early as 01 October 2024 to reach a level above the minimum required by implementing measures developed in accordance with the Capitalisation Programme for 2024-2026.

The Bank has developed internal regulatory documents and regulations to maintain as a going concern, for the fastest possible response and business recovery in the event of an emergency. However, there is a material uncertainty, related to the unpredictable impact of ongoing hostilities on the territory of Ukraine on the assumptions underlying management's assessments that may cast significant doubt on the Bank's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Operating environment

In the spring of this year, the aggressor resumed terrorist air attacks targeting the energy and civilian infrastructure, significantly damaging the country's electricity generation. Due to the electricity shortage, a slowdown in economic growth was observed, but the country's overall economic recovery continued.

Positive factors contributing to economic growth include the stable operation of the Ukrainian maritime corridor and the ability of certain enterprises to secure a steady supply of electricity through direct imports.

After a prolonged period of declining inflation, it resumed its rise in May of this year, accelerating to 4.8% year-on-year in June (compared to 3.2% year-on-year in March). Fundamental inflationary pressure remained persistent for a long time and, as expected, began to intensify, confirming the temporary nature of low consumer inflation in previous months. The persistence of fundamental inflationary pressure largely reflected the continued increase in business costs due to sustained high security risks, rising wages amid labour shortages, and challenges in the energy sector. Moderate food inflation in the second quarter of 2024, which was lower than expected, was driven by the effects of early warming this year, increasing the

supply of certain vegetables and fruits. Additionally, the blockade of Ukraine's western border had a positive impact, increasing the availability of domestically produced goods and prompting a shift towards the domestic market.

In the second quarter of 2024, GDP growth remained relatively high (3.7% year-on-year) and was supported by increased budget expenditures, a faster harvest of early grains compared to previous periods, continued recovery in livestock farming, and the stable operation of the maritime corridor.

Positive dynamics continued in domestic trade, construction, and mechanical engineering, where the key growth drivers were budgetary financing for the restoration of damaged critical infrastructure, capital reconstruction, road repairs on hazardous sections, and the production of military vehicles, electronic, and optical products. Significant growth also occurred in agriculture due to an earlier start to the harvest, driven by favourable weather conditions that allowed for the cultivation of larger areas and the collection of higher crop yields. In livestock farming, positive trends persisted due to stable domestic demand and government support for producers.

At the same time, consumer demand remained strong due to the continued growth of real household incomes, which supported retail trade and the service sectors. The stable functioning of the maritime corridor, alongside high carry-over stocks, contributed to the recovery of metallurgical production and ore mining, increased food processing volumes, and boosted transportation and wholesale trade activities.

In the second quarter of 2024, pressure on the hryvnia exchange rate intensified due to the increased net demand for foreign currency. The import of electricity, energy equipment, machinery products, and fuel purchases in anticipation of a rise in excise taxes caused a deficit in the foreign exchange market. Additionally, exchange rate pressure was influenced by business operations allowed under the May liberalization (the easing of foreign exchange restrictions led to an increase in the import of certain services and the repatriation of dividends).

During the second quarter of 2024, the NBU lowered the key policy rate twice, by a total of 1.5 percentage points, to 13.0% per annum, which allowed for a balance between the goals of price stability and promoting sustainable economic development.

In the banking sector, the increase in the loan portfolio, including through state programs, supported banks' interest income, although the primary source remained interest payments on risk-free instruments. The downward movement of interest rates reduced asset yields, but this was significantly slowed by a shift in asset structure toward longer-term instruments with higher yields. Deposit rates also declined, though funding costs remained relatively stable. In the second quarter of 2024, the yield on NBU deposit certificates fell the fastest, while banks reduced their investments in them. Market rates on government bonds and loans also decreased, while their volumes increased. By expanding their assets, banks maintained a sufficiently high net interest margin and increased their income.

In June of this year, there was a gradual decrease in interest rates on hryvnia deposits and government bonds, with their yields providing protection for hryvnia savings from inflation. However, the growth in the volume of term hryvnia deposits by the population came to a halt.

As of July 1, 2024, the share of non-performing loans (NPLs) in the banking sector amounted to 34.6%, which is 2.8 percentage points lower than at the beginning of the year. The volume of NPLs decreased by UAH 4.2 billion during the first half of 2024, down to UAH 418.2 billion. The key factors behind the reduction in the NPL share were the continued growth in high-quality hryvnia loans by banks and the write-off of non-performing retail loans, primarily by banks with Ukrainian private capital.

The return on equity (ROE) of banks for the first half of 2024 was 48.4%, which is lower than the 56% recorded in the same period of 2023.

In the first half of 2024, solvent banks earned a net profit of UAH 79 billion. The main factors contributing to profitability were the maintenance of a high net interest margin and nearly zero provisions for losses on active transactions.

Changes in accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated annual financial statements for the year ended 31 December 2023, except for the adoption of the new standards described below and effective from 1 January 2024. The nature and effect of these changes is disclosed below.

Amendments to LAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

Amendments to IAS 1, which provide that if an entity's right to defer settlement of a liability is subject to additional conditions (covenants) within 12 months after the reporting date, the entity should disclose additional information in the notes to enable users of the financial statements to understand the possibility of compliance with additional conditions (covenants) and the correctness of the liability classification within 12 months from the reporting date. In particular, it will be necessary to disclose:

- indicate that an entity's right to defer repayment must exist at the end of the reporting period;
- clarify that the classification is not affected by management's intentions or expectations as to whether the entity will exercise its right to defer repayment;
- explain how lending terms affect classification; and
- clarify the requirements for the classification of liabilities that an entity will or may repay by issuing its own capital instruments.

These amendments do not have any material effect on the Bank's consolidated financial statements.

Amendments to IFRS 16 Leases - Lease liability in sale and leaseback

The amendments to IFRS 16 clarify how an entity should account for sale and leaseback after the date of the transaction.

A sale and leaseback transaction is a transaction in which an entity sells an asset and leases the same asset from a new owner for a specified period of time. The amendments supplement the requirements of IFRS 16 on sale and leaseback, thereby supporting the consistent application of the standard. In particular, the amendments clarify that a lessee-seller does not recognize any gain or loss in respect of a right of use retained by the lessee-seller. However, this does not preclude a lessee-seller from recognizing in profit or loss any gain or loss on the partial or total termination of such a lease.

These amendments do not have any material effect on the Bank's consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements

The amendments to IAS 7 and IFRS 7 require disclosures about an entity's supplier financing arrangements that enable users of financial statements to assess the effects of those arrangements on an entity's liabilities and cash flows and its exposure to liquidity risk.

The key changes to IAS 7 and IFRS 7 include disclosure requirements for:

- the terms of financing arrangements;
- the carrying amount of financial liabilities that are part of supplier financing arrangements and the line items in which those liabilities are recorded;
- the carrying amount of financial liabilities for which suppliers have already received payment from financial service providers;
- the range of payment term for financial liabilities that are part of these agreements.

According to the amendments, entities should disclose the type and effect of non-cash changes in the carrying amount of financial liabilities that are part of a supplier financing arrangement.

These amendments do not have any material effect on the Bank's consolidated financial statements.

3. Segment information

For management purposes, the Bank recognises the following operating segments (business units):

Corporate business	Business segment focusing on servicing corporate clients and selling the products that require an individual approach and are mainly offered to corporate clients.
Medium-sized business, municipalities and utilities sector	Business segment focusing on servicing municipal and utilities sector, small and medium-sized businesses (including individual entrepreneurs) and selling products that are mainly offered in a standardised form (as per the tariffs approved and the standard procedures).
Retail business	Business segment focusing on servicing individuals (except for individual entrepreneurs) on the full list of products, and on selling the products offered to individuals (population) mainly in a standardised form (as per the tariffs approved and the standard procedures) and generally do not require any individual approach to be applied.

Interbank and investments business Business segment focusing on providing services to participants in the financial markets (money, currency, stock, etc.) and on selling the products related to transactions in the financial markets.

The Management Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment performance, as explained in the table below, is assessed with taking into account the income and expenses from other segments obtained as a result of transfer rates.

For the purposes of completeness of allocation of financial indicators of segment reporting to the respective segments, the Bank uses allocating mechanisms that allow to some extent allocating them to the items/balance sheet accounts of the balance sheet and income statement for which there are no criteria for determining a business segment, namely: the share of the number of employees by segments to the carrying amount of property, plant and equipment for the items “Intangible assets” and “Property, plant and equipment”; the share of investment property by segments of customer loans for which the property is owned by the Bank - “Investment property”; the share of cash turnover by payments of segment customers – “Cash and cash equivalents”, etc.

In addition, the results (income and expenses) of other segments are determined by applying uniform transfer rates set by the Assets and Liabilities Management Committee based on the cost of borrowings for the Bank, offset by the amount of counter position to unallocated amounts. The difference between intersegment expenses and income of all business lines obtained using transfer rates arises as a result of gaps between the volumes of assets and liabilities by maturity and rates, revaluation of the resource, bid/offer margin consisting of interest rate risk premium, liquidity risk premium, mandatory reserve requirement, etc.

Unallocated amounts include:

- income tax receivables and payables, the share of assets and costs associated with the work of the Bank’s top management, i.e. personnel performing general management functions at the level of the whole Bank’s system and the Bank’s staff, supporting directly the work of top management;
- the result of revaluation of an open currency position (except for the portion of the open currency position allocated by the Bank for carrying out operations on purchase/sale/conversion of cash foreign currency and precious metals and conversion of non-cash foreign currency);
- the counter-position for inter-segment revenues and expenses of all business units, obtained as a result of transfer rates with the purpose to eliminate effect on income and expenses.

During the six months ended 30 June 2024, the Bank had revenues from transactions with an entity controlled by the state (directly or indirectly) or significantly influenced by the state, that accounted for more than 10% of the total income of the Bank, namely: UAH 3,374,949 thousand (30 June 2023: UAH 2,562,975 thousand). Revenue from transactions with this external customer is reported in the segment “Interbank and investments business”.

