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

Consolidated management report

Annual consolidated financial statements

For the year ended 31 December 2022,
with independent auditor’s report

Translation from Ukrainian original

CONTENTS

Consolidated management report (consolidated governance report)

OF "THE STATE EXPORT-IMPORT BANK OF UKRAINE" JOINT STOCK COMPANY

((the consolidated management report (consolidated governance report) was prepared in accordance with the requirements of Article 126 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the Regulation on Disclosure of Information by Securities Issuers approved by decision No. 2826 of the National Securities and Stock Market Commission of Ukraine (NSSMC) dated December 3, 2013, Law of Ukraine On Accounting and Financial Reporting in Ukraine, the Instruction on the Procedure for Preparation and Publication of Financial Statements of Banks of Ukraine approved by the NBU Board Resolution No. 373 dated October 24, 2011))

“The State Export-Import Bank of Ukraine” Joint Stock Company (hereinafter – Ukreximbank, “Ukreximbank” JSC, , the Bank/bank or the issuer) was established in 1992 and entered in the State Register of Banks on January 23, 1992 under number 5, Ukreximbank performs its activity on the basis of Bank License No.2.

As at 31 December 2022 and 2021, 100% of Ukreximbank share capital was owned by the state. Functions on management of the state’s corporate rights in the Bank are performed by the Cabinet of Ministers of Ukraine.

Head Office of “Ukreximbank” is located in Kyiv at the address: 127, Antonovycha Str. The Bank has 22 branches and 29 sub-branches (as at 31 December 2021 it had 22 branches and 29 sub-branches) and two representative offices in London and New-York. The Bank and its branches is a single legal entity.

Historically, the key activity of Ukreximbank is servicing of export and import transactions. Currently, Ukreximbank has the diversified customer base, which includes significant number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from individuals and legal entities, issues loans, provides payment services within Ukraine and carries out money transfers abroad, fulfils foreign exchange transactions, invests funds, performs servicing of the customers’ cash and settlement operations and renders other banking services.

One of the key Ukreximbank functions is facilitation of servicing, on behalf of the Government of Ukraine, of the loan agreements entered into by the Government of Ukraine and governments of other countries. “Ukreximbank” acts as an agent of the Government of Ukraine and carries out servicing of loans provided by international financial institutions in accordance with the terms and conditions of such agreements.

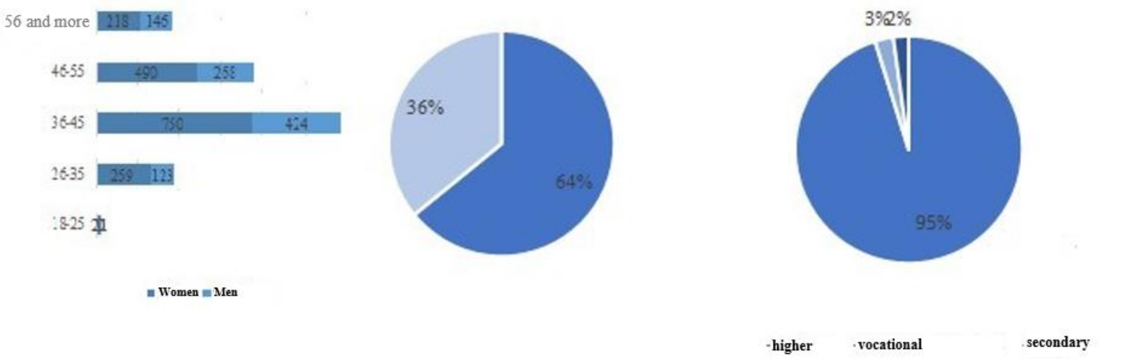
“Ukreximbank” has subsidiaries “Lease Company “Ukreximleasing” and “Eximleasing” LLC (hereinafter together – Ukreximbank, “Ukreximbank” JSC, the Bank/bank or the issuer).

“Lease Company “Ukreximleasing”, Ukreximbank`s 100% owned subsidiary, was founded in 1997 and is registered and operates in Ukraine in the trading and leasing business.

“Eximleasing” LLC, Ukreximbank`s 100% owned subsidiary, was founded in 2006 and registered in Ukraine, and operates in the trading and leasing business.

Human resources, employment, respect for human rights, intellectual capital and its use for the Bank goals achievement, anticorruption efforts

“Ukreximbank” JSC is a reliable employer in the financial sector of the country. The profile of the team and the profile of the Bank's employee are as follows:



Gender	Age	Education	Term of employment at the bank
Female	44	Higher	10.2 years

As of 31.12.2022, the total registered number of employees in “Ukreximbank” JSC system is 2,709 employees.

HR-service, which was reformed in 2020, corresponds to the modern business organization model. The new HR-service structure in 2022 ensured implementation of a comprehensive approach to personnel management: personnel selection, adaptation, evaluation, remuneration, organizational development, personnel administration, staff training and development, intangible motivation of the staff and internal communications.

Within “Ukreximbank” JSC development strategy new **HR-strategy of “Ukreximbank” JSC for 2020-2022** was developed and approved, whose strategic goal is consistent implementation of transformational changes to personnel management as the basis for strengthening of the employer brand, building and maintaining highly professional, involved, loyal, motivated team of the Bank, which is able to respond flexibly to changes in the internal and external environment and ensure the Bank's leading position in the financial market.

During 2022, the Bank continued to implement transparent and centralized recruitment, improve the quality of selection of candidates for vacant positions in all independent structural units and branches of the Bank, establish common principles of approval of candidates in accordance with the strategic plans and needs of the Bank. The Bank selected and recruited 219 new employees, including:

- in terms of the Head Office/branches: 161 new employees to fill vacant positions at the Head Office and 58 new employees to fill vacant positions at branches;
- in terms of positions: 16 new employees were hired for managerial positions (heads of ISUs, heads of divisions and deputy heads of branches), 16 for heads of units and 187 for line positions.

During 2022, the implementation of a comprehensive **system of personnel evaluation** was continued, within the framework of which the measures for personnel evaluation with the use of valid instruments in accordance with world practices were successfully implemented. For the first time, the Bank implemented a 360º Assessment based on a modern remote online platform. As of 31.12.2022, 360º Assessment was conducted for 180 employees of branches and the Head Office. Based on the results of the assessment, the participants received feedback and formed individual development plans.

In order to organize and ensure the development of high-potential employees within the Bank, who are an internal talent pool for promptly filling vacancies in the Bank, the concept of the Procedure for Working with High-Potential Employees was developed (HiPo).

An analysis of staff training needs was conducted, and a Training Plan for the Bank's employees for 2023 was developed and approved (Order No. 25-23 dated 01.02.2023).

During 2022:

- the Bank's employees have been trained in 49 remote courses 23,900 times;
- 143 employees took part in 33 training events organized by external providers;
- 11 face-to-face trainings were held for 89 employees of the Head Office, as well as 24 trainings for 365 employees of branches;
- 426 employees of the Head Office and branches took part in 38 online trainings held by internal trainers of the Bank;
- on average, each employee completed up to 10 training courses;
- 15 training videos were filmed and launched for all employees.

In accordance with the current legislation, the HR Management Division converted paper employment records into electronic form.

Within the framework of internal communications and corporate culture development, the Bank continues to develop its corporate culture, which is aimed at supporting the business in achieving its strategic goals.

The Bank conducted a survey of employee engagement, loyalty and satisfaction. The results were presented to the Management Board members.

A system of horizontal and vertical internal communications is in place to help cascade the Bank's key messages to employees. A strategic session was held with the participation of the Bank's management, regional managers and ISU heads.

A number of measures and projects were developed and implemented to support employees during the military invasion of Ukraine by the russian federation. The implemented projects include strengthening communications to support the mental health of employees, the projects: "Together to Victory", "Exim Help", "Language is Our Strength", "Exim People" - stories about the best employees of the Bank.

In 2022, internal communications were aimed at raising awareness of employees about events in the Bank, helping temporarily displaced colleagues, introducing and assisting in mastering the new Microsoft 365 software product.

Respect for human rights.

In terms of respect for human rights the Bank in its activities is guided by the Constitution of Ukraine, strictly adheres to the legislation and regulations of Ukraine, regulations of the Bank, the Code of Conduct (Ethics) of "Ukreximbank" JSC, Anti-Corruption Program of "The State Export-Import Bank of Ukraine" Joint-Stock Company, namely:

– The Bank promotes a culture of respect to executives and employees of the Bank. Executives and employees of the Bank are provided with equal opportunities for professional development, implementation of labour rights and development of professional potential. The Banks management takes measures aimed at protection of work and health of executives and employees of the Bank, creating the necessary conditions for their safe labour conditions and improvement of social welfare;
– The Bank does not allow any discrimination regarding the Bank's executives and employees on the grounds of race, colour, political, religious and other beliefs, gender, gender identity, sexual orientation, ethnic, social and foreign origin, or any other characteristics at the time of recruitment, remuneration, promotion;
– The main criteria for the appointment of executives and employees of the Bank to senior positions are their achievements and abilities. Every employee of the Bank has the right to nominate his / her candidacy for vacancies available in the Bank, provided that the qualification requirements are met.
– The Bank does not prosecute persons of any kind in its activities.

The Bank does not use and does not support the use of labour of children who have not reached the minimum age established by labour legislation from which employment is allowed.

"Ukreximbank" JSC system annually sets working time norms according to five-day working week calendar which does not exceed 40 hours per week, with two days off on Saturday and Sunday, with mandatory observance of working time norms.

In accordance with the requirements of the applicable legislation of Ukraine, the Bank's employees are provided with various types of leave, in particular, annual leave (basic and additional for special work), additional leave in connection with studies, social leave (due to pregnancy and childbirth, childcare leave until the child reaches the age of three, for employees who have children, etc.), unpaid leave.

The Bank's employees maintain a healthy lifestyle by participating in external and internal activities aimed at an active lifestyle. Every employee of the Bank is provided with a voluntary health insurance policy.

In accordance with the requirements of the Law of Ukraine "On Prevention of Corruption", "Ukreximbank" JSC has the Anti-Corruption Program of "The State Export-Import Bank of Ukraine" Joint Stock Company approved by Order No. 270 dated July 15, 2015 (hereinafter – Anti-Corruption Program).

The Anti-Corruption Program defines a set of rules, standards and procedures for preventing, detecting and counteracting corruption in the activities of "Ukreximbank" JSC (hereinafter – the Bank). The Anti-Corruption Program applies to all employees who have an employment relationship with the Bank, regardless of their position and functional responsibilities.

In addition, in accordance with the requirements of the Regulation on the Organization of the Risk Management System in Banks of Ukraine and Banking Groups, approved by Resolution of the Board of the National Bank of Ukraine No. 64 dated June 11, 2018, and in order to ensure the effectiveness of preventing corruption in the Bank's structural units, the following internal regulations are in effect:

1. "Ukreximbank" JSC Code of Conduct (Ethics), approved by resolution of the Supervisory Board of the Bank dated December 02, 2022 (Minutes No. 49);

2. Whistleblowing Policy of "Ukreximbank" JSC, approved by resolution of the Supervisory Board of the Bank dated September 16, 2022 (Minutes No. 41);

3. Policy on Preventing, Identifying and Managing Conflicts of Interest in "Ukreximbank" JSC, approved by resolution of the Supervisory Board of the Bank dated October 21, 2022 (Minutes No. 45);

4. Regulation on management of conflict of interest in "Ukreximbank" JSC, approved by resolution of the Supervisory Board of the Bank dated October 21, 2022 (Minutes No. 45).

Technological resources and their use to achieve the bank goals

In 2022, “Ukreximbank” JSC, ensuring the continuous operation of its activities in difficult wartime conditions, continued IT transformation to achieve a level of efficiency that ensures the loyalty of digital users of its services and a sufficient level of reliability and security of IT infrastructure and flexibility of implementation of new technologies and systems according to business requirements, as well as creates conditions for the implementation of ambitious projects to introduce new innovative banking products.

To ensure the bank's effective operation in the face of unprecedented challenges associated with the dynamic relocation of its structural units and employees, the bank migrated to the modern Microsoft 365 collaboration service with key services such as Outlook, Teams, Word, Excel, PowerPoint, OneDrive in record time, and created a secure remote access environment based on the GlobalProtect by Palo Alto Networks platform.

The digital core of the bank's internal infrastructure was transferred to cloud services (AWS), and backup technology platforms were deployed for additional reliability. The external website, remote service systems and mobile applications for clients, as well as other electronic services, were uninterrupted in 2022.

Independent technical solutions for telephony were used to ensure the stable operation of the Remote Customer Service Center.

Having the necessary equipment and communication channels for continuous operation, JSC Ukreximbank joined the NBU Power Banking unified banking network to provide banking services in the absence of power supply and/or communication.

Supporting Ukraine's aspirations to integrate with global markets, JSC Ukreximbank actively participates in projects of implementation of international standards, in particular ISO20022 standard for messaging with the NBU EPS and SWIFT. In 2022, the bank actively prepared and tested software within these projects.

Having become a full member of SWIFT gpi shortly before 2022, the bank has consistently maintained the highest ("green") level of SLA compliance and is already enjoying significant benefits through accelerated payment processing and investigation processes, while iFOBS users have access to the full trace of outgoing payments. Further development of the technology for foreign exchange payments is associated with the use of Accuity Bankers Almanac services to automate the selection of the optimal route for their passage.

During 2022, the Bank ensured:

- expanding the functionality of the mobile application for private clients EnterEXIM 2.0 (opening and replenishing deposits of individuals online, managing their prolongation; making payments in national currency between own card and current accounts; payments using IBAN; regular payments; application of payment templates; payments by mobile phone number using Visa Alias technology; additional authentication method in the form of a phone call to ensure even more secure use of the application);
- expanding the functionality of the iFOBS Remote Service System for corporate clients (electronic signing of agreements with counterparties; import of currency documents; sending notifications to clients about the need to update data; Push messages functionality in the mobile application);
- implementation of a new version of the software for interaction with BankID 2.0 with enhanced service security requirements;
- implementation of a mechanism for automatic crediting of funds to customers based on the received registers of external counterparties, including UNICEF;
- improvement of automation of reporting in accordance with FATCA requirements;
- implementation of software for interaction with the NBU Credit Register in accordance with the Technical Conditions for Banks to Submit Information to the National Bank of Ukraine on Credit Transactions of the Bank with a Debtor - Individual/Legal Entity and Maintaining the Credit Register of the National Bank of Ukraine (version 4.5);
- connection to the Electronic Interaction System of Executive Authorities;
- implementation of a new distance learning system "Moco" for the Exim.

The processing system, built on the Way4 platform, which services not only “Ukreximbank” JSC but also a range of affiliate banks, provides reliable and uninterrupted operation of card processing in 24x7 mode in cooperation with Visa, Mastercard, American Express and NPS Prostir. In this system, which fully meets the requirements of PCI DSS, in addition to the basic functionality of card processing, technologies GooglePay / ApplePay, Purchase with CashBack, PIN Delivery by SMS are implemented. A high level of security for ecomm transactions for Visa IPS is ensured by the use of the 3DS 2.2 protocol, and for Mastercard IPS – the 2.1 protocol. To ensure the ability of Way4 to work in the cloud environment in 2022, the transition to the X86 platform was made. To improve the system reliability, additional backup was provided. The ATM Securix system provides a high level of protection for the bank's ATM network. Acting as a settlement bank of Mastercard IPS, the bank ensures daily settlements with other banks of Ukraine.

In 2022, “Ukreximbank” JSC continued modernization and implementation of modern tools for information and cybersecurity, in particular: systems of protection from network attacks, endpoint protection systems, protection of corporate network, information security event monitoring system, etc. The transition of the bank's information systems to a modern public key infrastructure is being completed.

2022 Awards

Award for absolute growth of the loan portfolio of legal entities in the category of state-owned banks

Ukreximbank won the Corporate Bank nomination of the Banks of 2022 rating. The award for the absolute growth of the loan portfolio of legal entities in the category of state-owned banks was presented to Sergii Iermakov, Acting Chairman of the Management Board of Ukreximbank, during the VIII LEGAL BANKING FORUM held on February 16 by the Financial Club and Yurydychna Praktyka Publishing House.

First place among the largest Non-Profit Pension Funds in Ukraine

According to the calculations of AMC – PFA UPINVEST LLC, which manages the fund's assets, the Fund's net return for the first half of 2022 amounted to 5.52%, which corresponds to 11.13% per annum. According to these indicators, the Fund ranks first among the largest Non-Profit Pension Funds in Ukraine.

Rating of securities traders of PFTS and Perspektiva Stock Exchanges.

Ukreximbank was ranked second in terms of trading in government securities on the country's leading stock exchanges - PFTS and Perspektiva.

Business support under the "5-7-9%" program

Ukreximbank ranks fifth among the 45 banks participating in the "5-7-9%" in terms of lending since the full-scale invasion.

Nature of business (external environment summary, where the Bank performs its activities, brief summary of the existing business model, core products and services).

External environment summary

The year 2022 was the most tragic in the history of independent Ukraine because of the brutal war launched by the russian federation under a bloody dictator. This invasion was devastating for the national economy. No one could have imagined how radically our reality would change. Ukraine has lost hundreds of thousands of lives, thousands of towns and villages have been destroyed, businesses have suffered irreparable damage, and the social security system has been torn apart. Despite the ongoing hostilities in the East and South, Ukraine, thanks to the support and assistance of its international partners, has managed to keep its economy from collapsing and has been showing positive signs of stabilization, however shaky ones, during the autumn.

As a result of the russian federation's aggressive war against Ukraine, a significant part of our country's economy has been destroyed. The deterioration of the economic situation due to the destruction of production facilities, disruption of economic and logistical ties, destruction of infrastructure and forced migration of the population led to a significant decline in GDP, high inflation and devaluation of the national currency.

The Ministry of Economy noted that the continuation of the occupiers' attacks on energy infrastructure facilities, which began in October, could lead to an even greater drop in Ukraine's gross domestic product (GDP).

As a result of the russian energy terror, Ukraine's GDP decline deepened in the fourth quarter of 2022 (up to 35% year-on-year). Trade and service companies adapted to the power outages rather quickly. The impact on the agricultural sector was also limited. Instead, industry, particularly metallurgy, suffered significant losses. At the same time, thanks to better results in the third quarter and the rapid adaptation of some businesses and households to the new conditions, the estimated decline in real GDP in 2022 was reduced to 29.1.%[1].

In 2022, the economic environment, both global and national, was characterized by ultra-high inflation and significant negative expectations, which are a significant impediment to the global economy. In 2022, consumer prices increased by 26.6%.[2]. At the same time, over the past three months, the inflation rate has remained almost unchanged in annual terms. The de-occupation of the territories, the expansion of food supply, and weaker consumer demand in the face of the russian

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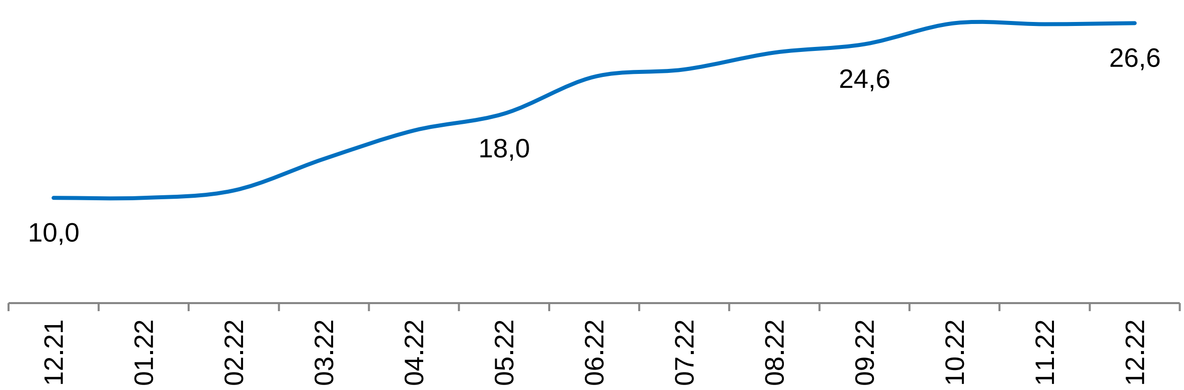
[1] https://bank.gov.ua/ua/news/all/komentar-natsionalnogo-banku-schodo-zmini-realnogo-vvp-u-2022-rotsi
[2] https://ukurier.gov.ua/uk/articles/indeks-spozhivchih-cin-u-grudni-2022-roku/

energy terror contributed to the stabilization of inflationary pressure. Inflation was also restrained by unchanged utility tariffs, a fixed hryvnia exchange rate, and improved logistics. The NBU's measures, including the introduction of deposit instruments to hedge currency risk, as well as the limited amount of budget monetization, helped stabilize the situation in the cash foreign exchange market at the end of 2022. At the same time, price pressure remains significant due to the effects of the war, including the destruction of businesses and infrastructure, and disruption of production and supply chains. In addition, business costs continued to rise as a result of russia's energy terror. Despite stabilization, inflation expectations remained higher.

Dynamics of the consumer price index



In recent months, exports of Ukrainian goods have remained resilient despite massive missile attacks and the russian federation's obstruction of the grain corridor. Imports, on the other hand, increased significantly compared to previous periods due to the need to purchase alternative energy sources and fuel as a result of energy terror. This led to an increase in the negative trade balance. The trade deficit was compensated by official financing, including grants, and stable remittances from labor migrants. As a result, the current account balance ended in surplus in 2022.

The current account surplus of the payment balance in 2022 amounted to USD 8.0 billion (5.4% of GDP) compared to a deficit of USD 3.9 billion (1.9% of GDP) in 2021. The surplus was formed mainly due to grants from international partners and a reduction in payments on investment income. At the same time, the negative balance of trade in goods and services expanded significantly, including due to significant expenditures by Ukrainian citizens abroad. Excluding reinvested earnings and grants from international partners, the deficit amounted to USD 6.0 billion (in 2021, the surplus was USD 1.0 billion).

Balance of Payment of Ukraine in 2021-2022 , USD million

Balance of Payment Accounts:	***As at 31 December 2021***	***As at 31 December 2022***
A. Current Account	(3,882)	8,005
B. Capital Account	15	183
C. Financial Account	(4,354)	11,088
D. Overall Balance (= A + B – C)	**487**	**(2,900)**

Net lending from the outside world in 2022 (the total balance of the current account and capital account) amounted to USD 8.6 billion (in 2021, net borrowing amounted to USD 3.9 billion).

Net capital outflows on the financial account in 2022 amounted to USD 11.1 billion (in 2021, the net inflow was USD 4.4 billion) and was driven by private sector operations, while public sector operations generated an inflow. The significant outflow from the private sector (USD 24.2 billion) was only partially compensated by an inflow to the public sector. Net inflow on public sector operations amounted to USD 13.2 billion (in 2021: USD 1.2 billion) and was driven by borrowings from international partners in the amount of USD 14.7 billion. These proceeds were partially offset by net repayments on government bonds in the amount of USD 1.3 billion.

In general, in 2022, the consolidated balance of payments was in deficit of USD 2.9 billion (in 2021, the surplus amounted to USD 487 million). Receipts from the IMF in 2022 under the RFI amounted to SDR 2.0 billion (USD 2.7 billion in equivalent), and repayments on previously attracted loans from the IMF in 2022 amounted to USD 2.1 billion.

In 2022, Ukraine received over USD 32 billion of international aid, of which more than USD 14 billion were grants. This allowed to finance most of the consolidated budget deficit (over 27% of GDP excluding grants), and to increase international reserves to USD 28.5 billion by the end of the year. The current level of reserves is sufficient to ensure the stability of the foreign exchange market and provides financing for imports of the next 3.5 months.

The national currency has devalued equally sharply over the past difficult year. If before the russian invasion of our land, the hryvnia/dollar exchange rate fluctuated around 29 UAH/USD, the current cash exchange rate is approximately 40 UAH/USD. Since the beginning of the full-scale war, the National Bank has fixed the official hryvnia exchange rate, which was previously floating. On the first day of the invasion, the exchange rate was fixed at 29.25 UAH/USD, and later, in July, the regulator weakened it by 25 percent to 36.57 UAH/USD.

In the fall, the depreciation pressure on the hryvnia eased significantly. After the exchange rate shock in mid-September (the cash exchange rate exceeded 42.5 UAH/USD), which the NBU had to "dampen" with massive interventions (see below), the hryvnia slightly strengthened over the next two months and has recently been fluctuating around 40.5 UAH/USD, i.e., an improvement constitutes 1.5-2 UAH/USD.

This may indicate a weakening of the psychological factor (fears of a new escalation of russian aggression, including as a result of mobilization, which was probably among the main factors behind the September devaluation shock). It should be added that the hryvnia strengthened in October even as the bombing intensified.

Of course, this positive development was due to the NBU's significant interventions to support the hryvnia. At the same time, the NBU had to use its reserves, which was possible, as noted, thanks to the broad financial support of partner countries.

In the autumn period, Ukraine's financial and banking systems continued to function quite reliably, which even allowed the NBU to take some measures of currency liberalization. Of course, the exchange rate dynamics remained sensitive to external shocks. Thus, after the exchange rate shock in mid-September, which the NBU had to "dampen" with massive interventions, the hryvnia even strengthened slightly over the next two months, which at the same time weakened imported inflationary pressures.

Existing Business Model

Historically, the key activity of Ukreximbank is servicing of export and import transactions. Currently, Ukreximbank has the diversified customer base, which includes significant number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from individuals and legal entities, issues loans, provides payment services within Ukraine and carries out money transfers abroad, fulfils foreign exchange transactions, invests funds, performs servicing of the customers' cash and settlement operations and renders other banking services.

One of the key Ukreximbank functions is facilitation of servicing, on behalf of the Government of Ukraine, of the loan agreements entered into by the Government of Ukraine and governments of other countries. Ukreximbank acts as an agent of the Government of Ukraine and carries out servicing of loans provided by international financial institutions in accordance with the terms and conditions of such agreements.

Existing business model envisages:

- focusing on ongoing implementation of the programs together with IFIs under lending projects to the export-oriented enterprises;
- focusing on existing and attraction of new customers for servicing of their export-import transactions and for provision of consultation support;
- expansion of corporate customer base;
- retaining premium individual customers with significant account balances.
- expanding the number of commercial banks, to which financing is provided under the IFI programs;

At its meeting on December 9, 2020, the Cabinet of Ministers of Ukraine approved the Development Strategy of the State Export-Import Bank of Ukraine. The updated strategy is aimed at implementing the "Main Areas of Ukreximbank's activities for 2020-2024" and provides for a comprehensive transformation, which is based on three components, in particular, the business model, the operating model and financial stability.

According to the business model, the bank will focus on its core business, in particular, export-import companies and state-owned enterprises, as well as reducing the cost of servicing the non-target customers. The operational model involves process optimization and radical digitalization with a reduction in physical presence. Financial stability will be achieved by focusing on improving one's position with capital and long-term financial recovery through optimizing the balance sheet by reducing costs and increasing revenues. The bank will also work on capital recovery by resolving the situation with non-performing assets3.

The aggression and war against Ukraine and its course in the country made it impossible to achieve the strategic goals set for peacetime. During the period of martial law, the performance targets of public sector banks set by the Principles of Strategic Reform of the State Banking Sector (Strategic Principles) as of September 2, 2020, as well as the key priorities and performance indicators set by the development strategies of public sector banks became irrelevant.

In 2023, "Ukreximbank" JSC will act in accordance with the main (strategic) areas of activity of public sector banks for the period of martial law and post-war economic recovery, ensure the maintenance of a stable liquidity position and fulfill all its obligations to depositors, counterparties and creditors in full and on time.

Eco-responsibility

The Bank contributes to improving the energy efficiency of the Ukrainian economy and defines the financing of projects in the field of environmental protection and introduction of energy-saving technologies as one of its important activities. Ukreximbank adheres to the responsible financing policy and pays attention to the environmental component, in particular:

- Applies environmental and social risk assessment procedures in respect of loan projects;
- Does not provide financing to socially hazardous and environmentally harmful industries;
- Implements initiatives aimed at reduction of the negative impact of business activities on the environment, etc.

The environmental and social management system is integrated into the bank lending activities. The assessment of environmental and social risks is carried out at the stage of review of loan projects, and monitoring of such risks is carried out at the stage of their administration. Remote training courses are arranged on a regular basis to ensure that the Bank's employees are adequately informed of the current risk assessment system.

The Bank regularly conducts training seminars for representatives of enterprises of different sectors of the economy and participates in representative activities to promote energy efficiency programs and encourage investment in this field.

Core products and services

Core products and services of the banking institution are:

- loans
- deposits
- cash and settlement services
- payment card transactions
- securities transactions
- trade finance transactions; factoring
- services provided using remote servicing systems (Client-Bank system, internet banking, mobile banking).

In addition, Ukreximbank is expanding the range of products under IFI programs, derivatives. Also, in addition to sovereign Eurobonds, the bank offers corporate Eurobonds, which are placed on international stock markets and admitted to trading on Ukrainian stock exchanges.

The goals of management and strategies for achievement of these goals (information about priority of actions for achievement of results, highlighting of activities in the area of research and development)

Before the start of the full-scale military aggression of the russian federation, the bank's main strategic goals and priorities for 2022-2024 were as follows:

- to become a leading bank for export-import financing and corporate lending in Ukraine, in particular by retaining existing customers and attracting new ones to service their export-import transactions, as well as consultancy support;
- to ensure efficient and profitable operation of the bank as a leading provider in the Ukrainian financial sector of a wide range of corporate banking services for state-owned enterprises, large enterprises, medium-sized enterprises (including strategic for the state areas), cooperation with municipalities, united territorial communities and utilities;
- to carry out digitalization and automation of core business processes in order to increase their economic efficiency;

[3] https://www.eximb.com/ua/bank/press/novyny-banku/uryad-shvalyv-strategiyu-rozvytku-derzhavnogo-ukreksimbanku.html

- to reduce the volume of the loan portfolio in non-strategic sectors and reduce the cost of servicing for the non-target customers;
- to create the stable mechanisms for funding the bank transactions, taking into account the current situation in the loan and money markets and the priority of reducing the cost of loan funds and other debt instruments, which will be offered by the bank;
- to borrow funds of international financial institutions on economically favorable terms and conditions;
- to participate actively in national and international programs to support key sectors of the economy.

In peacetime, the Bank was focused on the following priorities:

- in terms of asset-side transactions - lending to large corporate customers (about 96% of the loan portfolio), medium-sized enterprises and utilities with a simultaneous reduction in investments in government securities (government bonds) and NBU certificates of deposit;
- in terms of liability-side transactions – diversification of funding sources (individuals and legal entities and individuals, CMU, external borrowings, long-term IFI funds).

The war made it impossible to achieve the strategic goals set out in the Bank's Development Strategy. Therefore, the main strategic objectives for "Ukreximbank" JSC during the period of martial law and post-war economic recovery, as recommended by the Ministry of Finance of Ukraine, are as follows:

- provision of financial support to priority economic sectors and critical infrastructure enterprises (facilities);
- availability of banking services to ensure consumer rights protection, in particular within the framework of social protection of the population, provided that there is no physical threat to security of bank employees;
- creation of conditions for the rapid resumption of banking services in full and ensuring the functionality and continuity of public sector banks;
- creation, establishment and maintenance of an effective system of physical security (of the central office and branches of the bank, including security of bank employees), security of operating systems, including using cloud solutions, and cybersecurity;
- implementation of measures aimed at reducing risks, including possible threats, implementation of bank security measures, including control over security risks (including physical, financial, cybersecurity and operating system security), elimination or and/or minimization of the consequences of implemented threats and crisis situations;
- uninterrupted effective work of the bank managers 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 threats to financial stability and/or their avoidance.

The Bank's priorities during the period of martial law and post-war economic recovery are as follows:

- ensuring the current state of the bank's liquidity at a sustainable level;
- the key factor in maintaining liquidity is the internal maintenance of the resource base;
- fulfillment of all obligations to depositors, counterparties and creditors in full and on time;
- the Bank will increase and maintain competitive interest rates in the domestic market
- implementation of a balanced diversification and restrained interest rate policy, which will allow hedging potential outflow of customer funds by maintaining the overall average portfolio of attracted customer funds

Key financial resources, use thereof for achievement of goals (equity structure, financial mechanisms, liquidity and cash flows)

Since 2016, «Ukreximbank» JSC has been defined by the NBU as a systemically important bank, which corresponds to the high status of the bank in the banking system of Ukraine.

In the reporting year, Ukreximbank successfully used diversified sources of funding to create a reliable liquidity reserve, timely and in full provided repayment of the borrowed funds.

The Bank's equity was formed mainly through the issued capital, which amounted to UAH 45,570 million. as at 31 December 2022. In 2022, the Bank's equity decreased by UAH (10,418) million to the level of UAH 2,035 million against the retained earnings of the bank by UAH (9,055) million, which changed from UAH (33,654) million to UAH (42,709) million as a result of recognising of allowance for credit risk and other provisions for UAH (1,363) million in 2022.

Equity structure of Ukreximbank

UAH, thousand

Equity	*31.12.2022*	*31.12.2021*	*Changes*
Issued capital	45,570 041	45,570,041	0
Result from transactions with the shareholder	635,104	635,104	0
Retained earnings	-42,708,885	-33,653,771	-9,055,114
Other reserves	-1,461,266	-98,629	-1,362,637
Total equity	**2,034,994**	**12,452,745**	**-10,417,751**

The Bank manages its capital adequacy for protection from risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

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

The National Bank of Ukraine has set the regulatory capital adequacy ratio at the level of not less than 10% and the core capital adequacy ratio at the level of not less than 7%.

Starting from October 2022, the bank's capital ratios are lower than the thresholds set by the NBU due to the formation of provisions for expected credit losses as a result of the impact of the war of the russian federation against Ukraine.

Until the recapitalization is carried out, the capital adequacy ratios (N2 and N3) and the maximum credit risk per counterparty (N7) will be violated. In accordance with the NBU Board Resolution No. 23 "On Certain Issues of the Activities of Ukrainian Banks and Banking Groups" dated 25 February 2022, no penalties are applied to banks for violations of capital and credit risk ratios caused by the negative impact of the military aggression of the russian federation against Ukraine.

Liquidity

Due to military aggression and martial law, the Bank changed its lending strategy, identifying priority sectors approved by the Government in accordance with the order On the approval of the main (strategic) activities of public sector banks during the period of martial law and post-war economic recovery. To achieve the lending goals, the Bank has activated the attraction of funds in the national currency of corporate customers, as well as a project to attract long-term financing from the IBRD in the total amount of USD 100 million.

As part of lending to small and medium-sized business customers, the Bank successfully implements joint programs with international financial institutions (EIB, EBRD, IBRD), as well as the Entrepreneurship Development Fund.

In order to optimize the structure of the Bank's balance sheet, refinancing loans from the National Bank of Ukraine in the amount of UAH 2,898 million were repaid early.

Ukreximbank's liabilities increased by UAH 52.5 billion (or 29%). At the same time, the following indicators have increased significantly:

- an increase in the customer resource base by UAH 55.3 billion eq. or by 45% due to an increase in current accounts of customers by UAH 51.2 billion eq. At the same time, customers' time deposits increased by UAH 1.9 billion, and demand deposits increased by UAH 2.2 billion;
- reduction of refinancing from the NBU by UAH 2.9 billion or 14%.

Liabilities of the Bank

UAH thousand.

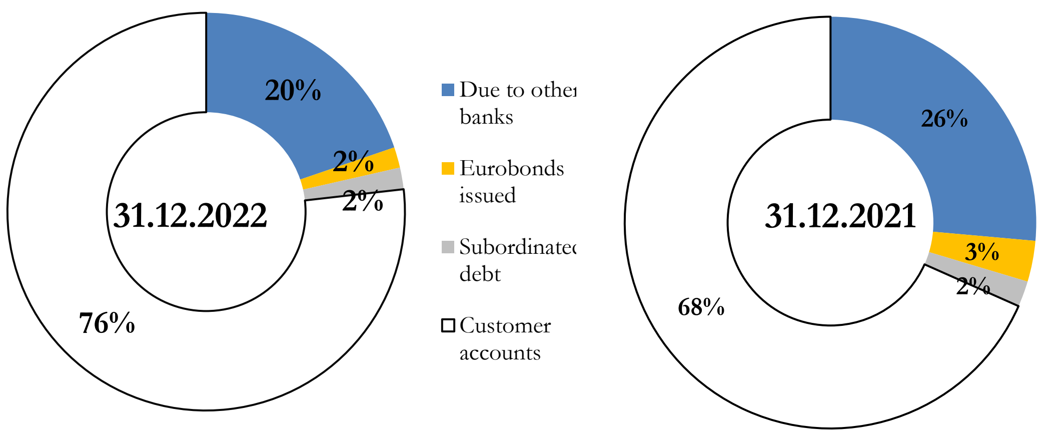
Liabilities	*31.12.2022*	*31.12.2021*	*Changes*	
			abs.	*%*
Amounts due to the National Bank of Ukraine	18,468,854	21,367,229	(2,898,375)	-14%
Amounts due to customers	177,147,425	121,837,236	55,310,189	45%
Amounts due to credit institutions	27,120,752	25,722,711	1,398,041	5%
Eurobonds issued	3,870,390	5,725,085	(1,854,695)	-32%
Subordinated debt	4,055,444	3,605,597	449,847	12%
Allowance for credit-related commitments	520,007	290,987	229,020	79%
Other liabilities	947,049	1,091,942	(144,893)	-13%
Total liabilities	**232,129,921**	**179,640,787**	**52,489,134**	**29%**

The most significant item in the Bank's liabilities remains customer accounts, the share of which increased in 2022 from 68% to 76%. The share of due to other banks' decreased during the reporting year from 26% to 20%, the share of Eurobonds reduced from 3% to 2%.

The Bank directs attracted resources in financing the real sector of the economy of Ukraine:

- provides long-term loans on competitive terms to borrowers in strategically important industries (engineering, transport, fuel and energy complex, chemical industry, agriculture and other);
- performs programs of international financial institutions;
- supports exporters;
- contributes to increasing the energy efficiency of domestic enterprises.

Main changes in liabilities



Since the beginning of the full-scale war of the russian federation against Ukraine, the Bank has focused its main efforts on supporting and financing strategic enterprises of Ukraine and financing the needs for the restoration of critical infrastructure facilities. The bank worked in full compliance with the "Main (strategic) activities of public sector banks for the period of martial law and post-war economic recovery", approved by the Cabinet of Ministers. In 2022, Ukreximbank implemented state measures aimed at revitalizing the development of Ukraine's economy, participated in joint export-oriented projects with IFIs, programs for energy efficiency, energy saving and modernization of domestic enterprises.

Key performance indicators of "Ukreximbank" JSC

UAH thousand

Indicator	***31.12.2022*** *UAH thousand*	***31.12.2021*** *UAH thousand*	***Growth rate,*** *%*	***Market share*** *as of 31.12.2022*	***Market position*** *as of 31.12.2022*
Assets	234,164,915	192,093,532	22%	10%	3
Loans to customers	82,429,861	69,334,862	19%	12%	2
Liabilities	232,129,921	179,640,787	29%	11%	3
Customer accounts	177,147,425	121,837,236	45%	9%	3
Equity	2,034,994	12,452,745	-84%	2%	14
Profit	(7,714,779)	2,709,168			

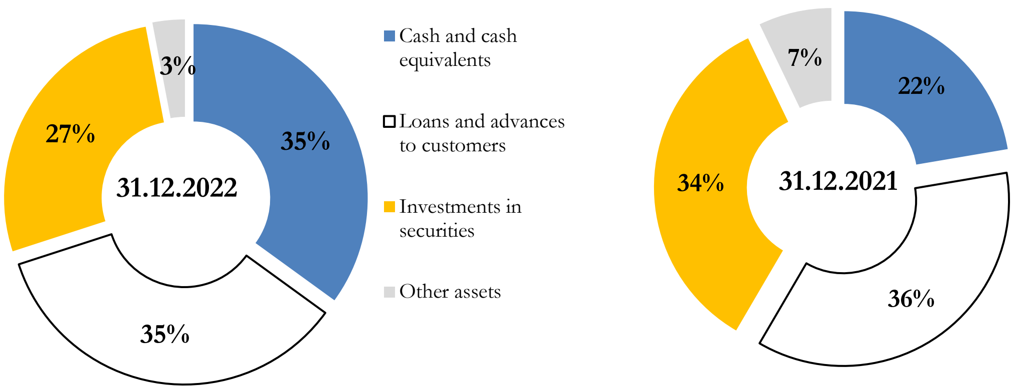
As of the end of 2022, **the assets of Ukreximbank** increased by UAH 42,071 million (+ 22%) to the level of UAH 234,165 million. At the same time, there were significant changes in the structure of assets, namely an increase in cash and cash equivalents by UAH 38,503 million and increase in the loan portfolio by UAH 13,095 million in 2022, which was a consequence of both devaluation and the result of the Bank's consistent policy in the field of lending with the application of measures aimed at minimizing risks, improving the quality of the loan portfolio and customer service, ensuring the appropriate level of profitability of loans provided.

Assets of the Bank

UAH thousand

Assets	***31.12.2022***	***31.12.2021***	***Changes*** ***abs.***	***%***
Cash and cash equivalents	81,386,122	42,882,371	38,503,751	90%
Loans and advances to customers	82,429,861	69,334,862	13,094,999	19%
Investments in securities	62,486,708	66,195,840	(3,709,132)	-6%
Property, plant and equipment and intangible assets	2,050,326	1,924,929	125,397	7%
Investment property	667,496	984,056	(316,,560)	-32%
Other assets	5,144,402	10,771,474	(5,627,,072)	-52%
Total assets	**234,164,915**	**192,093,532**	**42,071,383**	**22%**

Major changes in the structure of assets



The performance results and prospects of further development (financial and non-financial indicators enabling to understand the major trends and factors that impact the business, the Bank performance results, their connection to the goals of the managements and the strategies for achieving these goals, analysis of significant changes in financial standing, liquidity and performance results, the reasons of change of indicators during the accounting period, the intention of the Bank strategy implementation in the long-term perspective)

JSC "Ukreximbank" follows a consistent and prudent policy as related to assets formation, timely and in full represents deductions to provisions under the loans to customers. The Bank takes care of the balanced assets structure, optimal for reliable conduct of customer transactions and financing of the real economy sector. The liquidity level continuously remains adequate for fulfilment of all liabilities.

As related to the business model strategic transformation the Bank performed gradual exit from the retail market (in line with the Strategic directions of the Bank activities designed by the Cabinet of Ministers and the Principles of State Banking Sector Strategic Reforming).

Actions taken by the Bank for this purpose in the last years:

- optimization of the retail chain and respective number of employees;
- review of the retail product line and cancellation of low efficiency retail products;
- re-focus on affluent retail customers segment.

In connection with the military aggression of the Russian Federation against Ukraine starting on February 24, 2022, the President of Ukraine issued a Decree № 64/2022 dated February 24, 2022 "On imposition of martial law in Ukraine" approved by the Law of Ukraine № 2102-IX dated February 24, 2022 "On approval of the Decree of the President of Ukraine "On imposition of martial law in Ukraine".

In order to ensure the reliability and stability of the banking system, the National Bank of Ukraine implemented a number of measures for the continuous operation of the banking system of Ukraine and made anti-crisis decisions, including: suspension / restriction of operation of foreign exchange and stock markets, restrictions on cash withdrawals, the replenishment of banks with cash, expanding the available volumes of banks' refinancing, providing for the possibility of limited unsecured lending, prolongation of the terms of currently provided refinancing loans up to 1 year, etc.

The National Bank of Ukraine has identified JSC "Ukreximbank" as a critical infrastructure object in the banking system of Ukraine and included it in the list of systemically important banks whose functioning ensures the stability of the banking system, is essential for the economy and security of the state, also JSC "Ukreximbank" is included in the list of authorized banks of Ukraine involved in the work (transactions) in a special period.

The Bank switched to intensified monitoring of liquidity, suspended a range of previously planned asset-side transactions. The Bank's liquidity is sufficient for the proper fulfillment of all obligations to customers in full and on time. Prior to recapitalization, the capital adequacy ratios (N2 and N3), as well as the maximum amount of credit risk per counterparty (N7) will be violated. According to the Resolution of the Board of the National Bank of Ukraine "On some issues of Ukrainian banks and banking groups" No. 23 dated February 25, 2022, no disciplinary actions are applied to banks for violations of capital and credit risk ratios, which are caused by the negative impact of the military aggression of the russian federation against Ukraine.

Currently, the Bank's Supervisory Board, the Management Board and the committees of the Supervisory Board and the Management Board continue to perform their functions. The bank has identified critical employees. Familiarization and testing were conducted with all employees in case of emergency circumstances and performance of their functions without losing control and stopping vital processes was detailed.

In the near future, the Bank will continue to operate under martial law within the valid model and approved business continuity plan.

The Bank's management has assessed the current material uncertainty caused by the ongoing hostilities in Ukraine, which have caused and continue to cause significant adverse effects on the economy as a whole and on the Bank's customers, and caused by a violation of the ratios established by the National Bank of Ukraine, which may lead to restrictions on asset-side and liability-side transactions by supervisory authorities and a decrease in the Bank's profitability.

The Bank's Supervisory Board and the Bank's Management Board will be able to ensure the full functioning of the Bank under martial law for at least 12 months from the date of the report.

Nevertheless, there is material uncertainty related to currently unpredictable impact of ongoing hostilities in Ukraine and by the need to address the issues of the Bank's recapitalization and availability of respective support to this process from the NBU and the Bank's Shareholder, and impacts the assumptions underlying the management's estimates and forecasts and, accordingly, may cast a 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.

The Bank's management believes that the Bank will fulfill its liabilities within the next 12 months. The bank plans to continue lending to corporate customers. The source of repaying liabilities and increasing lending will be accumulated liquidity, as well as increase in the amount of the borrowed amounts due to customers and the implementation of programs with international financial institutions. Balances on correspondent accounts and deposit certificates of the National Bank of Ukraine will ensure liquidity needs.

The Bank's management, based on forecast indicators, believes that there are sufficient grounds for preparing these financial statements on the basis of the business continuity principle. Despite the open military aggression, "Ukreximbank" JSC plans to continue to serve all its customers, maintain its operational efficiency (the ratio of operating expenses to operating income (CIR) in 2023 will be <65%, CIR in 2024-2025 < 50%), and reach profitable activity already in 2023 with a projected increase in net profit in 2024-2025.

However, there is a material uncertainty related to the currently unforeseeable impact of ongoing hostilities in Ukraine on the assumptions underlying the management's estimates, which may affect the Bank's ability to continue its activities on the ongoing basis and, therefore, it will not be able to sell its assets and repay its liabilities in the ordinary course of business.

"Ukreximbank" JSC performance

In the reporting year 2022, Ukreximbank incurred a loss in the amount of UAH 7.7 billion. According to the results of the reporting year, the bank retained its position in the TOP-3 largest banks in terms of net assets, loans to customers and liabilities.

The main factor of the bank's loss-making activities in 2022 was the formation of provisions for credit risk due to the deterioration in borrowers' solvency as a result of the military aggression of the Russian Federation against our country.

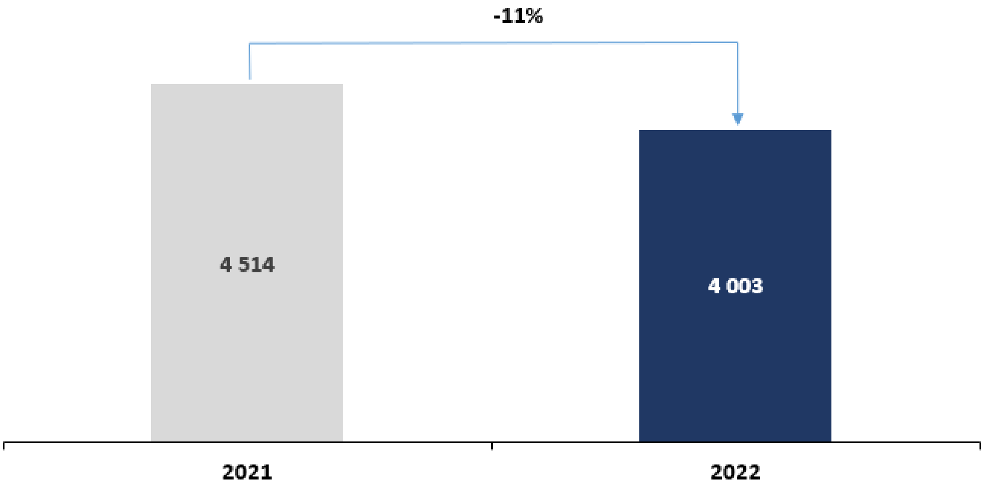
UAH thous.

Indicator	**2022**	**2021**	**Changes**		**Structure, %**	
			abs.	**%**	**2022**	**2021**
Net interest income	**4,003,166**	**4,513,955**	**(510,789)**	**-11%**	**60%**	**73%**
Interest income	14,868,512	11,923,313	2,945,199	25%	100%	100%
loans to customers	*8,453,170*	*5,242,212*	*3,210,958*	*61%*	*57%*	*44%*
securities	*4,774,147*	*5,279,007*	*(504,860)*	*-10%*	*32%*	*44%*
amounts due from credit institutions	*1,412,494*	*1,095,747*	*316,747*	*29%*	*9%*	*9%*
finance leasing	*228,701*	*306,347*	*(77,646)*	*-25%*	*2%*	*3%*
Interest expenses	(10,865,346)	(7,409,358)	(3,455,988)	47%	100%	100%
amounts due to customers	*(5,066,007)*	*(3,911,638)*	*(1,154,369)*	*30%*	*47%*	*53%*
Eurobonds issued	*(398,328)*	*(834,139)*	*435,811*	*-52%*	*4%*	*11%*
amounts due to credit institutions	*(964,626)*	*(778,766)*	*(185,860)*	*24%*	*9%*	*11%*
subordinated debt	*(397,957)*	*(367,754)*	*(30,203)*	*8%*	*4%*	*5%*
amount due to the National Bank of Ukraine	*(3,970,417)*	*(1,441,280)*	*(2,529,137)*	*175%*	*37%*	*19%*
other interest expenses	*(68,011)*	*(75,781)*	*7,770*	*-10%*	*1%*	*1%*
Net non-interest income	**2 695 870**	**1 701 279**	**994 591**	**58%**	**40%**	**27%**
Net fee income	910,554	835,998	74.556	9%	14%	13%
fee income	*1, 207,069*	*1, 182.595*	*24,474*	*2%*	*18%*	*19%*
fee expenses	*(296,515)*	*(346,597)*	*50,082*	*-14%*	*-4%*	*-6%*
Trade operations result	1, 573,352	731,396	841,956	115%	23%	12%
Other income	211,964	133,885	78,079	58%	3%	2%
Net operating income	**6,699,036**	**6,215,234**	**483,802**	**8%**	**100%**	**100%**
Operating expenses	**(2,713,951)**	**(2, 665,273)**	**(48,678)**	**2%**		
employee benefits expense	*(1,839,486)*	*(1,815,684)*	*(23,802)*	*1%*		
depreciation and amortization expense	*(107,557)*	*(113,552)*	*5,995*	*-5%*		
other operating expenses	*(766,908)*	*(736,037)*	*(30,871)*	*4%*		
Operating income	**3, 985,085**	**3, 549,961**	**435,124**	**12%**		
Revaluation results	(301,426)	(818,828)	517,402	-63%		
Expenses for allowance and modification of financial instruments	(11, 655,972)	(21,817)	(11, 634,155)			

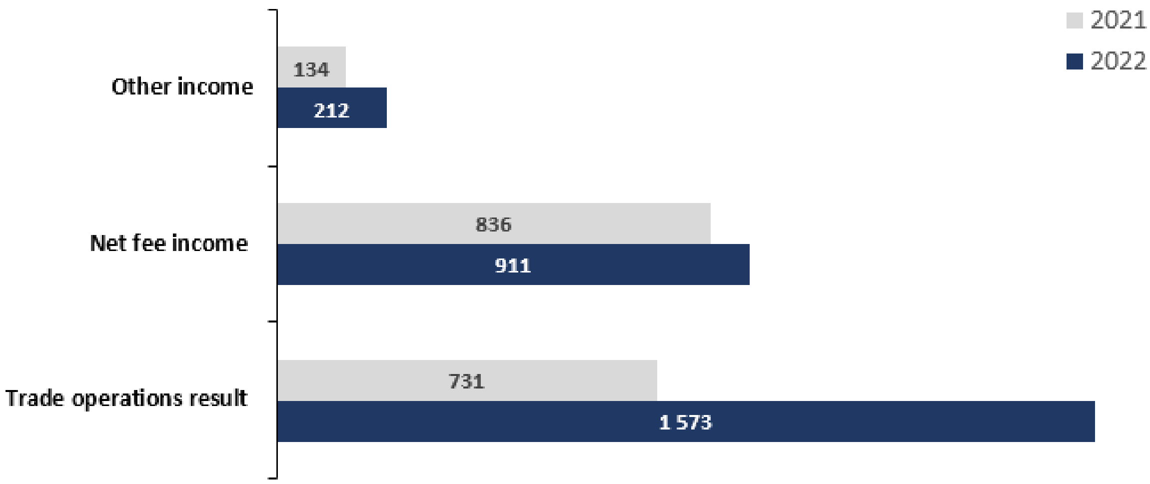
Indicator	2022	2021	Changes		Structure, %	
			abs.	%	2022	2021
Profit before tax	**(7,972,313)**	**2,709,316**	**(10,681,629)**	**-394%**		
Income tax expenses	257,534	(148)		0%		
Net profit	**(7,714,779)**	**2,709,168**	**(10,423,947)**	**-385%**		

The decrease in **net interest income** by UAH 511,0 mln or 11% was due to the following main factors:

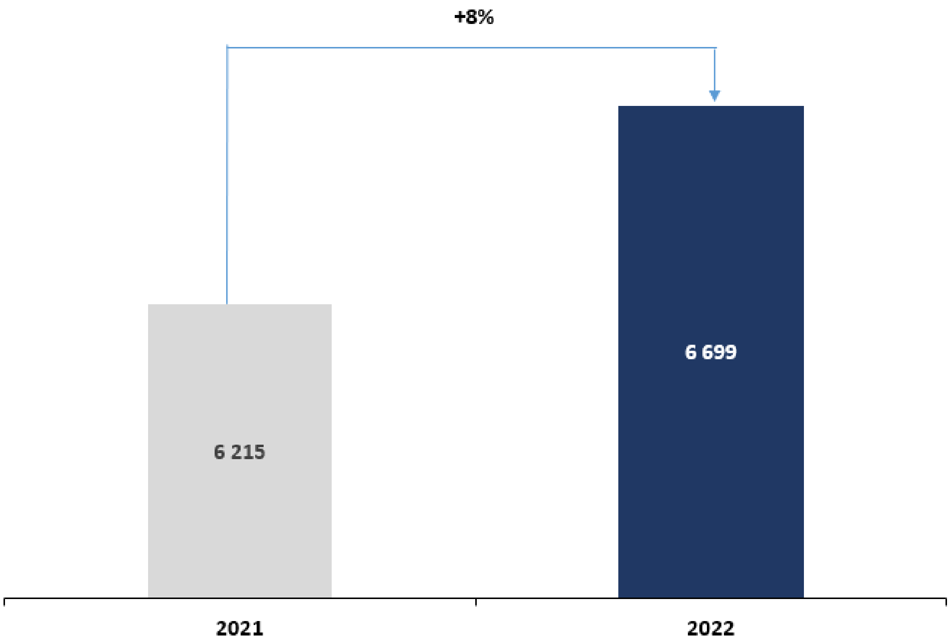
- an increase in weighted average interest rates on interest-bearing liabilities from 3.8% (in January 2022) to 6.8% (in December 2022) due to an increase in interest rates on customer accounts from 2.6% to 4.9%, and an increase in customer accounts in 2022 by UAH 55 billion to UAH 177 billion by the end of 2022;
- increase in the cost of liabilities on NBU refinancing from 9% (in January 2022) to 25% (in December 2022).
- net interest income amounted to UAH 4,003 million.



- **Net non-interest income increased by UAH 995 mln or 58%** in the reporting year, driven by net fee income of +UAH 75 million (or +9%) and trade operations result of UAH +842 mln (or +115%) to UAH 1,573 million.



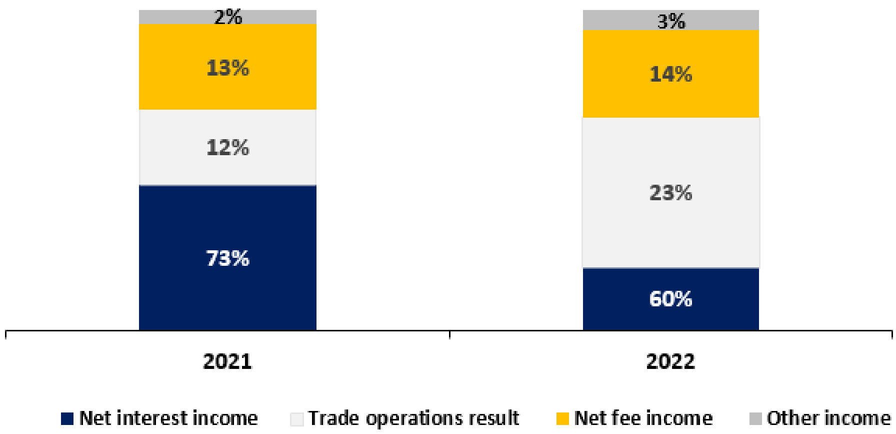
- Net operating income of "Ukreximbank" JSC increased by UAH 484 mln (or 8%) to UAH 6,699 mln in 2022.



In the long run, the Bank expects an increase in operating profitability due to:

- improvement of work with NPL (repayment of problem loans at the expense of borrowers, sale of collateral);
- optimization of the balance sheet structure (repayment of part of the liabilities with high value).
- refusal from products with low profitability;
- refusal from sales locations with low profitability.

Components of net operating income



	2021		2022	
Net interest income	4,514	73%	4,003	60%
Net fee income	836	13%	911	14%
Trade operations result	731	12%	1,573	23%
Other income	134	2%	212	3%
Net operating income	**6,215**	**100%**	**6,699**	**100%**

The structure of the Bank's net operating income is dominated by income from interest-bearing transactions. It is likely that this income structure will be preserved further. Taking measures aimed at improving the loan portfolio, restructuring of bad debts, reducing the cost of the Bank's resource base will lead to an increase in interest margin. Accordingly, the Bank does not expect a significant change in the ratio between net interest and non-interest income in the near future.

Information on the conclusion of derivatives or deeds on derivative securities by the issuer

Information on the conclusion of derivatives during the reporting year is disclosed in Note 18 "Derivative financial instruments" of the annual separate financial statements of "Ukreximbank" JSC for the year ended 31 December 2022.

During the reporting period, the Bank did not enter into any deeds with derivative securities.

Information on the issuer's financial risk management objectives and policies, including the insurance policy for each major forecast transaction for which hedging transactions are used

For efficient risk management, the Bank has developed and implemented a risk management system that provides for the distribution of rights, obligations, responsibilities between management bodies, structural units of the Bank, separation of risk identification and assessment processes. More detailed information on financial risk management is provided in Section 13. Information on the Bank's risk management system and its key characteristics.

Information on the issuer's exposure to price risks, credit risk, liquidity risk and/or cash flow risk

Significant types of risks and the Bank approaches to the risk management are provided in Section 13. Information on the Bank risk management system and its key characteristics.

Corporate Governance Report

1. Purpose of the Bank's activities.

The purpose of the Bank's activities is to create favourable conditions for economic development; servicing of export-import transactions; credit and financial support of economy sectors and enterprises that are export-oriented or carry out activities related to the production of import-substituting products, as well as making a profit in the interests of the Bank and its shareholder.

2. Information on compliance/non-compliance with the principles or code of corporate governance (with reference to the source of their text), deviations and reasons for such deviations during the year

At the beginning of 2022, the Bank's Supervisory Board took an active part in consideration of the issue of possible non-compliance by the employees of Compliance Control Department with the procedures of the Bank's risk management and compliance system when monitoring the activities of individual companies. Thus, the Bank conducted an internal investigation, the results of which were taken into consideration by the Supervisory Board when applying measures based on the results of consideration of the above issue.

The outbreak of the full-scale military invasion of Ukraine by the russian federation also became a significant challenge for the Bank's corporate governance system, as the realities of wartime require a completely different approach to corporate governance aimed at making quick and effective management decisions in crisis situations. Nevertheless, the Bank's corporate governance system has withstood the extremely difficult conditions of the russian military invasion.

In 2022, the Supervisory Board also monitored the current status of implementation of the action plan of the Bank's Management Board and the Compliance Control Department on implementation of the recommendations contained in the Report of the Second Chamber of the Bank's Ethics Commission. In addition, in 2022, the Supervisory Board made efforts to effectively resolve the case of ethically unacceptable behaviour, which resulted in the approval of the Report of the Third Chamber of the Bank's Ethics Commission, whose conclusions contained a violation of the Code of Ethics (Conduct) and provided appropriate recommendations, including, among other things, enhancing of the effectiveness of procedures ensuring practical compliance with corporate culture standards in the Bank at all levels of the organizational structure and effective compliance risk management.

Despite the serious negative impact of the full-scale invasion by the russian federation, the Supervisory Board and the Management Board of the Bank continue to work on update of the Code (Principles) of Corporate Governance and the Code of Conduct (Ethics) of the Bank in order to reformat them, which will allow to convey to all employees and executives of the Bank the practical (not pro-forma) meaning of the Bank's corporate values, ensure that all employees of the Bank understand their rights and responsibilities and their role in creating the Bank's image and reputation.

The Supervisory Board ensured the development and approved Code (Principles) of Corporate Governance in 2021 and the Bank's Code of Conduct (Ethics) in 2022.

The current versions of the Bank's Code (Principles) of Corporate Governance and Code of Conduct (Ethics) are posted on the Bank's official website and are available by the following links:

Code (Principles) of Corporate Governance:

https://www.eximb.com/assets/files/download/corporate-governance-code-2021.pdf

Code of Conduct (Ethics) of the Bank:

https://www.eximb.com/assets/files/download/code-of-conduct-ukr.pdf

3. Information on the owners of a significant interest (including persons exercising control over the financial institution), their compliance with the requirements established by legislation and changes in their composition during the year

As at 31 December 2022, 100% of the issued capital of the Bank is owned by the state represented by the Cabinet of Ministers of Ukraine. Address: 12/2, Hrushevskoho Str., Kyiv, 01008.

4. Information on the General Meeting of Shareholders of the Bank and a general description of the decisions made at the meeting.

According to Article 7 of the Law of Ukraine "On Bank's and Banking" (hereinafter – the Law on Banks), the sole shareholder of a state bank is the state. The functions of managing the corporate rights of the state in the state bank are exercised by the Cabinet of Ministers of Ukraine. The body that manages the corporate rights of the state in the state bank also exercises the functions of the supreme governing body of the state bank (hereinafter – Supreme Body).
Decisions of the Supreme Body are formalized by acts of the Cabinet of Ministers of Ukraine, drafts of which are prepared and submitted to the Cabinet of Ministers of Ukraine by the central executive body that ensures the formation of state finance policy, and are not subject to coordination with other interested bodies.

5. Procedure for appointment and dismissal of the Bank's officials.

The Supervisory Board of the Bank

The Supervisory Board is a collegial governing body of the Bank, which within its competence manages the Bank, controls and regulates the Bank's Management Board activities in order to implement the Bank's development strategy, and protects the rights of depositors, creditors and the state as a shareholder of the Bank.

Members of the Supervisory Board are appointed by the Supreme Governing Body of the Bank according to the procedure stipulated by the legislation, in particular:

- one state representative in the Supervisory Board is appointed by the Supreme Body on the proposal of the President of Ukraine, one - on the proposal of the Cabinet of Ministers of Ukraine and one - on the proposal of the relevant Verkhovna Rada Committee whose competence includes banking issues;
- independent members of the Supervisory Board are appointed by the Supreme Governing Body of the Bank on the basis of a proposal (within 5 business days after receipt of the relevant proposal) of the competition commission established by the Cabinet of Ministers of Ukraine.

Members of the Bank's Supervisory Board take office after their approval by the National Bank of Ukraine.

Given the special role of the Bank's Supervisory Board in the new corporate governance system, the legislation established a special procedure for the appointment and termination of powers of members of the state bank's Supervisory Board.

In order to ensure the independence of the supervisory boards of state banks, the legislation limited the right of the Supreme Body to terminate the powers of supervisory board members of its own accord to two cases, namely: repeated fail by the Supreme Body to approve the state bank's development strategy approved by the supervisory board of the state bank, and fail to implement strategy and/or business plan for the development of the state bank, which is confirmed by the results of the annual evaluation according to the procedure stipulated by the Supreme Body.

All other grounds for termination of powers of members of supervisory boards by the supreme body are based on legal facts that arose not on the initiative of the supreme body, including establishing the fact of non-compliance of a member of the supervisory board of the state bank with the requirements to the supervisory board members; at the request of at least five members of the supervisory board of the state bank or the National Bank of Ukraine, if a member of the supervisory board of the state bank improperly performs his/her duties or does not meet the qualification requirements.

The Management Board of the Bank:

The Management Board is the Bank's permanent executive body that carries out management of its activities on an on-going basis, should act in favour of the Bank and avoid conflicts of interest and is responsible for the effectiveness of its performance in accordance with the Bank's Charter and the Regulation on the Management Board.

The Management Board consists of the Chairman, Deputy Chairmen and other members of the Management Board. Quantitative composition of the Management Board (total number of positions in the Management Board according to the organizational structure of the Bank) is determined by the resolution of the Supervisory Board on approval of the organizational structure of the Bank and cannot be less than five people.

The Chairman of the Management Board and other members of the Management Board are appointed and dismissed by the Supervisory Board on the proposal of the Appointment and Remuneration Committee of the Supervisory Board.

Candidates for the positions of the Chairman and members of the Management Board are determined based on the results of the competitive selection, which is conducted in accordance with the procedure established by the Supervisory Board.

The National Bank shall approve the positions of the Chairman and other members of the Management Board in accordance with the procedure established by it.

The Chairman of the Management Board shall take office after the approval by the National Bank.

The term of office of the Chairman or a member of the Management Board is five years, unless another term, which may not exceed the maximum term of office established by the legislation, is established for the Chairman or a member of the Management Board by a resolution of the Supervisory Board. The Supervisory Board may terminate the powers of the Chairman or a member of the Management Board before the expiration of the term of office established by the resolution of the Supervisory Board or the Charter, on the proposal of the Appointment and Remuneration Committee of the Supervisory Board on the grounds established by the legislation and/or employment agreements (contracts) concluded with them. The Chairman or a member of the Management Board may be appointed for a new term only on the basis of competitive selection.

6. Powers of the Bank officials

The powers of the Bank's officials are set out in the Charter, Regulations on the Supervisory Board and the Management Board, which are available on the Bank's official website at the following link: https://www.eximb.com/ua/bank/corp-management/dokumenty.

In addition, the Bank has an order on the personal distribution of functions and powers between the Bank's management.

7. Information on the composition of the Bank's Supervisory Board and on the changes with respect to it during the year, including the committees formed by it, as well as information on the meetings held with a general description of the decisions taken.

As of the beginning of 2022, the Bank's Supervisory Board consisted of nine (9) members. During the reporting year, there were no changes in the personal composition of the Supervisory Board.

Thus, as of the end of 2022, the Supervisory Board consisted of 9 (nine) members, six of whom were independent members of the Supervisory Board and three were representatives of the state. The composition at the end of 2022 was as follows:

- Gordiyenko Olyana Pavlivna, Independent Member of the Supervisory Board;
- Chichlo Dimitri, Independent Member of the Supervisory Board;
- Konovets Sergiy Oleksandrovych, Independent Member of the Supervisory Board;
- Menu Dominique, Independent Member of the Supervisory Board;
- Urban Laszlo, Independent Member of the Supervisory Board;
- Vyniarskyi Vladyslav Volodymyrovych, Independent Member of the Supervisory Board;
- Strakhova Victoria Kostyantynivna, Member of the Supervisory Board, State Representative of the President of Ukraine;
- Butsa Yuriy Bohdanovych, Member of the Supervisory Board, State Representative from the Cabinet of Ministers of Ukraine;

- Terentyev Yuriy Oleksandrovych, Member of the Supervisory Board, State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy

The Chairperson of the Supervisory Board is Gordiyenko Olyana Pavlivna. The Deputy Chairperson of the Supervisory Board is Chichlo Dimitri.