During the six months 2024, the Bank received revenue from the transactions with the NBU on deposit certificates in the amount of UAH 2,440,737 thousand, amounting to more than 10% of the total income of the Bank (during the six months 2023: UAH 1,633,714 thousand).

The following table presents information on income and expenses, profit and loss, asset and liabilities of the Bank’s operating segments for the six months ended 30 June 2024:

30 June 2024 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investments business	Unallocated	Total
External						
Interest income calculated using effective interest method	3,957,903	488,436	25,398	6,418,796	–	10,890,533
Other interest income	70,719	19,695	–	370,230	–	460,644
Fee income	338,124	120,109	202,485	60,024	958	721,700
Other income	13,886	22,106	7,439	2,964	13,793	60,188
Net gain from financial instruments at fair value through profit or loss	–	–	–	943,147	–	943,147
Net gain from financial assets held for trading	–	–	–	417,775	–	417,775
Net gain from operations with debt financial instruments at fair value through other comprehensive income	–	–	–	99,356	–	99,356
Net gain from trading in foreign currencies	198,351	41,423	25,289	368,053	–	633,116

30 June 2024 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investments business	Unallocated	Total
Net gain from foreign exchange translation	1,883	–	–	–	–	1,883
Gains on initial recognition of financial assets at interest rates above or below market	11	–	–	27,946	–	27,957
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	1,678,149	118,474	5,434	–	18,721	1,820,778
Gain arising from derecognition of financial assets at amortised cost	337,251	–	108	–	–	337,359
Income from other segments	1,898,336	1,488,876	1,451,147	(5,967,391)	1,129,032	–
Total income	8,494,613	2,299,119	1,717,300	2,740,900	1,162,504	16,414,436
Interest expense	(4,621,204)	(1,340,703)	(857,297)	(1,240,287)	(61)	(8,059,552)
Fee expense	(119,224)	(10,533)	(152,304)	(4,784)	(29,880)	(316,725)
Net loss from trading in foreign currencies	–	–	–	–	(2)	(2)
Net loss from foreign exchange translation	–	(72)	–	(1,391,638)	–	(1,391,710)
Impairment loss determined in accordance with IFRS 9	–	–	–	(675,768)	–	(675,768)
Employee benefits expense	(282,776)	(238,126)	(283,698)	(80,690)	(164,773)	(1,050,063)
Depreciation and amortisation expense	(13,142)	(15,218)	(13,731)	(2,256)	(10,663)	(55,010)
Other administrative and operating expenses	(81,525)	(92,635)	(257,302)	(24,967)	(30,712)	(487,141)
Impairment loss for non-financial assets	(4,973)	(2,719)	(1,182)	(3,955)	(7,426)	(20,255)
Segment results	3,371,769	599,113	151,786	(683,445)	918,987	4,358,210
Profit for the period						4,358,210
Assets and liabilities as at 30 June 2024 (unaudited)						
Segment assets	72,813,866	6,197,738	1,484,653	182,048,588		262,544,845
Unallocated assets					2,925,945	2,925,945
Total assets						265,470,790
Segment liabilities	136,242,292	38,016,339	40,564,450	36,796,035		251,619,116
Unallocated liabilities					588,778	588,778
Total liabilities						252,207,894
Other information by segments						
Capital expenditures	(5,348)	(6,228)	(5,932)	(885)	(4,502)	(22,895)

The table below provides the information on incomes and expenses and profits and losses for the six months ended 30 June 2023, as well as certain assets and liabilities of operational segments of the Bank as of 31 December 2023:

30 June 2023 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investments business	Unallocated	Total
External						
Interest income calculated using effective interest method	4,518,103	407,106	19,125	4,631,904	1,904	9,578,142
Other interest income	97,651	11,255	–	562,142	–	671,048
Fee income	266,405	113,875	158,702	62,932	1,712	603,626
Other income	18,607	10,051	8,030	2,995	64,327	104,010
Net gain from financial assets held for trading	–	–	–	191,420	–	191,420
Net gain from operations with debt financial instruments at fair value through other comprehensive income	–	–	–	3,510	–	3,510
Net gain from trading in foreign currencies	213,406	49,803	36,980	170,242	–	470,431
Net gain from foreign exchange translation	17,739	–	–	–	–	17,739
Gains on initial recognition of financial assets at interest rates above or below market	–	129	–	–	–	129
Impairment gain and reversal of impairment loss, determined in accordance with IFRS 9	1,202,213	103,171	9,627	–	15,374	1,330,385

30 June 2023 (unaudited)	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investments business	Unallocated	Total
Impairment gain on impairment for non-financial assets	11	11	60	–	5,424	5,506
Gain arising from derecognition of financial assets at amortised cost	39,522	5,799	–	–	–	45,321
Income from other segments	1,558,351	1,514,303	1,305,146	(6,595,820)	2,218,020	–
Total income	7,932,008	2,215,503	1,537,670	(970,675)	2,306,761	13,021,267
Interest expense	(4,541,167)	(1,155,788)	(631,515)	(2,400,287)	(149)	(8,728,906)
Fee expense	(58,137)	(13,405)	(116,134)	(8,506)	(30,828)	(227,010)
Net loss from financial instruments at fair value through profit or loss	–	–	–	(194,917)	–	(194,917)
Net gain from trading in foreign currencies	–	–	–	–	(57)	(57)
Net loss from foreign exchange translation	–	(1,310)	–	(209,723)	(339)	(211,372)
Loss on initial recognition of financial assets at interest rates above or below market	(70)	–	–	(178,177)	–	(178,247)
Impairment loss determined in accordance with IFRS 9	–	–	–	(192,772)	–	(192,772)
Employee benefits expense	(267,393)	(196,765)	(141,155)	(81,097)	(181,027)	(867,437)
Depreciation and amortisation expense	(10,405)	(12,140)	(11,088)	(1,736)	(8,788)	(44,157)
Other administrative and operating expenses	(60,778)	(29,442)	(164,502)	(11,930)	(140,985)	(407,637)
Segment results	2,994,058	806,653	473,276	(4,249,820)	1,944,588	1,968,755
Profit for the period						1,968,755
Assets and liabilities as at 31 December 2023						
Segment assets	71,351,849	5,668,840	2,238,606	180,852,341		260,111,636
Unallocated assets					2,387,683	2,387,683
Total assets						262,499,319
Segment liabilities	139,073,055	37,089,254	38,443,306	39,740,828		254,346,443
Unallocated liabilities					781,158	781,158
Total liabilities						255,127,601
Other information by segments						
Capital expenditures	(9,263)	(10,791)	(10,467)	(1,528)	(7,878)	(39,927)

Geographical information

Most revenues are derived from Ukraine. The Bank has no significant revenue from other countries beyond Ukraine. The Bank has no non-current assets located outside Ukraine.

4. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2024 (unaudited)	31 December 2023
Cash		
Cash in hand	1,383,593	1,231,982
Current account with the National Bank of Ukraine	22,455,668	15,915,730
Correspondent accounts with banks	46,828,563	54,846,681
Overnight deposits with banks	7,889,380	1,077,731
	78,557,204	73,072,124
Cash equivalents		
Deposit certificates issued by the National Bank of Ukraine	26,021,209	36,628,884
Short term deposits classified as cash equivalents	2,768,448	1,140,114
	28,789,657	37,768,998
Less: allowance for expected credit losses	(46,068)	(46,395)
Cash and cash equivalents	107,300,793	110,794,727

5. Changes in liabilities in financial activities

Changes in liabilities in financial activities are as follows:

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2024	28,730,787	3,805,882	4,035	32,540,704
Additions	62,503	—	—	62,503
Repayments	(2,583,458)	—	(1,034)	(2,584,492)
Translation differences	1,563,719	257,433	—	1,821,152
Other	88,658	2,721	(299)	91,080
Carrying amount at 30 June 2024 (unaudited)	27,862,209	4,066,036	2,702	31,930,947

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
Carrying amount at 1 January 2023	27,301,358	4,055,444	7,179	31,363,981
Additions	1,629,844	—	—	1,629,844
Repayments	(3,335,247)	(380,923)	(989)	(3,717,159)
Translation differences	112,646	1,180	—	113,826
Other	111,448	(11,970)	(898)	98,580
Carrying amount at 30 June 2023 (unaudited)	25,820,049	3,663,731	5,292	29,489,072

“Other” includes the effect of accrued but unpaid interest on borrowings from credit institutions, issued Eurobonds and subordinated debt. The Bank classifies the paid interest as cash flows from operating activities.

6. Impairment loss determined in accordance with IFRS 9

The table below shows the amounts of impairment losses and reversal of impairment losses recorded in profit or loss.

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
For the three months ended 30 June 2024 (unaudited)							
Cash and cash equivalents	308	—	—	—	—	—	308
Loans and advances to banks	476	—	—	—	—	—	476
Loans and advances to customers	(26,503)	(32,714)	(304,353)	(286,153)	(245,517)	199,914	(695,326)
Recovery of previously written-off loans and advances to customers	—	—	—	(12,756)	(54,363)	—	(67,119)
Investment securities at fair value through other comprehensive income	294,033	(62,831)	—	—	—	—	231,202
Investment securities at amortised cost	11,291	(38,434)	—	—	—	—	(27,143)
Other financial assets	(946)	—	—	—	—	—	(946)
Financial guarantees	(127)	4	3	—	—	—	(120)
Undrawn loan commitments	(13,853)	359	—	(2,902)	(415)	—	(16,811)
Letters of credit	(58,752)	—	—	—	—	—	(58,752)
Avals on promissory notes	7	—	—	—	—	—	7
Performance guarantees	(6)	—	—	—	—	—	(6)
(Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	205,928	(133,616)	(304,350)	(301,811)	(300,295)	199,914	(634,230)
For the six months ended 30 June 2024 (unaudited)							

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	(2,669)	–	–	–	–	–	(2,669)
Loans and advances to banks	1,121	–	–	–	–	–	1,121
Loans and advances to customers	(103,731)	(86,436)	(322,501)	(505,364)	(552,132)	(19,481)	(1,589,645)
Recovery of previously written-off loans and advances to customers	–	–	–	(16,635)	(68,917)	–	(85,552)
Investment securities at fair value through other comprehensive income	817,866	(84,533)	–	–	–	–	733,333
Investment securities at amortised cost	(4,670)	(49,911)	–	–	–	–	(54,581)
Other financial assets	(3,106)	–	–	–	–	–	(3,106)
Financial guarantees	78	4	3	–	–	–	85
Undrawn loan commitments	(25,192)	247	5	(4,266)	(281)	–	(29,487)
Letters of credit	(114,492)	–	–	–	–	–	(114,492)
Avals on promissory notes	5	–	–	–	–	–	5
Performance guarantees	(22)	–	–	–	–	–	(22)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	565,188	(220,629)	(322,493)	(526,265)	(621,330)	(19,481)	(1,145,010)
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
For the three months ended 30 June 2023 (unaudited)							
Cash and cash equivalents	(4,282)	–	–	–	–	–	(4,282)
Loans and advances to banks	2,104	–	–	–	(5)	–	2,099
Recovery of previously written-off loans and advances to banks	–	–	–	–	(70,520)	–	(70,520)
Loans and advances to customers	(12,512)	(426,062)	149,113	69,680	(419,491)	(89,259)	(728,531)
Recovery of previously written-off loans and advances to customers	–	–	–	(30,880)	(105,503)	–	(136,383)
Investment securities at fair value through other comprehensive income	59,501	1,223	–	–	–	–	60,724
Investment securities at amortised cost	144,474	6,241	–	–	–	–	150,715
Other financial assets	(6,520)	–	–	–	–	–	(6,520)
Financial guarantees	(10)	(8)	–	–	–	–	(18)
Undrawn loan commitments	45,908	(775)	(65,665)	(1,274)	(2,181)	–	(23,987)
Letters of credit	105,030	–	–	–	–	–	105,030
Avals on promissory notes	10	–	–	–	–	–	10
Performance guarantees	(85)	–	–	(282)	–	–	(367)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	333,618	(419,381)	83,448	37,244	(597,700)	(89,259)	(652,030)
For the six months ended 30 June 2023 (unaudited)							
Cash and cash equivalents	(6,280)	–	–	–	–	–	(6,280)
Loans and advances to banks	2,235	–	–	–	(5)	–	2,230
Recovery of previously written-off loans and advances to banks	–	–	–	–	(70,520)	–	(70,520)
Loans and advances to customers	63,746	(507,955)	126,923	43,592	(611,691)	(142,875)	(1,028,260)
Recovery of previously written-off loans and advances to customers	–	–	–	(34,436)	(120,869)	–	(155,305)

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Investment securities at fair value through other comprehensive income	131,110	(6,217)	—	—	—	—	124,893
Investment securities at amortised cost	143,814	(66)	—	—	—	—	143,748
Other financial assets	(10,795)	—	—	—	—	—	(10,795)
Financial guarantees	120	(8)	—	—	—	—	112
Undrawn loan commitments	(86,390)	(1,143)	(60,340)	(82,409)	(1,434)	—	(231,716)
Letters of credit	95,614	—	—	—	—	—	95,614
Avals on promissory notes	8	—	—	—	—	—	8
Performance guarantees	37	—	—	86	(1,465)	—	(1,342)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	333,219	(515,389)	66,583	(73,167)	(805,984)	(142,875)	(1,137,613)

Impairment loss, pursuant to IFRS 9 on purchased and originated credit-impaired assets (“POCI”) recognised in profit or loss in the tables above is presented with adjustments (reversal of impairment loss) to the carrying amount of POCI financial assets in the amount of UAH 201,022 thousand (for the period ended 30 June 2023: UAH 29,764 thousand).

7. Loans and advances to banks

Loans and advances to banks comprise:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Loans and advances to banks		
Deposits with other banks		
short-term	365,824	290,811
long-term	832,669	792,838
	1,198,493	1,083,649
Less: allowance for expected credit losses	(74,772)	(73,784)
Total loans and advances to banks	1,123,721	1,009,865

As of 30 June 2024, loans and advances to banks included funds placed with the Ukrainian banks in the amount of UAH 164,623 thousand (31 December 2023: 72,104 thousand), OECD banks in the amount of UAH 807,287 thousand (31 December 2023: UAH 758,511), other banks in the amount of UAH 226, 583 thousand (31 December 2023: UAH 253,034 thousand).

As of 30 June 2024, loans and advances to banks are measured at amortised cost, excluding current accounts in precious metals in the amount of UAH 127,843 thousand (31 December 2023: UAH 107,328 thousand), that are accounted for at fair value through profit or loss.

As of 30 June 2024, deposits with other banks include coverage under guarantee transactions and letters of credit in the amount of UAH 905,930 (31 December 2023: UAH 904,136 thousand).

The following tables show the analysis of changes in the corresponding allowances for loans and advances to banks:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2024	1,701	71,967	116	73,784
New assets originated or purchased	1,111	—	—	1,111
Completed (repaid) assets	(376)	—	—	(376)
Modifications in allowances	(90)	—	—	(90)
Translation difference	(567)	—	4	(563)

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 31 March 2024 (audited)	1,779	71,967	120	73,866
New assets originated or purchased	12,938	–	–	12,938
Completed (repaid) assets	(12,826)	–	–	(12,826)
Modifications in allowances	364	–	–	364
Translation difference	426	–	4	430
Allowance at 30 June 2024 (unaudited)	2,681	71,967	124	74,772
	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Allowance at 1 January 2023	1,790	71,967	4,474	78,231
New assets originated or purchased	948	–	–	948
Completed (repaid) assets	(1,444)	–	–	(1,444)
Modifications in allowances	627	–	–	627
Translation difference	5	–	–	5
Allowance at 31 March 2023 (unaudited)	1,926	71,967	4,474	78,367
New assets originated or purchased	3,903	–	–	3,903
Completed (repaid) assets	(1,971)	–	–	(1,971)
Modifications in allowances	172	–	(5)	167
Translation difference	2	–	–	2
Allowance at 30 June 2023 (unaudited)	4,032	71,967	4,469	80,468

8. Loans and advances to customers

Loans and advances have been extended to the following types of customers:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Legal entities	53,077,218	56,499,313
State entities	40,807,543	37,060,821
Individuals	1,733,366	1,641,457
	95,618,127	95,201,591
Less: allowance for expected credit losses	(19,172,473)	(20,631,918)
Loans and advances to customers	76,445,654	74,569,673

As at 30 June 2024, loans to state entities include loans to state administration authorities in the amount of UAH 5,355,260 thousand (as at 31 December 2023: UAH 6,267,420 thousand).

Legal entities

The tables below show an analysis of changes in allowance:

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	POCI	Total
Allowance at 1 January 2024	160,923	114,909	214,995	2,279,295	8,879,128	5,677,635	17,326,885
New assets originated or purchased	21,593	—	—	—	—	—	21,593
Completed (repaid) assets	(21,506)	(476)	—	(891)	—	(1,642)	(24,515)
Transfer to Stage 1	83,574	—	—	(83,574)	—	—	—
Transfer to Stage 2	(91)	13,855	—	(13,764)	—	—	—
Transfer to Stage 3	—	—	(70,446)	—	70,446	—	—
Transfer to POCI	—	—	—	—	(628,035)	—	(628,035)
Result from derecognition	—	—	—	—	(447,695)	—	(447,695)
Interest income adjustment	—	—	—	54,412	197,067	81,628	333,107
Modifications in allowance	(76,571)	(53,020)	(18,103)	(207,775)	(228,569)	(153,240)	(737,278)
Translation difference	755	(630)	1,297	6,060	143,606	25,763	176,851
Allowance at 31 March 2024 (unaudited)	168,677	74,638	127,743	2,033,763	7,985,948	5,630,144	16,020,913
New assets originated or purchased	12,431	—	—	—	—	—	12,431
Completed (repaid) assets	(4,656)	(5)	—	(86,898)	(143,108)	(1,138)	(235,805)
Transfer to Stage 2	(760)	760	—	—	—	—	—
Transfer to Stage 3	(595)	—	—	463	132	—	—
Transfer to POCI	—	—	—	—	156,140	—	156,140
Result from derecognition	—	—	—	—	94,195	—	94,195
Interest income adjustment	—	—	—	33,292	136,144	78,983	248,419
Written off assets	—	—	—	(6,187)	(416,613)	—	(422,800)
Modifications in allowance	(16,333)	(24,076)	(1,524)	(181,635)	(84,294)	336,619	28,757
Modifications in macro-model inputs	(25,561)	(8,775)	—	—	—	—	(34,336)
Translation difference	2,540	1,941	3,376	26,903	224,512	24,112	283,384
Allowance at 30 June 2024 (unaudited)	135,743	44,483	129,595	1,819,701	7,953,056	6,068,720	16,151,298

The Bank improved the criteria for recognizing POCI assets, which had impact on the presentation of POCI assets and assets in Stage 3 in the 2nd quarter of 2024 compared to the corresponding presentation for the 1st quarter of 2024.