Information on the meetings held with a general description of the decisions taken, and the established committees

Regular meetings of the Supervisory Board are held as necessary, but at least once a quarter (during 2022, at least one meeting of the Supervisory Board and several meetings of the Supervisory Board committees were held each month). When convening and holding meetings in the first two months of 2022, the plan of meetings of the Supervisory Board, which was approved by the Supervisory Board at the end of 2021, was taken into account, but the beginning of the full-scale invasion of Ukraine by the russian federation on February 24, 2022 made it impossible to fulfill the above-mentioned plan of meetings of the Supervisory Board for 2022, as it became necessary to respond quickly to the challenges caused by the escalation of hostilities. Thus, the Supervisory Board decided to convene meetings on a weekly basis, which was done for most of 2022.

Given the challenges faced by the Bank, in particular in the context of a full-scale war with the russian federation, and its ambitious vision to become a leading export-import financing and corporate lending bank in Ukraine, the Supervisory Board, within its competence, invested a lot of time and effort in 2022 to continue the Bank's transformation, establish and maintain its important internal processes in emergency conditions to increase their efficiency and bring them in line with the requirements of the applicable legislation, including the regulatory legal acts of the National Bank of Ukraine and best corporate governance practices.

In 2022, the members of the Supervisory Board held 52 meetings, by receiving and analysing more than 1,914 documents during preparation for these meetings, and maintained constant communication with the Management Board (including through regular monthly meetings and joint meetings with the Management Board to discuss the Bank's activities and the status of implementation of the Bank's development strategy, held before the full-scale invasion of Ukraine by the russian federation, as well as through weekly meetings of the Supervisory Board, during which the members of the Management Board regularly informed the Supervisory Board of the Bank's activities) and relevant structural units of the Bank to form a better vision of the problems and challenges that prevent the Bank from achieving its goals.

During 2022, the Supervisory Board, among other things, approved resolutions on the following strategic issues of the Bank's operation and development:

- approved the main strategic areas of the Bank's activities for the period of martial law in Ukraine;
- held a competitive selection of a candidate/appointment to the position of the Chairman of the Management Board;
- based on the results of an internal investigation into possible non-compliance by the employees of Compliance Control Department with the procedures of the risk management and compliance control system, the Supervisory Board terminated the powers of Head of Compliance Control Department and the employee responsible for financial monitoring in the Bank, and held a competitive selection of new Head of Compliance Control Department and the employee responsible for financial monitoring in the Bank;
- approved an action plan to address the recommendations provided by an external expert in the course of inspection of the circumstances surrounding the loan project related to the Bank's provision of loans for the acquisition of a shopping center in Kyiv called Sky Mall, and regularly monitored the implementation of this action plan and the recommendations of the Bank's Internal Audit Department based on the results of the inspection of the above loan project;
- approved the sale by "Ukreximbank" JSC and "Ukreximleasing" Leasing Company of their shares in the authorized capital of "Eximleasing" LLC;
- received information on the results of the analysis of the Principles (Code) of Corporate Governance of "Ukreximbank" JSC and the Code of Conduct (Ethics) of "Ukreximbank" JSC for compliance with the applicable legislation of Ukraine, and approved amendments to the Code of Conduct (Ethics) of the Bank in order to improve it;
- regularly monitored the implementation of the Bank's development strategy, the Bank's problem asset workout strategy and the operational plan on the implementation of the Bank's problem asset workout strategy;
- approved a number of changes to the Bank's organizational structure (in particular, in terms of reflecting the vacant position of a member of the Management Board and liquidation of Banking Security Department, establishment of the position of Head of Security and new independent structural units in the field of banking security, establishment of Financial Monitoring and Currency Supervision Department in the Bank, optimization of the Bank's sub-branches network, etc.) in order to effectively monitor the implementation of the Bank's problem asset workout strategy and operational plan;

- monitored the effectiveness of the Bank's implementation of organizational and technical solutions to improve efficiency and reduce operational risk of the Bank's internal business processes, in particular under martial law, which involves a constant threat to the Bank's information systems and the need to ensure effective conditions for remote work of the Bank's employees;
- updated internal documents on risk management, functions operations of internal audit and compliance control units in the Bank, as well as internal regulations governing the activities of other Bank units;
- provided consent to financial restructuring of certain borrowers of the Bank, including those in the energy and defense sectors, and approved the terms of such restructuring;
- in order to implement the Strategic Areas for the Period of Martial Law, revised the Bank's business plan for 2022-2024, which includes the Bank's budget for 2022, including the budgets of the Bank's Supervisory Board, internal audit, compliance and risk management units;
- amended the Bank's internal audit plan for 2022 to update it and considered a number of reports on the work of the Bank's internal audit unit/results of audits;
- the Supervisory Board ensured regular update of the profile matrix of the Supervisory Board and the Management Board of the Bank; determined the collective suitability of the Supervisory Board and the Management Board;
- assessed the compliance of the Supervisory Board members and the management with the qualification requirements, including regarding business reputation and professional suitability;
- initiated an annual assessment of the Supervisory Board's performance, its collective suitability and corporate governance; assessed the performance of the Management Board and the Bank's control units, the collective suitability of the Management Board; determined the collective suitability of the Supervisory Board, etc.

The Supervisory Board has established all the committees required to be established in accordance with part 32 of Article 7 of the Law on Banks, namely: Audit Committee, Risk Committee and Appointment and Remuneration Committee.

Pursuant to the requirements of the Law on Banks, Risk Committee and Appointment and Remuneration Committee are chaired by independent members of the Supervisory Board, namely Dominique Menu, Chairman of the Risk Committee, and Olyana Gordiyenko, Chairperson of the Appointment and Remuneration Committee. In accordance with the requirements of the Law on Banks, the majority of members of each of the Supervisory Board's Appointment and Remuneration Committee and Risk Committees are independent (starting from April 3, 2020, all members of Risk Committee are independent). All members of the Audit Committee are independent, and the Chairman of the Audit Committee is Sergiy Konovets.

In addition, in order to ensure the effective functioning of the Bank's Supervisory Board, Operating Activity and Digitalization Committee, Governance and Compliance Committee and NPL Workout Committee were additionally established and are successfully performing their functions.

The Committees assist the Supervisory Board in exercising its powers through preliminary study and preparation for consideration at the meeting of issues within the competence of the Supervisory Board. The functions of the Supervisory Board Committees are defined in accordance with the legislation in the regulations on the Supervisory Board Committees approved by the Supervisory Board.

Audit Committee

Purpose of activity

Assisting the Supervisory Board in exercising its powers to ensure the functioning and control over the effectiveness of the internal control system and the internal audit function in the Bank, compliance with internal audit policies and conducting external audits.

Composition of the committee

Chairman of the committee - Sergiy Konovets

Members of the committee – Sergiy Konovets, Dominique Menu, Dimitri Chichlo, Vladyslav Vyniarskyi.

Number of meetings held - in 2022, the Committee held 26 meetings according to the attendance records. All members of the Committee attended all meetings held since their appointment to the Committee. In general, the members of the Committee devoted sufficient time to effectively perform their duties as members of the Committee.

Key activities of the committee in 2022:

- in 2022 the Audit Committee was mainly focused on continuation of the large-scale transformation of the Bank, despite the challenges caused by the beginning of the full-scale invasion of Ukraine by the russian federation;
- provision of recommendations to the Supervisory Board on changes to the structure of the Bank's Internal Audit Department, Regulation on the Internal Audit Department and the job description of the Head of the Internal Audit Department;
- provision of recommendations to the Supervisory Board on approval/update of Regulation on Internal Audit Department of the Bank, Methodology for Risk-Based Audit Planning in the Banking Group of "Ukreximbank" JSC, Regulation on Internal Audit of the Banking Group of "The State Export-Import Bank of Ukraine" Joint Stock Company, Methodology for Formation and Use of Audit Samples, Program for Ensuring and Improving the Quality of Internal Audit of the Banking Group of "Ukreximbank" JSC, Methodology for Monitoring the Implementation of Recommendations Based on the Results of Audits, Regulation on ensuring objectivity and independence of internal auditors of "Ukreximbank" JSC banking group and other documents to improve the internal audit function of the Bank;
- consideration of the reports of the internal audit unit on the results of its audits and periodic reports on its work, as well as amending the 2022 Audit Plan of the Internal Audit Department, which was approved by the Supervisory Board in November 2021, given the delay in conducting audits due to the beginning of the full-scale armed invasion of Ukraine by the russian federation;
- provision of recommendations to the Supervisory Board on approval of draft budgets of the Bank's internal audit unit to ensure that sufficient resources are available for the effective operation of the internal audit; providing the Supervisory Board with recommendations on approval of the Supervisory Board's budget;
- consideration of the results of the internal investigation into possible signs of abuse or illegal actions before the loan decision was made (during the loan negotiations between "Ukreximbank" JSC and "Semiconductors Plant" PJSC) and during the support of the master loan agreement between "Semiconductors Plant" PJSC and "Ukreximbank" JSC (before the date of recognition of the loan as non-performing).
- continuation of the audit of credit file of Skymall shopping mall, in particular, consideration of the report on the results of the forensic audit of the credit file of Skymall shopping mall prepared by an external independent company, and discussion of the Management Board's approach to preparation of an action plan based on the results of consideration of the above report;
- assessment of the efficiency of the Bank's internal audit unit;
- assessment of the efficiency and independence of the Bank's external auditor.

Risk Committee

Purpose of activity

Assisting the Supervisory Board in exercising its powers to oversee the adequacy and effectiveness of the Bank's risk management system.

Composition of the committee

Chairman of the committee – Dominique Menu

Members of the committee - Dominique Menu, Dimitri Chichlo, Olyana Gordiyenko, Laszlo Urban, Vladyslav Vyniarskyi.

Number of meetings held - in 2022, the Committee held 50 meetings according to the attendance records. All members of the Committee attended all meetings held since their appointment to the Committee. In general, the members of the Committee devoted sufficient time to effectively perform their duties as members of the Committee

Key activities of the committee in 2022:

- key task of the Risk Committee in 2022 was to ensure the adequacy and efficiency of the Bank's risk management system, despite the difficult conditions caused by the full-scale military aggression of the Russian Federation against Ukraine, the difficult situation in the banking sector of Ukraine and the aggravation of other current economic problems;
- discussion and consideration of the Bank's internal reporting on capital ratios, assessment of liquidity risk, interest rate risk of the banking book, market risks, operational risks, as well as the results of internal stress testing;
- development and provision of recommendations to the Supervisory Board on approval of internal documents on risk management and compliance control in the Bank;
- providing the Supervisory Board with recommendations on other asset-side transactions with the Bank's clients, in particular those operating in the defense, energy sectors and other key sectors of the Ukrainian economy, and on lending. Thus, the Committee approved the financing of Ukrspetsexport, the State Company for Export and

Import of Military and Special Purpose Products and Services, as well as financing of Spetstechnoexport, the State Foreign Trade Enterprise, conclusion of a revolving credit line agreement with JSC Ukrgasvydobuvannya, conducting asset-side lending transactions with Chervonyi Mayak PAE and Kukovytske LLC, UPG Group, Sirius Extrusion LLC, Energoatom, Zorya Mashproekt, LVN Limited, Protein Invest LLC, West Petrol Market LLC, etc;

- provision of recommendations to the Supervisory Board on some asset-side transactions of the Bank, in particular financial restructuring of some debtors of the Bank;
- review of the overall structure of the Bank's asset-side transactions portfolio, the quality structure of the loan and guarantee portfolio, as well as the overall dynamics of bad debts and off-balance sheet problem assets;
- consideration of the need to adopt the Temporary Credit Policy of “Ukreximbank” JSC that would meet the challenges of wartime for the period until a separate decision of the Supervisory Board of “Ukreximbank” JSC on this issue is made;
- consideration of the need to request the supreme body to provide the Bank with additional capital to ensure its compliance with the ratios of the National Bank of Ukraine, development of its loan portfolio and implementation of its development strategy, especially in view of the damage to the Ukrainian economy caused by the full-scale invasion of Ukraine by the russian federation;
- regular consideration of information on the status of implementation of the action plan approved based on the results of the forensic audit of the credit file of Skymall shopping mall, in particular, the status of implementation of the action plan in terms of “Know Your Customer” block and “Credit Process” block;
- consideration, together with the members of the Supervisory Board Appointment and Remuneration Committee, of the results of an internal investigation into possible non-compliance by employees of the Compliance Control Department with the procedures of the Bank's risk management and compliance system;
- together with the members of the Supervisory Board Appointment and Remuneration Committee, consideration of a number of procedural issues related to the selection of candidates for the positions of Chief Compliance Officer and employee responsible for financial monitoring, as well as participating in the selection process;
- consideration of reports prepared by the Bank's units, including, in particular, the report on compliance risks for 2021, the report on the results of the internal audit to identify/confirm the absence of facts of joint work of related persons in “Ukreximbank” JSC, the report on assessment of the effectiveness of Risk Management Department of “Ukreximbank” JSC for 2021, including the action plan on improvement of (increase the efficiency of) the activities of Risk Management Department for 2022, reports of the Risk Management Department as of 01.04.2022, the report on the effectiveness of Compliance Control Department for 2021, the report on the assessment of the effectiveness of the Bank's Risk Management Department for 2021, the report on the activities of Risk Committee of the Supervisory Board for 2021, reports of the Risk Management Department on the status of operational risk event management, etc;
- consideration of measures to implement the recommendations provided by the National Bank of Ukraine in the Inspection Report No. 28-0011/78491/БТ dated 10.11.2022;
- consideration and provision of recommendations to the Supervisory Board on approval and update, in particular, of the following documents: Risk Appetite Statement of the Bank, Credit Policy of “Ukreximbank” JSC, Regulation on Declaration of External Activities of Employees of “Ukreximbank” JSC, Risk Management Strategy of “Ukreximbank” JSC, Regulation on Risk Management Department of “Ukreximbank” JSC, Regulation on Compliance Control Department of “Ukreximbank” JSC, etc.

Appointment and Remuneration Committee

Purpose of activity

Assisting the Supervisory Board in exercising its powers to monitor the effectiveness of the Bank's appointments and remuneration management.

Composition of the committee

Chairperson of the committee - Olyana Gordiyenko

Members of the committee - Olyana Gordiyenko, Victoria Strakhova, Sergiy Konovets, Dimitri Chichlo, Yuriy Terentyev, Laszlo Urban (membership in the Committee was terminated based on the resolution of the Supervisory Board dated July 8, 2022 (Minutes of the Supervisory Board meeting № 34)), Dominique Menu, Vladyslav Vyniarskyi.

Number of meetings held - in 2022, the Committee held 36 meetings according to the attendance records. All members of the Committee attended all meetings held from the date of their appointment as a member of the Committee or until their membership in the Committee was terminated. In general, the members of the Committee devoted sufficient time to effectively perform their duties as members of the Committee.

Key activities of the committee in 2022:

- taking prompt and decisive actions to respond to the circumstances caused by the full-scale military aggression of the russian federation against Ukraine, in particular, resolving the issue of organizing the work of the Bank's employees, including to ensure the Bank's continuous operation, as well as providing recommendations to the Supervisory Board on the approval of a number of documents as part of the initial establishment of motivational metrics under martial law;
- introduction of remote work of the Bank's employees for the period of martial law in Ukraine due to continuous armed aggression against Ukraine and its people, including by striking settlements and facilities in almost all regions of Ukraine;
- ensuring resolution of the issue of internal investigation into possible non-compliance by employees of the Compliance Control Department with the procedures of the Bank's risk management and compliance control system;
- conducting competitive selection of candidates/appointment to the positions of the Chairman of the Management Board, Head of Compliance Control Department and employee responsible for financial monitoring in the Bank;
- review of the methodology of calculation of key performance indicators of the Bank's Management Board members for 2022;
- approval of the distribution of powers among the members of the Bank's Supervisory Board;
- ensuring the regular update by the Supervisory Board of the profile matrix of the Supervisory Board and the Management Board of the Bank, assessment of the business reputation of the members of the Supervisory Board and the Management Board. In particular, the Committee took part in the consideration of the issue of less than impeccable business reputation of a member of the Management Board, namely: identification of the non-compliance of Aleksander Muravitski, Member of the Management Board of the Bank,, with the requirements established by the legislation of Ukraine for the relevant position due to his citizenship of the republic of belarus;
- submission of proposals to the supreme body regarding the draft regulation on remuneration of the Supervisory Board members, as well as for provision of recommendations to the Supervisory Board on approval of other documents, in particular, Procedure for Assessment of Performance and Collective Suitability of the Supervisory Board of "Ukreximbank" JSC, effectiveness of corporate governance organization at "Ukreximbank" JSC, Regulation on Remuneration of the Management Board Members and Influential Persons of "The State Export-Import Bank of Ukraine" JSC, Report and Action Plan on the results of the assessment of the Supervisory Board of "Ukreximbank" JSC for 2021 etc.

Operating Activity and Digitalization Committee

Purpose of activity

Assisting the Supervisory Board in monitoring the effectiveness of the Bank's business processes, operations, information technology and information security in order to implement the Bank's strategy.

Composition of the committee

Chairman of the committee – Dimitri Chichlo

Members of the committee - Dimitri Chichlo, Sergiy Konovets, Dominique Menu, Yuriy Butsa, Victoria Strakhova, Yuriy Terentyev.

Number of meetings held - in 2022 the Committee held 13 meetings according to the attendance records. All members of the Committee attended all meetings held since their appointment to the Committee. In general, the members of the Committee devoted sufficient time to effectively perform their duties as members of the Committee

Key activities of the committee in 2022:

- actively assisting the Supervisory Board in monitoring the effectiveness of the Bank's business processes, operations, information technology and information security, despite the difficult circumstances caused by the beginning of the full-scale invasion of Ukraine by the russian federation;
- improvement of the Bank's cybersecurity and business continuity system against the background of the full-scale invasion of Ukraine by the russian federation;
- monitoring of the availability of resources in the Bank to constantly analyse, propose and implement organizational and technical solutions to improve the efficiency of internal business processes and reduce their operational risk;
- monitoring of the effectiveness of the Bank's implementation of organizational and technical solutions to improve efficiency and reduce operational risk of internal business processes, in particular, provision of

recommendations on automation and strengthening controls in routine IT processes that involve manual activities;

- analysis of the structure of the Bank and the regional network (branches) of the Bank and submitting proposals to the Supervisory Board on its optimization;
- participation together with the Supervisory Board NPL Workout Committee in the update of the Bank's organizational structure which provided for the establishment of a unit within Restructuring and Recovery Department, which will include project managers responsible for the settlement of debt of the Bank's borrowers/counterparties that have been assigned the "problem debt" status, as well as concentration of functions of sale and lease of non-core assets of the Bank in Asset Sales Division of Restructuring and Recovery Department;
- work on the information security and information technology strategy;
- consideration of the emergence of operational and other risks and providing recommendations to the Supervisory Board on taking appropriate measures to minimize these risks, etc.

Governance and Compliance Committee

Purpose of activity

Assisting the Supervisory Board in exercising its powers to ensure the effective organization of corporate governance in the Bank.

Composition of the committee

Chairman of the committee – Yuriy Butsa

Members of the committee - Yuriy Butsa, Olyana Gordiyenko, Victoria Strakhova, Laszlo Urban, Dominique Menu and Yuriy Terentyev.

Number of meetings held – in 2022, the Committee held 18 meetings according to the attendance records. All members of the Committee attended all meetings held since their appointment to the Committee. In general, the members of the Committee devoted sufficient time to effectively perform their duties as members of the Committee

Key activities of the committee in 2022:

- assisting the Supervisory Board in exercising its powers to ensure the effective organization of corporate governance in the Bank and its improvement, despite the difficult circumstances caused by the beginning of the full-scale invasion of Ukraine by the russian federation;
- submission to the Supervisory Board of the issue of approval and update of the principles (code) of corporate governance of the Bank, the Code of Conduct (ethics) of the Bank, as well as the Regulations on the Management Board and the Supervisory Board of the Bank, the Bank's Charter and other documents;
- consideration, jointly with the Risk Committee, of the Report of the Third Chamber of the Ethics Commission of "Ukreximbank" JSC on the results of the inspection of a possible case of ethically unacceptable behaviour regarding the facts and circumstances covered in the report of the Chairman of the Management Board of "Ukreximbank" JSC on unacceptable behaviour and recommending the Supervisory Board to take it into consideration;
- ensuring annual review of the Bank's regulations (policies) on corporate governance bodies;
- provision of recommendations to the Supervisory Board on the organization of legal support for its activities;
- providing the Supervisory Board with a recommendation to instruct the Bank's Compliance Control Department to provide the NBU Banking Supervision Department with up-to-date information on the status of implementation of recommendations based on the results of SREP assessment with relevant supporting documents by the 10th day of the month following the reporting month;
- monitoring of trends, initiatives or proposals for changes in the legal sphere, best practices in corporate governance in order to determine the degree of impact of these initiatives on the Bank, etc.

NPL Workout Committee

Purpose of activity

Assisting the Supervisory Board in exercising its powers to establish and ensure the effective functioning of the Bank's problem asset management process.

Composition of the committee

Chairman of the committee – Laszlo Urban

Members of the committee - Laszlo Urban, Olyana Gordiyenko, Victoria Strakhova, Dominique Menu, Yuriy Terentyev and Vladyslav Vyniarskyi.

Number of meetings held - In 2022, the Committee held 10 meetings according to the attendance records. All members of the Committee attended all meetings held since their appointment to the Committee. In general, the members of the Committee devoted sufficient time to effectively perform their duties as members of the Committee.

Key activities of the committee in 2022:

- ensuring the effective performance of the Committee's functions in the context of the full-scale invasion of Ukraine by the russian federation, which caused a number of serious difficulties and challenges for the Ukrainian economy and the Bank, in particular, in the area of problem debt settlement;
- participation in the development/update of the Bank's problem assets management strategy and operational plan, as well as other documents on problem assets management;
- monitoring of the results of implementation of the Bank's problem assets maangement strategy and operational plan;
- participation in consideration of certain issues of communication between the Bank and law enforcement agencies regarding debtors whose debts have been assigned "problem debt" status;
- approval of sale at Dutch auctions of claims under a number of agreements concluded with the Bank's debtors, in particular, Agro-Soyuz PJSC, ATEM LLC and ChPC LLC.
- preparation and submission to the Bank's Supervisory Board of draft resolutions on determination of debt settlement instruments for non-performing assets and the terms (parameters) of such settlement;
- submission of proposals to the Bank's Supervisory Board on settlement of the debts of the Bank's borrowers/counterparties, which, in accordance with the legislation, requires approval by the Bank's Supervisory Board;
- jointly with the Operating Activity and Digitalization Committee of the Supervisory Board, participated in update of the Bank's organizational structure, which included the creation of a unit within Restructuring and Recovery Department with project managers responsible for settlement of debt of the Bank's borrowers/counterparties that have been assigned "problem debts" status, as well as concentration of the functions of sale and lease of non-core assets of the Bank in the Asset Sales Division of Restructuring and Recovery Department
- monitoring of trends, initiatives or proposals for changes in the legal sphere of problem assets management in order to determine the degree of impact of these initiatives on the Bank and periodic provision of updated information to the Bank's Supervisory Board, etc.

8. Information on the composition of the executive body of the Bank and its change during the year, including the committees established by it, as well as information on the meetings held with a general description of the decisions taken.

The composition of the Management Board of the Bank as of the end of 2022 was as follows:

- Sergii Iermakov, Chairman of the Management Board;
- Dmytro Kaplyuk, Member of the Management Board, Chief Risk Officer;
- Oleksandr Ignatenko, Member of the Management Board;
- Oleksandr Shchur, Member of the Management Board;
- Mykhailo Medko, Member of the Management Board;
- Svitlana Monastyrska, Member of the Management Board - Deputy Chairman of the Management Board.

During 2022 the following changes took place in the composition of the Bank 's Management Board:

- Sergii Iermakov, winner of the competition, was appointed to the position of the Chairman of the Management Board for the term until the new Chairman of the Management Board takes office based on results of competitive selection announced by the Supervisory Board immediately after termination or cancellation of martial law in Ukraine (Resolution of the Supervisory Board No. 12 dated 14.03.2022);
- the powers of Aleksander Muravitski, Member of the Management Board, were terminated on the basis of Part 3 of Article 99 of the Civil Code of Ukraine, Clause 5 of Part 1 of Article 41 of the Labour Code of Ukraine (Resolution of the Supervisory Board No. 51 dated 16.12.2022).

In 2022, the Bank's Management Board held 147 meetings, of which 17 were paper circulation meetings (decision-making by paper circulation), at which 787 issues were considered. In making decisions, the Management Board was guided by the Charter, the Regulations on the Management Board and other regulatory and administrative documents of the Bank.

Decisions by the Management Board are made according to the following procedure:

- by holding meetings;
- by holding paper circulation meetings.

The main organizational form for making the decisions by the Management Board is holding the meetings of the Management Board. In accordance with the requirements of the Regulation on the Management Board, meetings of the Management Board are held if necessary, but at least once a month.

Meetings of the Management Board are held in the form of a joint presence of members of the Management Board in a designated place, including by electronic means (video and voice conferences, etc.), provided that each member of the Management Board participating in such a conference can see and hear (or at least hear) and communicate with all other participants in the meeting of the Management Board and identify the results of the vote. This form of the meeting is allowed if none of the members of the Management Board has objected to its application before the relevant meeting of the Management Board.

Member of the Management Board who is on a business trip has the right to participate in the meetings of the Management Board (with the right to vote), which are held in the form of joint presence of members of the Management Board in a designated place, including by electronic means (video and voice conferences), subject to the requirements specified in the previous paragraph.

A meeting of the Management Board is duly convened if at least half of the members of the Management Board of the number of appointed members of the Management Board are present.

Resolutions of the Management Board are taken by a simple majority of votes of its members participating in its meeting. In the event of an equal distribution of votes, the vote of the person chairing the meeting of the Management Board (the Chairman of the Management Board, or in his absence, member of the Management Board acting as the Chairman of the Management Board) is decisive, provided that in any case, the decision may not be taken solely.

Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) or other employee(s) assigned with his / her/ their duties in the absence of the Chief Risk Officer (CRO) and / or the Chief Compliance Officer (CCO) for the reasons provided by the current legislation of Ukraine (vacation, temporary incapacity, business trips, etc.) were present at meetings of the Management Board and had the right to prohibit (veto) decisions of the Management Board in cases established by current legislation of Ukraine and the Bank's regulations.

Chief Risk Officer (CRO) and Chief Compliance Officer (CCO) or other employee (s) assigned with his / her/ their duties in the absence of the Chief Risk Officer (CRO) and / or the Chief Compliance Officer (CCO) for the reasons provided by the current legislation of Ukraine (vacation, temporary incapacity, business trips, etc.) before and during the meetings of the Management Board were provided with all necessary materials on issues submitted to the Management Board and conditions for implementation of the right to ban (veto) the decision of the Management Board.

No cases of prohibition (veto) were recorded.

The issues of the current management of the Bank's activities were discussed at the meetings of the Management Board, namely:

- approval of the Bank's internal regulations, the approval of which falls within the competence of the Management Board;
- preliminary consideration and approval of the Bank's internal regulations and other issues that are approved by the Supervisory Board in accordance with the applicable laws of Ukraine and the Bank's Charter;
- making decisions on acquisition of property by the Bank for the purpose of debt repayment, including in connection with the exercise of the mortgagee's right;
- making a decision on writing off the Bank's non-current assets;
- making decisions on provision of charitable assistance;

- review (update) and approval of regulations on the Bank's permanent working bodies (committees, commissions, groups) established by the Management Board;
- consideration of the Bank's annual financial statements / consolidated annual financial statements together with the external audit reports and submitting them to the Supervisory Board.
- consideration of the Bank's monthly performance results;
- consideration of quarterly reports on the results of monitoring of the effectiveness of the internal control system, compliance risks for their submission to the Supervisory Board;
- consideration of quarterly information on issues related to prevention and counteraction to legalization (laundering) of proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction;
- consideration of risk management reports, including: monthly management reports on credit risk and reports on capital ratios, liquidity risk assessment, interest rate risk of the banking book, market risks, quarterly reports on the status of operational risk event management and key operational risk indicators management;
- making decisions on lending and amendments to the existing terms and conditions of lending to legal entities within the powers of the Management Board delegated by the Supervisory Board;
- approval of strategies and action plans on repayment of bad debts by borrowers, preliminary consideration of quarterly management reports on problem assets management and their submission to the Supervisory Board.

In accordance with the Charter, the Management Board of the Bank established 9 committees, 1 subcommittee and 2 commissions, which were operating in 2022, in particular:

- Credit Committee;
- Minor Credit Committee;
- Assets and Liabilities Committee;
- Assets and Liabilities Sub-Committee;
- Tariff Committee;
- Committee for implementation and functioning of information security management system;
- Problem Assets Workout Committee;
- Information Technologies Committee;
- Operational and Compliance Risk Committee;
- Tender Committee;
- Commission on accreditation / interaction with third parties providing additional and related non-banking services.
- Commission on monitoring of asset-side transactions of “The State Export-Import Bank of Ukraine” Joint Stock Company.

Credit Committee

A permanent collegial body of the Bank that determines the possibility and conditions of asset-side banking transactions with business entities, asset-side transactions in the interbank market, asset-side transactions with securities within the powers delegated to it by the Management Board, and established key risk indicators, approves the classification of the Bank's asset-side transactions and receivables, proposals for the formation of provisions to cover possible losses from their impairment, is responsible for the implementation of the Bank's Lending Policy.

<u>Composition of the Credit Committee as at 31 December 2022</u>

Position	Full name
Head of Committee	O.S. Ignatenko
Deputy Head of Committee	O.Ie. Savin
Committee Member	D.Ie. Kaplyuk
Committee Member	Y.O. Skorbulatov
Committee Member	I.V. Grynenko
Committee Member	D.H. Boiko

In 2022, 128 meetings of the Credit Committee were held, including 31 paper circulation meetings, where 610 issues were considered and decisions were made, in particular on the following

- lending to borrowers / making changes to lending to borrowers / extending the validity of decisions of the Credit Committee on lending to borrowers;
- setting limits on asset-side transactions with counterparty banks;

- approval of the amount of provisions under IFRS9 and the amount of credit risk on asset-side banking transactions at the reporting date;
- affirmation/ approval of financial restructuring plans and conditions etc.

Minor Credit Committee

A permanent collegial body of the Bank that within delegated powers determines the possibility and conditions of asset-side banking transactions with clients of medium-sized business, local governments (municipalities), utilities sector (hereinafter - MSBMUS borrowers) and retail business in accordance with the Bank's customer segmentation (hereinafter - retail borrowers), assesses the quality of the loan portfolio by operations with the relevant borrowers, is responsible for the implementation of the Bank's Credit Policy, and performs other tasks and functions specified in the Regulation on Minor Credit Committee.

Composition of Minor Credit Committee as at 31 December 2022

Position	Full name
Head of the Committee	M.B. Medko
Deputy Head of the Committee	S.V. Tkachenko
Member of the Committee	A.S. Blyzniuk
Member of the Committee	A.O. Maniskevych
Member of the Committee	D.O. Merkulov
Member of the Committee	V.A. Basalaieva
Member of the Committee	S.V. Skrynskyi

In 2022, 158 meetings of the Minor Credit Committee were held, including 49 paper circulation meetings, at which 737 issues were considered and decisions were made, in particular, regarding the following:

- lending / making changes to the terms and conditions of lending to borrowers / extending the validity of MCC decisions on lending to borrowers;
- conclusion of financial leasing agreements/introduction of amendments to financial leasing agreements;
- opening a credit line within “Bonus” card credit product;
- approval / change of terms and conditions of lending/ credit products passports/ procedures / agreements;
- approval of amendments to standard form of the loan agreement and standard form of supplementary agreements to the loan agreement, which are applied to credit transactions within the credit product under “Available loans 5-7-9%” Program”;
- early termination of credit agreements with borrowers, etc.

Assets and Liabilities Committee and Sub-Committee

A permanent collegial body of the Management Board of the Bank, which, within the powers delegated by the Management Board and in accordance with the Regulation on Assets and Liabilities Committee and Sub-Committee ensures the management of assets and liabilities structure, compliance with indicators of liquidity risk , interest rate risk of the banking book, market risks, including economic ratios on liquidity, capital risks, open currency position limits established by the NBU as well as the relevant financial covenants on external economic agreements. In order to promptly resolve individual issues within the Assets and Liabilities Committee, the Assets and Liabilities Sub-Committee was created based on the resolution of the Management Board of the Bank.

Composition of Assets and Liabilities Committee as at 31 December 2022

Position	Full name
Head of the Committee	O.V. Shchur
Deputy Head of the Committee	O.S. Ignatenko
Member of the Committee	S.O. Iermakov
Member of the Committee	D.Ie. Kaplyuk
Member of the Committee	M.B. Medko
Member of the Committee	A.V. Boldyriev
Member of the Committee	S.S. Sokyrko

In 2022, 96 meetings of the Assets and Liabilities Committee were held, including 3 paper circulation meetings, at which 187 issues were considered and decisions were made, in particular, regarding the following:

- revision of interest rates on client deposits;
- approval of individual terms and conditions for attracting clients' funds;
- revision of recommended interest rates on loans;
- setting transfer rates;
- participation in the auction for placement of domestic government bonds;
- use of currency position to repay loan debt;
- sources of loan funding;
- setting limits on the interest rate risk in the banking book and warning thresholds to them;
- information reports on the review of financial markets, dynamics of interest rates and liquidity position, capital ratios, liquidity risk assessment, interest rate risk in the banking book, market risks; regarding the results of stress testing of credit risk, liquidity risk;
- consideration of the pricing regulatory documents, etc.