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	POCI	Total
Allowance at 1 January 2023	677,457	1,066,852	322,225	2,132,004	8,013,288	5,821,766	18,033,592
New assets originated or purchased	79,745	—	—	—	—	—	79,745
Completed (repaid) assets	(7,487)	(74)	(4,031)	(92)	(146,437)	—	(158,121)
Transfer to Stage 1	7,541	(6,137)	—	(1,404)	—	—	—
Transfer to Stage 2	(87,183)	7,975	79,518	(310)	—	—	—
Transfer to Stage 3	(77,422)	(307,914)	(102,758)	23,226	464,868	—	—
Transfer to POCI	—	—	—	(3,696)	—	—	(3,696)
Result from derecognition	—	—	—	(5,543)	—	—	(5,543)
Interest income adjustment	—	—	—	27,472	102,192	63,339	193,003
Modifications in allowance	(59,766)	(81,771)	(18,159)	26,760	(1,863)	(45,247)	(180,046)
Translation difference	5,619	13,594	(905)	14,719	61,305	561	94,893
Allowance at 31 March 2023 (unaudited)	538,504	692,525	275,890	2,213,136	8,493,353	5,840,419	18,053,827
New assets originated or purchased	7,461	—	—	—	—	—	7,461
Completed (repaid) assets	(5,380)	(6,544)	—	(1,498)	(53)	—	(13,475)
Transfer to Stage 1	514	(514)	—	—	—	—	—
Transfer to Stage 2	(3,887)	3,887	—	—	—	—	—
Transfer to Stage 3	(826)	(126,834)	(208,864)	127,660	208,864	—	—
Transfer to POCI	—	—	—	(1,972)	(23,048)	—	(25,020)
Result from derecognition	—	—	—	(849)	(30,585)	—	(31,434)
Interest income adjustment	—	—	—	29,905	102,661	67,378	199,944
Written off assets	—	—	—	(61,506)	(1,205,850)	(389,467)	(1,656,823)
Modifications in allowance	(55,276)	(415,622)	(25,565)	79,589	(409,025)	(81,377)	(907,276)
Modifications in macro-model inputs	345	(1,142)	—	—	—	—	(797)
Change in client category	74	—	—	—	—	—	74
Disposal of subsidiary	(966)	—	—	—	—	—	(966)
Translation difference	1,296	4,454	—	6,346	16,646	123	28,865
Allowance at 30 June 2023 (unaudited)	481,859	150,210	41,461	2,390,811	7,152,963	5,437,076	15,654,380

State entities

The tables below show an analysis of changes in allowance:

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	POCI	Total
Allowance at 1 January 2024	63,726	296	794,958	56,124	852,183	16,285	1,783,572
Completed (repaid) assets	—	(30)	—	—	—	—	(30)
Interest income adjustment	—	—	—	2,450	12,949	—	15,399

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	POCI	Total
Modifications in allowance	(451)	(266)	(45)	(1,774)	(78,046)	528	(80,054)
Translation difference	592	–	25,539	(2)	11,308	542	37,979
Allowance at 31 March 2024 (unaudited)	63,867	–	820,452	56,798	798,394	17,355	1,756,866
New assets originated or purchased	11,233	–	–	–	–	–	11,233
Transfer to Stage 3	(8,141)	–	–	8,141	–	–	–
Interest income adjustment	–	–	–	3,325	15,973	–	19,298
Modifications in allowance	6,012	–	(302,829)	(6,621)	(18,115)	560	(320,993)
Modifications in macro-model inputs	(12,134)	–	–	–	–	–	(12,134)
Translation difference	669	–	19,258	(86)	11,170	585	31,596
Allowance at 30 June 2024 (unaudited)	61,506	–	536,881	61,557	807,422	18,500	1,485,866
	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	POCI	Total
Allowance at 1 January 2023	663,822	53,116	–	118,762	784,393	–	1,620,093
New assets originated or purchased	54,819	–	–	–	–	–	54,819
Completed (repaid) assets	(11)	–	–	(38,195)	–	–	(38,206)
Transfer to Stage 3	(54,790)	(53,116)	–	79,476	28,430	–	–
Interest income adjustment	–	–	–	3,736	11,975	174	15,885
Modifications in allowance	9,076	–	–	(9,606)	(43,900)	(174)	(44,604)
Translation difference	195	–	–	–	–	–	195
Allowance at 31 March 2023 (unaudited)	673,111	–	–	154,173	780,898	–	1,608,182
New assets originated or purchased	1,483	–	–	–	–	–	1,483
Completed (repaid) assets	–	–	–	(6)	–	–	(6)
Transfer to Stage 2	(15,093)	2,482	12,611	–	–	–	–
Transfer to Stage 3	(6)	–	–	(75,610)	75,616	–	–
Transfer to POCI	–	–	–	(7,666)	–	–	(7,666)
Result from derecognition	–	–	–	(8,937)	–	–	(8,937)
Interest income adjustment	–	–	–	3,230	12,349	143	15,722
Modifications in allowance	38,014	(1,716)	174,678	(4,872)	(10,413)	11,721	207,412
Modifications in macro-model inputs	2,491	3	–	–	–	–	2,494
Change in client category	(74)	–	–	–	–	–	(74)
Disposal of subsidiary	–	–	–	(175)	–	–	(175)
Translation difference	44	–	(118)	–	–	–	(74)
Allowance at 30 June 2023 (unaudited)	699,970	769	187,171	60,137	858,450	11,864	1,818,361

Individuals

The tables below show an analysis of changes in allowance:

	Stage 1 Collective	Stage 2 Collective	Stage 3 Collective	POCI	Total
Allowance at 1 January 2024	1,641	630	1,517,080	2,110	1,521,461
New assets originated or purchased	1,606	–	–	–	1,606
Completed (repaid) assets	(266)	(38)	(3,003)	–	(3,307)
Transfer to Stage 1	2,146	(2,146)	–	–	–
Transfer to Stage 2	(311)	311	–	–	–
Transfer to Stage 3	(898)	1,685	(787)	–	–
Interest income adjustment	–	–	642	79	721
Written off assets	–	–	(947)	–	(947)
Modifications in allowance	(1,633)	108	(5,768)	(67)	(7,360)
Translation difference	1	(2)	12,590	–	12,589
Allowance at 31 March 2024 (unaudited)	2,286	548	1,519,807	2,122	1,524,763
New assets originated or purchased	3,107	–	–	–	3,107
Completed (repaid) assets	(194)	(42)	(3,665)	–	(3,901)
Transfer to Stage 1	744	(744)	–	–	–
Transfer to Stage 2	(160)	160	–	–	–
Transfer to Stage 3	(2,084)	451	1,633	–	–
Transfer to POCI	–	–	(2,024)	–	(2,024)
Result from derecognition	–	–	(109)	–	(109)
Interest income adjustment	–	–	594	77	671
Written off assets	–	–	(25,211)	–	(25,211)
Modifications in allowance	788	291	(7,334)	(79)	(6,334)
Modifications in macro-model inputs	(1,196)	(107)	–	–	(1,303)
Translation difference	2	1	45,647	–	45,650
Allowance at 30 June 2024 (unaudited)	3,293	558	1,529,338	2,120	1,535,309

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
Allowance at 1 January 2023	3,796	4,407	1,510,575	–	1,518,778
New assets originated or purchased	607	–	–	–	607
Completed (repaid) assets	(333)	(286)	(1,495)	–	(2,114)
Transfer to Stage 1	992	(992)	–	–	–
Transfer to Stage 2	(962)	962	–	–	–
Transfer to Stage 3	(454)	(2,081)	2,535	–	–
Interest income adjustment	–	–	751	3	754
Modifications in allowance	(392)	238	(3,460)	(3)	(3,617)
Translation difference	–	3	3,916	–	3,919
Allowance at 31 March 2023 (unaudited)	3,254	2,251	1,512,822	–	1,518,327
New assets originated or purchased	541	–	–	–	541
Completed (repaid) assets	(191)	(84)	(1,018)	–	(1,293)
Transfer to Stage 1	500	(500)	–	–	–
Transfer to Stage 2	(409)	409	–	–	–
Transfer to Stage 3	(381)	(460)	841	–	–
Interest income adjustment	–	–	731	70	801
Written off assets	–	–	(57,314)	–	(57,314)
Modifications in allowance	784	106	(2,515)	1,969	344
Modifications in macro-model inputs	(2,784)	(1,063)	–	–	(3,847)
Translation difference	–	3	7,893	–	7,896
Allowance at 30 June 2023 (unaudited)	1,314	662	1,461,440	2,039	1,465,455

Modified loans

The Bank derecognises a financial asset when the terms and conditions of the agreement have been renegotiated to the extent that, substantially, it becomes a new financial instrument, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in derecognition, then, based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes the Stage 2 and Stage 3 assets modified during the period, with the modification loss:

	<i>For the period ended 30 June 2024 (unaudited) 2023</i>	
Loans to customers modified during the period		
Amortised cost before modification	2,686,698	1,621,385
Net modification loss	(23,808)	(17,233)

The impact of military aggression and introduction of martial law in Ukraine

The status of the state bank with specialization in the financing of export-import operations imposes a special role on the Bank during martial law in meeting the state's needs in financing the supply of critical imports and lending to strategic sectors of the economy for defence, food supply and humanitarian purposes, in particular to preserve the sovereignty of Ukraine.

Currently, the Bank has updated its credit policy, taking into account the armed aggression of the Russian Federation against Ukraine. The Bank made a list of sectors of the economy that will be provided with priority credit support, namely the military-industrial complex, critical imports, the agricultural sector, the fuel and energy sector, infrastructure projects, export-oriented industries, humanitarian and social projects.

As of today, the Bank has restricted foreign currency lending and will continue to provide credit support mostly in the national currency. The credit support in foreign currency will be provided within the programs of international financial institutions (IBRD, EBRD, EIB), both current and new programs.

To support its customers, who have faced force majeure circumstances related to the military aggression of the Russian Federation against Ukraine, the Bank is considering debtors' restructuring (individually, taking into account the characteristics of each individual debtor, the actual impact of the war on their financial and business condition and forecasts for further prospects of their business).

In 2022, the Bank performed more detailed portfolio segmentation and recognized expected credit losses on the loans of the customers, which suffered direct and indirect impact of hostilities on the operating activities and financial condition of debtors

and their ability to meet monetary obligations to the Bank. As a result of this, as well as negative forecasts regarding macro-indicators, in 2022 the Bank carried out a significant additional provisioning. In 2023, the Bank improved its credit loss expectations for certain customers, where recovery and successful continuation of business activity was observed, as well as for customers assessed on a collective basis, due to significant changes in macroeconomic forecasts, as a result of the release from occupation of a part of the occupied territories, stabilization of the economic situation, which was reflected in the reduction of expected credit losses. In the first half of 2024, the tendency to improve expectations regarding credit losses is maintained, and, accordingly, the liquidation of provisions was carried out.

The Bank will continue to collect and process information to ensure adequate assessment of credit risks despite the uncertainties caused by the war.

9. Investments in securities

Investments in securities comprise:

	30 June 2024 (unaudited)	31 December 2023
Investment securities at fair value through profit or loss	20,203,566	19,071,183
Investment securities at fair value through other comprehensive income	38,133,913	27,592,940
Investment securities at amortised cost	12,268,140	19,451,294
Securities held for trading	3,879,876	3,878,986
Investments in securities	74,485,495	69,994,403

Investment securities at fair value through profit or loss

As at 30 June 2024, investment securities at fair value through profit or loss are represented by Ukrainian indexed state bonds with carrying amount of UAH 20,203,566 thousand (31 December 2023: UAH 19,071,183 thousand), the conditions of issuing of which anticipate the indexation of the nominal value by maturity according to the changes in the average interbank UAH/USD exchange rate per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

As at 30 June 2024, securities held for trading are represented by Ukrainian state bonds with carrying amount of UAH 3,879,876 thousand (31 December 2023: UAH 3,878,986 thousand).

As at 30 June 2024, Ukrainian state bonds with carrying amount of UAH 10,136,040 thousand were pledged as collateral under the credit line opened to the Bank for obtaining refinancing loans from the National Bank of Ukraine (31 December 2023: UAH 9,543,030 thousand).

During the six months ended 30 June 2024, the Bank recognized gain from revaluation of investment securities at fair value through profit or loss in the amount of UAH 1,132,383 thousand, which is recorded under “Net increase/(decrease) from financial instruments at fair value through profit or loss” (30 March 2023: loss of UAH 56,161 thousand).

Investment securities at fair value through other comprehensive income

	30 June 2024 (unaudited)	31 December 2023
Ukrainian government bonds	38,112,289	27,572,598
Corporate shares	21,624	20,342
Investment securities at fair value through other comprehensive income	38,133,913	27,592,940

As at 30 June 2024, Ukrainian government bonds with the carrying amount of UAH 6,488,917 thousand were pledged as collateral under the credit line opened to the Bank for obtaining refinancing loans from the National Bank of Ukraine (31 December 2023: UAH 6,558,951 thousand).

As at 30 June 2024, Ukrainian government bonds with carrying amount of UAH 818,805 thousand were pledged as collateral on loans received from Ukrainian financial institutions (31 December 2023: UAH 629,707 thousand) (Note 14).

As at 30 June 2024, Ukrainian government bonds with carrying amount of UAH 1,448,763 thousand were used to form a guarantee fund on interest rate swaps (31 December 2024: UAH 1,367,819 thousand) (Note 12).

The Bank at its own discretion has designated some of its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Such investments primarily include mandatory shares in exchanges and clearing houses, investments arising when the Bank received equity shares in exchange for debt settlement.

The following tables show an analysis of changes in allowance for investment securities at fair value through other comprehensive income:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
Allowance at 1 January 2024	399,141	430,715	829,856
New assets originated or purchased	516,296	–	516,296
Modifications in allowance	7,537	(21,702)	(14,165)
Sold assets	(4,200)	–	(4,200)
Translation differences	15,841	–	15,841
Allowance at 31 March 2024 (unaudited)	934,615	409,013	1,343,628
New assets originated or purchased	111,222	–	111,222
Repaid assets	(153,400)	(268)	(153,668)
Modifications in allowance	336,211	(62,563)	273,648
Sold assets	(93,109)	(5,553)	(98,662)
Translation differences	12,598	–	12,598
Allowance at 30 June 2024 (unaudited)	1,148,137	340,629	1,488,766

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
Allowance at 1 January 2023	28,706	259,422	288,128
New assets originated or purchased	99,128	–	99,128
Repaid assets	(27,899)	–	(27,899)
Modifications in allowance	380	(7,440)	(7,060)
Sold assets	(1,284)	(2,630)	(3,914)
Allowance at 31 March 2023 (unaudited)	99,031	249,352	348,383
New assets originated or purchased	61,530	–	61,530
Modifications in allowance	(2,029)	1,223	(806)
Sold assets	–	(2)	(2)
Allowance at 30 June 2023 (unaudited)	158,532	250,573	409,105

Investment securities at amortised cost

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Ukrainian government bonds	7,007,101	14,267,117
Corporate bonds	5,637,113	5,641,216
Municipal bonds	223,485	223,947
	12,867,699	20,132,280
Less: allowance for expected credit losses	(599,559)	(680,986)
Investment securities at amortised cost	12,268,140	19,451,294

As at 30 June 2024, Ukrainian government bonds with the carrying amount of UAH 6,482,119 thousand were pledged as collateral under the credit line opened to the Bank for obtaining refinancing loans from the National Bank of Ukraine (31 December 2023: UAH 6,476,345 thousand).

The following tables show an analysis of modifications in allowances for investment securities at amortised cost:

	<i>Stage 1</i> <i>Collective</i>	<i>Stage 2</i> <i>Collective</i>	<i>Total</i>
Allowance at 1 January 2024	37,866	643,120	680,986
New assets originated or purchased	1,240	–	1,240
Repaid assets	(17,197)	–	(17,197)
Modifications in allowance	(4)	(11,477)	(11,481)
Translation differences	(15,535)	–	(15,535)
Allowance at 31 March 2024 (unaudited)	6,370	631,643	638,013
Modifications in allowance	11,291	(38,434)	(27,143)
Translation differences	(11,311)	–	(11,311)
Allowance at 30 June 2024 (unaudited)	6,350	593,209	599,559

	<i>Stage 1</i> <i>Collective</i>	<i>Stage 2</i> <i>Collective</i>	<i>Total</i>
Allowance at 1 January 2023	114,272	282,203	396,475
New assets originated or purchased	1,455	–	1,455
Repaid assets	(1,435)	–	(1,435)
Modifications in allowance	(680)	(6,307)	(6,987)
Translation differences	2,284	–	2,284
Allowance at 31 March 2023 (unaudited)	115,896	275,896	391,792
Modifications in allowance	144,474	6,241	150,715
Translation differences	(622)	–	(622)
Allowance at 30 June 2023 (unaudited)	259,748	282,137	541,885

10. Other financial assets and other financial liabilities

Other financial assets comprise:

	<i>30 June</i> <i>2024</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i>
Transit accounts on operations with payment cards	560,473	422,150
Other accrued income	107,767	110,445
Accounts receivable on operations with customers	87,060	104,834
Accrued service fee on guarantees issued	11,505	38,020
Other	21	417
	766,826	675,866
Less – allowance for expected credit losses	(129,931)	(130,342)
Other financial assets	636,895	545,524

Other financial liabilities comprise:

	<i>30 June</i> <i>2024</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i>
Transit accounts on operations with customers	411,556	693,825
Transit accounts on operations with payment cards	279,071	195,947
Accrued expenses	43,880	27,842

	30 June 2024 (unaudited)	31 December 2023
Liabilities on guarantees issued	9,064	10,283
Lease commitments	2,702	4,035
Other	203	140
Other financial liabilities	746,476	932,072

The following table shows an analysis of changes in allowance for other financial assets:

	Over the life of the asset (simplified approach)
Allowance at 1 January 2024	130,342
New assets originated or purchased	11,962
Completed (repaid) assets	(14,752)
Modifications in allowance	630
Written-off assets	(59)
Translation differences	1,176
Allowance at 31 March 2024 (unaudited)	129,299
New assets originated or purchased	2,241
Completed (repaid) assets	(3,833)
Modifications in allowance	646
Written-off assets	(6)
Translation differences	1,584
Allowance at 30 June 2024 (unaudited)	129,931
	Over the life of the asset (simplified approach)
Allowance at 1 January 2023	149,704
New assets originated or purchased	7,220
Completed (repaid) assets	(8,016)
Modifications in allowance	(3,479)
Translation differences	312
Allowance at 31 March 2023 (unaudited)	145,741
New assets originated or purchased	10,390
Completed (repaid) assets	(19,959)
Modifications in allowance	3,049
Translation differences	87
Allowance at 30 June 2023 (unaudited)	139,308

11. Other non-financial assets and other non-financial liabilities

Other non-financial assets comprise:

	30 June 2024 (unaudited)	31 December 2023
Advance payments	199,559	133,968
Cash, which availability is not confirmed	48,415	45,990
Inventories	32,614	31,918
Other tax assets, except those related to income tax	19,650	26,166
Reposessed pledged property	2,483	2,483

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Other	22,012	1,306
	324,733	241,831
Less – allowance for impairment	(114,106)	(91,426)
Other non-financial assets	210,627	150,405

Other non-financial liabilities comprise:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Accrued unused vacations	241,072	219,768
Payables to the Individual Deposit Guarantee Fund	74,042	69,563
Accrued salary	72,003	98,579
Payables on taxes and mandatory contributions, except for income tax	35,150	40,261
Deferred income	23,696	28,649
Payables on the Bank’s business activities	13,859	17,295
Other	240	95
Other non-financial liabilities	460,062	474,210

The following tables show the analysis of impairment losses on other non-financial assets:

Allowance at 1 January 2024	91,426
Charge	11,905
Translation differences	1,082
Allowance at 31 March 2024 (unaudited)	104,413
Charge	8,350
Translation differences	1,343
Allowance at 30 June 2024 (unaudited)	114,106
Allowance at 1 January 2023	118,396
Charge	(5,852)
Translation differences	128
Allowance at 31 March 2023 (unaudited)	112,672
Charge	346
Translation differences	54
Allowance at 30 June 2023 (unaudited)	113,072

12. Derivative financial instruments

The Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange market, as well as interest rate swaps.