Composition of Assets and Liabilities Sub-Committee as at 31 December 2022

Position	Full name
Head of the Committee	S.S. Sokyrko
Deputy Head of the Committee	K.O. Volodina
One of the members of the sub-committee, specified below, takes part in the vote, depending on the unit that initiates consideration of the issue and makes proposals for consideration by the sub-committee:	
Member of the Committee	O.S. Ignatenko
Member of the Committee	O.V. Shchur
Member of the Committee	M.B. Medko

In 2022, 187 meetings of the Assets and Liabilities Sub-Committee were held, which were held in the form of meeting by paper circulation. 479 issues were considered, including the following:

- establishment of individual terms for attracting funds of legal entities (including under agreements that are renegotiated or the term of which is extended) to savings (deposit) and current accounts.
- making decisions regarding transactions within the scope of the Bank's currency position management;
- approval of the terms of marketing promotions in terms of deposits from individuals;
- making decisions regarding the early return of deposits to clients at their request.

Tariff Committee

A permanent collegial body of the Bank established by the Management Board to settle the issues of the management of fees and commissions rates for banking services and to analyse the ratio between the cost of services and the market competitiveness of the Bank's tariffs, as well to settle other issues related to banking products and provision of banking services, except for credit services.

Composition of the Tariff Committee as at 31 December 2022

Position	Full name
Head of the Committee	M.B. Medko
Deputy Head of the Committee	O.V. Shchur
Member of the Committee	S.P. Iergieva
Member of the Committee	O.Y. Savin
Member of the Committee	O.B. Tyshchenko
Member of the Committee	O.I. Prymachenko
Member of the Committee	S.S. Puskai

In 2022, 59 meetings of the Tariff Committee were held, including 7 paper circulation meetings, at which 248 issues were considered and decisions were made, in particular, regarding the following:

- setting individual tariffs for customers;
- approval of commission fees for banking services / amendments to the current basic tariffs;
- approval of decisions regarding implementation/modification of parameters of banking products;

- approval of the terms, standard forms of agreements and regulatory documents for banking products, banking and other financial services, as well as transactions related to banking products, banking and other financial services
- provision of powers to responsible units to set individual tariffs for customers, etc.

Committee for implementation and functioning of information security management system

A permanent collegial body of the Bank, which, within the powers delegated to it, ensures the process of development, implementation, operation, monitoring, review, maintenance and improvement of the information security management system in the Bank by making appropriate decisions.

Composition of Committee for implementation and functioning of information security management system as at 31 December 2022

Position	Full name
Head of the Committee	Y.O. Skorbulatov
Member of the Committee	S.P. Ierhieva
Member of the Committee	O.S. Ignatenko
Member of the Committee	P.A. Kolomiets
Member of the Committee	I.A. Temchenko
Member of the Committee	D.V. Koval

In 2022, 10 meetings of the Information Security Committee were held, including 3 paper circulation meetings, at which 13 issues were considered and decisions were made, in particular, regarding the following:

- familiarization with information on the course of implementation of PCI DSS compliance status improvement and Strategy of development of corporate system of information security management;
- approval of Information Security Policy;
- implementation of post-control on the business processes criticality (approval of BPC list);
- approval of Classifiers of Information Security risk event types, IS event effect categories and IS event effect statuses, etc.

Problem Asset Workout Committee

A permanent collegial body of the Management Board of the Bank that within the delegated powers determines the terms and conditions for implementing measures aimed at repaying debt on loan transactions, which is considered non-performing in accordance with the resolutions of the Bank authorized collegial bodies; the possibility and terms and conditions of the Ban's collected property management measures; measures aimed at settlement of receivables assigned with problem debt status.

Composition of Problem Assets Workout Committee as at 31 December 2022

Position	Full name
Head of the Committee	D.Ie. Kaplyuk
Deputy Head of the Committee	A.F. Shop
Member of the Committee	A.A. Lola
Member of the Committee	I.A. Temchenko
Member of the Committee	T.M. Kovalenko
Member of the Committee	S.V. Revurko
Member of the Committee	Y.O. Skorbulatov
Member of the Committee	S.P. Ierhieva

In 2022, 58 meetings of the Problem Assets Workout Committee were held, including 4 meetings by paper circulation, at which 315 issues were considered and decisions were made, in particular, regarding the following:

- approval/implementation of an action for problem debts repayment;
- assignment of the right of claim under loan agreements;
- approval of the terms and conditions of sale of property;
- expediency of appealing against judgments;

- expediency of acquisition by the Bank of right of ownership (putting on the books) of the property pledged as collateral;
- making amendments to PAWC decisions, action plan for problem debts repayment; collateral agreements;
- write-offs of borrowers' debt at the expense of loan loss provisions;
- refusal to leave property, which was unsold at bidding, as property of the Bank, etc.

IT Committee

A permanent collegial body of the Bank that determines the general principles of information technologies development at the Bank, determines the priority and distribution of tasks, projects, resources, etc. for the development, implementation, operation of information technologies / systems of the Bank by making appropriate decisions.

IT Committee composition as at 31 December 2022

Position	Full name
Head of the Committee	K.I. Koval
Deputy Head of the Committee	S.P. Ierhieva
Member of the Committee	I.V. Bila
Member of the Committee	O.V. Shchur
Member of the Committee	I.A. Temchenko
Member of the Committee	M.B. Medko
Member of the Committee	A.I. Melesh
Member of the Committee	A.V. Malakhov

In 2022, 32 meetings of the IT Committee were held, including 13 meetings by paper circulation, at which 51 issues were considered and decisions were made, in particular, regarding the following:

- initiation of projects: "Automation of credit process", "Automation of currency control process", "Automation of depository activities by purchasing and implementing software "Zberihach-2016" (Dekra)", "iFOBS.eximb-151905_ Import of currency documents iFOBS", "API for affiliate banks, 1st stage", "Migration in SharePoint Online: Novell Vibe, Portal, collegial bodies, operational risks", "Automation of the process of imposing/removing the seizure of funds from customer accounts", "Modernization of integration platform", "Implementation of controls in B2 Core Banking regarding the limitation of automatic (non-agreed) transfer of customers from the "black list" to the "white list", "EPS-4 (ISO-20022)", "Implementation of a complex system of automation of IT processes and project activities", etc;
- validation of projects: "Transition to B2 Core Banking version with one bank code (SITEID)", "Sending of customer's copy of the electronic version of application/agreement to the customer's email address (e-mail)", "Implementation of controls on the limitation of financial transactions on the account in B2 Core Banking";
- closing of projects: "EE2.0 – Application for deposit opening", "EE2.0 – Payment templates. Regular payments", "Anti-fraud operations in the system "EnterEXIM 2.0" (robot-caller)», «Visa Alias Directory Service»; status reports on approved projects of the IT Committee; quarterly planning of project IT works, etc.

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Operational and Compliance Risk Committee

A permanent collegial body of the Bank, which ensures the performance of functions and powers to manage operational and compliance risks.

Operational and Compliance Risk Committee composition as at 31 December 2022

Position	Full name
Head of the Commitee	D.Ie. Kaplyuk
Deputy Head of the Committee	I.A. Temchenko
Member of the Committee	K.I. Koval
Member of the Committee	Y.O. Scorbulatov
Member of the Committee	B.M. Markulchak
Member of the Committee	S.L. Ostapenko
Member of the Committee	I.O. Syniakov

In 2022, 10 meetings of the Operational and Compliance Risk Committee were held, including 1 meeting by paper circulation, at which 36 issues were considered and decisions were made, in particular, regarding the following:

- operational risk management status;
- reports on the management of key operational risk indicators;
- results of operational risk stress testing;
- review of the status of implementation of decisions of the Operational and Compliance Risk Committee / instructions, etc.

Commission on accreditation of/interaction with third parties providing additional and supplementary non-banking services.

A permanent collegial body of the Bank, which determines the possibility and conditions of accreditation of/interaction (cooperation) with third parties (hereinafter – Non-Banking Institutions), which provide additional and supplementary non-banking services (hereinafter – Non-Banking Services), the issues of interaction (cooperation) with which shall be submitted to the Commission in accordance with regulatory, administrative documents of the Bank, decisions of collegial bodies of the Bank, as well as determines (selects) third parties that provide Non-Banking Services, in cases provided by regulatory, administrative documents of the Bank, decisions of collegial bodies of the Bank, and in some cases if there is the need for such determination (selection) within the competence of the Commission.

Composition of the Commission on accreditation of/interaction with third parties providing additional and supplementary non-banking services as at 31 December 2022

Position	Full name
Head of the Commission	D.Ie. Kaplyuk
Deputy Head of the Commission	I.A. Temchenko
Member of the Commission	T.M. Kovalenko
Member of the Commission	V.A. Basalaieva
Member of the Commission	A.A. Lola
Member of the Commission	S.L. Ostapenko

In 2022, 14 meetings of the Commission on accreditation of/interaction with third parties providing additional and supplementary non-banking services were held, including 7 meetings by paper circulation, at which 23 issues were considered and decisions were made, in particular, regarding the following:

- analysis of efficiency of interaction with accredited appraisers, surveyors and insurance companies;
- consideration of information on interaction with the Bank’s partners providing additional and related non-banking services to “Ukreximbank” JSC;
- accreditation of partners providing surveyor services to check the availability and condition of property;
- accreditation of partners / revision/ extension of accreditation of partners of “Ukreximbank” JSC;
- denial of accreditation/accreditation procedure, etc.

Commission on monitoring of asset-side transactions of customers of “Ukreximbank” JSC

A permanent collegial body of the Management Board, which, within the powers delegated to it, monitors asset-side transactions of the Bank's customers to identify credit risk factors and organizes work to prevent non-fulfilment (improper fulfilment) of customers' obligations to the Bank by making appropriate decisions.

on monitoring of asset-side transactions of customers of “Ukreximbank” JSC as at 31 December 2022:

Position	Full name
Head of the Commission	D.Ie. Kaplyuk
Deputy Head of the Commission	A.F. Shop
Member of the Commission	A.S. Blyzniuk
Member of the Commission	I.A. Tarasinskyi
Member of the Commission	A.V. Koval
Member of the Commission	S.V. Tkachenko
Member of the Commission	H.H. Lisnichuk

In 2022, 22 meetings of the Commission on monitoring of asset-side transactions of customers of "Ukreximbank" JSC were held, including 3 meetings by paper circulation, at which 72 issues were considered and decisions were made, in particular, regarding the following:

- identified credit risk factors in terms of borrowers of "Ukreximbank" JSC;
- status and prospects of settlement of overdue debts of legal entities-borrowers of "Ukreximbank" JSC and their fulfillment of the established debt repayment schedules;
- regarding the status of overdue debt for unsecured transactions of individual borrowers of the Bank;
- segmentation of overdue receivables of customers of "Ukreximbank" JSC;
- off-balance sheet liabilities of "Ukreximbank" JSC for asset-side transactions of customers;
- status of performance by borrowers of obligations for interest and commission payments for asset-side transactions of "Ukreximbank" JSC;
- approval of the Action Plan to regulate credit risk factors in terms of borrowers, etc.

9. Information on the facts of violation of internal rules by the members of the Supervisory Board and of the executive body of the Bank, which led to causing damage to the Bank or the Bank's customers.

There are no facts of violations of internal rules by members of the Supervisory Board and the Bank's executive body, which resulted in damage to the Bank or the Bank's customers.

10. Information on enforcement actions applied by the state authorities to the Bank during the year, including the ones applied with respect to the members of its Supervisory Board and the executive body.

According to the decision of the state authorities, the Bank was fined UAH 30 during the year.

In 2022, the members of the Supervisory Board and the Management Board of the Bank were not subject to enforcement actions of public authorities.

11. Information on the amount of remuneration for the year of the members of the Supervisory Board and the executive body of the Bank.

Remuneration for 2022 of the members of the Supervisory Board[4] and the executive body of the Bank totally amounted to UAH 148, 433 thousand.

12. Information on significant risk factors that affected the Bank's activities during the year.

At the beginning of 2022, the Bank, like the state as a whole, faced unprecedented challenges caused by the full-scale military aggression of the aggressor state against Ukraine. Under such circumstances, the issue of risk management, including ensuring business continuity, has become even more important, which in turn has affected the strategy and operational processes of risk management at the Bank, which are currently implemented taking into account the peculiarities caused by the current situation in the country and the operating environment, as stated below.

The Bank carries out its activities in harsh macroeconomic conditions, in particular, in conditions of significant devaluation of the national currency, growth of interest rates in hryvnia and foreign currencies, acceleration of inflation, decrease in business activity, as well as lack of investment inflow to Ukraine, negative expectations of economic entities. This leads to the gradual implementation of credit risk, market risks and interest rate risk, and also leads to the increase in liquidity risk in foreign currency and the fall in capital to the negative value. The terms of the end of the war and the geography of hostilities remain a key factor of uncertainty.

During the period of martial law in Ukraine, the Bank carries out its activities, including in accordance with special regulatory acts, in particular, resolutions of the National Bank of Ukraine (hereinafter - the legislation), which establish the specifics of activity / application of legislation for the relevant period, including the operation of the Bank during martial law takes into account a number of waivers introduced by the NBU, which help not to divert the resources of the banking system of Ukraine from the main task - credit support of the economy, in particular:

- regarding non-application of enforcement actions for violations by banks of: economic ratios, limits of open currency position and deadlines for submitting statistical reports; by banking groups - requirements regarding the adequacy of regulatory capital, economic liquidity ratios, credit risk, if such violations occurred starting from

[4] remuneration of the members of the Supervisory Board of "Ukreximbank" JSC for 2022 consists of the amount of remuneration, the amount of compensation payments to the members of the Supervisory Board and the purchase of services necessary for the performance of their duties by "Ukreximbank" JSC on its own behalf and at its own expense

February 24, 2022 and were caused by the negative impact of the military aggression of the aggressor state against Ukraine. This ensures the banks' ability to lend even if they suffer losses;

- regarding the updating (maintenance) of the regulatory framework – in relation to the absolute majority of internal documents on the risk management, the requirements for their annual update have been suspended for 2022. However, despite the suspension of the legislative norms regarding the annual updating of internal documents, during 2022 the Bank ensured the updating of the absolute majority of regulatory documents on risk management issues, and also developed a number of new documents, including the Temporary Credit Policy.

The Bank's priority is to support financial stability and minimize the negative impact of the consequences of military aggression of the aggressor state against Ukraine on the functioning of the Bank and (since the Bank is recognized as systemically important) the banking system of Ukraine as a whole. For this purpose, the Bank:

- activated the Business Recovery Plan, Business Continuity Plan and Operational Response Plan in the Event of Expansion of Military Conflict Zone in the Regions of Ukraine;
- conducts operational monitoring and provides forecasting of key indicators of risks and/or threats to the Bank's financial stability;
- constantly analyses the quality of the Bank's loan portfolio, including (evaluates the financial status, solvency and business prospects of customers, collects and processes information on the loss / damage of collateral, etc.).
- implemented a number of additional (to the standard management reporting) periodic and operational analytical reports for the Supervisory Board of the Bank and the management of the Bank, which provide essential information (both from official and other sources) for making the necessary management decisions.

The Bank assesses credit risks in conditions of uncertainty caused by the introduction of martial law and military operations on the territory of Ukraine, adhering to the principle of conservatism and adequate risk assessment for timely recognition of expected credit losses.

Despite the limited capital of the Bank, including due to the recognition of credit risks, the Bank continues to conduct asset-side transactions, taking into account the need to support strategically important sectors of the economy during the period of martial law.

13. Information on the Bank's risk management system and its key characteristics.

The Bank's Risk Management System (RMS) is key to ensuring financial health, stability and promoting the Bank's strategic business development goals in today's dynamic environment, which provides for identification, analysis (assessment), monitoring, control, mitigation and reporting on the Bank's risks in order to make timely and adequate administrative decisions.

The RMS covers all significant risks to which the Bank is exposed in its transactions, namely:

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

and includes all components required by law, namely:

- organizational structure;
- the Bank's risk management culture and code of conduct (ethics);
- the Bank's internal regulatory documents on risk management;
- instruments for effective risk management in the Bank;
- information systems that ensure the availability of mechanisms of risk management and reporting.

The RMS is based on the division of responsibilities between all independent structural units and branches of the Bank using the model of three lines of defense: the first line – at the level of business units of the Bank and units for the Bank's operation support; the second line - at the level of the risk management unit and the compliance control unit (compliance); the third line - at the level of the internal audit unit.

The subjects of the RMS are: the Supervisory Board; Risk Committee of the Supervisory Board; Management Board; committees of the Management Board, in particular, the Credit Committee, the Minor Credit Committee, the Assets and Liabilities Committee (ALCO), the Operational and Compliance Risk Committee and other collegial bodies of the Bank; the Internal Audit Department; Chief Risk Officer (CRO) and the Risk Management Department; Chief Compliance Manager (CCO) and the Compliance Control Department; business units and support units.

Units of the second and third line of defense, the Chief Risk Officer (CRO) and the Chief Compliance Officer (CCO) subordinate and report to the Supervisory Board. They are staffed with suitably qualified employees who ensure the effective implementation of the functionality and tasks of the relevant units.

In order to ensure the effective functioning of the Risk Management System, the Bank ensures the formation, development and maintenance of a high culture of risk management in all areas of the Bank's activities and at all organizational levels, including measures taken on the ongoing basis to raise awareness of risk management among the Bank's employees.

The RMS includes a wide range of risk management regulatory documents that are developed taking into account the need to define and regulate the full risk management process (from risk identification to reporting) and cover the definition of general requirements (including organizational structure, strategic risk management objectives, risk appetite, etc.) and detailing of methodological approaches and procedures for risk management.

The Bank's regulatory documents on risk management are conditionally divided into general (applicable to all types of risks – Risk Management Strategy, Risk Appetite Statement, Recovery Plan, Procedures for Escalation of Risk Limits Violation, etc.) and specific ones (for certain types of risks to which the Bank is exposed during its activity – policies, methods, regulations / procedures, reporting forms). All regulatory documents on risk management are subject to at least annual review, including for a number of documents – at the level of the Supervisory Board, and in case of amendments in legislation, they are promptly updated.

In order to achieve the main objectives of risk management, the Bank uses effective instruments and models for risk assessment, including limits, statistical and mathematical models, analysis of actual values of indicators and the reasons for their significant changes, forecasting, etc.

The instruments and models used to assess a particular type of risk are determined based on the nature of the relevant type of risk, the requirements of NBU regulations and banking practice in assessing / managing the relevant type of risk, as well as the current situation and (where relevant) actual values and forecasts for macroeconomic indicators.

The Bank provides constant monitoring of risks, their indicators, as well as the actual implementation of measures aimed at minimizing risks, and their effectiveness. In case of violation of risk limits / indicators and significant increase of risk (with the maximum approximation of actual risk indicators to the established limits), this is reported to the authorized collegial bodies of the Bank, including the Management Board and the Supervisory Board.

The Bank creates reliable information systems that promote risk management by ensuring proper aggregation of data on the Bank's risks, enabling prompt and reliable risk measurement and reporting. The Bank's information systems provide the ability to record and store the required scope of primary data to keep up to date and apply risk assessment / analysis models, including their individual components, proper calculation of actual values of risk indicators, formation of provisions for Bank asset-side transactions, operational reporting, etc.

Risk reporting is formed in such a way as to reflect accurate, complete, reliable, timely information on all significant risks of the Bank, the current state and dynamics of their changes. Reporting on risks at regular intervals is provided to the Bank's Supervisory Board, the Risk Committee, the Bank's Management Board and its relevant committees as well as other users.

Thus, risk management in the Bank involves effective interaction at all organizational levels of the Bank (from the Supervisory Board to each employee of the Bank), including timely identification, proper assessment, preparation of information for sound decision-making and continuous monitoring and control of risks.

14. Information on the results of the operation of the internal control system during the year and its key characteristics.

The Bank has implemented an effective and efficient internal control system (ICS). The Bank's ICS is based on the division of responsibilities between the Bank's units. This division is based on the application of the model of three lines of defense: the first line at the level of business units of the Bank and units of support of the Bank; second line at the level of the risk management unit and the compliance control unit (compliance); the third line at the level of the internal audit unit.

ICS is integrated with all banking processes, risk management system and corporate governance at all levels. Internal control is provided in absolutely all areas, including decision-making processes and implementation of the Bank's strategies, business plans and goals.

During 2022:

- Internal Control System Policy was recognized valid;
- consideration of quarterly reports on the results of operational monitoring of the internal control system efficiency and recommendations for improving its functioning were ensured;
- reviewing and updating the indicators for monitoring the effectiveness of the internal control system were ensured;
- updating the structured list of controls in the Bank in the form of the "Catalog of the Bank's Processes and Controls" was ensured;
- control over the Bank's compliance with the restrictions set by the regulator for the period of martial law was implemented;
- planning and conducting of unscheduled testing of about 33 controls were carried out (recommendations for improvement of their functioning were provided for 3 controls).

Based on the results of the assessment by the Department of the complexity, adequacy and effectiveness of the Bank's internal control system for 2022, its effectiveness was assessed at an acceptable level. The main shortcomings in the organization of the Bank's internal control system were addressed in the framework of the assessment and other audits in the form of recommendations, most of which have been implemented. In conditions of occurrence of events that have/may have a significant impact on the Bank's activities and processes, it is necessary to introduce a procedure for additional assessment of the effectiveness of the Bank's internal control system.

15. Information on the results of the internal audit system functioning during the year.

The Bank's Internal Audit Department (the Department) is responsible for performing the internal audit function.
The main goal of the Department is independent, objective activities for providing assurance and advisory services on the assessment of the Bank's systems and processes, which shall result in the Bank's benefit and improve its operations.
The Department reports and is accountable to the Bank's Supervisory Board and reports to the Audit Committee on its activities. The Audit Committee and the Supervisory Board of the Bank ensure the effective functioning of the Department.

The work of the Department was carried out in accordance with the approved Plan for 2022 and on individual instructions of the Supervisory Board of the Bank.

During the year, 14 regulatory documents related to internal audit practices were updated. In addition, after the imposition of martial law, the Department provided support to other functions of the Bank to respond in a timely and effective manner to challenges related to evacuation, mobilization, estimation of the Bank's losses from military operations, etc. In 2022, the Bank launched an annual risk assessment process using a new methodology that allows the Bank to more effectively identify key risk areas for further monitoring and appropriate response.

The Department reports on its work on a quarterly basis to the Audit Committee and the Supervisory Board of the Bank, and once every six months to the National Bank of Ukraine.

16. Information on the facts of alienation of assets during the year in the amount exceeding the amount specified in the Bank's Charter.

During 2022, the Bank did not alienate assets exceeding the amount specified in the Charter.

17. Information on the results of valuation of assets in case of their purchase and sale during the year in excess of the amount specified in the Bank's Charter.

During 2022, the Bank did not purchase or sell assets in excess of the amount specified in the Bank's Charter.

18. Information on transactions with related parties, including within one industrial-financial group or other association, conducted during the year. Such information is not a trade secret.

The Bank pays sufficient attention to the identification of persons related to the Bank, the formation and updating of their list in order to control the risks of transactions with persons related to the Bank.

The Bank submits monthly information to the NBU about persons related to the Bank in accordance with the procedure established by the NBU regulations.

Information on related party transactions in accordance with IFRS 24 Related Party Disclosures is disclosed in Note 33 "Related party transactions" of the annual separate financial statements of "Ukreximbank" JSC for the year ended 31 December 2022.

19. Information on activities of the external auditor during the reporting period.

Ernst & Young Audit Services LLC has been appointed the external auditor of the Bank's financial statements for 2022.

General information on the external auditor appointed during the reporting year (including the total length of audit experience, the number of years during which it provides audit services to the Bank, a list of other audit services provided to the Bank during the reporting year)

The total audit experience of Ernst & Young Audit Services LLC is more than 25 years. For the past seven years, Ernst & Young Audit Services LLC has been providing audit services to the Bank.

On the basis of the Audit Services Agreement dated June 2, 2022, concluded between Ernst & Young Audit Services LLC and Ukreximbank JSC within the Framework Agreement dated June 2, 2022, Ernst & Young Audit Services LLC provided audit services on the financial statements of "Ukreximbank" JSC in certain areas of activity, namely: audit of the use of funds under the Long-Term Funding Access Project as at December 31, 2021 and for the year ended on that date

Cases of conflict of interest and/or combination of functions

There were no cases of conflict of interest and/or combination of functions.

Information on the rotation of auditors in the Bank for the last five years

For the past five years – an auditing company Ernst & Young Audit Services LLC.

Information on the used recommendations of the bodies that carry out state regulation of financial services markets on the audit opinion

During 2022, the Audit Chamber of Ukraine did not impose penalties on the Bank's external auditor. The state bodies regulating the financial services markets did not find any facts of submission of unreliable statements of the Bank, which was confirmed by the auditor's opinion.

Conclusions of the Audit Committee of the Supervisory Board on the independence of the external audit and the independence of the external auditor

Based on the results of the competitive selection of an audit firm (auditor) to conduct the statutory audit of the Bank's financial statements for 2021 and 2022, the Supervisory Board selected Ernst & Young Audit Services LLC (hereinafter – Bank's external auditor). The responsibility for assessing the effectiveness and independence of the Bank's external auditor was assigned to the Audit Committee of the Supervisory Board (hereinafter - Committee or the Audit Committee), which, despite all the complications caused by the beginning of the full-scale invasion of Ukraine by the russian federation, was carried out at the Committee's meetings (including with the participation of members of the Bank's Management Board, where the main issues arising from the external audit of the Bank were discussed) and during meetings with members of the Bank's external auditor team and the respective persons of the Bank's structural units, which directly participated in the external audit of the Bank's financial statements for 2022.

The results of the Audit Committee's assessment revealed that the independence of the Bank's external auditor LLC "Ernst & Young Audit Services" and the key partner for the audit of the Bank during the statutory audit of the annual separate financial statements and annual consolidated statements of the Banking Group of "The State Export-Import Bank of Ukraine" Joint-Stock Company for the year ended December 31, 2022, which was performed in accordance with agreement for the provision of audit services, was not endangered, and the requirements of the legislation on independence of the external auditor were not violated.

20. Information on the Bank's protection of the rights of financial services consumers, in particular:

Complaints in the bank are considered in accordance with the Law of Ukraine "On Citizens' Appeals", other current regulations of Ukraine and internal regulations of the Bank governing the handling of appeals.

In handling clients' appeals, the Bank ensures qualified, impartial, objective and timely consideration by the relevant structural units of the Bank in order to promptly resolve the issues raised in them and satisfy the legitimate claims of clients. The Bank accepts and considers appeals without charging any fee. The Bank accepts appeals in writing or orally submitted in person, by postal means, by e-mail, orally, during personal appointments with citizens held by the management of the Bank's branches, via secure communication channels in case of receipt of the Bank's client's appeal from the National Bank of Ukraine, in case of receipt of the Bank's client's appeal from the NSSMC if the Bank's client's appeal was sent to the NSSMC.

Appeals are considered and resolved within one month from the date of their receipt, and those appeals that do not require additional study are considered and resolved immediately, but no later than fifteen days from the date of their receipt.

Complaints of the Bank's customers are considered by the Chairman of the Bank's Management Board in accordance with the Law of Ukraine "On Citizens' Appeals" and the Bank's Charter, as well as by officials authorized by the Chairman of the Bank's Management Board with the right to sign responses to such complaints, and if the citizen does not agree with the decision made related to the complaint, such complaints shall be resolved in the court order.

During the reporting period (2022), the Bank duly considered and satisfied 79 appeals (registered in IT Enterprise EDS) and 65 appeals of clients of Bank's branches.

Chairman of the Management Board **Sergii Iermakov**

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Independent auditor's report

To the Shareholder and the Supervisory Board of
Joint Stock Company "The State Export-Import Bank of Ukraine"

Report on the audit of the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of Joint Stock Company "The State Export-Import Bank of Ukraine" and its subsidiaries (hereinafter the "Bank"), which are presented on pages 43 to 132 and comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the annual consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual consolidated financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the annual consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3 to the annual consolidated financial statements, which indicates that the Bank's operations are negatively affected by the Russian Federation's military invasion of Ukraine. As a result, the Bank incurred a net loss of UAH 7,714,779 thousand during the year ended 31 December 2022. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists

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that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the annual consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the annual consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses of loans to customers	
The appropriateness of allowance for expected credit losses (ECL) of loans to customers was significant to our audit because it is a key area of judgment for management. The Bank's ECL allowance calculations are outputs of complex models with a number of underlying assumptions regarding development of ECL models, including the various formulas and the choice of inputs, selection of forward-looking macroeconomic scenarios and their probability weightings, the estimation of the amount and timing of cash flows from collateral etc. The use of different assumptions, including the expected impact of the military aggression of the Russian Federation against Ukraine, could produce significantly different estimates of expected credit losses of loans to customers. Taking into account the significance of the	Our audit procedures included the assessment of the methodology used by the Bank for the assessment of the ECL allowance under IFRS 9 as at 31 December 2022 and for the year then ended. With respect to allowance for expected credit losses calculated on an individual basis, our audit procedures comprised evaluation of the reasonableness of management assumptions by analysing assessment of financial condition of the counterparty, forecasts of future cash flows and valuation of underlying collateral which were incorporated in multiple scenarios. In addition, we considered that current conditions related to the military aggression of the Russian Federation against Ukraine was included the assessment of expected credit loss for these loans.

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Key audit matter	How our audit addressed the key audit matter
loans to customers balances and high level of subjectivity of assumptions, we considered that assessment for expected credit losses of loans to customers was a key audit matter. Approaches of the Bank's management to assessing and managing credit risk are described in Notes 10 and 29 to the annual consolidated financial statements.	With respect to allowance for expected credit losses calculated on a collective basis, our audit procedures comprised testing of the design and operating effectiveness of the Bank's internal controls in respect of ECL allowance calculation including correctness of identification of triggers for significant increase in credit risk and credit impairment, staging identification, probabilities of default and loss given default. We involved our risk management specialists to assist us with the analysis of the validation procedures performed by the Bank's experts in respect of models with forward-looking information on macro-economic factors, which included updated statistical information for 2022 and changes in economic conditions related to the impact of the military aggression of the Russian Federation against Ukraine based on the facts and circumstances at the reporting date. We also tested the inputs to the underlying models and their mathematical accuracy. We analysed associated disclosures in Notes 10 and 29 to the annual consolidated financial statements in respect of allowance for expected credit losses of loans to customers.
Valuation of indexed state bonds at fair value through profit or loss	
Valuation of indexed state bonds with the embedded foreign exchange derivatives at fair value through profit or loss was a key area of judgments for management due to complexity of estimations regarding the choice of variable inputs, such as risk-free rates in national and foreign currencies, current spot rate and volatility of exchange rate, and subjective valuation techniques. Taking into account the significance of the carrying amount of indexed state bonds at fair value through profit or loss to the annual consolidated financial statements and related estimation uncertainty, we considered	Our audit procedures in respect of the valuation of indexed state bonds at fair value through profit or loss comprised evaluation, with assistance of our valuation specialists, the model and assumptions applied by the Bank's management consideration and testing of inputs used, including mathematical accuracy of the calculation and comparing the results in the models to the amounts recognised in the annual consolidated financial statements. We analysed the Bank's disclosures in relation to the indexed state bonds at fair value through profit or loss.

Key audit matter	How our audit addressed the key audit matter
valuation of the above assets to be a key audit matter. Notes 11 and 30 to the annual consolidated financial statements provide information on the indexed state bonds at fair value through profit or loss.	
Valuation of deferred tax assets	
The Bank has significant recognised and unrecognised deferred tax asset balances as at 31 December 2022. Recognition of deferred tax asset is dependent on the availability of future taxable profits. There is an inherent uncertainty involved in forecasting future taxable profits. The analysis of the recognition and recoverability of deferred tax asset was one of the matters of most significance in our audit because the amounts are material, the assessment process is judgmental, and is based on assumptions that are affected by expected future market and economic conditions including the impact of the military aggression of the Russian Federation against Ukraine. Notes 4 and 15 to the annual consolidated financial statements provide information on the judgements and amounts of deferred tax asset.	Our audit procedures comprised evaluation of the reasonableness of management assumptions in relation to deferred tax asset's recoverability by analysing the availability of sufficient future taxable profits based on the business plan and the forecast, including the expected impact of the military aggression of the Russian Federation against Ukraine. We discussed the underlying judgements with the Bank's management, tested tax positions and timing of future deductions. In addition, we considered the historical accuracy of management's estimates by comparing budgeted and actual data. We also compared the assumptions used in the business plan and the forecast with available banking market information and the overall Ukrainian economy projections. We also analysed the deferred tax asset disclosures prepared by the Bank and presented in the annual consolidated financial statements.

Other information included in the Bank's Consolidated Management Report and Annual Information of the Issuer of Securities for 2022

Other information comprises the Bank's Consolidated Management Report (including the Corporate Governance Report) for 2022 (but does not include the annual consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Information of the Issuer of Securities for 2022, which is expected to be made available to us after that date. Management is responsible for the other information.

Our opinion on the annual consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we will communicate the matter to the Supervisory Board.

Responsibilities of management and the Supervisory Board for the annual consolidated financial statements

Management is responsible for the preparation and fair presentation of the annual consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the annual consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of Bank's subsidiaries to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Bank. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the annual consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") and pursuant to the "Requirements to the information applicable to the audit or review of the financial statements prepared by capital market and organized commodity market participants supervised by the National Securities and Stock Market Commission (the

NSSMC)” approved by the NSSMC Decision №555 dated 25 July 2021 (hereinafter – ”NSSMC Requirements”) we provide the following information in our Independent Auditor’s Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Bank’s annual consolidated financial statements on 13 April 2017 by the Supervisory board. Our appointment renewed annually by the Supervisory board. On 22 July 2021 our appointment has been approved by the Supervisory Board for a total period of uninterrupted engagement for performing the statutory audit of two years. The period of total uninterrupted engagement for performing the statutory audit of the Bank is seven years.

Consistency of the independent auditor’s report with the additional report to the audit committee

We confirm that our independent auditor’s report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 29 June 2023 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 6 paragraph 4 of Law No. 2258-VIII were provided. In addition, there are no non-audit services which were provided by us to the Bank, and which have not been disclosed in the annual consolidated financial statements or the consolidated management report.

Reporting under the NSSMC requirements

- Full legal name of the Bank, information on the ultimate controlling party as well as the ownership structure are disclosed in Note 1 to the Bank’s annual consolidated financial statements.

- As at 31 December 2022, the Bank has subsidiaries: Subsidiary “Lease Company “Ukreximleasing”, which is located in Kyiv at 11a Vorovskogo St., and Limited liability company “Eximleasing”, which is located in Kyiv at 5 Nimetska St.

- As at 31 December 2022, the Bank was not a controlling party or a participant of a non-banking group.

- The Bank is a public interest entity in accordance with the Law of Ukraine “On accounting and financial statements in Ukraine” No. 996-XIV.

- Prudential ratios, established by the NSSMC for relevant activity of professional capital market and organized commodity market participants, are not applicable to banks, which are engaged in professional stock market activities in accordance with “Regulation on

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prudential ratios for professional stock market activities and risk management requirements” (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.

- The Bank’s Audit Committee has not performed a review of the Bank’s financial and economic activities based on the results of the financial year.

- Limited liability company “Ernst & Young Audit Services” (ERDPOU: 33306921, website: www.ey.com/ua) have audited the Bank’s financial statements according to the agreement No. GFS-2021-00217/021-00/2/230921 dated 23 September 2021. The audit was conducted during the period from 1 September 2022 to 30 June 2023.

The partner in charge of the audit resulting in this independent auditor’s report is Svistich O.M.

For and on behalf of Ernst & Young Audit services LLC

Svistich O.M.
General Director

Registration number in the Register of auditors and audit firms: 101250

Pryshchepko Y.Y.
Auditor

Registration number in the Register of auditors and audit firms: 101251

Kyiv, Ukraine

30 June 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(thousands of Ukrainian hryvnia)

	Notes	*31 December 2022*	*31 December 2021*
Assets			
Cash and cash equivalents	6	81,386,122	42,882,371
Loans and advances to banks	9	593,472	8,270,170
Loans and advances to customers	10	82,429,861	69,334,862
Investments in securities	11	62,486,708	66,195,840
Current tax assets	15	2,866	250,048
Derivative financial assets	18	2,324,622	582,742
Other financial assets	16	451,967	177,596
Other non-financial assets	17	137,714	292,283
Investment property	12	667,496	984,056
Property, plant and equipment	13	1,986,866	1,850,466
Intangible assets	14	63,460	74,463
Deferred tax asset	15	1,414,884	1,190,303
Non-current assets classified as held for sale	19	218,877	8,332
Assets		**234,164,915**	**192,093,532**
Liabilities			
Due to other banks	20	22,158,638	25,577,371
Customer accounts	22	177,147,425	121,837,236
Derivative financial liabilities	18	9,810	7
Other borrowed funds	21	27,301,358	27,237,654
Current tax liabilities	15	143	–
Other financial liabilities	16	600,816	596,018
Other non-financial liabilities	17	333,973	495,356
Allowance for loan commitments and financial guarantee contracts	25	520,007	290,987
Other provisions	25	2,307	561
Subordinated debt	23	4,055,444	3,605,597
Liabilities		**232,129,921**	**179,640,787**
Equity	24		
Issued capital		45,570,041	45,570,041
Other reserves		(1,461,266)	(98,629)
Result from transactions with the shareholder		635,104	635,104
Retained earnings		(42,708,885)	(33,653,771)
Total equity		**2,034,994**	**12,452,745**
Total equity and liabilities		**234,164,915**	**192,093,532**

Authorised for release and signed

Chairman of the Management Board **Serhii IERMAKOV**

Chief Accountant **Nataliia POTEMSKA**

30 June 2023

V.M. Medko
247-89-16

Notes on pages 48-132 form an integral part of these annual consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022
(thousands of Ukrainian hryvnia)

	Notes	*2022*	*2021*
Interest income calculated using effective interest method	26	13,506,263	10,418,141
Other interest income	26	1,362,249	1,505,172
Interest expense	26	(10,865,346)	(7,409,358)
Fee income	27	1,207,069	1,182,595
Fee expense	27	(296,515)	(346,597)
Other income		211,964	136,690
Net increase/(decrease) from financial instruments at fair value through profit or loss	11.18	6,086,552	(1,867,000)
Net increase/(decrease) from financial assets held for trading		25,410	–
Net increase/(decrease) from operations with debt financial instruments at fair value through other comprehensive income		68,998	29,150
Net increase/(decrease) from trading in foreign currencies		1,826,139	757,247
Net increase/(decrease) from foreign exchange translation		(6,676,529)	956,181
Net increase/(decrease) from revaluation of investment property	12	(58,644)	36,989
Gains/(losses) on initial recognition of financial assets at interest rates above or below market		4,646	462
Impairment loss determined in accordance with IFRS 9	8	(10,901,760)	(1,191,215)
Employee benefits expense	28	(1,839,486)	(1,815,684)
Depreciation and amortisation expense	13.14	(107,557)	(113,552)
Other administrative and operating expenses	28	(766,908)	(807,497)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	17	(42,013)	23,940
Gain (loss) arising from derecognition of financial assets at amortised cost	10	(223,934)	1,213,652
Impairment loss recognised in profit or loss	15	(492,911)	–
Profit (loss) before tax		**(7,972,313)**	**2,709,316**
Gain from income tax refund (Income tax expense)		257,534	(148)
Profit (loss)		**(7,714,779)**	**2,709,168**

Authorised for release and signed

Chairman of the Management Board **Serhii IERMAKOV**

Chief Accountant **Nataliia POTEMSKA**

30 June 2023

V.M. Medko
247-89-16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(thousands of Ukrainian hryvnia)

	Notes	2022	2021
Profit (loss)		**(7,714,779)**	**2,709,168**
Other comprehensive income			
Components of other comprehensive income that will not be reclassified to profit or loss before tax			
Other comprehensive income before tax, gains (losses) on revaluation	13	182,806	(82,949)
Components of other comprehensive income that will be reclassified to profit or loss before of tax			
Gains (losses) on financial assets measured at fair value through other comprehensive income before tax	24	(1,488,664)	(537,301)
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss			
Income tax relating to changes in revaluation surplus of other comprehensive income	15	(32,905)	14,931
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss			
Income tax relating to changes in revaluation of financial assets measured at fair value through other comprehensive income		–	–
Total other comprehensive income		**(1,338,763)**	**(605,319)**
Total comprehensive income		**(9,053,542)**	**2,103,849**

Authorised for release and signed

Chairman of the Management Board **Serhii IERMAKOV**

Chief Accountant **Nataliia POTEMSKA**

30 June 2023

V.M. Medko
247-89-16

Notes on pages 48-132 form an integral part of these annual consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(thousands of Ukrainian hryvnia)

				Other reserves				
	Issued capital	*Result from transactions with the shareholder*	*Reserve and other funds of a bank*	*Revaluation surplus*	*Reserve of gains and losses on financial assets measured at fair value through other comprehensive income*	*Reserve of gains and losses from investments in equity instruments*	*Retained earnings*	*Equity*
At 1 January 2023	**45,570,041**	**635,104**		**926,276**	**(962,130)**	**(62,775)**	**(33,653,771)**	**12,452,745**
Loss for the year	–	–	–	–	–	–	(7,714,779)	(7,714,779)
Other comprehensive loss for the year	–	–	–	149,901	(1,487,595)	(1,069)	–	(1,338,763)
Total comprehensive income for the year	–	–	–	**149,901**	**(1,487,595)**	**(1,069)**	**(7,714,779)**	**(9,053,542)**
Increase (decrease) through transfers and other changes, equity	–	–	–	(23,874)	–	–	23,874	–
Part of profit allocated for payment of dividends (Note 24)	–	–		–	–	–	(1,364,209)	**(1,364,209)**
Part of profit allocated to the Bank's reserve funds (Note 24)	–	–	1,364,209	–	–	–	(1,364,209)	–
Loss recovery out of the reserve funds (Note 24)	–	–	(1,364,209)	–	–	–	1,364,209	–
At 31 December 2022	**45,570,041**	**635,104**	–	**1,052,303**	**(2,449,725)**	**(63,844)**	**(42,708,885)**	**2,034,994**
At 1 January 2021	**45,570,041**	**635,104**	**207,458**	**1,013,287**	**(424,183)**	**(63,421)**	**(36,589,390)**	**10,348,896**
Profit for the year	–	–	–	–	–	–	2,709,168	2,709,168
Other comprehensive loss for the year	–	–	–	(68,018)	(537,947)	646	–	(605,319)
Total comprehensive income for the year	–	–	–	**(68,018)**	**(537,947)**	**646**	**2,709,168**	**2,103,849**
Increase (decrease) through transfers and other changes, equity	–	–	–	(18,993)	–	–	18,993	–
Profit allocation to the reserve funds (Note 24)	–	–	525,244	–	–	–	(525,244)	–
Loss recovery out of the reserve funds (Note 24)	–	–	(732,702)	–	–	–	732,702	–
At 31 December 2021	**45,570,041**	**635,104**	–	**926,276**	**(962,130)**	**(62,775)**	**(33,653,771)**	**12,452,745**

Authorised for release and signed

Chairman of the Management Board **Serhii IERMAKOV**

Chief Accountant **Nataliia POTEMSKA**

30 June 2023

V.M. Medko
247-89-16

Notes on pages 48-132 form an integral part of these annual consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

For the year ended 31 December 2022

(thousands of Ukrainian hryvnia)

	Notes	2022	2021
Cash flows from (used in) operating activities			
Interest received		13,127,531	11,444,251
Fee income received		1,033,714	1,144,274
Net (increase)/decrease from operations with financial instruments at fair value through profit or loss		721,041	(25,851)
Net increase/(decrease) from trading in foreign currencies		1,826,139	757,247
Other cash receipts from operating activities		64,193	90,614
Interest paid		(10,202,355)	(7,818,559)
Fee expenses paid		(296,515)	(346,597)
Payments to and on behalf of employees		(1,971,996)	(1,604,992)
Administrative expenses and other paid operating expenses		(688,264)	(777,694)
Net (increase)/decrease in securities held for trading		(853,829)	–
Net (increase)/decrease in loans and advances to banks		8,338,215	(8,585,392)
Net (increase)/decrease in loans and advances to customers		(15,769,889)	(19,083,123)
Net (increase)/decrease in other financial assets		(109,620)	21,782
Net (increase)/ decrease in other assets		(82,391)	39,700
Net increase/(decrease) in due to other banks		(2,346,804)	6,492,886
Net increase/(decrease) in customer accounts		28,766,983	9,011,973
Net increase/(decrease) in other financial liabilities		(24,093)	(867,886)
Net increase/(decrease) in other liabilities		(64,418)	(27,280)
Income taxes (paid) refund		(245,680)	–
Cash flows from (used in) operating activities		**21,221,962**	**(10,134,647)**
Cash flows from (used in) investing activities			
Purchase of securities		(27,953,419)	(50,996,294)
Proceeds from sale of investments in securities		35,837,939	70,318,952
Proceeds from sale of property, plant and equipment		18,054	262
Purchase of property, plant and equipment		(150,513)	(76,765)
Purchase of intangible assets		(15,593)	(44,981)
Proceeds from sale of investment property		301,517	379,401
Dividends received		795	933
Other inflows (outflows) of cash		–	9,608
Cash flows from (used in) investing activities		**8,038,780**	**19,591,116**
Cash flows from (used in) financing activities			
Receipt of other borrowed funds	7	1,086,236	1,940,133
Return of subordinated debt	7	(674,119)	(570,811)
Return of other borrowed funds	7	(10,801,095)	(15,749,698)
Payments of lease liabilities	7	(2,597)	(3,966)
Dividends paid	24	(1,364,209)	–
Cash flows from (used in) financing activities		**(11,755,784)**	**(14,384,342)**
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes		17,504,958	(4,927,873)
Effect of exchange rate changes on cash and cash equivalents		21,031,281	(2,110,878)
Impact of expected credit losses on cash and cash equivalents		(32,488)	8,179
Increase (decrease) in cash and cash equivalents		**38,503,751**	**(7,030,572)**
Cash and cash equivalents at the beginning of the period	6	42,882,371	49,912,943
Cash and cash equivalents at the end of the period	6	**81,386,122**	**42,882,371**

Authorised for release and signed

Chairman of the Management Board — **Serhii IERMAKOV**

Chief Accountant — **Nataliia POTEMSKA**

30 June 2023

V.M. Medko
247-89-16

Notes on pages 48-132 form an integral part of these annual consolidated financial statements.

1. Principal activities

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

As at 31 December 2022 and 2021, 100% of Ukreximbank's shares were owned by the state. The Cabinet of Ministers of Ukraine performs the functions of managing the state's corporate rights at the Bank.

Ukreximbank's head office is located in Kyiv at 127 Antonovycha St. It has 22 branches and 29 outlets (31 December 2021: 22 branches and 29 outlets) and two representative offices located in London and New-York. Ukreximbank and its branches form a single legal entity.

Traditionally, the main focus of Ukreximbank's operations 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 internationally, 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 favorable 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 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 favor of the Bank and its shareholder.

Ukreximbank prepares annual separate financial statements and annual consolidated financial statements that comprise the consolidated performance indicators of Ukreximbank and its subsidiaries "Lease Company "Ukreximleasing" and "Eximleasing" LLC, which are available on the Bank's web site (https://www.eximb.com/ua/bank/financial-information/financial-report)..

"Ukreximleasing", a 100% owned subsidiary, was founded in 1997 and registered in Ukraine, and operates in the trading and leasing business.

"Eximleasing" LLC, a 100% owned subsidiary, was founded in 2006 and registered in Ukraine, and operates in the trading and leasing business.

2. Basis of preparation

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the Law of Ukraine "*On Accounting and Financial Reporting in Ukraine*" # 996-XIV of 16 July 1999 in respect of the preparation of financial statements (as amended).

The annual consolidated financial statements are prepared under the historical cost convention except as disclosed in the *Summary of significant accounting policies*, for example, investment securities at fair value through other comprehensive income, investment securities at fair value through profit or loss, derivatives and investment property are measured at fair value, buildings are measured at revalued amount, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

These annual consolidated financial statements are presented in thousands of Ukrainian hryvnia ("UAH thousand"), unless otherwise indicated.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 31.

The annual financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the **Management** Board on 30 June 2023.

Going concern

These annual consolidated financial statements have been prepared on a going concern basis. Deteriorated macroeconomic conditions and increased uncertainty and risks resulting from the armed invasion of Ukraine by the Russian Federation, as described in the Operating Environment section of Note 25, have caused a significant drop in the quality of the Bank's loan portfolio and a shortfall in the expected income, and have made it necessary to add a considerable amount of allowance for credit risk in 2022. As a result, the Bank incurred a net loss of UAH 7,714,779 thousand during the year ended 31 December 2022. The impact of the negative outcomes of the hostilities across Ukraine on the Bank's assets is presented in Note 6, Note 10 and Note 13.

Despite the impact of these factors, the Bank continues to operate as a universal bank, which is one of the largest systemic banks in Ukraine and provides a full range of banking services to large corporate and SME clients, as well as individuals. Since the beginning of war, the Bank has focused its main efforts on financing Ukraine's strategic industries and critical infrastructure companies (facilities).

In 2023, the Bank plans to operate in line with the main (strategic) directions for the state-owned banks established for the period of martial law and post-war economic recovery, ensure the maintenance of a stable liquidity position and fulfill all its obligations to depositors, counterparties and creditors in full and on time.

The strategic goals of the Bank during the period of martial law and post-war economic recovery are as follows:

- providing financial support to priority economic sectors and critical infrastructure companies (facilities);
- availability of banking services to ensure consumer protection, in particular, as part of social protection of population, provided that there is no physical threat to the Bank's employees;
- creating conditions for the rapid resumption of banking services in full and ensuring the functionality and continuity of public sector banks;
- creating, establishing and maintaining an effective system of physical security (the Bank's central office and separate divisions, including security of the Bank's employees), security of operating systems, including using cloud solutions, and cybersecurity;
- implementation of measures aimed at mitigating risks, including the realisation of possible threats, implementation of the Bank's security measures, including control over security risks (including physical, financial, cyber and operating system security), elimination and/or minimisation of the consequences of realised threats and crisis situations;
- the Bank's managers uninterrupted effective work to ensure the adoption of necessary management decisions;
- maintaining the Bank's financial stability, identifying possible threats to such stability, as well as promptly responding to threats to financial stability and/or avoiding them.

During the preparation of the annual consolidated financial statements for 2022, the Bank's management assessed the Bank's ability to continue as a going concern, taking into account the ongoing hostilities in Ukraine, which have already caused and continue to cause significant negative consequences for the economy of the country, as a whole, and the Bank's customers, in particular.

The main adverse consequence that the Bank experienced as a result of the events, which occurred in 2022, was a significant decrease in the capital amount, primarily due to the need to recognise a significant amount of allowance to cover credit risk, which, in turn, led to the Bank violating the regulatory capital adequacy ratios (H2 and H3), as well as the regulatory ratios of the maximum amount of credit risk per counterparty (H7).

Although the NBU's Board Resolution #23 "On Certain Issues of Activities of Ukrainian Banks and Banking Groups" of 25 February 2022 does not require to apply any penalties to banks for the violations of capital and credit risk ratios caused by the negative impact of military aggression of the Russian Federation against Ukraine, compliance with these ratios is also one of the conditions that the Bank is obliged to fulfill as financial covenants for loans received from international financial organisations and Eurobonds issued by the Bank (Note 21) - hereinafter, the "international creditors".

The NBU and the Bank's shareholder have been notified of the violation of the minimum capital adequacy and credit risk ratios. The effective regulations on recapitalisation, the Procedure for purchasing bank shares in exchange for domestic government bonds, as approved by Resolution #632 of the Cabinet of Ministers of Ukraine dated 19 November 2014, provide that the National Bank of Ukraine submits a proposal to the Cabinet of Ministers of Ukraine to determine the minimum amount of additional capitalization of such bank based on the data obtained by the National Bank of Ukraine during banking supervision of the bank, namely, stress testing, which involves an asset quality review (AQR). According to open sources, the NBU plans stress testing of the largest banks of Ukraine in 2023. Thus, after the stress testing, the Bank expects the regulator to agree on a capital recovery plan by the end of 2023, which entails its capital recovery based on restoring profitability of the core activities, as well as capital injections.

Also, during 2022, the Bank kept informed its international creditors about a failure to meet its obligations to comply with the regulatory capital ratios and other financial covenants and received their consent not to apply measures against the Bank for violating these obligations until 31 December 2022, inclusive. The management continues communication with the international creditors on this matter and expects to continue receiving respective consents until the Bank restores the capital and achieves compliance with the regulatory ratios.

The planning of the Bank's future activities is based on the Business Plan for 2023 approved by the management and the forecast for 2024-2025, which are made on the basis of a moderate negative scenario using the forecasts of macro indicators included in the state budget of Ukraine – an annual inflation index at the level of 28%, devaluation of the national currency to the level of 45.8 UAH/ USD by the end of 2023.

The activity forecast includes the following key assumptions:

- the Bank's liquidity position is stable, no additional refinancing loans from the NBU are drawn;
- the main source of funding is customer accounts and programs of international financial organisations;
- the Bank continues corporate lending;
- the repayment of liabilities and increase in lending will be based on accumulated liquidity, as well as inflows from customer deposits and programs with international financial organisations;
- balances on correspondent accounts and deposit certificates issued by the National Bank of Ukraine will cover the Bank's liquidity needs.

Based on the forecasted indicators, the Bank's management believes that there is a reasonable ground to prepare these financial statements on a going concern basis. Despite the ongoing military aggression, the Bank plans to continue servicing all its customers, maintaining its operational efficiency (the anticipated cost-to-income ratio (CIR) in 2023 will be < 60%, CIR 2024-2025 < 50%), and reaching profitable operations in as early as 2023 with a forecast increase in net profit in 2024-2025.

According to the interim unaudited accounting results, the Bank's operations for the first quarter of 2023 contributed to the net profit before tax of UAH 973,515 thousand, which gives the basis to believe that if the current dynamics of positive changes both in the economic environment and in the country as a whole are maintained, the Bank can expect to exceed its planned operational and financial performance indicators for 2023.

At the same time, there is a material uncertainty, which is primarily caused by the currently unpredictable impact of the future course of military confronation on the territory of Ukraine and by the need to address the issues of the Bank's recapitalization and availability of respective support to this process from the NBU and the Bank's Shareholder. It impacts the assumptions underlying the management's estimates and forecasts and, accordingly, may cast a 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.

3. Summary of significant accounting policies

Changes in accounting policies

The accounting policies adopted in the preparation of these annual 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 2021, except for the adoption of the new standards and amendments thereto applied for the first time from 1 January 2022. The nature and effect of these changes is disclosed below.

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

The application of the following amendments and changes to standards and interpretations had no impact on the Bank's annual consolidated financial statements:

- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Proceeds before Intended Use – Amendments to IAS 16 ;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities Amendments to IFRS 9;
- Subsidiary as a First-time Adopter - Amendments to IFRS 1;
- Taxation in fair value measurements - Amendments to IAS 41.

Financial assets and liabilities

Initial recognition

Date of recognition

Financial assets and liabilities, except loans to customers and amounts due to customers, are recognised on the transaction date i.e. the date when the Bank becomes a party to the agreement specifying the terms of the respective instrument. These are regular purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Loans to customers are recognised when funds are transfered to the customers' accounts. Amounts due to customers are recognised when funds are transfered to accounts with the Bank.

Initial measurement of financial instruments

Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. If the fair value of financial instruments at initial recognition differs from the transaction price, the Bank recognises Day 1 gain or loss.
All financial assets, except for equity and derivative instruments, are classified and measured at initial recognition based on the business model used by the Bank to manage a particular group of assets, which a financial asset is attributed to, as well as the characteristics of contractual cash flows from this financial asset.

The business model is determined at the level of groups of financial assets that are managed collectively to achieve a particular business goals.

All debt financial assets are held within one of three business models:

- business model whose objective is to hold financial assets in order to collect contractual cash flows (BM 1);
- business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (BM 2);
- business model whose objective is collecting maximum cash flows from sale of assets or business model other than BM 1 and BM 2 (BM 3).

At the date of initial recognition of each debt financial asset, other than those classified by the Bank as measured at FVPL for the purpose of eliminating or significantly reducing a measurement or recognition inconsistency, as well as those managed under BM 3, the Bank performs an analysis of contractual cash flows from such financial asset.

The main objective of the contractual cash flows analysis (SPPI test) is to determine whether the terms of agreement on a financial asset conform to the underlying loan agreement and identify the terms of agreement which result in additional risks and/or additional volatility of contractual cash flows not inherent with the underlying loan agreement.

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

Financial assets and liabilities measurement categories

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

- Assets at amortised cost (BM 1, SPPI test passed);
- Assets at fair value through other comprehensive income (BM 2; SPPI test passed);
- Assets at fair value through profit or loss (BM 1 or BM 2 and SPPI test failed, BM 3).

The Bank classifies and measures derivative instruments and instruments held for trading at FVPL.

Financial liabilities, other than credit-related commitments and financial guarantees, are measured at amortised cost or at FVPL if they are held for trading and are derivative instruments, or at the Bank's discretion are classified at FVPL.

Loans and advances to banks, loans and advances to customers, investment securities at amortised cost

The Bank measures financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (BM 1);
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when financial assets are derecognised or impaired, as well as through the amortisation process.

Debt instruments at fair value through other comprehensive income

The Bank measures debt instruments at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- a debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (BM 2);
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. SPPI criteria are met).

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. For debt instruments measured at FVOCI the Bank recognises allowance for expected credit losses (ECLs). The procedure for recognising ECLs on such assets is provided in Note 29.

Equity instruments at fair value through other comprehensive income

Upon initial recognition of equity financial assets, the Bank occasionally elects to classify irrevocably some of such assets as equity instruments at FVOCI when they meet the definition of equity under IAS 32 and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss. Dividends are recognised in profit or loss when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial assets and financial liabilities at fair value through profit or loss

This category includes financial assets and financial liabilities which, upon initial recognition, were classified as such at the Bank's discretion or should be measured at fair value through profit or loss under IFRS 9. The Bank may, at initial recognition, designate a financial instrument as measured at fair value through profit or loss if one of the following criteria is met: Such classification is determined on an instrument-by-instrument basis:

if it eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

a financial liability contains one or more embedded derivatives and the host is not an asset within the scope IFRS 9, unless the

the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract or

it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited.

All debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as fair value through profit or loss. Under this criterion, such instruments as Ukrainian state bonds that provide for 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 (Note 11), are measured at FVPL.

Financial assets and liabilities at FVPL are recognised in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss, except for a change in the fair value of financial liabilities classified at the Bank's sole discretion at fair value through profit or loss caused by changes in its own credit recognised in other comprehensive income.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate.

Financial assets held for trading

The Bank classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities. Held-for-trading assets are recorded and measured in the statement of financial position at FVPL. Changes in fair value and interest income on financial assets held for trading are recorded under "Net gain/(loss) on financial assets held for trading" in the consolidated statement of profit or loss. .

This category includes debt securities acquired by the Bank with the intention of selling in the near term.

Financial guarantees, letters of credit and credit-related commitments

In the normal course of business the Bank issues financial guarantees in the form of letters of credit, guarantees and avals. Financial guarantees are initially recognised as other financial liabilities in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount of amortised commission and an ECL allowance.

Increase in liability related to financial guarantee agreements is recognised in the consolidated statement of profit or loss. The commission received is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the guarantee agreement.

The contractual nominal value of financial guarantees is not recorded in the consolidated statement of financial position.

Reclassification of financial assets and financial liabilities

The Bank reclassifies all financial assets only when it changes its business model of management thereof. Financial liabilities are never reclassified.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, amounts due from the NBU, overnight deposits and loans with banks, deposit certificates issued by the NBU for up to 90 days, short term deposits classified as cash equivalents and reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances, and are not impaired individually.

Precious metals

Gold and other precious metals are recorded at fair value, which approximate the NBU bid prices and are quoted at a discount to London Bullion Market rates. Changes in the NBU bid prices are recorded as net increase/(decrease) from foreign exchange translation in the consolidated statement of profit or loss.

"Repo" and reverse "repo" agreements and securities lending

Sale and repurchase agreements ("repo" agreements) are treated as secured financing transactions. Securities sold under "repo" agreements are retained in the consolidated statement of financial position and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under "repo" agreements. The respective liabilities are included to due to other banks and customer accounts. Securities purchased under agreements to resell ("reverse repo") are recorded as cash and cash equivalents, loans and advances to banks or loans and advances to customers as appropriate. The difference between "repo" price is treated as interest and is accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the annual consolidated financial statements. Securities borrowed are not recorded in the annual consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within net increase/(decrease) from financial instruments at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other

variable.

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

It is settled at a future date.

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets, as well as interest rate swaps. These financial instruments as stated at fair value through profit or loss. The fair values are derived based on quoted market prices or valuation models that take into account current and contractual market prices of the underlying instruments and any other relevant factors. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses resulting from transactions with currency forwards and swaps are included in the consolidated statement of profit or loss as net gains/(losses) from foreign exchange translation, and gains and losses from transactions with interest rate swaps are included in the consolidated statement of profit or loss as net gains/(losses) from transactions with derivatives.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non– derivative host contract with the effect that some of the cash flows of the combined instrument vary. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

An embedded derivative that is a component of a hybrid instrument of the host that is a financial asset is not separated but is recorded as part of such a hybrid financial instrument classified as a whole as designated at fair value through profit or loss.

Promissory notes

Promissory notes purchased are included in trading securities, or in in loans, depending on their substance and are accounted for in accordance with the accounting policies for these categories of assets.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to other banks, including the NBU, amounts due to customers, debt securities issued, loans received from international and other financial organisations and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit or loss.

Leases

Finance – Bank as a lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is recognised based on a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Bank as a lessor

The Bank presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Leases – Bank as a lessee

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period, in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the lease commencement date, the amount of lease liabilities is increased to reflect the accrual of interest and reduced to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Bank does not recognise a contract to be a lease contract in case of short-term leases and leases of low-value underlying assets and accounts for no right-of-use assets and lease liabilities. Under such contracts, lease payments are recognised as expense on a straight-line basis over the lease term specified by the contract.

A short-term lease is the lease, which as at the lease commencement date according to the lease contract has the lease term of 12 months or less, and this lease contract includes no automatic lease extension conditions, and the bank does not intend to extend the lease term specified by the contract, nor it intends to acquire the underlying asset. A low value of the underlying asset is the value, which is less than the UAH equivalent of USD 5,000,00 at NBU`s official UAH/foreign currency exchange rate as at the date of completion of the appropriate lease contract.

Significant judgement in determining the lease term of contracts with extension options

The Bank determines the lease term following the lease term specified in the completed contract as at the date of its completion.

If following the lease contract the lease term is 12 months or less as at the lease commencement date, the automatic lease extension conditions being included, and the bank intends to extend the lease term, then the lease term under such contract is determined as the term specified by the contract and increased for the extension term.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

Financial assets

The Bank derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. When assessing whether or not to derecognise a financial asset, amongst others, the Bank considers such factors as a change in currency of a financial assets, change in counterparty, interest rate revision to the market rate, as well as whether the modification is such that the instrument would no longer meet the SPPI criterion. Upon initial recognition, loans are classified as Stage 1 for ECL measurement purpose, unless the new loan is deemed to be purchased or originated credit impaired financial asset.

If the modification does not result in derecognition of a financial asset, based on the change in cash flows discounted at the original effective interest rate, the Bank records a modification gain or loss from modification of financial assets in Other administrative and operating expenses in the consolidated statement of profit or loss.

Financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Terms are considered significantly different if the discounted present value of cash flows on new terms, including any fees paid, net of any fees received and discounted at the original effective interest rate, differs by at least 10 percent from the discounted present value of remaining cash flows on the original financial liability. If an exchange of debt instruments or a change in terms is accounted for as repayment, then any expenses or commissions paid are recognised as part of gains or losses on repayment. If an exchange or change in terms is not accounted for as repayment, then any expenses and fees paid adjust the carrying amount of the liability and are amortised over the life of the modified liability.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

The rights to receive cash flows from the financial asset have expired;

The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and

The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Asset management

The Bank provides fiduciary management services construction financing funds ("CFF"). The Bank acts as an agent in such arrangements and its responsibility is limited to fiduciary duties, which are commonly applied in the asset management business. Accordingly, the Bank does not recognise liabilities relating to the funds under management. Funds under management are not legal entities under the laws of Ukraine. The management of fund activity is effectively delegated to the Bank. The funds keep their current accounts in the Bank to the extent to which the funds are not invested in eligible assets, which meet the investment profile for the fund.

Taxation

The current income tax charge is calculated in accordance with Ukrainian taxation regulations. Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank's activities. These taxes are recorded in other administrative and operating expenses in the consolidated statement of profit or loss.

Property, plant and equipment

Equipment is carried at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment.

Following initial recognition at cost, buildings and land are subsequently carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the surplus in the property revaluation reserve which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss, in which case the increase is recognised in the consolidated statement of profit or loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

The transfer from the surplus in the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Specifically, the accumulated depreciation at the revaluation date is subtracted from the original (revalued) cost of property, plant and equipment, and the resulting net carrying amount is revalued to its fair value. The revalued amount of an asset as at the revaluation date equals its fair value and the accumulated depreciation equals zero. Upon disposal, the respective surplus of property revaluation is transferred to retained earnings.

The carrying amounts of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	15-75 years
Furniture, fittings and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

Leasehold improvements (refurbishment costs for premises under lease contract) are depreciated over a period not exceeding the leasing period

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

Intangible assets

Intangible assets include acquired computer software and licences. Intangible assets are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Investment property

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value.

Gains and losses resulting from changes in the fair value of investment property are recorded in the consolidated statement of profit or loss in gains/(losses) less (losses)/ gains on revaluation of investment property in the year in which they arise.

Non-current assets classified as held for sale

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the prospective sale is deemed feasible.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset classified as held for sale.

The Bank measures a non-current assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognises an impairment loss if events or changes in circumstance indicate that the carrying amount of assets classified as held for sale may be impaired.

Provisions for other losses

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other benefit obligations

The Bank has contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability. The Bank has no other post-retirement benefits or significant other compensated benefits requiring accrual.

Issued capital

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Gain or loss arising from transactions with the shareholder is recognised in equity under "Result from transactions with the shareholder".

Segment reporting

The Bank's segmental reporting is based on the following operating segments: Corporate banking, Medium-sized business, municipalities and utilities sector and Interbank and investments business.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are initially recognised at fair value, as evidenced by the amount of compensation received for issuing them, which is subsequently amortised to the Bank's commission income on off-balance transactions on a straight-line basis over the life of a performance guarantee. Performance guarantees are accounted for in off-balance-sheet in the amount of guarantee commitments. Subsequently, performance guarantees are measured at greater of: the amount of amortised commission and allowance for possible losses on the performance guarantee issued.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

Under IFRS 9, interest income on all financial instruments measured at amortised cost, at FVOCI and, at discretion, at FVPL is calculated by applying the effective interest method. Effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the financial instrument and are an integral part of the effective interest rate, but not future credit losses.

If expected cash flows from financial assets are reviewed for reasons not related to credit risk, the adjustment is disclosed in the statement of financial position as a positive or negative change in the carrying amount of the asset and as an increase or decrease in interest income. The amount of this adjustment is subsequently amortised and recognised in profit or loss in "Interest income calculated using effective interest method".

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets, except for credit-impaired financial assets.

When a financial asset becomes credit-impaired and, accordingly, is attributed to Stage 3, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired financial asset, the Bank calculates interest income using the credit-adjusted EIR to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Upon recovery of impairment of credit-impaired financial assets as a result of the client's repayment of debt on accrued income, whether or not such a recovery of impairment results in the transfer of a financial asset from Stage 3, the difference between the amount of interest calculated at the effective interest rate on the gross carrying amount and the interest income calculated at the effective interest rate on the amortised cost of a financial asset, is recognised as an adjustment (decrease) of the expected credit losses to the amount recognised as an adjustment to interest income in prior years.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest income" in the consolidated statement of profit or loss.

Fee income

The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees arising for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees related a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank's right to receive the payment is established.

Foreign currency translation

Annual consolidated financial statements are presented in Ukrainian hryvnia ("UAH"), which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange effective at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as net increase/(decrease) from foreign exchange translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2022 and 2021 were UAH 36.5686 and UAH 27.2782 to 1 US dollar and UAH 38.951 and UAH 30.9226 to 1 euro, respectively.