Forward transactions

The Bank enters into agreements certifying the obligation to purchase (sell) foreign currency at a certain time and on certain terms in the future with the fixation of price of such sale (purchase) at the time of the agreement.

Currency swap

The Bank enters into currency exchange operations whereby it is obliged to supply one currency in exchange for another under pre-determined exchange rates.

Interest rate swap

The Bank enters into agreements with the NBU for the exchange of interest payments which are calculated at different rates, but with the consideration of one notional amount during the term of the agreement. The notional amount of loans (granted and borrowed) under the interest rate swap is used exclusively for interest calculations and is not transferred between the parties to the agreement.

As at 30 June 2024, the notional amounts are (unaudited):

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	2,200,000	2,199,188	—	812
Interest rate swap	4,885,000	4,885,000	244,509	—

As at 31 December 2023, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	2,534,081	2,538,624	4,469	1,377
Interest rate swap	5,385,000	5,385,000	647,780	—

To make a guarantee fund on interest rate swaps, the Bank used the investment securities — Ukrainian government bonds with the carrying amount of UAH 1,448,763 thousand (31 December 2023: 1,367,819 thousand) (Note 9).

During the six months ended 30 June 2024, the Bank recognised loss from revaluation of derivative financial instruments in amount of UAH 189,236 thousand (30 June 2023: loss from revaluation of derivative financial instruments in amount of UAH 138,756 thousand), recorded under “Net increase/(decrease) from financial instruments at fair value through profit or loss”.

13. Due to other banks

Due to other banks comprise:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Current accounts	4,150,424	6,184,866
Loans and deposits	165,190	150,790
Other amounts due to other banks	51,999	55,428
Due to other banks	4,367,613	6,391,084

14. Other borrowed funds

Other borrowed funds comprise:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Loans from international financial organizations	25,752,652	25,993,325
Eurobonds issued	1,719,796	2,413,346
Loans from Ukrainian financial organizations	389,761	324,116
Other borrowed funds	27,862,209	28,730,787

As at 30 June 2024, the loan debt to Ukrainian financial organizations is secured by investment securities — Ukrainian government bonds with carrying amount of UAH 818,805 thousand (31 December 2023: UAH 629,707 thousand) (Note 9).

Eurobonds issued

	<i>30 June 2024</i> <i>(unaudited)</i>			<i>31 December 2023</i>		
	<i>Debt balance</i> <i>(‘000)</i>	<i>Currency</i>	<i>Carrying amount</i>	<i>Debt balance</i> <i>(‘000)</i>	<i>Currency</i>	<i>Carrying amount</i>
January 2013 issue	33,805	USD	1,433,163	50,708	USD	2,011,121
April 2013 issue	6,761	USD	286,633	10,142	USD	402,225
Eurobonds issued			1,719,796			2,413,346

15. Customer accounts

Customer accounts comprise:

	<i>30 June</i> <i>2024</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i>
Current accounts:		
- Legal entities	94,835,651	90,374,040
- Budget financed organisations	25,576,167	25,505,695
- Individuals	11,542,081	10,224,668
	131,953,899	126,104,403
Term deposits:		
- Legal entities	50,566,388	55,331,310
- Individuals	27,378,290	26,613,670
- Budget financed organisations	57,081	–
	78,001,759	81,944,980
Demand deposits:		
- Legal entities	3,604,509	4,742,848
- Individuals	1,032,303	1,156,911
	4,636,812	5,899,759
Customer accounts	214,592,470	213,949,142
Held as security against guarantees and avals (Note 17)	2,858,827	1,425,911
Held as security against letters of credit (Note 17)	1,334,588	1,067,251
Held as security against loans to customers (Note 8)	915,151	765,485
Held as security against undrawn loan commitments (Note 17)	5,076	15,747

As at 30 June 2024, customer debts included funds from deposits and current accounts raised in gold which are measured at fair value through profit or loss in the amount of UAH 88,492 thousand (31 December 2023: UAH 74,255 thousand). As at 30 June 2024, there were no changes in the fair value of funds raised in gold due to changes in credit risk (31 December 2023: none).

16. Equity

As at 30 June 2024, the Bank’s authorised issued share capital comprised 31,168,806 ordinary registered shares (31 December 2023: 31,168,806) with the nominal value of UAH 1,462.04 per share (31 December 2023: UAH 1,462.04 per share). As of 30 June 2024, 31,168,806 ordinary registered shares were fully paid and registered (31 December 2023: 31,168,806 ordinary registered shares were fully paid and registered).

Movements in other reserves

The movements in other reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Reserve for gains and losses on financial assets measured at fair value through other comprehensiv e income</i>	<i>Reserve for gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
As at 1 January 2023	1,052,303	(2,449,725)	(63,844)	(1,461,266)
Depreciation of revaluation reserve, net of tax	(13,587)	–	–	(13,587)
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including	–	951,704	651	952,355
Expenses for expected credit losses of investment securities at fair value through other comprehensive income	–	124,893	–	124,893
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(3,510)	–	(3,510)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	–	830,321	651	830,972
Income tax related to components of other comprehensive income	–	–	–	–
As at 30 June 2023 (unaudited)	1,038,716	(1,498,021)	(63,193)	(522,498)
As at 1 January 2024	991,768	(345,161)	(65,681)	580,926
Depreciation of revaluation reserve, net of tax	(10,453)	–	–	(10,453)
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including	–	1,532,867	1,282	1,534,149
Expenses for expected credit losses of investment securities at fair value through other comprehensive income	–	733,333	–	733,333
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(99,356)	–	(99,356)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	–	898,890	1,282	900,172
Income tax related to components of other comprehensive income	–	–	–	–
As at 30 June 2024 (unaudited)	981,315	1,187,706	(64,399)	2,104,622

17. Loan commitments

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts of the Bank included:

	30 June 2024 (unaudited)	31 December 2023
Undrawn loan commitments	11,913,914	13,199,083
Financial guarantees	3,105,516	3,265,787
Letters of credit	3,517,436	3,744,303
Avals on promissory notes	235,245	240,361
Performance guarantees	4,941,186	4,457,152
	23,713,297	24,906,686
Allowance for expected credit losses	(112,216)	(246,447)
Cash held as security against letters of credit, avals, finance guarantees and loan commitments (Note 15)	(4,198,491)	(2,508,909)

The following tables show the analysis of changes in allowance for credit-related commitments:

	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	Total
Allowance for credit-related commitments at 1 January 2024	82,867	155	1,486	15,327	–	99,835
New liabilities originated or purchased	13,091	–	–	–	–	13,091
Completed (settled) credit-related commitments	(18,559)	(383)	–	(1,504)	–	(20,446)
Transfer to Stage 1	179	(7)	–	(172)	–	–
Transfer to Stage 2	(15)	15	–	–	–	–
Transfer to Stage 3	(660)	(18)	(1,491)	678	1,491	–
Modifications in allowance	(5,871)	271	5	140	134	(5,321)
Translation differences	994	6	–	–	–	1,000
Allowance for credit-related commitments at 31 March 2024 (unaudited)	72,026	39	–	14,469	1,625	88,159
New liabilities originated or purchased	23,234	–	–	–	–	23,234
Completed (settled) commitments	(38,236)	(23)	–	(2,900)	–	(41,159)
Transfer to Stage 1	796	(18)	–	(778)	–	–
Transfer to Stage 2	(109)	128	–	(19)	–	–
Transfer to Stage 3	(147)	(12)	–	159	–	–
Modifications in allowance	20,528	483	–	(2)	(415)	20,594
Modifications in macro-model inputs	(19,379)	(101)	–	–	–	(19,480)
Translation differences	1,143	–	–	–	–	1,143
Allowance for credit-related commitments at 30 June 2024 (unaudited)	59,856	496	–	10,929	1,210	72,491
	Stage 1 Collective	Stage 2 Collective	Stage 2 Individual	Stage 3 Collective	Stage 3 Individual	Total
Allowance for credit-related commitments at 1 January 2023	318,330	5,330	59,380	94,144	1,434	478,618
New liabilities originated or purchased	18,665	–	–	–	–	18,665
Completed (settled) commitments	(174,485)	(428)	–	(80,699)	(561)	(256,173)
Transfer to Stage 1	1,762	(1,667)	–	(95)	–	–
Transfer to Stage 2	(1,169)	546	665	(42)	–	–

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
Transfer to Stage 3	(117)	(2,402)	–	2,519	–	–
Modifications in allowance	23,522	60	5,325	(436)	1,308	29,779
Translation differences	(4)	–	–	1,817	–	1,813
Allowance for credit-related commitments at 31 March 2023 (unaudited)	186,504	1,439	65,370	17,208	2,181	272,702
New liabilities originated or purchased	103,863	–	–	–	–	103,863
Completed (settled) commitments	(71,779)	(578)	(65,370)	(14,513)	(3,053)	(155,293)
Transfer to Stage 1	1,282	(826)	–	(456)	–	–
Transfer to Stage 2	(1,475)	270	1,205	–	–	–
Transfer to Stage 3	(43,159)	(56)	–	43,215	–	–
Modifications in allowance	15,985	(120)	(295)	13,239	872	29,681
Modifications in macro-model inputs	(2,161)	(77)	–	–	–	(2,238)
Translation differences	316	–	–	–	–	316
Allowance for credit-related commitments at 30 June 2023 (unaudited)	189,376	52	910	58,693	–	249,031

Performance guarantees

Performance guarantees are the arrangements to provide compensation where a counterparty fails to perform its contractual obligations. Performance guarantees are not exposed to credit risk. The risk is related to the possibility of failure to perform the contractual obligations by the counterparty.

Financial terms of the agreements

Agreements with other credit organizations contain requirements for the fulfilment of financial performance indicators and the overall risk structure of the Bank (capital adequacy, liquidity, credit risks). The values of the indicators are set by the terms of the agreements, other documents agreed by the parties to the agreements, with reference to both international and local regulatory requirements.

During the six months of 2024, the Bank violated covenants on all loans received from international financial institutions and credit institutions, which are presented in “Other borrowed funds”. The Bank received respective covenant waiver letters from the lenders covering the breached covenants in the first half of 2024.

Pledged assets

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

Assets pledged by the Bank as collateral:

	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>		<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
NBU refinancing loans	–	–	Ukrainian government bonds at fair value through profit or loss	10,136,040	9,543,030
			Ukrainian government bonds at fair value through other comprehensive income	6,488,917	6,558,951

	30 June 2024 (unaudited)	31 December 2023		30 June 2024 (unaudited)	31 December 2023
<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
			Ukrainian government bonds at amortised cost	6,482,119	6,476,345
NBU interest rate swap (notional amount)	4,885,000	5,385,000	Ukrainian government bonds at fair value through other comprehensive income	1,448,763	1,367,819
Loans from Ukrainian financial organizations	389,761	324,116	Ukrainian government bonds at fair value through other comprehensive income	818,805	629,707

18. Employee benefits expense and other administrative and operating expenses

Employee benefits expense and other administrative and operating expenses comprise:

	2024		2023	
	<i>for three months ended 30 June</i>	<i>for six months ended 30 June</i>	<i>for three months ended 30 June</i>	<i>for six months ended 30 June</i>
	<i>(unaudited)</i>			
Salaries and bonuses	458,345	880,536	370,479	734,273
Mandatory contributions to the state funds	81,522	169,527	67,227	133,164
Employee benefits expense	539,867	1,050,063	437,706	867,437
Payables to the Individual Deposit Guarantee Fund	74,042	166,252	64,828	127,418
Repair and maintenance of property, plant and equipment	49,617	77,363	33,328	59,345
Security	19,608	37,600	17,042	34,144
Electronic and data processing costs	18,574	36,233	13,940	22,789
Maintenance of premises	14,664	33,180	14,642	36,726
Legal and advisory services	14,417	16,005	8,100	11,493
Operating taxes	9,009	17,681	10,505	18,796
Expenses for cash collection	6,639	12,798	6,495	11,592
Communication services	4,749	8,319	4,483	7,293
Administrative expenses	4,528	8,674	3,751	6,811
Rent of premises	4,252	7,884	3,286	5,993
Business travel and related expenses	2,874	4,252	1,673	2,283
Marketing and advertising	2,302	3,592	2,320	4,002
Representative offices expenses	1,016	1,600	897	1,733
Modifications in financial assets	(13,848)	24,220	22,681	23,009
Other	21,790	31,488	21,945	34,210
Other administrative and operating expenses	234,233	487,141	229,916	407,637

Expenses for payment to the non-state pension fund for the period ended 30 June 2024 amount to UAH 585 thousand (30 June 2023: UAH 483 thousand).

19. Fair value of assets and liabilities

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

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

	30 June 2024 (unaudited)		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	107,300,793	107,300,793	110,794,727	110,794,727
Loans and advances to banks	995,878	995,878	902,537	902,537
Loans and advances to customers	76,445,654	76,354,322	74,569,673	74,024,396
Investment securities at amortised cost	12,268,140	11,738,348	19,451,294	18,670,451
Other financial assets	636,895	636,895	545,524	545,524
Financial liabilities				
Due to other banks	4,367,613	4,367,613	6,391,084	6,391,084
Customer accounts	214,503,978	214,532,121	213,874,887	213,871,470
Other borrowed funds	27,862,209	27,795,427	28,730,787	28,601,479
<i>Incl. Eurobonds issued</i>	<i>1,719,796</i>	<i>1,653,014</i>	<i>2,413,346</i>	<i>2,284,038</i>
Subordinated debt	4,066,036	3,021,482	3,805,882	2,812,757
Other financial liabilities	746,476	746,476	932,072	932,072

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the annual consolidated financial statements.

Assets whose fair value approximates their carrying value

For the financial assets and financial liabilities that are liquid or have a short-term maturity (up to three months), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Fixed rate financial instruments

The fair values of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing the market interest rates at the date when they were first recognised with the current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt instruments issued the fair values are calculated based on quoted market prices. For listed securities issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Analysis of financial instruments measured at fair value by level in the fair value hierarchy is presented in the table below:

As at 30 June 2024 (unaudited)	Fair value recurring measurements		
	Level 2	Level 3	Total
Loans and advances to banks in precious metals	127,843	–	127,843
Investment securities at fair value through profit or loss	–	20,203,566	20,203,566
Securities held for trading	3,879,876	–	3,879,876
Investment securities at fair value through other comprehensive income	38,112,289	21,624	38,133,913
Derivative financial assets	244,509	–	244,509
Total assets	42,364,517	20,225,190	62,589,707
Customer accounts in precious metals	88,492	–	88,492
Derivative financial liabilities	812	–	812
Total liabilities	89,304	–	89,304

<i>As at 31 December 2023</i>	<i>Fair value recurring measurements</i>		
	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Loans and advances to banks in precious metals	107,328	–	107,328
Investment securities at fair value through profit or loss	–	19,071,183	19,071,183
Securities held for trading	3,878,986	–	3,878,986
Investment securities at fair value through other comprehensive income	27,572,598	20,342	27,592,940
Derivative financial assets	652,249	–	652,249
Total assets	32,211,161	19,091,525	51,302,686
Customer accounts in precious metals	74,255	–	74,255
Derivative financial liabilities	1,377	–	1,377
Total liabilities	75,632	–	75,632

The Bank recognises the need of transfer between levels of the fair value hierarchy at the end of each reporting period.

Movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets measured at fair value:

	<i>At 1 January 2024</i>	<i>Gain/(loss) recognised in the consolidated statement of profit or loss</i>	<i>Gain/(loss) recognised in the consolidated statement of comprehensive income</i>	<i>Calculation</i>	<i>As at 30 June 2024 (unaudited)</i>
Investment securities at fair value through profit or loss	19,071,183	1,502,613 ^(a)	–	(370,230) ^(c)	20,203,566
Investment securities at fair value through other comprehensive income	20,342	2,166 ^(b)	1,282	(2,166) ^(d)	21,624
Total assets	19,091,525	1,504,779	1,282	(372,396)	20,225,190

	<i>At 1 January 2023</i>	<i>Gain/(loss) recognised in the consolidated statement of profit or loss</i>	<i>Gain/(loss) recognised in the consolidated statement of comprehensive income</i>	<i>Calculation</i>	<i>As at 31 December 2023</i>
Investment securities at fair value through profit or loss	26,961,581	1,986,212 ^(a)	–	(9,876,610) ^(c)	19,071,183
Investment securities at fair value through other comprehensive income	22,179	958 ^(b)	(1,837)	(958) ^(d)	20,342
Total assets	26,983,760	1,987,170	(1,837)	(9,877,568)	19,091,525

(a) Gains in the amount of UAH 1,502,613 thousand include: UAH 1,132,383 thousand of revaluation of investment securities at fair value through profit or loss, which is included in "Net gain/(loss) from financial instruments at fair value through profit or loss" and UAH 370,230 thousand of accrued interest income, which is included in "Other interest income" (2023: Gains in the amount of UAH 1,986,212 thousand include: UAH 971,758 thousand of revaluation of investment securities at fair value through profit or loss, which is included in "Net gain/(loss) from financial instruments at fair value through profit or loss" and UAH 1,014,454 thousand of accrued interest income, which is included in "Other interest income").

(b) Accrued dividends in the amount of UAH 2,166 thousand are included in the "Other income" (2023: accrued dividends in the amount of UAH 958 thousand are included in the "Other income").

(c) Redemption in the amount of UAH 370,230 thousand includes: UAH 370,230 thousand of coupon payments (2023: redemption in the amount of UAH 9,876,610 thousand includes: UAH 8,746,150 thousand of securities redemption and UAH 1,130,460 thousand of coupon payments).

(d) Payment of dividends in the amount of UAH 2,166 thousand (2023: payment of dividends in the amount of UAH 958 thousand).

Gains or losses on level 3 assets at fair value included in the profit or loss for the reporting period comprise:

	<i>At 30 June 2024 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised gains</i>	<i>Total</i>
Investment securities at fair value through profit or loss	258,164	1,244,449	1,502,613
Investment securities at fair value through other comprehensive income	2,166	–	2,166
Total	260,330	1,244,449	1,504,779

	<i>At 30 June 2023 (unaudited)</i>		
	<i>Realised gains</i>	<i>Unrealised gains</i>	<i>Total</i>
Investment securities at fair value through profit or loss	337,159	168,822	505,981

The tables below show the quantitative information as at 30 June 2024 and 31 December 2023 about significant unobservable inputs used for the fair valuation of assets classified as those of Level 3 of the fair value hierarchy:

<i>At 30 June 2024 (unaudited)</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Range of parameter values, %</i>
Investment securities at fair value through other comprehensive income	21,624	Discounted cash flows	Expected profitability	13.9
Investment securities at fair value through profit or loss	20,203,566	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	23.913

<i>At 31 December 2023</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values, %</i>
Investment securities at fair value through other comprehensive income	20,342	Discounted cash flows	Expected profitability	13.9
Investment securities at fair value through profit or loss	19,071,183	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	24.498

Sensitivity of fair value measurement for Level 3 to possible changes in the inputs used

As at 30 June 2024, if the historical exchange rate volatility increases/decreases by 1 percentage point the fair value of investment securities at fair value through profit or loss would increase by UAH 1,622.12 thousand / decrease by UAH 1,531.68 thousand (31 December 2023: increase by UAH 2,332.14 thousand / decrease by UAH 2,272.14 thousand).