Investments in subsidiaries

Investments in subsidiaries include investments in "Lease Company "Ukreximleasing" and "Eximleasing" LLC . These investments account at cost less impairment. As at 31 December 2022 and 2021 the cost less impairment of investments in subsidiaries is zero.

Future changes in accounting policies

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 or IAS 37) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.
IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on the date it first applies IFRS 17.

The application of IFRS 17 is not expected to result in a material impact on the Bank's consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Bank continues to evaluate an impact of the amendments on the disclosure of information about accounting policies.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In October 2022, the IASB issued clarifications to the amendment 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 risk that the liability will be settled within 12 months of the reporting date. In particular, it will be necessary to disclose

- information on the nature of the covenants, when the entity must fulfill these additional conditions, the carrying amount of the respective liabilities;
- facts and circumstances that indicate that the entity may have difficulty meeting the additional conditions, including those that can be estimated at the end of the reporting period.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively with earlier application permitted. In case of earlier application, all the above changes are applied simultaneously. The fact of earlier application should be disclosed.
The amendments are not expected to have a material impact on the Bank's consolidated financial statements.

The following amended standards are not expected to have a material impact on the Bank's consolidated financial statements:

- Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction. The amendments are effective for reporting periods beginning on or after 1 January 2023.
- Amendments to IAS 16, Property, Plant and Equipment: Lease liability in a sale and leaseback The amendments are effective for reporting periods beginning on or after 1 January 2024.

4. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

Expected credit losses

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses on financial assets. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The

(thousands of Ukrainian hryvnia)

Bank's ECL calculations are outputs of complex models with a number of underlying assumptions (than are based primarily on historical data) regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit lossesbasis;
- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- Segmentation by special characteristics of the separate arrays of assets (groups) for which similar calculation models will be used for ECL calculation;
- Determination of associations between macroeconomic scenarios and economic inputs, such as the consumer price index, GDP growth, export/import growth, and the effect on PDs, EADs and LGDs;
- Identification of individual scenarios for significant assets (except those attributed to Stage 1) including the determination of probability of obtaining cash flows from different sources of origin for various options of the development of events (upside case, base and downside cases).

During the reporting period, the process of estimating expected credit losses was changed due to the impact of the ongoing military operations in Ukraine and additional credit loss estimates were made as described in Note 10.

As at 31 December 2022, the total expected credit losses on financial assets, credit-related commitments and financial guarantee contracts amounted to UAH 22, 661,721 thousand (31 December 2021: UAH 18,140,725 thousand). Details are provided in Notes 6, 9, 10, 11, 16, and 25.

Deferred tax asset

The recognised deferred tax asset in the amount of UAH 1,414,884 thousand (31 December 2021: UAH 1,190,303 thousand) represents income taxes recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the business plan under which the profit is expected to be generated during the next thee years. Key assumptions for going concern and profitability in 2023-2025, taking into account the impact of military operations in Ukraine, are disclosed in Note 2.
Taking into account planned future profits for 2023-2025 and the fact that current Ukrainian tax legislation does not place limits on the term of utilization of tax losses carried forward, management believes that it is appropriate to recognise the deferred tax asset.

5. Segment information

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

Corporate banking	Business unit that focuses on corporate customers and on selling the products that require an individual approach and are mainly offered to corporate clients.
Medium-sized business, municipalities and utilities sector	Business unit that focuses on servicing municipal and utilities sector, small and medium-sized businesses (including individual entrepreneurs) and selling products that are mainly in a standardised form (as per the tariffs approved and the standard procedures).
Retail banking	Business unit that focuses on servicing retail customers (except for individual entrepreneurs) on the full list of products, and on selling to individuals (population) of the products that are 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 unit that focuses 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 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 measured taking into account the income and expenses from other segments obtained as a result of transfer rates.

For the purposes of segment reporting, income and expenses are allocated by the relevant segments, including income and expenses from other segments are determined using single transfer rates established by the Assets and Liabilities Committee based on the cost of loans to the Bank, which are eliminated by the counterposition for unallocated amounts. The difference between inter-segment expenses and revenues of all business units, obtained using transfer rates, arises as a result of GAPs between assets and liabilities by terms and rates, revaluation of the resource, the marginality of bid/offer rates, which consists of a premium for interest rate risk, percentage for liquidity risk, required reserve ratio, etc..

(thousands of Ukrainian hryvnia)

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 counterposition 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 2022, 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 3,615,502 thousand (2021: UAH 3,677,177 thousand). Revenue from transactions with this external customer is reported in the segment"Interbank and investments business". Analysis of the Bank's revenue by banking products and services is presented in Note 26.

The following table presents income and expenses, profit and loss, asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2022:

	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	7,663,119	774,306	26,420	5,042,069	349	13,506,263
Other interest income	199,852	28,849	–	1,133,548	–	1,362,249
Fee income	603,232	212,453	286,114	63,922	41,348	1,207,069
Other income	104,124	8,645	17,746	24,684	56,765	211,964
Net increase from financial instruments at fair value through profit or loss	256	–	–	6,086,296	–	6,086,552
Net increase from financial assets held for trading	–	–	–	25,410	–	25,410
Net increase from operations with debt financial instruments at fair value through other comprehensive income	1,101	108	1,232	66,557	–	68,998
Net increase from trading in foreign currencies	225,978	77,615	107,228	1,480,362	–	1,891,183
Net increase from foreign exchange translation	374,455	3,931	–	5,526,513	–	5,904,899
Gains on initial recognition of financial assets at interest rates above or below market	–	–	–	4,646	–	4,646
Impairment gain determined in accordance with IFRS 9	–	–	5,533	–	–	5,533
Impairment gain on impairment for non-financial assets	–	–	1,154	3	–	1,157
Income from other segments	8,645,861	2,149,218	1,801,480	6,324,716	(18,921,275)	–
Total income	**17,817,978**	**3,255,125**	**2,246,907**	**25,778,726**	**(18,822,813)**	**30,275,923**
Interest expense	(3,359,763)	(1,018,886)	(693,438)	(5,792,510)	(749)	(10,865,346)
Fee expense	(47,102)	(22,801)	(161,359)	(25,757)	(39,496)	(296,515)
Net decrease from trading in foreign currencies	–	–	–	–	(65,044)	(65,044)
Net decrease from foreign exchange translation	–	–	–	–	(12,581,428)	(12,581,428)
Net decrease from revaluation of investment property	–	–	–	–	(58,644)	(58,644)
Impairment loss determined in accordance with IFRS 9	(9,800,405)	(448,083)	–	(641,235)	(17,570)	(10,907,293)
Employee benefits expense	(435,326)	(328,305)	(226,144)	(115,181)	(734,530)	(1,839,486)
Depreciation and amortisation expense	(25,355)	(29,599)	(27,084)	(4,236)	(21,283)	(107,557)
Other administrative and operating expenses	(65,048)	(57,640)	(307,716)	(32,133)	(304,371)	(766,908)
Losses on impairment for non-financial assets	(1,888)	(395)	–	–	(40,887)	(43,170)

(thousands of Ukrainian hryvnia)

	Corporate banking	*Medium-sized business, municipalities and utilities sector*	*Retail banking*	*Interbank and investments business*	*Unallocated*	*Total*
Loss arising from derecognition of financial assets at amortised cost	(214,013)	(9,921)	–	–	–	(223,934)
Impairment loss recognised in profit or loss	–	–	–	–	(492,911)	(492,911)
Expenses from other segments	(9,438,115)	(696,637)	(103,242)	(5,349,934)	15,587,928	–
Segment results	**(5,569,037)**	**642,858**	**727,924**	**13,817,740**	**(17,591,798)**	**(7,972,313)**
Gain from income tax refund						257,534
Loss for the period						**(7,714,779)**
Assets and liabilities as at at 31 December 2022						
Segment assets	79,561,046	5,546,653	2,528,807	144,574,120		232,210,626
Unallocated assets					1,954,289	1,954,289
Total assets						**234,164 915**
Segment liabilities	119,214,898	25,148,378	33,314,082	53,943,468		231,620,826
Unallocated liabilities					509,095	509,095
Total liabilities						**232,129,921**

The following table presents income and expenses, profit and loss, asset and liabilities information regarding the Bank's operating segments for the year ended 31 December 2021:

	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	4,770,784	427,380	43,541	5,176,436	–	10,418,141
Other interest income	291,361	14,986	–	1,198,825	–	1,505,172
Fee income	571,002	229,464	316,530	65,599	–	1,182,595
Other income	37,443	11,636	14,725	12,722	60,164	136,690
Net increase from financial instruments at fair value through profit or loss	–	–	–	449,452	–	449,452
Net increase from operations with debt financial instruments at fair value through other comprehensive income	–	–	–	28,674	476	29,150
Net increase from trading in foreign currencies	296,407	71,676	27,202	381,498	–	776,783
Net increase from foreign exchange translation	1,588	–	39	55,077	899,484	956,188
Net increase from revaluation of investment property	33,283	3,904	–	–	–	37,187
Gains on initial recognition of financial assets at interest rates above or below market	–	–	–	462	–	462
Impairment gain determined in accordance with IFRS 9	–	–	52,807	25,391	5,690	83,888
Impairment gain for non-financial assets	–	–	–	–	31,112	31,112
Gain arising from derecognition of financial assets at amortised cost	1,213,967	–	–	–	–	1,213,967
Income from other segments	(3,620,296)	(298,118)	(31,744)	(6,116,307)	(10,066,465)	–
Total income	**3,595,539**	**460,928**	**423,100**	**1,277,829**	**11,063,391**	**16,820,787**
Interest expense	(2,329,208)	(784,739)	(785,937)	(3,508,535)	(939)	(7,409,358)
Fee expense	(89,607)	(46,258)	(167,025)	(43,346)	(361)	(346,597)
Net loss from financial instruments at fair value through profit or loss	–	–	–	–	(2,316,452)	(2,316,452)
Impairment loss determined in accordance with IFRS 9	(1,177,145)	(97,958)	–	–	–	(1,275,103)
Net decrease from trading in foreign currencies	–	–	–	–	(19,536)	(19,536)
Net decrease from foreign exchange translation	–	(7)	–	–	–	(7)
Net decrease from revaluation of investment property	–	–	(198)	–	–	(198)
Employee benefits expense	(466,073)	(414,095)	(336,789)	(167,570)	(431,157)	(1,815,684)

(thousands of Ukrainian hryvnia)

	Corporate banking	*Medium-sized business, municipalities and utilities sector*	*Retail banking*	*Interbank and investments business*	*Unallocated*	*Total*
Depreciation and amortisation expense	(25,431)	(29,608)	(29,077)	(8,490)	(20,946)	(113,552)
Other administrative and operating expenses	(160,514)	(122,547)	(334,066)	(52,048)	(138,322)	(807,497)
Losses on impairment for non-financial assets	–	–	(7,172)	–	–	(7,172)
Loss arising from derecognition of financial assets at amortised cost	–	–	(315)	–	–	(315)
Expenses from other segments	3,401,565	1,386,088	1,460,308	3,857,724	(10,105,685)	–
Segment results	**2,749,126**	**351,804**	**222,829**	**1,355,564**	**(1,970,007)**	**2,709,316**
Income tax expense						(148)
Profit for the period						**2,709,168**
Assets and liabilities as at 31 December 2021						
Segment assets	65,221,785	6,256,048	1,386,107	117,172,073		190,036,013
Unallocated assets					2,057,519	2,057,519
Total assets						**192,093,532**
Segment liabilities	75,976,009	18,103,674	27,004,342	56,847,395		177,931,420
Unallocated liabilities					1,709,367	1,709,367
Total liabilities						**179,640,787**

Geographical information

Most revenues relate to Ukraine. The Bank has no significant revenue from other countries. The Bank has no non-current assets located outside Ukraine. The analysis of assets and liabilities by the geographical principle is provided in Note 29.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2022	*31 December 2021*
Cash		
Cash in hand	1,822,228	1,344,580
Current account with the National Bank of Ukraine	7,492,711	2,479,707
Correspondent accounts with banks	50,500,425	15,778,690
Overnight deposits and loans with banks	4,075,114	2,924,272
	63,890,478	**22,527,249**
Cash equivalents		
Deposit certificates issued by the National Bank of Ukraine	12,015,123	16,004,872
Short term deposits classified as cash equivalents	5,537,234	4,367,064
	17,552,357	**20,371,936**
Less: allowance for expected credit losses	(56,713)	(16,814)
Cash and cash equivalents	**81,386,122**	**42,882,371**

As at 31 December 2022, included in correspondent accounts with banks is UAH 37,577,830 thousand placed on current accounts with five OECD banks (31 December 2021: UAH 11,627,933 thousand). These banks are the main counterparties of the Bank in performing international settlements. The placements have been made under normal banking terms and conditions.

As at 31 December 2022, overnight deposits and loans in the amount of UAH 4,075,114 thousand were placed with OECD banks under market interest rate (31 December 2021: UAH 2,924,272 thousand).

As at 31 December 2022, the Bank formed an allowance of UAH 300 thousand for cash in ATMs located in the occupied territory and the territory of active hostilities, for which there is no reliable evidence of its loss.

(thousands of Ukrainian hryvnia)

7. Changes in liabilities in financial activities

Changes in cash flows from financing activities in the statement of cash flows for 2021 and 2022 were as follows:

	Other borrowed funds	*Subordinated debt*	*Lease commitments*	*Total*
Carrying amount at 1 January 2021	**43,108,994**	**4,341,176**	**7,291**	**47,457,461**
Additions	1,940,133	–	–	1,940,133
Repayments	(15,749,698)	(570,811)	(3,966)	(16,324,475)
Translation differences	(1,838,115)	(154,340)	–	(1,992,455)
Other	1,358,690	(10,428)	2,774	1,351,036
Carrying amount at 31 December 2021	**28,820,004**	**3,605,597**	**6,099**	**32,431,700**
Additions	1,086,236	–	–	1,086,236
Repayments	(10,801,095)	(674,119)	(2,597)	(11,477,811)
Translation differences	7,280,547	1,135,240	–	8,415,787
Other	884,892	(11,274)	3,677	877,295
Carrying amount at 31 December 2022	**27,270,584**	**4,055,444**	**7,179**	**31,333,207**

"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.

As at 31 December 2022, there were no amounts "Due to other banks" of the separate statement of financial position eligible for classification as "Other UAH borrowed funds" for financing activity of the separate statement of cash flows (31 December 2021: 1,643,168 thousand).

As at 31 December 2022, "Other borrowed funds" did not include funds in the amount of UAH 30,774 thousand attracted from Ukrainian financial organisation, which were included in funds for operating activities of the consolidated statement of cash flows (31 December 2021: UAH 60,818 thousand).

8. 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.

For 2022	*Stage 1 Collective*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Cash and cash equivalents	32,488	–	–	–	–	–	32,488
Loans and advances to banks	(9,194)	–	160	(6)	4,026	–	(5,014)
Recovery of previously written-off loans and advances to banks	–	–	–	–	(4,707)	–	(4,707)
Loans and advances to customers	986,945	760,163	1,791,108	1,027,731	3,227,444	2,588,909	10,382,300
Recovery of previously written-off loans and advances to customers	–	–	–	(44,559)	(258,698)	–	(303,257)
Investment securities at fair value through other comprehensive income	308,674	–	–	–	–	–	308,674
Investment securities at amortised cost	308,030	–	–	–	–	–	308,030
Other financial assets	63,074	–	–	–	–	–	63,074
Financial guarantees	(1,689)	1,208	497	(1,720)	–	–	(1,704)
Undrawn loan commitments	201,404	(4,657)	(85,598)	27,138	–	–	138,287
Letters of credit	(16,396)	–	–	–	–	–	(16,396)
Avals on promissory notes	(14)	(1)	–	–	–	–	(15)
Impairment loss determined in accordance with IFRS 9	**1,873,322**	**756,713**	**1,706,167**	**1,008,584**	**2,968,065**	**2,588,909**	**10,901,760**

(thousands of Ukrainian hryvnia)

For 2021	*Stage 1 Collective*	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Cash and cash equivalents	(8,182)	–	–	–	–	–	(8,182)
Loans and advances to banks	5,565	–	–	–	470	–	6,035
Loans and advances to customers	383,717	101,310	(133,341)	139,611	667,419	263,732	1,422,448
Recovery of previously written-off loans and advances to customers	–	–	–	(36,621)	(334,732)	–	(371,353)
Investment securities at fair value through other comprehensive income	(5,984)	–	(3,205)	–	–	–	(9,189)
Investment securities at amortised cost	(7,831)	–	–	–	–	–	(7,831)
Other financial assets	(6,287)	–	–	–	–	–	(6,287)
Financial guarantees	2,693	–	–	–	–	–	2,693
Undrawn loan commitments	178,258	(3,945)	–	(47,017)	–	–	127,296
Letters of credit	35,593	–	–	–	–	–	35,593
Avals on promissory notes	17	–	–	(25)	–	–	(8)
(Impairment gain and reversal of impairment loss) impairment loss determined in accordance with IFRS 9	**577,559**	**97,365**	**(136,546)**	**55,948**	**333,157**	**263,732**	**1,191,215**

Impairment loss on purchased and originated credit-impaired assets ("POCI") recognised in profit or loss in the tables above is presented net of adjustments (reversal of impairment loss) to the carrying amount of POCI financial assets in the amount of UAH 42,751 thousand (2021: UAH 206,078 thousand).

9. Loans and advances to banks

Loans and advances to banks include:

	31 December 2022	*31 December 2021*
Loans and advances to banks		
Deposits with other banks	**593,472**	**8,138,142**
- short-term	209,209	7,807,763
- long-term	384,263	330,379
Loans to other banks	–	**132,028**
- long-term	–	132,028
Loans and advances to banks	**593,472**	**8,270,170**

As at 31 December 2022, loans and advances to banks included funds placed with the Ukrainian banks in the amount of UAH 103,861 thousand (31 December 2021: UAH 8,209,543 thousand), OECD banks in the amount of UAH 347,324 thousand (31 December 2021: UAH 216,803 thousand), other banks in the amount of UAH 220,518 thousand (31 December 2021: UAH 182,394 thousand)

As at 31 December 2021, loans and advances to banks included UAH 8,077,577 thousand of security deposits placed as security of refinancing loans of the National Bank of Ukraine, the customers' letters of credit and guarantees.

As at 31 December 2022, loans and advances to banks are accounted for at amortised cost, excluding current accounts in precious metals in the amount of UAH 94,668 thousand (31 December 2021: UAH 52,274 thousand) that are accounted for at fair value through profit or loss.

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

	Stage 1 Collective	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount at 1 January 2022	**8,278,490**	**–**	**74,435**	**255,815**	**8,608,740**
New assets originated or purchased	729,454	–	–	–	729,454
Completed (repaid) assets	(6,428,100)	–	(6)	–	(6,428,106)

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Transfer to Stage 2	(3,595)	3,595	–	–	–
Transfer to Stage 3	(6)	(3,583)	6	3,583	–
Change in carrying amount	(2,635,415)	(12)	–	(4)	(2,635,431)
Written-off assets	–	–	(2,541)	(255,815)	(258,356)
Translation differences	654,433		73	896	655,402
Gross carrying amount at 31 December 2022	**595,261**	**–**	**71,967**	**4,475**	**671,703**

	Stage 1 Collective	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount at 1 January 2021	**344,344**	**74,466**	**737,609**	**1,156,419**
New assets originated or purchased	11,098,289	–	–	11,098,289
Completed (repaid) assets	(2,372,432)	–	–	(2,372,432)
Transfers to Cash and cash equivalents	(2,476)	–	–	(2,476)
Change in carrying amount	(133,537)	–	(28,540)	(162,077)
Written-off assets	–	–	(450,925)	(450,925)
Translation differences	(655,698)	(31)	(2,329)	(658,058)
Gross carrying amount at 31 December 2021	**8,278,490**	**74,435**	**255,815**	**8,608,740**

	Stage 1 Collective	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Allowance at 1 January 2022	**8,320**	**–**	**74,435**	**255,815**	**338,570**
New assets originated or purchased	12,896	–	–	–	12,896
Completed (repaid) assets	(21,926)	–	(6)	–	(21,932)
Transfer to Stage 2	(198)	198	–	–	–
Transfer to Stage 3	(6)	(358)	6	358	–
Modifications in allowance	(164)	160	–	4,026	4,022
Written-off allowances	–	–	(2,541)	(255,815)	(258,356)
Translation differences	2,868	–	73	90	3,031
Allowance at 31 December 2022	**1,790**	–	**71,967**	**4,474**	**78,231**

	Stage 1 Collective	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Allowance at 1 January 2021	**3,194**	**74,466**	**708,599**	**786,259**
New assets originated or purchased	62,882	–	–	62,882
Completed (repaid) assets	(52,140)	–	–	(52,140)
Transfers to Cash and cash equivalents	(1)	–	–	(1)
Modifications in allowance	(5,177)	–	470	(4,707)
Written-off allowances	–	–	(450,925)	(450,925)
Translation differences	(438)	(31)	(2,329)	(2,798)
Allowance at 31 December 2021	**8,320**	**74,435**	**255,815**	**338,570**

10. Loans and advances to customers

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

	31 December 2022	*31 December 2021*
Legal entities	63,622,410	57,322,750
State entities	38,349,545	27,878,541
Individuals	1,630,369	1,455,413
	103,602,324	**86,656,704**
Less: allowance for expected credit losses	(21,172,463)	(17,321,842)
Loans and advances to customers	**82,429,861**	**69,334,862**

(thousands of Ukrainian hryvnia)

As at 31 December 2022, loans to state entities included loans to state administration authorities in the amount of UAH 7,074,760 thousand (31 December 2021: 5,520,379 thousand).

Legal entities

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowance:

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**30,092,952**	**483,437**	**1,511,522**	**1,135,084**	**10,857,818**	**13,241,937**	**57,322,750**
New assets originated or purchased	13,764,258	–	–	–	–	–	13,764,258
Completed (repaid) assets	(4,885,471)	(448,694)	(144,624)	(13,474)	(370)	(1,577)	(5,494,210)
Transfer to Stage 1	1,262,106	(241,312)	–	(14,001)	(1,006,793)	–	–
Transfer to Stage 2	(18,945,288)	6,601,439	12,379,560	(35,711)	–	–	–
Transfer to Stage 3	(2,351,900)	(1,345,020)	(10,949,117)	2,127,391	12,518,646	–	–
Transfer to POCI	–	–	–	(2,416)	(2,564,114)	2,566,530	–
Adjustment of the carrying amount of POCI	–	–	–	–	–	41,900	41,900
Change in carrying amount	26,404	(616,078)	(469,244)	(143,887)	179,088	(1,508,236)	(2,531,953)
Loans written off	–	–	–	(143,927)	(8,051,901)	(1,075,056)	(9,270,884)
Translation differences	3,201,888	629,617	1,628,411	108,603	3,425,063	796,967	9,790,549
Gross carrying amount at 31 December 2022	**22,164,949**	**5,063,389**	**3,956,508**	**3,017,662**	**15,357,437**	**14,062,465**	**63,622,410**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**11,154,969**	**2,439,157**	**7,204,818**	**1,001,714**	**46,482,601**	**8,790,768**	**77,074,027**
New assets originated or purchased	20,887,662	–	–	–	–	–	20,887,662
Completed (repaid) assets	(3,190,180)	(520,452)	(241,249)	(23,443)	(656,915)	(23,752)	(4,655,991)
Transfer to Stage 1	5,783,885	(2,748,001)	(3,035,884)	–	–	–	–
Transfer to Stage 2	(1,095,626)	2,523,219	(1,361,857)	(65,736)	–	–	–
Transfer to Stage 3	(44,532)	(496,846)	–	517,219	24,159	–	–
Transfer to POCI	–	–	–	–	(7,566,385)	7,566,385	–
Adjustment of the carrying amount of POCI	–	–	–	–	–	204,892	204,892
Change in carrying amount	(2,553,813)	(553,317)	(641,590)	(66,838)	403,884	(3,181,913)	(6,593,587)
Loans written off	–	–	–	(223,680)	(25,800,611)	–	(26,024,291)
Translation differences	(849,413)	(160,323)	(412,716)	(4,152)	(2,028,915)	(114,443)	(3,569,962)
Gross carrying amount at 31 December 2021	**30,092,952**	**483,437**	**1,511,522**	**1,135,084**	**10,857,818**	**13,241,937**	**57,322,750**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Allowance at 1 January 2022	**1,020,730**	**72,590**	**138,134**	**907,715**	**8,918,077**	**4,121,967**	**15,179,213**
New assets originated or purchased	426,729	–	–	–	–	–	426,729
Completed (repaid) assets	(123,553)	(15,604)	(28,601)	(1,545)	(203)	–	(169,506)
Transfer to Stage 1	30,409	(28,765)	–	(1,644)	–	–	–
Transfer to Stage 2	(1,070,199)	419,996	675,006	(24,803)	–	–	–
Transfer to Stage 3	(213,933)	(235,392)	(2,311,630)	207,359	2,553,596	–	–
Transfer to POCI	–	–	–	(148)	(1,631,912)	–	(1,632,060)
Result from derecognition	–	–	–	–	(2,644)	–	(2,644)
Interest income adjustment	–	–	–	29,864	184,008	116,401	330,273
Written-off assets	–	–	–	(143,927)	(8,051,901)	(1,075,056)	(9,270,884)
Modifications in allowance	(26,971)	14,975	1,643,187	1,071,965	3,161,409	2,632,238	8,496,803
Modifications in macro-model inputs	440,515	692,383	–	–	–	–	1,132,898
Translation differences	193,730	146,669	206,129	87,168	2,882,858	26,216	3,542,770
Allowance at 31 December 2022	**677,457**	**1,066,852**	**322,225**	**2,132,004**	**8,013,288**	**5,821,766**	**18,033,592**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Allowance at 1 January 2021	**386,156**	**259,790**	**470,962**	**760,031**	**39,015,410**	**3,555,997**	**44,448,346**
New assets originated or purchased	1,210,709	–	–	–	–	–	1,210,709
Completed (repaid) assets	(91,794)	(63,519)	(7,316)	(12,143)	(1,748)	–	(176,520)
Transfer to Stage 1	483,977	(342,652)	(141,325)	–	–	–	–
Transfer to Stage 2	(87,796)	151,019	(37,813)	(25,410)	–	–	–
Transfer to Stage 3	(9,801)	(77,221)	–	85,280	1,742	–	–
Transfer to POCI	–	–	–	–	(3,200,850)	(164,256)	(3,365,106)

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Result from derecognition	–	–	–	–	(655,679)	(7,461)	(663,140)
Interest income adjustment	–	–	–	42,002	606,578	273,265	921,845
Written-off assets	–	–	–	(223,680)	(25,800,611)	–	(26,024,291)
Modifications in allowance	(570,158)	174,329	(118,657)	289,094	669,104	469,810	913,522
Modifications in macro-model inputs	(239,935)	(10,728)	–	–	–	–	(250,663)
Translation differences	(60,628)	(18,428)	(27,717)	(7,459)	(1,715,869)	(5,388)	(1,835,489)
Allowance at 31 December 2021	**1,020,730**	**72,590**	**138,134**	**907,715**	**8,918,077**	**4,121,967**	**15,179,213**

State entities

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowance:

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**25,770,447**	**16,716**	**1,900,807**	**190,571**	**–**	**–**	**27,878,541**
New assets originated or purchased	10,498,170	–	–	–	–	–	10,498,170
Completed (repaid) assets	(3,022,083)	(110,437)	–	(72,742)	–	–	(3,205,262)
Transfer to Stage 2	(892,387)	335,252	557,135	–	–	–	–
Transfer to Stage 3	(73,296)	(100,212)	(3,215,892)	173,508	3,215,892	–	–
Transfer to POCI	–	–	–	(17,477)	–	17,477	–
Change in carrying amount	(2,698,204)	(12,656)	102,457	9,427	9,355	(6,329)	(2,595,950)
Translation differences	5,114,865	–	655,493	1,170	–	2,518	5,774,046
Gross carrying amount at 31 December 2022	**34,697,512**	**128,663**	**–**	**284,457**	**3,225,247**	**13,666**	**38,349,545**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Gross carrying amount at 1 January 2021	**8,857,736**	**93,999**	**7,533,488**	**270,234**	**56**	**16,755,513**
New assets originated or purchased	15,316,041	–	–	–	–	15,316,041
Completed (repaid) assets	(247,589)	–	–	(110,508)	(311)	(358,408)
Transfer to Stage 1	6,733,923	–	(6,733,923)	–	–	–
Transfer to Stage 2	(1,864,036)	10,085	1,853,951	–	–	–
Transfer to Stage 3	(96,856)	(93,418)	–	189,346	928	–
Change in carrying amount	(2,871,006)	6,050	(358,289)	(157,741)	(673)	(3,381,659)
Translation differences	(57,766)	–	(394,420)	(760)	–	(452,946)
Gross carrying amount at 31 December 2021	**25,770,447**	**16,716**	**1,900,807**	**190,571**	**–**	**27,878,541**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*POCI*	*Total*
Allowance at 1 January 2022	**425,092**	**163**	**342,045**	**86,406**	**–**	**–**	**853,706**
New assets originated or purchased	556,934	–	–	–	–	–	556,934
Completed (repaid) assets	(220,877)	(5,149)	–	(32,981)	–	–	(259,007)
Transfer to Stage 2	(58,605)	11,186	47,419	–	–	–	–
Transfer to Stage 3	(33,233)	(14,214)	(717,428)	47,447	717,428	–	–
Transfer to POCI	–	–	–	(7,877)	–	–	(7,877)
Interest income adjustment	–	–	–	10,062	727	564	11,353
Modifications in allowance	(513,140)	26,415	176,522	15,178	66,238	(564)	(229,351)
Modifications in macro-model inputs	439,337	34,715	–	–	–	–	474,052
Translation differences	68,314	–	151,442	527	–	–	220,283
Allowance at 31 December 2022	**663,822**	**53,116**	**–**	**118,762**	**784,393**	**–**	**1,620,093**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Allowance at 1 January 2021	**100,604**	**697**	**691,802**	**121,416**	**56**	**914,575**
New assets originated or purchased	530,325	–	–	–	–	530,325
Completed (repaid) assets	(9,508)	–	–	(17,405)	(64)	(26,977)
Transfer to Stage 1	382,714	–	(382,714)	–	–	–
Transfer to Stage 2	(64,055)	128	64,046	–	(119)	–
Transfer to Stage 3	(46,629)	(697)	–	47,326	–	–
Interest income adjustment	–	–	–	103	–	103
Modifications in allowance	(461,655)	36	(7,368)	(64,667)	127	(533,527)
Modifications in macro-model inputs	(745)	–	–	–	–	(745)
Translation differences	(5,959)	(1)	(23,721)	(367)	–	(30,048)
Allowance at 31 December 2021	**425,092**	**163**	**342,045**	**86,406**	**–**	**853,706**

(thousands of Ukrainian hryvnia)

Individuals

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowance:

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**162,029**	**5,529**	**1,285,410**	**2,445**	**1,455,413**
New assets originated or purchased	58,848	–	–	–	58,848
Completed (repaid) assets	(48,998)	(6,049)	(17,844)	(106)	(72,997)
Transfer to Stage 1	6,081	(6,081)	–	–	–
Transfer to Stage 2	(52,114)	52,295	(181)	–	–
Transfer to Stage 3	(5,885)	(20,557)	26,442	–	–
Adjustment of the carrying amount of POCI	–	–	–	851	851
Change in carrying amount	(23,835)	(5,346)	(14,857)	(950)	(44,988)
Loans written off	–	–	(107,920)	–	(107,920)
Translation differences	885	751	339,525	1	341,162
Gross carrying amount at 31 December 2022	**97,011**	**20,542**	**1,510,575**	**2,241**	**1,630,369**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**133,338**	**9,359**	**2,019,488**	**1,935**	**2,164,120**
New assets originated or purchased	161,851	–	–	–	161,851
Completed (repaid) assets	(92,433)	(6,684)	(31,303)	(20)	(130,440)
Transfer to Stage 1	4,976	(4,976)	–	–	–
Transfer to Stage 2	(15,289)	17,495	(2,206)	–	–
Transfer to Stage 3	(16,155)	(7,915)	24,070	–	–
Transfer to POCI	–	–	(36,624)	36,624	–
Adjustment of the carrying amount of POCI	–	–	–	1,186	1,186
Change in carrying amount	(13,810)	(1,584)	(21,314)	(37,280)	(73,988)
Loans written off	–	–	(609,220)	–	(609,220)
Translation differences	(449)	(166)	(57,481)	–	(58,096)
Gross carrying amount at 31 December 2021	**162,029**	**5,529**	**1,285,410**	**2,445**	**1,455,413**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*POCI*	*Total*
Allowance at 1 January 2022	**2,305**	**1,209**	**1,285,409**	**–**	**1,288,923**
New assets originated or purchased	2,137	–	–	–	2,137
Completed (repaid) assets	(1,005)	(1,242)	(18,090)	–	(20,337)
Transfer to Stage 1	1,137	(1,137)	–	–	–
Transfer to Stage 2	(6,106)	6,287	(181)	–	–
Transfer to Stage 3	(1,526)	(14,426)	15,952	–	–
Interest income adjustment	–	–	3,321	14	3,335
Written-off assets	–	–	(107,920)	–	(107,920)
Modifications in allowance	4,389	10,440	(6,796)	(14)	8,019
Modifications in macro-model inputs	2,450	3,230	–	–	5,680
Translation differences	15	46	338,880	–	338,941
Allowance at 31 December 2022	**3,796**	**4,407**	**1,510,575**	**–**	**1,518,778**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*Total*
Allowance at 1 January 2021	**1,974**	**957**	**2,019,488**	**2,022,419**
New assets originated or purchased	17,490	–	–	17,490
Completed (repaid) assets	(1,423)	(859)	(37,271)	(39,553)
Transfer to Stage 1	2,890	(2,890)	–	–
Transfer to Stage 2	(2,950)	5,154	(2,204)	–
Transfer to Stage 3	(16,084)	(3,183)	19,267	–
Transfer to POCI	–	–	(24,642)	(24,642)
Result from derecognition	–	–	(584)	(584)
Interest income adjustment	–	–	1,777	1,777
Written-off assets	–	–	(609,220)	(609,220)

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*Total*
Modifications in allowance	(6)	1,888	(17,997)	(16,115)
Modifications in macro-model inputs	417	163	–	580
Translation differences	(3)	(21)	(63,205)	(63,229)
Allowance at 31 December 2021	**2,305**	**1,209**	**1,285,409**	**1,288,923**

Undiscounted expected credit losses on initial recognition of POCI in 2022 amounted to UAH 1,646,749 thousand (2021: UAH 4,170,242 thousand).