As at 30 June 2024, the Bank estimates the impact of changes in exchange rate volatility when measuring the fair value of investment securities at fair value through profit or loss at +78.15 percentage points. The effect of such changes in exchange rate volatility on Ukrainian government bonds with indexed value is UAH 353,457.14 thousand and will result in a profit increase. (31 December 2023: the Bank estimated the impact of changes in exchange rate volatility when measuring the fair value of investment securities at fair value through profit or loss at +68.18 percentage points. The effect of such changes in exchange rate volatility on Ukrainian government bonds with indexed value is UAH 365,643.34 thousand and will result in a profit increase.)

20. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if they are under common control, or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

Related parties may enter into the transactions, which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Transactions and balances with related parties comprise transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government and with the key management personnel.

The outstanding balances on key management personnel as at 30 June 2024 and 31 December 2023 and related income and expense for six months ended 30 June 2024 and 2023, are as follows:

	<i>Key management personnel</i>	
	<i>30 June 2024 (unaudited)</i>	<i>31 December 2023</i>
Loans and advances to customers, gross	1,011	1,110
Less: allowance for impairment	(9)	(10)
Loans and advances to customers, net	1,002	1,100
Other financial assets	4	3
Current accounts	9,920	6,326
Time deposits	2,311	5,636
Customer accounts	12,231	11,962
Other non-financial liabilities	8	15

	<i>For the period ended 30 June</i>	
	<i>2024 (unaudited)</i>	<i>2023</i>
Interest income on loans	87	57
Interest expenses on customer deposits	(65)	(139)
Fee income	85	109
Net increase/(decrease) from foreign exchange translation	(344)	26

During the six months ended 30 June 2024, the aggregate remuneration and other benefits paid to key management personnel amounted to UAH 69,021 thousand (payments to the non-state pension fund – UAH 22 thousand) (30 June 2023: UAH 55,472 thousand, payments to the non-state pension fund – UAH 25 thousand).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by the state. The Bank provides such entities with a full range of banking services, including but not limited to lending, deposit-taking, issue of guarantees, transactions with securities, and cash and settlement transactions.

Balances with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, which are significant in terms of the carrying amount, as of 30 June 2024 were as follows (unaudited):

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Other borrowed funds</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	–	–	16,515,778	–	–
Client 2	Finance	48,476,877	71,591	–	244,509	–	–	–	–
Client 3	Finance	–	–	1,016,392	–	–	–	–	–
Client 4	Finance	–	–	–	–	767,087	–	–	–
Client 5	Finance	–	–	–	–	–	–	303,618	–

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to banks</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Other borrowed funds</i>	<i>Guarantees issued</i>
Client 6	Finance	–	–	–	–	233,441	–	–	–
Client 7	Extractive industry	–	–	6,122,729	–	–	9,034,094	–	–
Client 8	Extractive industry	–	–	7,367,387	–	–	–	–	–
Client 9	Power engineering	–	–	3,721,397	–	–	4,297,819	–	–
Client 10	Power engineering	–	–	7,596,351	–	–	–	–	–
Client 11	Transport and communications	–	–	–	–	–	5,418,639	–	–
Client 12	Transport and communications	–	–	–	–	–	2,664,287	–	–
Client 13	Transport and communications	–	–	–	–	–	1,827,625	–	–
Client 14	Trade	–	–	–	–	–	2,372,563	–	1,815,400
Client 15	Trade	–	–	–	–	–	–	–	1,892,592
Client 16	Road construction	–	–	4,943,355	–	–	–	–	–
Client 17	Professional, scientific and technical activities	–	–	3,112,105	–	–	–	–	–
Client 18	Professional, scientific and technical activities	–	–	766,873	–	–	–	–	–
Client 19	Mechanical engineering	–	–	2,290,677	–	–	–	–	–
Other		–	–	2,384,411	–	–	32,882,053	–	–

Balances with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, which are individually significant in terms of the carrying amount as at 31 December 2023 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Other borrowed funds</i>	<i>Guarantee s issued</i>
Client 1	State entities	–	–	–	–	16,555,749	–	–
Client 20	State entities	–	–	–	–	2,733,669	–	–
Client 2	Finance	52,546,096	–	647,780	–	–	–	–
Client 3	Finance	–	–	–	–	2,193,265	–	–
Client 4	Finance	–	–	–	1,159,635	–	–	–
Client 21	Finance	–	–	–	827,851	–	–	–
Client 5	Finance	–	–	–	–	–	300,620	–
Client 6	Finance	–	–	–	291,408	–	–	–
Client 7	Extractive industry	–	5,701,115	–	–	4,183,134	–	–
Client 8	Extractive industry	–	7,222,152	–	–	–	–	–
Client 9	Power engineering	–	3,731,157	–	–	3,744,293	–	–
Client 10	Power engineering	–	7,149,455	–	–	–	–	–
Client 23	Power engineering	–	–	–	–	–	–	1,408,028
Client 11	Transport and communications and technical activities	–	803,809	–	–	6,417,893	–	–
Client 16	Road construction	–	5,609,958	–	–	–	–	–
Client 22	Mechanical engineering	–	–	–	–	3,611,491	–	–
Client 19	Mechanical engineering	–	2,193,779	–	–	–	–	–
Client 14	Trade	–	–	–	–	–	–	1,902,107
Client 15	Trade	–	–	–	–	–	–	1,846,388
Client 18	Professional, scientific and technical activities	–	754,649	–	–	–	–	–
Other		–	2,111,175	–	–	36,350,216	–	–

During the six months ended 30 June 2024, the Bank recorded UAH 4,652,954 thousand of interest income from significant transactions with entities controlled, either directly or indirectly, or significantly influenced by the Ukrainian Government (30 June 2023: UAH 4,039,367 thousand), including UAH 2,440,737 thousand from transactions with NBU deposit certificates

with maturities up to 90 days (30 June 2023: UAH 1,633,714 thousand), and UAH 2,440,737 thousand of interest expenses (30 June 2023: UAH 3,411,761 thousand).

As at 30 June 2024, the Bank's investments in securities issued by the Ukrainian Government or by entities controlled, either directly or indirectly, or significantly influenced by the Ukrainian Government amounted to UAH 74,175,191 thousand (31 December 2023: UAH 69,314,071 thousand) and included the following:

	30 June 2024 (unaudited)	31 December 2023
Investment securities at fair value through profit or loss	20,203,566	19,071,183
Investment securities at fair value through other comprehensive income	38,131,396	27,589,928
Investment securities at amortised cost	11,960,352	19,133,225
Investment securities held for trading	3,879,876	3,878,986

Carrying amount of Ukrainian government bonds is disclosed in Note 9.

During the six months ended 30 June 2024, the Bank recognised UAH 3,374,949 thousand of interest income on transactions with Ukrainian government bonds (30 June 2023: UAH 2,562,976 thousand) and UAH 279,275 thousand of interest income on transactions with other investment securities (30 June 2023: UAH 419,474 thousand).

As at 30 June 2024, guarantees received by the Bank from the Government or entities controlled, either directly or indirectly, or significantly influenced by the Ukrainian Government, amounted to UAH 24,206,349 thousand (31 December 2023: UAH 31,698,959 thousand).

21. Capital adequacy

The Bank manages its capital adequacy to mitigate the risks inherent in its operations. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and proper capital ratios in order to support its business activities and maximise the value to the shareholder.

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

NBU capital adequacy ratios

The National Bank of Ukraine has set the regulatory capital adequacy ratio (H2) at the level of not less than 10% and main capital adequacy ratio (H3) at the level of not less than 7%.

As of July 1, 2024, the bank's capital adequacy ratios were lower than the regulatory values set by the NBU due to the peculiarities of calculation of regulatory capital according to NBU requirements, namely, the inclusion of the negative financial result of 2022, generated as a result of the formation of provisions for expected credit losses as a result of Russia's war against Ukraine, in the components of main capital, and the subsequent limitation of the amount of additional capital to the level of main capital.

However, in accordance with the NBU's Board Resolution #23 “On Certain Issues of Activities of Ukrainian Banks and Banking Groups” dated 25 February 2022 no penalties are applied to the Bank for lowering its capital adequacy ratios below the thresholds established by the NBU as such violations are caused by the negative impact of military aggression of the Russian Federation against Ukraine. In order to eliminate the existing violations, the Bank operates according to the Capitalization/Restructuring Program

Information on interaction with international creditors in relation to non-compliance with capital ratios and other financial covenants is disclosed in Note 17.

The management continues communication with the international creditors on this issue and expects to get the appropriate consents until the Bank achieves the capital recovery and compliance with regulatory ratios and other financial covenants.

The Bank's capital adequacy ratio was as follows:

	30 June 2024 (unaudited)	31 December 2023
Main capital	1,944,877	1,977,222
Additional capital, calculated	10,765,657	9,571,930
Additional capital included in calculation of total capital (limited to main capital)	1,923,254	1,956,880
Total regulatory capital	3,868,131	3,934,102
Risk weighted assets	92,318,475	94,609,317
Main capital adequacy ratio	2.11%	2.09%
Regulatory capital adequacy ratio	4.19%	4.16%

Regulatory capital comprises Tier 1 capital (main capital) consisting of paid-in registered share capital plus reserve funds less losses and portion of the carrying amount of the assets (non-current assets classified as held for sale; repossessed pledged property; property, plant and equipment), which are not used by the bank at the time of executing the types of activities described in Article 47 of the Law of Ukraine “On Banks and Banking”, investment property, and Tier 2 capital (supplementary capital) consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

Capital adequacy ratio under Basel Capital Accord 1988.

The Bank’s capital adequacy ratios computed in accordance with the Basel Capital Accord 1988 were as follows:

	30 June 2024 (unaudited)	31 December 2023
Tier 1 capital	10,523,170	6,155,688
Tier 2 capital, calculated	6,793,466	4,293,874
Tier 2 capital, included in calculation of total capital	6,793,466	4,293,874
Total capital	17,316,636	10,449,562
Risk weighted assets	101,699,889	100,999,622
Tier 1 capital adequacy ratio	10.3%	6.1%
Total capital adequacy ratio	17.0%	10.3%