All loans written off by the Bank during 2022 remain the subject to enforcement activity (2021: remain the subject to enforcement activity).

Modified loans

The Bank derecognises a financial asset, when the terms and conditions 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 gain (loss):

	2022	*2021*
Loans to customers modified during the period		
Amortised cost before modification	15,549,230	6,553,686
Net modification gain/(loss)	1,283	(32,097)

As at 31 December 2022, there were no assets renegotiated since the initial recognition date and attributed to Stage 2 and Stage 3 at the time of such renegotiation and transferred to Stage 1 during the reporting period (31 December 2021: the gross carrying amount of assets was UAH 3,539,755 thousand).

During 2022, the Bank recognised loss arising from derecognition of financial assets measured at amortised cost as a result of substantial modifications in amount of UAH 223,934 thousand (2021: gain of UAH 1,213,652 thousand).

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

The status of the state bank with specialization in financing 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 the country's defense, food supply and humanitarian purposes, including to preserve the sovereignty of Ukraine.

Currently, the Bank has updated its credit policy, taking into account the beginning of 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: military-industrial complex, critical imports, agricultural sector, 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 local currency. The credit support In foreign currency will be provided under the programs of international financial organizations (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 made a public decision to provide repayment holiday for all borrowers - legal entities and individuals, the deadline for payment of principal amount, interest and fees accrued as at 23 February 2022 and in the period from 24 February 2022 through 31 May 2022, was postponed to 30 June 2022.

The Russian Federation's military invasion of Ukraine has necessitated an extraordinary review of approaches and clarification of methods for estimating expected credit losses, including more detailed segmentation of the portfolio, use of expert judgments as a result of operational processing of information regarding the current and anticipated situation with the military actions and their impact on assets, operations, financial condition of debtors and their ability to fulfill their monetary obligations to the Bank. The bank has analyzed its loan portfolio by stages, in particular, reclassification by stages has been made for the borrowers whose main assets are located in temporarily occupied territories and territories where active hostilities are taking place (depending on whether they have other assets, their ability to carry out or resume their operations, including with consideration of forecasts regarding the liberation of those territories / cessation of active hostilities in those territories and their return to the control of Ukraine), and for the borrowers located in other territories, based on the risks of damage to the company's property and assessment of their ability to carry out their operations in the existing environment, and with consideration of forecasts regarding changes in the ongoing situation. For the debtors assessed on an individual basis (regardless of whether the stage of the asset has been impaired or it was classified already as Stage 2 or Stage 3 even before the war started), the scenarios of receiving cash flows for debt repayments have been revised, which included making changes in repayment schedules and an expert assessment of receiving these repayments under various scenarios of the future course of events. Furthermore, during the allowance calculations, the expected cash flows from selling the facilities destroyed during the war have been reduced to zero.

(thousands of Ukrainian hryvnia)

According to the Bank's estimates, the increase in the loan allowance for 2022 due to the impact of the war is UAH 11,576,994 thousand. The Bank will continue to accumulate and process information to ensure proper assessment of credit risks despite the uncertainty caused by the war.

Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

For securities lending and reverse "repo" transactions - cash or securities;

For commercial lending - charges over real estate properties, inventory and trade receivables;

For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2022, UAH 1,306,263 thousand of customer deposits are pledged as collateral for loans to customers (31 December 2021: UAH 794,067 thousand) (Note 22).

The analysis of collateral value for credit-impaired assets (stage 3) taken in to accounted by the Bank when assessing the impairment of assets is provided in Note 29.

During 2022, the Bank effected the repayment of borrowers' bad debts through pledged property amounting to UAH 492,266 thousand, including through possession of pledged property amounting to UAH 226,712 thousand, which is included in "Non-current assets classified as held for sale" and "Investment property" and through the sale of pledged property amounting to UAH 265,554 thousand (31 December 2021: through pledged property of amounting to UAH 782,069 thousand, including through possession of pledged property amounting to UAH 141,516 thousand, which is included in "Non-current assets classified as held for sale" and "Investment property" and through the sale of pledged property amounting to UAH 640,553 thousand

Concentration of loans to customers

As at 31 December 2022, the Bank has a concentration of loans represented by UAH 42,245,036 thousand due from ten largest borrowers (40.78% of gross loan portfolio) (31 December 2021: UAH 34,049,030 thousand, or 39.26%). The allowance of UAH 3,645,173 thousand has been recognised against these loans (31 December 2021: UAH 5,044,832 thousand).

Loans are made principally within Ukraine to companies of the following industry sectors:

	31 December 2022	*%*	*31 December 2021*	*%*
Power engineering	20,019,660	19.3	15,616,645	18.0
Trade	15,079,756	14.6	9,192,699	10.6

(thousands of Ukrainian hryvnia)

	31 December 2022	*%*	*31 December 2021*	*%*
Agriculture and food industry	13,812,769	13.3	16,450,656	19.0
Extractive industry	13,585,662	13.1	7,453,336	8.6
Road construction	7,168,676	6.9	6,318,863	7.3
Construction	6,567,897	6.3	3,380,837	3.9
Real estate	6,036,842	5.8	6,745,794	7.8
Mechanical engineering	5,067,989	4.9	4,483,697	5.2
Transport and communications	3,906,177	3.8	4,030,339	4.7
Metallurgy	1,659,777	1.6	1,263,515	1.5
Individuals	1,630,369	1.6	1,455,413	1.7
Professional, scientific and technical activities	1,616,354	1.6	1,358,255	1.6
Production of construction materials	1,598,105	1.5	769,325	0.9
Financing activities	1,281,010	1.2	929,660	1.1
Chemical industry	1,261,892	1.2	1,738,387	2.0
Production of rubber and plastic goods	1,226,767	1.2	982,705	1.1
Light industry	605,431	0.6	455,334	0.5
Other processing activities	340,956	0.3	285,542	0.3
Pulp and paper industry	272,358	0.3	268,673	0.3
Wood processing	171,070	0.2	170,334	0.2
Hotels and restaurants	6,762	0.1	2,659,440	3.1
Other	686,045	0.6	647,255	0.6
Total	**103,602,324**	**100**	**86,656,704**	**100**

Corporate lending portfolio includes finance lease receivables. They may be analysed as follows:

	31 December 2022	*31 December 2021*
Gross investment in finance leases, receivable:		
Within 1 year	704,492	671,268
From 1 to 2 years	551,238	568,646
From 2 to 3 years	467,394	489,934
From 3 to 4 years	76,987	426,579
From 4 to 5 years	5,177	59,366
	1,805,288	**2,215,793**
Unearned future finance income on finance leases	(384,098)	(470,804)
Net investment in finance leases	**1,421,190**	**1,744,989**

	31 December 2022	*31 December 2021*
Net investment in finance leases, receivable:		
Within 1 year	505,030	470,787
From 1 to 2 years	426,687	425,325
From 2 to 3 years	415,524	402,110
From 3 to 4 years	69,197	391,456
From 4 to 5 years	4,752	55,311
Net investment in finance leases	**1,421,190**	**1,744,989**

(thousands of Ukrainian hryvnia)

11. Investments in securities

Investments in securities comprise:

	31 December 2022	*31 December 2021*
Investment securities at fair value through profit or loss	26,961,581	23,319,112
Investment securities at fair value through other comprehensive income	12,543,679	12,737,353
Investment securities at amortised cost	22,092,656	30,139,375
Securities held for trading	888,792	-
Investments in securities	**62,486,708**	**66,195,840**

Investment securities at fair value through profit or loss

As at 31 December 2022, investment securities at fair value through profit or loss are represented by Ukrainian indexed state bonds with carrying amount of UAH 26,961,581 thousand (31 December 2021: UAH 23,319,112 thousand) the conditions of issuing of which anticipate the indexation of the nominal value by maturity according to the changes in the average interbank exchange rate of UAH to USD 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 31 December 2022, securities held for trading are represented by Ukrainian state bonds with carrying amount of UAH 888,792 thousand (31 December 2021: none).

As at 31 December 2022, Ukrainian state bonds with carrying amount of UAH 10,546,640 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2021: UAH 11,290,760 thousand) (Note 20).

During 2022, the Bank recognized gain from revaluation of investment securities at fair value through profit or loss in amount of 3,640,085 thousand and recorded under "Net increase/(decrease) from financial instruments at fair value through profit or loss" (2021: loss of UAH (2,316,452) thousand).

Investment securities at fair value through other comprehensive income

	31 December 2021	*31 December 2021*
Ukrainian state bonds	12,521,500	12,430,319
Corporate bonds	–	283,786
Corporate shares	22,179	23,248
Investment securities at fair value through other comprehensive income	**12,543,679**	**12,737,353**

As at 31 December 2022, Ukrainian state bonds with carrying amount of UAH 6,629,543 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2021: UAH 7,529,195 thousand) (Note 20).

As at 31 December 2022, Ukrainian state bonds with carrying amount of UAH 63,729 thousand were pledged as collateral on loans received from credit institutions (31 December 2021: UAH 86,548 thousand) (Note 20).

As at 31 December 2022, Ukrainian state bonds with carrying amount of UAH 967,193 thousand were used to form a guarantee fund on interest rate swaps (31 December 2021: UAH 1,095,864 thousand) (Note 18).

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 the analysis of changes in the gross carrying amount and the corresponding ECL on investment securities at fair value through other comprehensive income:

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 2 Collective.*	*Total*
Fair value at 1 January 2022	**12,737,353**	**–**	**12,737,353**
New assets originated or purchased	18,950,462	–	18,950,462
Repaid assets	(2,476,846)	–	(2,476,846)
Transfer to Stage 2	(8,970,803)	8,970,803	–
Change in carrying amount	(1,327,163)	–	(1,327,163)
Sold assets	(15,449,962)	–	(15,449,962)
Translation differences	109,835	–	109,835
Fair value at 31 December 2022	**3,572,876**	**8,970,803**	**12,543,679**

The transfer to Stage 2 is related to the start of the military aggression of the russian federation on 24 February 2022, which caused the downgrade of the credit rating of Ukraine, as a result of which for all Ukrainian state bonds, purchased before that date, the event of significant increase in credit risk was recognised.

	Stage 1 Collective	*Stage 2 Collective.*	*Total*
Fair value at 1 January 2021	**14,202,193**	**341,330**	**14,543,523**
New assets originated or purchased	18,124,534	–	18,124,534
Repaid assets	(5,038,067)	–	(5,038,067)
Transfer to Stage 1	345,021	(345,021)	–
Change in carrying amount	(81,069)	3,691	(77,378)
Sold assets	(14,587,448)		(14,587,448)
Translation differences	(227,811)	–	(227,811)
Fair value at 31 December 2021	**12,737,353**	**–**	**12,737,353**

	Stage 1 Collective	*Stage 2 Collective.*	*Total*
Allowance at 1 January 2022	**39,108**	–	**39,108**
New assets originated or purchased	43,531	–	43,531
Repaid assets	(42,552)	–	(42,552)
Transfer to Stage 2*	(259,422)	259,422	–
Modifications in allowance	307,695	–	307,695
Sold assets	(65,461)	–	(65,461)
Translation differences	5,807	–	5,807
Allowance at 31 December 2022	**28,706**	**259,422**	**288,128**

The increase in the amount of allowance during 2022 is related to the revision (deterioration) of ratings of a number of counterparties, including as a result of the revision of Ukraine's credit rating, which accordingly affected the level of allowance.

	Stage 1 Collective	*Stage 2 Collective.*	*Stage 3 Individual*	*Total*
Allowance at 1 January 2021	**37,972**	**22,175**	**4,218,021**	**4,278,168**
New assets originated or purchased	20,917	–	–	20,917
Repaid assets	(16,569)	–	–	(16,569)
Transfer to Stage 1*	18,970	(18,970)	–	–
Modifications in allowance	(10,332)	(3,205)	–	(13,537)
Written-off assets	–	–	(4,218,021)	(4,218,021)
Sold assets	(11,462)	–	–	(11,462)
Translation differences	(388)	–	–	(388)
Allowance at 31 December 2021	**39,108**	–	–	**39,108**

(thousands of Ukrainian hryvnia)

* Amounts of transfers between Stages Include both expected credit losses on assets at the time of transfer between Stages and changes in estimates of credit loss after transfer between Stages.

Investment securities at amortised cost

	31 December 2022	*31 December 2021*
Ukrainian state bonds	13,704,594	16,417,048
Corporate bonds	8,559,137	13,546,887
Municipal bonds	225,400	222,378
	22,489,131	**30,186,313**
Less: allowance for expected credit losses	(396,475)	(46,938)
Investment securities at amortised cost	**22,092,656**	**30,139,375**

As at 31 December 2022, Ukrainian state bonds with carrying amount of UAH 6,722,983 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2021: UAH 6,983,949 thousand) (Note 20).

As at 31 December 2021, corporate bonds with carrying amount of UAH 8,461,960 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2021: UAH 8,372,405 thousand) (Note 20).

The following tables show an analysis of changes in gross carrying amount and corresponding ECL on investment securities at amortised cost:

	Stage 1 Collective	*Stage 2 Collective .*	*Total*
Gross carrying amount at 1 January 2022	**30,186,313**	–	**30,186,313**
New assets originated or purchased	9,196,545	–	9,196,545
Repaid assets	(18,266,505)	–	(18,266,505)
Transfer to Stage 2	(7,005,186)	7,005,186	–
Change in carrying amount	259,887	–	259,887
Translation differences	1,112,891	–	1,112,891
Gross carrying amount at 31 December 2022	**15,483,945**	**7,005,186**	**22,489,131**

The transfer to Stage 2 is related to the start of the military aggression of the russian federation on 24 February 2022, which caused the downgrade of the credit rating of Ukraine, as a result of which for all Ukrainian state bonds, purchased before that date, the event of significant increase in credit risk was recognised.

	Stage 1 Collective
Gross carrying amount at 1 January 2021	**45,230,081**
New assets originated or purchased	31,175,563
Repaid assets	(46,330,821)
Change in carrying amount	465,853
Translation differences	(354,363)
Gross carrying amount at 31 December 2021	**30,186,313**

	Stage 1 Collective	*Stage 2 Collective .*	*Total*
Allowance at 1 January 2022	**46,938**	–	**46,938**
New assets originated or purchased	247,657	–	247,657
Repaid assets	(173,548)	–	(173,548)
Transfer to Stage 2*	(282,203)	282,203	–
Modifications in allowance	233,921	–	233,921
Translation differences	41,507	–	41,507
Allowance at 31 December 2022	**114,272**	**282,203**	**396,475**

(thousands of Ukrainian hryvnia)

	Stage 1 Collective
Allowance at 1 January 2021	**55,471**
New assets originated or purchased	67,529
Repaid assets	(82,556)
Modifications in allowance	7,196
Translation differences	(702)
Allowance at 31 December 2021	**46,938**

* Amounts of transfers between Stages Include both expected credit losses on assets at the time of transfer between Stages and changes in estimates of credit loss after transfer between Stages.

12. Investment property

The movements of investment property were as follows:

	2022	*2021*
Investment property as at 1 January	**984,056**	**1,143,451**
Additions	15,879	133,185
Net (loss)/gain from fair value remeasurement	(58,644)	36,989
Transfer from Non-current assets classified as held for sale	8,332	12,633
Transfers to "Repossessed pledged property"	(4,224)	–
Transfer to Property, plant and equipment	–	(6,804)
Sale of investment property items	(277,898)	(335,398)
Write-off of investment property items	(5)	–
Investment property as at 31 December	**667,496**	**984,056**

In 2022, the Bank sold investment property items with a loss of UAH 20,590 thousand (2021: with a gain of UAH 44,003 thousand).

In 2022, the Bank revalued its investment property. The valuation was performed by independent appraiser having appropriate professional qualifications and years of experience in valuation of properties of similar category and with similar location. The basic valuation approaches applied were the comparative approach and a combination of comparative and income approaches.

The Bank leased out a part of its investment property under operating lease agreements. Future minimum receivables under non-cancellable operating leases comprise the following:

	31 December 2022
Within 1 year	6,245
From 1 to 2 years	6,245
From 2 to 3 years	6,245
From 3 to 4 years	6,245
From 4 to 5 years	6,244
Over 5 years	9,887
Future minimum receivables under non-cancellable operating lease	**41,111**

As at 31 December 2021, the Bank has no non-cancellable operating lease agreements that cannot be terminated.

In 2022, the Bank recognised rental income of UAH 7,119 thousand (2021: UAH 8,859 thousand) included in other income in the consolidated statement of profit or loss.

(thousands of Ukrainian hryvnia)

During 2022, direct operating expenses related to investment property generating rental income amounted to 2,969 thousand. (2021: UAH 2,278 thousand), direct operating expenses related to investment property not generating rental income amounted to UAH 26,793 thousand (2021: UAH 32,183 thousand).

13. Property, plant and equipment

The movements of property, plant and equipment were as follows:

	Land	*Buildings*	*Right-of-use assets Buildings/ Premises*	*Other property, plant and equipment*	*Computers and equipment*	*Office equipment*	*Motor vehicles*	*Construction in progress*	*Total*
Cost or revalued amount									
At 31 December 2021	**4,457**	**1,667,144**	**19,122**	**2,896**	**604,836**	**265,666**	**20,356**	**82,283**	**2,666,760**
Additions	–	–	3,860	–	8,058	24,089	–	12,079	48,086
Disposals	–	(18,364)	(2,632)	(113)	(8,136)	(28,770)	(503)	(792)	(59,310)
Deduction of accumulated depreciation on revaluation	–	(53,678)	–	–	–	–	–	–	(53,678)
Revaluation of property, plant and equipment	(33)	208,616	–	–	–	–	–	(210)	208,373
Transfers	–	220	–	–	–	–	–	(220)	–
At 31 December 2022	**4,424**	**1,803,938**	**20,350**	**2,783**	**604,758**	**260,985**	**19,853**	**93,140**	**2,810,231**
Accumulated amortisation									
At 31 December 2021	**–**	**(25,909)**	**(13,433)**	**(2,780)**	**(528,202)**	**(225,802)**	**(20,168)**	**–**	**(816,294)**
Charge for the year	–	(31,278)	(2,662)	(28)	(36,980)	(10,031)	–	–	(80,979)
Modification	–	–	(169)	–	–	–	–	–	(169)
Write-off of accumulated depreciation on re-evaluation	–	53,678	–	–	–	–	–	–	53,678
Disposals	–	617	2,632	111	7,993	8,543	503	–	20,399
At 31 December 2022	**–**	**(2,892)**	**(13,632)**	**(2,697)**	**(557,189)**	**(227,290)**	**(19,665)**	**–**	**(823,365)**
Net book value									
At 31 December 2021	**4,457**	**1,641,235**	**5,689**	**116**	**76,634**	**39,864**	**188**	**82,283**	**1,850,466**
At 31 December 2022	**4,424**	**1,801,046**	**6,718**	**86**	**47,569**	**33,695**	**188**	**93,140**	**1,986,866**

	Land	*Buildings*	*Right-of-use assets Buildings/ Premises*	*Other property, plant and equipment*	*Computers and equipment*	*Office equipment*	*Motor vehicles*	*Construction in progress*	*Total*
Cost or revalued amount									
At 31 December 2020	**3,857**	**1,751,403**	**17,689**	**5,034**	**613,637**	**263,355**	**20,356**	**55,558**	**2,730,889**
Additions	–	–	2,010	–	10,871	37,187	–	28,706	78,774
Disposals	–	–	(2,056)	(2,138)	(19,672)	(34,876)	–	(486)	(59,228)
Modification	–	–	1,479	–	–	–	–	–	1,479
Transfer from "Investment property"	600	6,204	–	–	–	–	–	–	6,804
Deduction of accumulated depreciation on revaluation	–	(9,009)	–	–	–	–	–	–	(9,009)
Revaluation of property, plant and equipment	–	(82,949)	–	–	–	–	–	–	(82,949)
Transfers	–	1,495	–	–	–	–	–	(1,495)	–
At 31 December 2021	**4,457**	**1,667,144**	**19,122**	**2,896**	**604,836**	**265,666**	**20,356**	**82,283**	**2,666,760**
Accumulated amortisation									
At 31 December 2020	**–**	**(3,077)**	**(10,584)**	**(4,890)**	**(504,478)**	**(219,933)**	**(20,168)**	**–**	**(763,130)**
Charge for the year	–	(31,841)	(4,260)	(28)	(43,396)	(11,525)	–	–	(91,050)
Derecognition	–	–	(645)	–	–	–	–	–	(645)
Write-off of accumulated depreciation on re-evaluation	–	9,009	–	–	–	–	–	–	9,009
Disposals	–	–	2,056	2,138	19,672	5,656	–	–	29,522
At 31 December 2021	**–**	**(25,909)**	**(13,433)**	**(2,780)**	**(528,202)**	**(225,802)**	**(20,168)**	**–**	**(816,294)**

(thousands of Ukrainian hryvnia)

	Land	*Buildings*	*Right-of-use assets Buildings/ Premises*	*Other property, plant and equipment*	*Computers and equipment*	*Office equipment*	*Motor vehicles*	*Construction in progress*	*Total*
Net book value									
At 31 December 2020	**3,857**	**1,748,326**	**7,105**	**144**	**109,159**	**43,422**	**188**	**55,558**	**1,967,759**
At 31 December 2021	**4,457**	**1,641,235**	**5,689**	**116**	**76,634**	**39,864**	**188**	**82,283**	**1,850,466**

During 2022, the Bank recognised UAH 10,448 thousand of rent expense on short-term leases and leases of low-value assets (31 December 2021: UAH 13,040 thousand).

As at 31 December 2022, property, plant and equipment included assets with the cost of UAH 675,503 thousand which were fully depreciated (31 December 2021: UAH 583,244 thousand). These assets are still used by the Bank.

As at 31 December 2022, the Bank had capital commitments for the acquisition of property, plant and equipment of UAH 5,020 thousand (31 December 2021: UAH 5,552 thousand).

As at 1 August of each year, the Bank performs testing of fair value of property, plant and equipment. On the basis of such testing the deviation between fair value of property, plant and equipment and their carrying amount is calculated. The Bank analyses the calculated deviations for the significance of the impact on its financial statements and carries out a revaluation in case of significant deviation.

The latest valuation of property, plant and equipment was performed as at 1 December 2022 by an independent appraiser and fair value was determined using comparative and income approaches based on market information.

Based on the results of property, plant and equipment revaluation in 2022, the Bank recognised gain from the increase in fair value in the amount of UAH 21,346 thousand in the consolidated statement of profit or loss and in the amount of UAH 187,027 thousand in the statement of other comprehensive income (31 December 2021: loss from decrease in fair value in the amount of UAH 82,949 thousand in the statement of other comprehensive income).

If the buildings were reported at cost as at 31 December 2022, the carrying amount would be as follows:

	31 December 2022 (revalued)	***31 December 2022 (at cost)***	***31 December 2021 (revalued)***	***31 December 2021 (at cost)***
Cost	1,808,362	1,058,551	1,671,601	1,065,434
Accumulated amortisation	(2,892)	(233,093)	(25,909)	(226,305)
Net book value	**1,805,470**	**825,458**	**1,645,692**	**839,129**

As at 31 December 2022, the Bank impaired property, plant and equipment with a carrying amount of UAH 9,656 thousand located in the occupied territory and the territory of active hostilities due to the loss of control over them. Property, plant and equipment with a carrying amount of UAH 415 thousand, for which reliable information on their destruction was obtained, were written off of the Bank's books.

Based on results of the impairment of fixed assets in 2022, the Bank recorded a loss in the amount of UAH 5,435 thousand in the consolidated statement of profit or loss and in the amount of UAH 4,221 thousand in the consolidated statement of comprehensive income.

(thousands of Ukrainian hryvnia)

14. Intangible assets

The movements in intangible assets were as follows:

	Computer software	*Licenses*	*Total*
Cost			
At 31 December 2021	**201,688**	**11,048**	**212,736**
Additions	15,593	–	15,593
Disposals	(675)	–	(675)
At 31 December 2022	**216,606**	**11,048**	**227,654**
Accumulated amortisation			
At 31 December 2021	**(130,594)**	**(7,679)**	**(138,273)**
Charge for the year	(25,122)	(1,456)	(26,578)
Disposals	657	–	657
At 31 December 2022	**(155,059)**	**(9,135)**	**(164,194)**
Net book value			
At 31 December 2021	**71,094**	**3,369**	**74,463**
At 31 December 2022	**61,547**	**1,913**	**63,460**

	Computer software	*Licenses*	*Total*
Cost			
At 31 December 2020	**157,843**	**10,507**	**168,350**
Additions	44,440	541	44,981
Disposals	(595)	–	(595)
At 31 December 2021	**201,688**	**11,048**	**212,736**
Accumulated amortisation			
At 31 December 2020	**(110,135)**	**(6,231)**	**(116,366)**
Charge for the year	(21,054)	(1,448)	(22,502)
Disposals	595	–	595
At 31 December 2021	**(130,594)**	**(7,679)**	**(138,273)**
Net book value			
At 31 December 2020	**47,708**	**4,276**	**51,984**
At 31 December 2021	**71,094**	**3,369**	**74,463**

As at 31 December 2022, intangible assets in the value of UAH 115,398 thousand were fully amortised (31 December 2021: UAH 78,605 thousand). These assets are still used by the Bank.

As at 31 December 2022, the Bank had capital commitments for the acquisition of intangible assets of UAH 21,298 thousand (31 December 2021: UAH 18,766 thousand).

15. Income tax

The income tax charge comprises:

	31 December 2022	*31 December 2021*
Current tax charge	48	(148)
Changes in deferred income tax	257,486	–
Gain from income tax refund/(Income tax expense)	**257,534**	**(148)**

As at 31 December 2022, Ukrainian corporate income tax was calculated as taxable income less allowable expenses at the rate of 18% (31 December 2021: 18%).

(thousands of Ukrainian hryvnia)

Income tax assets and liabilities consist of the following:

	31 December 2022	*31 December 2021*
Current tax assets	2,866	250,048
Deferred tax asset	1,414,884	1,190,303
Tax assets	**1,417,750**	**1,440,351**
Current tax liabilities	**143**	–

As at 31 December 2022, for the amount of current tax assets in the amount of advance payments of income tax paid by the Bank in 2018-2020 and 2022 in connection with the allocation of part the Bank's profit for dividends, which will be taken into account in the reduction of income tax liabilities in future reporting periods, an impairment loss was recognised in full in the amount of UAH 492,911 thousand.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax charge based on the statutory rate with the actual rate is as follows:

	2022	*2021*
Profit before tax	**(7,972,313)**	**2,709,316**
Statutory tax rate	18%	18%
Income tax charge at the statutory rate	**1,435,016**	**(487,677)**
Changes in unrecognised deferred tax asset	(1,125,266)	509,845
Non-deductible expenditures	(52,216)	(22,316)
Gain from income tax refund (Income tax expense)	**257,534**	**(148)**

Deferred tax assets and liabilities include:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	At 1 January 2021	*In the consolidated statement of profit or loss*	*In the consolidated statement of comprehensive income*	*31 December 2021*	*In the consolidated statement of profit or loss*	*In the consolidated statement of comprehensive income*	*31 December 2022*
Tax effect of deductible temporary differences							
Impairment of assets and liabilities	53,567	27,353	–	80,920	121,512	–	202,432
Valuation of financial instruments	79,997	–	47,606	127,603	–	317,067	444,670
Unused tax losses carried forward	4,132,634	(537,433)	–	3,595,201	1,264,286	–	4,859,487
Deferred tax asset	**4,266,198**	**(510,080)**	**47,606**	**3,803,724**	**1,385,798**	**317,067**	**5,506,589**
Unrecognised deferred tax asset	(3,020,161)	509,845	(47,606)	(2,557,922)	(1,125,266)	(317,067)	(4,000,255)
Recognised deferred tax asset	**1,246,037**	**(235)**	**–**	**1,245,802**	**260,532**	**–**	**1,506,334**
Tax effect of deductible temporary differences							
Property, plant and equipment and intangible assets	(70,665)	235	14,931	(55,499)	(3,046)	(32,905)	(91,450)
Deferred tax liabilities	**(70,665)**	**235**	**14,931**	**(55,499)**	**(3,046)**	**(32,905)**	**(91,450)**
Net deferred tax asset	**1,175,372**	**–**	**14,931**	**1,190,303**	**257,486**	**(32,905)**	**1,414,884**

The information on the professional judgements applied by the management for the recognition of deferred tax assets is provided in Note 4.

(thousands of Ukrainian hryvnia)

16. Other financial assets and other financial liabilities

Other financial assets comprise:

	31 December 2022	*31 December 2021*
Transit accounts on operations with payment cards	271,219	119,363
Other accrued income	162,950	62,812
Accounts receivable on operations with customers	84,632	63,485
Accrued service fee on guarantees issued	82,137	18,281
Other	733	121
	601,671	**264,062**
Less: allowance for expected credit losses	(149,704)	(86,466)
Other financial assets	**451,967**	**177,596**

Other financial liabilities comprise:

	31 December 2022	*31 December 2021*
Transit accounts on operations with customers	387,806	496,093
Transit accounts on operations with payment cards	170,777	61,132
Accrued expenses	17,164	10,430
Liabilities on guarantees issued	12,902	22,264
Lease commitments	7,179	6,099
Other	4,988	–
Other financial liabilities	**600,816**	**596,018**

The following table shows the analysis of changes in the gross carrying amount and the corresponding ECL on other financial assets (except for transit accounts on operations with payment cards):

	Stage 1 Collective
Gross carrying amount at 1 January 2022	**144,699**
New assets originated or purchased	3,205,673
Completed (repaid) assets	(3,127,843)
Change in carrying amount	108,674
Written-off assets	(12,549)
Translation differences	11,798
Gross carrying amount at 31 December 2022	**330,452**

	Stage 1 Collective
Gross carrying amount at 1 January 2021	**119,624**
New assets originated or purchased	130,336
Completed (repaid) assets	(121,305)
Change in carrying amount	20,315
Written-off assets	(1,118)
Translation differences	(3,153)
Gross carrying amount at 31 December 2021	**144,699**

	Stage 1 Collective
Allowance at 1 January 2022	**86,466**
New assets originated or purchased	83,722
Completed (repaid) assets	(77,476)
Modifications in allowance	56,828

(thousands of Ukrainian hryvnia)

	Stage 1 Collective
Written-off assets	(12,549)
Translation differences	12,713
Allowance at 31 December 2022	**149,704**

	Stage 1 Collective
Allowance at 1 January 2021	**97,061**
New assets originated or purchased	14,206
Completed (repaid) assets	(31,889)
Modifications in allowance	11,396
Written-off assets	(1,118)
Translation differences	(3,190)
Allowance at 31 December 2021	**86,466**

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

Other non-financial assets comprise:

	31 December 2022	*31 December 2021*
Advance payments	146,755	133,060
Cash, which availability is not confirmed	44,237	34,413
Inventories	34,167	30,845
Other tax assets, except those related to income tax	22,707	98,721
Repossessed pledged property	5,791	33,112
Precious metals	–	29,979
Other	2,453	1,752
	256,110	**361,882**
Less: allowance for impairment	(118,396)	(69,599)
Other non-financial assets	**137,714**	**292,283**

Other non-financial liabilities comprise:

	31 December 2022	*31 December 2021*
Accrued unused vacations	183,963	135,812
Payables to the Individual Deposit Guarantee Fund	63,305	50,952
Accrued salary	28,784	209,423
Deferred income	25,982	51,449
Payables on taxes and mandatory contributions, except for income tax	22,074	30,750
Payables on the Bank's business activities	9,713	16,664
Other	152	306
Other non-financial liabilities	**333,973**	**495,356**

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

Allowance at 1 January 2022	**69,599**
Charge	42,013
Written-off assets	(4,606)
Translation differences	11,390
Allowance at 31 December 2022	**118,396**

(thousands of Ukrainian hryvnia)

Allowance at 1 January 2021	**95,009**
Reversal	(23,940)
Translation differences	(1,470)
Allowance at 31 December 2021	**69,599**

18. Derivative financial instruments

The Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets, 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 swop

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 31 December 2022, the notional amounts are:

	Notional amount		***Fair value***	
	Assets	***Liabilities***	***Assets***	***Liabilities***
Currency swop	12,073,256	12,052,958	16,809	9,810
Interest rate swap	8,397,406	8,397,406	2,307,813	–

As at 31 December 2021, the notional amounts are:

	Notional amount		***Fair value***	
	Assets	***Liabilities***	***Assets***	***Liabilities***
Forward	62,420	62,295	125	–
Currency swop	417,496	417,496	205	7
Interest rate swap	8,647,406	8,647,406	582,412	–

To make a guarantee fund on interest rate swaps, the Bank used the investment securities – Ukrainian state bonds with the carrying amount of UAH 967,193 thousand (31 December 2021: UAH 1,095,864 thousand) (Note 11).

During 2022, the Bank recognised gain from revaluation of derivative financial instruments in amount of UAH 2,446,467 thousand (2021: UAH 449,452 thousand) recorded under "Net increase/(decrease) from financial instruments at fair value through profit or loss".

19. Non-current assets classified as held for sale

The movements of non-current assets classified as held for sale were as follows:

	2022	***2021***
Non-current assets classified as held for sale as at 1 January	**8,332**	**22,241**
Additions	218,877	8,332
Transfer to Investment property	(8,332)	(12,633)
Sale of non-current assets classified as held for sale	–	(9,608)
Non-current assets classified as held for sale as at 31 December	**218,877**	**8,332**

(thousands of Ukrainian hryvnia)

During 2022, the Bank effected the repayment of bad debts of loans and advances to customers through possession of pledged property, which is included in "Non-current assets classified as held for sale", in the form of non-residential real estate and a land of UAH 218,877 thousand (2021: residential real estate and land in the amount of UAH 8,332 thousand). According to the Bank's expectations, the sale of assets is expected to be completed within twelve months from the reporting date through public auctions.

During 2022, the Bank did not have income or expenses from operations with non-current assets classified as held for sale (2021: income from sales of UAH 258 thousand).

Non-current assets classified as held for sale are allocated to the following segments: in the amount of UAH 200,941 thousand to "Corporate banking" and in the amount of UAH 17,936 thousand to "Retail banking" (2021: UAH 8,332 thousand to "Corporate banking").

20. Due to other banks

Due to other banks comprise:

	31 December 2022	*31 December 2021*
Amounts due to the National Bank of Ukraine		
Loans from the National Bank of Ukraine	18,468,854	21,366,867
Correspondent account with the National Bank of Ukraine	–	362
	18,468,854	**21,367,229**
Amounts due to banks		
Current accounts	3,491,381	2,418,887
Loans and deposits	152,308	1,754,600
Other amounts due to credit institutions	46,095	36,655
	3,689,784	**4,210,142**
Due to other banks	**22,158,638**	**25,577,371**

Loans from the National Bank of Ukraine

As at 31 December 2022, amounts due to the National Bank of Ukraine on refinancing loans comprise:

Date of agreement	*Maturity date*	*Interest rate type*	*Effective interest rate*	*Carrying amount*
11 September 2020	30 August 2024	Floating (NBU discount rate + margin)	28.07409%	514,999
9 October 2020	3 October 2025	Floating (NBU discount rate + margin)	28.07409%	337,989
13 November 2020	7 November 2025	Floating (NBU discount rate + margin)	28.07409%	10,757,788
11 December 2020	05 December 2025	Floating (NBU discount rate + margin)	28.07409%	999,997
15 January 2021	01 December 2025	Floating (NBU discount rate + margin)	28.07349%	18,089
09 April 2021	03 April 2026	Floating (NBU discount rate + margin)	28.07409%	299,999
14 May 2021	08 May 2025	Floating (NBU discount rate + margin)	28.07468%	80,000
11 June 2021	05 June 2026	Floating (NBU discount rate + margin)	28.07409%	4,519,983
09 July 2021	5 July 2024	Floating (NBU discount rate + margin)	28.07528%	940,010
Amounts due to the NBU on loans				**18,468,854**

(thousands of Ukrainian hryvnia)

As at 31 December 2021, amounts due to the National Bank of Ukraine on refinancing loans comprise:

Date of agreement	*Maturity date*	*Interest rate type*	*Effective interest rate*	*Carrying amount*
14 August 2020	17 July 2023	Floating (NBU discount rate + margin)	9.38088%	2,898,009
11 September 2020	30 August 2024	Floating (NBU discount rate + margin)	9.38088%	514,999
9 October 2020	3 October 2025	Floating (NBU discount rate + margin)	9.38088%	337,989
13 November 2020	7 November 2025	Floating (NBU discount rate + margin)	9.38088%	10,757,793
11 December 2020	05 December 2025	Floating (NBU discount rate + margin)	9.38088%	999,998
15 January 2021	01 December 2025	Floating (NBU discount rate + margin)	9.38088%	18,089
09 April 2021	03 April 2026	Floating (NBU discount rate + margin)	9.38088%	299,999
14 May 2021	08 May 2025	Floating (NBU discount rate + margin)	9.38088%	80,000
11 June 2021	05 June 2026	Floating (NBU discount rate + margin)	9.38088%	4,519,986
09 July 2021	5 July 2024	Floating (NBU discount rate + margin)	9.38088%	940,005
Amounts due to the NBU on loans				**21,366,867**

As at 31 December 2022, the margin on NBU refinancing loans is 0.00% (31 December 2021: 0.00%).

As at 31 December 2022, amounts due to the NBU on refinancing loans were secured by the investment securities - Ukrainian state bonds with the carrying amount of UAH 23,899,166 thousand (31 December 2021: UAH 25,803,904 thousand) (Note 11).

Amounts due to banks

As at 31 December 2022, current accounts included UAH 1,514,705 thousand placed by five Ukrainian banks (31 December 2021: UAH 1,682,644 thousand placed by five Ukrainian banks). The placements have been made under normal banking terms and conditions.

As at 31 December 2022, deposits and loans attracted from non-resident banks amounted to UAH 47,021 thousand (31 December 2020: UAH 1,681,011 thousand).

For the purposes of presentation of the consolidated statement of cash flows, the Bank allocates funds due to other banks between operating and financing activities. Loans and deposits raised from non-resident banks were included in cash for financing activities, all other components of due to other banks were included in in cash for operating activities.

21. Other borrowed funds

Other borrowed funds comprise:

	31 December 2022	*31 December 2021*
Loans from international financial organisations	23,400,194	21,451,751
Eurobonds issued	3,870,390	5,725,085
Loans from other financial organisations	30,774	60,818
Other borrowed funds	**27,301,358**	**27,237,654**

As at 31 December 2022, loans from international financial organisations include loans from the International Bank for Reconstruction and Development (IBRD) within the Second Project of Export Development and Additional Financing for the Second Project of Export Development with a carrying amount of UAH 5,698,536 thousand (31 December 2021: UAH 4,611,060 thousand). The loans are denominated in US dollars, bear interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loans are subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rates are as follows: 4.64% and 4.85% p.a., respectively. Loans mature in 2026 and 2041.

Loans from international financial institutions include the loan from the IBRD under the Project on Energy Efficiency in the amount of UAH 5,033,087 thousand (31 December 2021: UAH 3,904,767 thousand). The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loan is subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rate is as follows: 4.85% p.a. The loan matures in 2040.

Loans from international financial institutions include the loan from the IBRD under the Project on Access to Long Term Finance in the amount of UAH 5,401,444 thousand (31 December 2021: UAH 3,243,106 thousand). The total amount of financing under the Loan agreement is USD 150,000 thousand . The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loan is subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rate is as follows: 5.58% p.a. The loan matures in 2052.

Loans from international financial institutions include the loan from the IBRD for Additional Funding to Counteract COVID-19 under the Project on Access to Long Term Finance in the amount of UAH 3,653 thousand (31 December 2021: no debt). The total amount of financing under the Loan agreement is USD 100,000 thousand . The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loan is subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rate is as follows: 5.32% p.a. The loan matures in 2041.

As at 31 December 2022, loans from international financial institutions include loans from the European Investment Bank ("EIB") under the loan for SMEs and Mid-Caps and loan under the Deep and Comprehensive Free Trade Area (DCFTA) Initiative between EU and Ukraine totaling UAH 6,501,569 thousand (31 December 2021: UAH 7,895,990 thousand). The total amount of these loans under the loan agreements is EUR 400,000 thousand. Loan tranches are denominated in USD, EUR and UAH and mature in 2023, 2025 and 2026, bear fixed and floating interest rate for each tranche: LIBOR(6m)USD + spred EIB, floating interest rate are reviewed twice a year, and as at the current date the interest rates are: 5.027%, 7.89071%, 8.66857%, 1.431% and 7.7% p.a., respectively.

Loans from international financial institutions include A/B loan from the European Bank for Reconstruction and Development (EBRD) under the loan agreement of 16 August 2019 in the amount of EUR 80,000 thousand. As at 31 December 2022, the carrying amount of the loan was UAH 565,671 thousand. (31 December 2021: UAH 893,676 thousand). The interest rate is set at EURIBOR(6m) + margin of 4.25% per annum. Repayment is provided for in equal semi-annual installments with final repayment in 2023.

Loans from international financial institutions include a loan from the Nordic Environment Finance Corporation under Financing Energy Efficiency and Renewable Energy Project in the amount of UAH 196,234 thousand (31 December 2021: UAH 154,751 thousand). The amount of loan under the Loan Agreement is equivalent to EUR 5,000 thousand. The loan is denominated in EUR, the Bank accounts for loan tranches in EUR at the floating rate of 4.354%. The loan matures in 2025.

Loans from other financial organisations include a loan from the Entrepreneurship Development Fund (EDF) attracted under the lending program for micro, small and medium businesses (private entrepreneurs and legal entities of private ownership). Loan debt to the EDF is secured by investment securities (Note 11).

For the purposes of presentation of the consolidated statement of cash flows, the Bank allocates other borrowed funds between operating and financing activities. Funds raised from the Ukrainian banks were included in the funds for operating activities, and funds from international financial organisations were included in the funds for financing activities.

Loan agreements with international financial organisations provide for various covenants and restrictions (Note 25).

Eurobonds issued

	31 December 2022			*31 December 2021*		
	Debt balance ('000)	*Currency*	*Carrying amount*	*Debt balance ('000)*	*Currency*	*Carrying amount*
April 2010 issue	–	–	–	22,928	USD USD	636,295
January 2013 issue	84,513	USD USD	3,225,325	139,764	USD USD	3,975,535
October 2010 issue	–	–	–	11,464	USD USD	318,148
April 2013 issue	16,903	USD USD	645,065	27,953	USD USD	795,107
Eurobonds issued			**3,870,390**			**5,725,085**

In April 2010, the Bank, through BIZ Finance PLC (structured company registered in the United Kingdom) issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.375% p.a. and maturity in April 2015.

In October 2010, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 250,000 thousand (UAH 1,998,250 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.375% p.a. and maturity in April 2015

and were consolidated and form a single series with the notes issued in April 2010.

Issued Eurobonds in the form of loan participation notes with a par value of USD 750,000 thousand and maturity in 2015 were reprofiled on 09 July 2015 on the following conditions:

- The coupon rate of 9.625% p.a.;
- Maturity date was rescheduled for 7 years, i.e. to 27 April 2022 with 50% of the principle amount payable on 27 April 2019 and the remaining part of the principle amount payable in six equal semi-annual payments from 27 October 2019 through 27 April 2022.

On 10 November 2020, to optimize the balance sheet structure, the Bank made a partial redemption of Eurobonds in the form of loan participation notes issued with maturity in April 2022 with the total par value of USD 84,047 thousand.

In January 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in April 2018.

In April 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand (UAH 799,300 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in April 2018 and were consolidated and form a single series with the notes issued in January 2013.

Issued Eurobonds in the form of loan participation notes with a par value of USD 600,000 thousand and maturity in 2018 were reprofiled on 09 July 2015 on the following conditions:

- The coupon rate of 9.75% p.a.;
- Maturity date was rescheduled for 7 years, i.e. to 22 January 2025 with 50% of the principle amount payable on 22 January 2021 and the remaining part of the principle amount payable in eight equal payments from 22 July 2021 through 22 January 2025.

On 10 November 2020, to optimize the balance sheet structure, the Bank made a partial redemption of Eurobonds in the form of loan participation notes issued with maturity in January 2025 with the total par value of USD 215,948 thousand.

At the end of January - in the first half of February 2022, the Bank made a partial redemption of Eurobonds in the form of loan participation notes with maturity in January 2025. As a result of the transactions, loan participation notes with the total par value of USD 22,058 thousand were redeemed and canceled. As a result of the redemption transactions in 2022, the Bank recognised a gain on derecognition of financial liabilities at amortised cost in the amount of UAH 19,716 thousand.

(thousands of Ukrainian hryvnia)

Issued Eurobonds in the form of loan participation notes establish certain requirements for compliance with a range of non-financial obligations and financial covenants, which include maintaining certain coefficients (ratios) at a determined level (Note 25).

22. Customer accounts

Customer accounts comprise:

	31 December 2022	*31 December 2021*
Current accounts:		
- Legal entities	59,393,337	52,248,550
- Budget financed organisations	51,054,029	11,141,261
- Individuals	10,193,028	6,086,642
	120,640,394	**69,476,453**
Time deposits:		
- Legal entities	26,035,709	26,350,834
- Individuals	21,319,569	19,088,954
	47,355,278	**45,439,788**
Demand deposits:		
- Legal entities	7,784,366	5,380,130
- Individuals	1,367,387	1,540,865
	9,151,753	**6,920,995**
Customer accounts	**177,147,425**	**121,837,236**
Held as security against guarantees and avals (Note 25)	3,196,199	3,149,849
Held as security against loans to customers (Note 10)	1,306,263	794,067
Held as security against letters of credit (Note 25)	578,870	570,403
Held as security against undrawn loan commitments (Note 25)	2,589	26,147

As at 31 December 2022, legal entities current accounts included funds of ten largest customers in the amount of UAH 14,208,407 thousand (23.9% of legal entities current accounts) (31 December 2021: UAH 21,693,955 thousand, or 41.5%).

As at 31 December 2022, individuals' current accounts included funds of ten largest customers in the amount of UAH 631,136 thousand (6.2% of individuals' current accounts) (31 December 2021: UAH 305,482 thousand, or 5.0%).

As at 31 December 2022, term deposits and demand depoists of legal entities included funds attracted from five customers in the amount of UAH 6,890,584 thousand (20.4% of deposits of legal entities) (31 December 2020: UAH 7,059,333 thousand, or 22.2%).

As at 31 December 2022, term deposits and demand deposits of individuals included funds attracted from ten customers in the amount of UAH 3,539,612 thousand (15.6% of deposits of individuals) (31 December 2021: UAH 1,752,315 thousand, or 8.5%).

As at 31 December 2022, deposits of legal entities included funds raised in gold, which are measured at fair value through profit or loss in the amount of UAH 27,909 thousand (31 December 2021: UAH 20,745 thousand). As at 31 December 2022, there is no change in fair value of funds raised in gold due to changes in credit risk (31 December 2021: none).

The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only cases provided for by the deposit agreement.

An analysis of customer accounts by economic sector is as follows:

	31 December 2022	*%*	*31 December 2021*	*%*
Budget financed organisations	51,054,029	28.8	11,141,261	9.1
Individuals	32,879,984	18.6	26,716,461	21.9
Trade	20,194,831	11.4	10,469,679	8.6

(thousands of Ukrainian hryvnia)

	31 December 2022	*%*	***31 December 2021***	*%*
Agriculture and food industry	11,916,041	6.7	6,904,045	5.7
Finance	8,636,601	4.9	4,639,444	3.8
Professional, scientific and technical activities	7,508,024	4.2	5,599,773	4.6
Mechanical engineering	6,152,873	3.5	4,707,094	3.9
Power engineering	6,040,481	3.4	12,216,493	10.0
Extractive industry	4,290,318	2.4	10,121,866	8.3
Health protection	4,123,658	2.3	2,099,702	1.7
Transport and communications	3,834,963	2.2	7,234,153	5.9
Construction	3,653,590	2.1	4,822,711	4.0
Chemical industry	3,463,861	2.0	2,305,964	1.9
Information and telecommunications	2,731,005	1.5	1,629,688	1.3
Real estate	1,741,782	1.0	1,334,432	1.1
Production of construction materials	1,297,054	0.7	1,177,676	1.0
Metal processing	1,123,989	0.6	757,780	0.6
Wood processing	705,343	0.4	268,970	0.2
Processing	626,359	0.4	500,658	0.4
Education	534,085	0.3	543,357	0.4
Personal services	301,565	0.2	317,647	0.3
Pulp and paper industry	245,625	0.1	78,376	0.1
Production of rubber and plastic goods	220,975	0.1	99,068	0.1
Light industry	157,635	0.1	66,577	0.1
Metallurgy	134,371	0.1	3,179,857	2.6
Hotels and restaurants	50,488	0.1	247,099	0.2
Other	3,527,895	1.9	2,657,405	2.2
Customer accounts	**177,147,425**	**100.0**	**121,837,236**	**100.0**

23. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand from Credit Suisse International. This loan was funded by 8.4% loan participation notes issued on a limited recourse basis by Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand from Credit Suisse International. This loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the securities issued in February 2006. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August of each year, commencing on 9 August 2006.

On 29 May 2015, the Bank as a borrower, the Credit Suisse International as a creditor and Biz Finance Plc as a new creditor signed the second supplementary loan agreement under which Credit Suisse International was replaced with Biz Finance Plc. from the date if its signing.

On 9 July 2015, the Bank and Biz Finance Plc. signed the Agreement on amendments and revisions to the loan agreement (the Agreement on funds borrowing under subordinated debt terms) of USD 125,000 thousand dated 7 February 2006 as amended by the Supplement loan agreement dated 9 November 2006 and the second Supplementary loan agreement dated 29 May 2015, as follows:

- Starting 9 August 2015, the interest rate was changed under the terms of agreement to 7% p.a. + 6m Libor rate and as at 31 December 2022 comprised 10.42557%; maturity date was rescheduled for 7 years, i.e. to 9 February 2023 with 50% of the principle amount payable on 9 February 2020 and the remaining part of the principle amount payable in six equal semi-annual payments from 9 August 2020 through 9 February 2023.

(thousands of Ukrainian hryvnia)

As at 31 December 2022, the carrying amount of the above mentioned loan was UAH 396,434 thousand. (31 December 2021: UAH 876,250 thousand). On 9 February 2023, the loan was repaid.

In November 2019, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand with a fixed coupon rate of 9.95% per annum and maturity in November 2029, with the possibility of early repayment in November 2024, solely for the purpose of financing the Bank's subordinated debt.

Interest payments are made semi-annually in arrears on 14 May and 14 November of each year, commencing on 14 August 2020.

As at 31 December 2022, the carrying amount of the above mentioned loan was UAH 3,659,010 thousand. (31 December 2021: UAH 2,729,347 thousand).

24. Equity

As at 31 December 2022, the Bank's authorised issued share capital comprised 31,168,806 (31 December 2021: 31,168,806 ordinary registered shares) with the nominal value of UAH 1,462.04 per share (31 December 2021: 1,462.04 per share). As at 31 December 2022, 31,168,806 ordinary registered shares were fully paid and registered (31 December 2021: 31,168,806 ordinary registered shares were fully paid and registered).

In June 2021, according to Resolution #392-p of the Cabinet of Ministers of Ukraine "*Some operational issues of Joint Stock Company "The State Export-Import Bank of Ukraine*" of 28 April 2021, the Bank allocated the retained earnings of prior years, in the total of UAH 525,244 thousand, to the reserve fund and used the total balance of the reserve fund in the amount of UAH 732,702 thousand to recover the prior-year loss.

Resolution #183 of the Cabinet of Ministers of Ukraine "Some Issues of Dividend Payment by State Banks in 2022" of 03 March 2022 approved the basic standard for deducting a share of profit to be allocated to the state budget for the payment of dividends by Ukreximbank based on the results of financial and economic activities in 2021.

In the first quarter of 2022, the Bank made a transfer of part of its profit to pay dividends based on the results of financial and economic activities in 2021 in the amount of UAH 1,364,209 thousand, the amount of dividends per share is UAH 43.77. According to Article 57 of the Tax Code of Ukraine, the Bank accrued and paid to the budget the advance income tax payment in the amount of UAH 245,558 thousand.

According to Resolution #575-p of the Cabinet of Ministers of Ukraine "*Some operational issues of Joint Stock Company "The State Export-Import Bank of Ukraine*" of 16 June 2023, the Bank allocated the part of profit of 2021 in the amount of UAH 1,364,209 thousand to the reserve fund and used to recover the prior-year loss.

Movements in other reserves

The movements in other reserves were as follows:

	Property revaluation reserve	*Reserve of gains and losses on financial assets measured at fair value through other comprehensive income*	*Reserve of gains and losses from investments in equity instruments*	*Other reserves*
At 1 January 2021	**1,013,287**	**(424,183)**	**(63,421)**	**525,683**
Depreciation of revaluation reserve, net of tax	(18,993)	–	–	(18,993)
Revaluation of property, plant and equipment	(82,949)	–	–	(82,949)
Income tax related to components of other comprehensive income	14,931	–	–	14,931
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including:	–	(537,947)	646	(537,301)
Reversal of expenses for expected credit losses on investment securities at fair value through other	–	9,189	–	9,189

(thousands of Ukrainian hryvnia)

	Property revaluation reserve	*Reserve of gains and losses on financial assets measured at fair value through other comprehensive income*	*Reserve of gains and losses from investments in equity instruments*	*Other reserves*
comprehensive income				
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(29,150)	–	(29,150)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	–	(517,986)	646	(517,340)
Income tax not related to components of other comprehensive income	–	–	–	–
At 31 December 2021	**926,276**	**(962,130)**	**(62,775)**	**(98,629)**
Depreciation of revaluation reserve, net of tax	(18,466)	–	–	(18,466)
Revaluation of property, plant and equipment	187,027	–	–	187,027
Impairment of property, plant and equipment	(4,221)	–	–	(4,221)
Income tax related to components of other comprehensive income	(32,905)	–	–	(32,905)
Other changes	(5,408)	–	–	(5,408)
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including:	–	(1,487,595)	(1,069)	(1,488,664)
Expenses for expected credit losses of investment securities at fair value through other comprehensive income	–	(308,674)	–	(308,674)
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	–	(68,998)	–	(68,998)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	–	(1,109,923)	(1,069)	(1,110,992)
At 31 December 2022	**1,052,303**	**(2,449,725)**	**(63,844)**	**(1,461,266)**

Nature and purpose of reserves

Property revaluation reserve

The revaluation reserve for property, plant and equipment is used to record increases in the fair value of buildings and land, as well as its decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Reserve of gains and losses on financial assets measured at fair value through other comprehensive income

This reserve reflects changes in fair value of investment securities at fair value through other comprehensive income.

Reserve of gains and losses from investments in equity instruments

This reserve reflects changes in the fair value of investments in equity instruments.
Reserves and other funds of the Bank

The Bank's reserve fund is created under the Charter up to reaching 25 percent of regulatory capital at the beginning of each year. The amount of allocations to the reserve fund is not less than 5 percent of the annual income of the Bank. The reserve fund is created for unforeseen losses for all assets and off-balance sheet commitments.

The Bank's distributable reserves are determined by the amount of the reserves according to the Bank's accounts and as at 31 December 2022, there were no such reserves (31 December 2021: none).

The Bank's non-distributable reserves are represented by revaluation surplus reserve, reserve of gains and losses on financial assets measured at fair value through other comprehensive income and reserve of gains and losses from investments in equity instruments, which is created to cover general banking risks, including future losses and other unforeseen risks or contingencies. As at 31 December 2022, the amount of non-distributable reserves was UAH (1,461,266) thousand (31 December 2021: (UAH (98,629) thousand).

25. Commitments and contingencies

Operating environment

2022 has become the most tragic year in the modern history of Ukraine due to the invasion of the Russian Federation. The war going in Ukraine and temporary occupation of a considerable part of the Ukrainian territory has become destructive for the national economy. Hundreds of thousands of dead, thousands of destroyed villages, towns and cities, millions of forced migrants inside and outside the country, irreparable damage and loss of property of businesses and individuals. During the second half of 2022, Ukraine, with the help of its international partners, is showing certain signs of economic stabilization.

On 24 February 2022, the Russian Federation started its armed invasion of Ukraine, which ended up with a full-scale war in the entire territory of Ukraine. This military attack has caused and continues to cause significant destruction of the infrastructure, displacement of large numbers of people and disruption of the state's economic activity.

Ukraine's economy is suffering tremendous losses from the Russian armed aggression, and it is difficult to estimate these losses at the moment, because the war is still going.

At the beginning of the war, the NBU's actions were aimed primarily at maintaining the stability of the banking system and uninterrupted payments. This was necessary for the adaptation of the economy, business, and population to new conditions. For this purpose, the National Bank made the official exchange rate fixed, introduced currency restrictions, postponed the revision of the discount rate (it was at the level of 10%) and introduced additional instruments to support the liquidity of the banking system. These steps, as well as a significant margin of safety, helped the financial system survive at the beginning of the war, with a proper level of stability and control.

In June, the NBU raised the discount rate to 25% to address the inflationary processes, increase the attractiveness of UAH-denominated assets and reduce the demand for foreign currency.

Despite the war and high world inflation, the actual rates of price growth in Ukraine remained under control, and inflationary pressure stabilized in the last months of 2022. The anti-crisis measures introduced by the NBU and the Government, with the support of international partners, have made it possible to ensure relatively moderate inflation dynamics.

Subsequent development of the country's economy depends on the duration and intensity of the hostilities, their cessation and the victory of Ukraine in the war with the aggressor, the foreign trade situation, the sufficiency of international financial aid, the agreed policies and decisions of the Verkhovna Rada, the Government, the National Bank of Ukraine and the Office of the President to overcome catastrophic consequences of the war.

According to the results of 2022, the macroeconomic situation in Ukraine has significantly impaired. The loss of human capital and the destruction of infrastructure, particularly energy one, as a result of Russian attacks and hostilities, has led to a severe decline in the economy in 2022 and will restrain its recovery in future. A high level of risks and uncertainty remains, which complicates the work of the financial sector, but macro-financial stability is supported by significant international financial assistance.

In the last few months of 2022, there was a lot of positive news about the amount of financial aid that international partners will be providing to Ukraine in 2023. The recent announcement of a loan of EUR 18 billion from the EU and the expected aid of USD 18 billion from the US, probably in the form of a grant, is a significant positive factor that improves considerably the prospects for the next 12-18 months. Not given the foreign loans and grants, Ukraine's external accounts remain under considerable pressure.

Since the beginning of the full-scale war, the balance of trade has deteriorated significantly. Trade in goods was primarily affected by a drop in exports due to disruptions in logistics. However, the export situation is improving in the last months of 2022. Ukraine has taken advantage of the unblocked Black Sea ports and increased the shipment of grain and oil crops.

At the same time, the current account of the balance of payments is supported by constant inflows of migrant remittances. They remain almost at the level of last year and may reach 10% of GDP in 2023 (source of information - ICU MacroInsight dated 11/25/2022, page 4). Therefore, migrant remittances make it possible to compensate for a significant part of the trade deficit. Official government grants, which were a hardly noticeable component of the current account before the war, now play a decisive role in the formation of its surplus.

According to the results of 2022, inflation in Ukraine amounted to 26.6%. The main factors of price growth were, in particular: destruction of production facilities, disruption of logistics, increase in production costs, limited supply of certain goods. The inflation was impacted by the increase in the UAH/USD exchange rate and the high rate of growth in world prices. The price pressure was restrained by the increase in the discount rate to 25% per annum and its gradual transmission into market rates, by the suppressed demand, and by fixing of tariffs for housing and utility services. Most of these factors will slow the inflation down in 2023. Still, the destruction of the energy infrastructure will increase the pressure on prices. It should be mentioned that despite the war, inflationary processes in Ukraine remain under control, and the NBU predicts a moderate slowdown in inflation in 2023. Risks to inflationary processes and deterioration of expectations remain significant, in particular due to possible war escalations, as well as terrorist attacks by the Russian Federation and the resulting electricity shortage.
The NBU's forecast anticipates maintaining a high discount rate for a long time encouraging banks to further raise and maintain their deposit rates at a high level.

For 12 months of 2022, according to information of the National Bank of Ukraine , the net assets of the Ukrainian banking system have increased to UAH 2,353,938,881 thousand (by UAH 300,706,606 thousand compared to December 2021) due to the increase in the securities portfolio (by UAH 166,726,554 thousand) and balances on correspondent accounts with banks and term deposits with other banks (by UAH 131,382,579 thousand). The increase in liabilities of the Ukrainian banking system has amounted to UAH 338,148,352 thousand, up to UAH 2,135,866,563 thousand, mainly at the expense of the increased amounts due to individuals (by UAH 206,342,389 thousand) and business entities and non-bank financial institutions (by UAH 142,868,799 thousand).

The liquidity of the banking system overall remained high. The increase in customer accounts was mainly due to demand deposits with the state banks.

During the second half of the year, the share of term deposits of the population with banks continued to decrease. A high discount rate stimulates an increase in market rates in the economy. Furthermore, since the beginning of 2023, the National Bank of Ukraine has strengthened significantly the reserve requirements for current accounts. With the currency restrictions eased in July, the population could buy foreign currency for its placement in term bank deposits.

Despite the extraordinary damages and losses suffered by the country's economy, the banking sector is profitable as at the year-end - according to the results of 12 months of 2022, according to information of the National Bank of Ukraine, the net profit amounted to UAH 24,715,508 thousand. Maintained operational profitability of the banking system provides financial institutions with the first line of defense for absorbing credit losses. Interest income has increased significantly due to growth in assets and due to higher interest rates on investment instruments. At the same time, a high share of current funds in the banks' liabilities restrained the overall increase in the cost of funding. After a sharp fall in the spring months, commission income has increased due to stable demand for banking services and gradual restoration of tariffs - in September, commission income has reached the pre-war level already.

During 2022, most banks optimized their administrative costs. So, despite significant asset losses, the sector overall remained profitable, its twelve-month ROE exceeding 10.9%. Some financial institutions violate the minimum capital adequacy requirements. The National Bank does not apply any influence measures for violations of regulatory capital requirements if they are caused by the consequences of war.

Legal aspects

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

Tax and other regulatory compliance

Ukrainian legislation and regulations regarding taxation continue to evolve. The legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

(thousands of Ukrainian hryvnia)

At the same time, there is a risk that the transactions and interpretations not challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. Assessment of amount and probability of negative consequences of possible unreported claims are unreasonable.

Since 1 September 2013 transfer pricing rules came into force. These rules provide that in the case of transactions with related parties (non-residents) and, in some cases with unrelated parties (controlled transactions) that are not at market value, entities should charge additional tax liabilities.

On 1 January 2022, new rules of recognising the negative value of the object of taxation of previous tax (reporting) years ('tax losses') in determining the object of taxation of corporate income tax by large taxpayers came into force as introduced by Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine to Ensure Balanced Budget Revenues" N1914-IX of 30 November 2021.

These rules stipulate that starting from the first tax (reporting) period of 2022 large taxpayers have the right to reduce the object of taxation by no more than 50 percent of the accumulated tax losses of previous tax (reporting) years outstanding as of 1 January 2022.

The Bank had a close look at and took into account new rules for adjusting the pre-tax financial result for part of the amount of negative value of the object of taxation of previous tax (reporting) years when calculating the deferred tax asset.

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts of the Bank included:

	31 December 2022	***31 December 2021***
Undrawn loan commitments	24,309,454	14,028,060
Financial guarantees	3,393,212	1,566,433
Letters of credit	1,367,304	1,568,278
Avals on promissory notes	339,993	400,443
	29,409,963	**17,563,214**
Allowance for expected credit losses	(520,007)	(290,987)
Cash held as security against letters of credit, avals, financial guarantees and undrawn loan commitments	(2,443,037)	(1,047,866)

As at 31 December 2022, credit-related commitments amounted to UAH 24,309,454 thousand, including revocable credit-related commitments of UAH 23,667,780 thousand (31 December 2021: UAH 14,028,060 thousand, including revocable credit-related commitments of UAH 13,316,079 thousand).

As at 31 December 2022, the Bank issued letters of credit of UAH 1,349,605 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 561,171 thousand (31 December 2021: UAH 1,526,494 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 531,059 thousand).

As at 31 December 2022, the Bank issued financial guarantees of UAH 2,791,413 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 1,379,329 thousand (31 December 2021: UAH 1,202,616 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 277,311 thousand).

As at 31 December 2022, the Bank's undrawm loan commitments for transactions with plastic cards amounted to UAH 566,832 thousand (31 December 2021: UAH 598,955 thousand).

(thousands of Ukrainian hryvnia)

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

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Credit-related commitments at 1 January 2022	**14,016,352**	**10,232**	**–**	**1,476**	**–**	**14,028,060**
New liabilities originated or purchased	19,884,747	–	–	–	–	19,884,747
Completed (settled) credit-related commitments	(16,555,987)	(886,579)	(901,722)	(57,997)	–	(18,402,285)
Transfer to Stage 1	3,073	(2,876)	–	(197)	–	–
Transfer to Stage 2	(3,471,200)	1,269,354	2,201,861	(15)	–	–
Transfer to Stage 3	(148,175)	(40,546)	–	179,572	9,149	–
Modifications in liabilities	5,109,447	250,825	15,560	95,176	–	5,471,008
Translation differences	3,258,864	(11,618)	73,866	6,811	–	3,327,923
Credit-related commitments at 31 December 2022	**22,097,121**	**588,792**	**1,389,565**	**224,826**	**9,149**	**24,309,453**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Credit-related commitments at 1 January 2021	**11,419,717**	**45,261**	**21,866**	**977**	**11**	**11,487,832**
New liabilities originated or purchased	26,554,226	–	–	–	–	26,554,226
Completed (settled) credit-related commitments	(17,168,954)	(113,257)	–	(58,853)	(11)	(17,341,075)
Transfer to Stage 1	61,304	(40,751)	(20,553)	–	–	–
Transfer to Stage 2	(70,080)	70,471	–	(391)	–	–
Transfer to Stage 3	(130,382)	(926)	–	131,308	–	–
Modifications in liabilities	(6,459,324)	49,177		(69,387)	–	(6,479,534)
Translation differences	(190,155)	257	(1,313)	(2,178)	–	(193,389)
Credit-related commitments at 31 December 2021	**14,016,352**	**10,232**	**–**	**1,476**	**–**	**14,028,060**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Allowance for credit-related commitments at 1 January 2022	**248,247**	**76**	–	**593**	–	**248,916**
New liabilities originated or purchased	467,427	–	–	–	–	467,427
Completed (settled) credit-related commitments	(330,704)	(6,971)	(60,994)	(13,367)	–	(412,036)
Transfer to Stage 1	246	(134)	–	(112)	–	–
Transfer to Stage 2	(144,659)	13,018	131,651	(10)	–	–
Transfer to Stage 3	(62,425)	(1,408)	–	62,399	1,434	–
Modifications in allowance	(168,395)	(714)	(24,604)	40,506	–	(153,207)
Modifications in macro-model inputs	233,076	3,027	–	–	–	236,103
Translation differences	75,517	(1,564)	13,327	4,135	–	91,415
Allowance of credit-related commitments at 31 December 2022	**318,330**	**5,330**	**59,380**	**94,144**	**1,434**	**478,618**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*Total*
Allowance for credit-related commitments at 1 January 2021	**126,706**	**3,713**	**402**	**130,821**
New liabilities originated or purchased	877,831	–	–	877,831
Completed (settled) credit-related commitments	(362,292)	(9,228)	(21,325)	(392,845)
Transfer to Stage 1	1,116	(1,116)	–	–
Transfer to Stage 2	(1,424)	1,611	(187)	–
Transfer to Stage 3	(47,923)	(168)	48,091	–
Modifications in allowance	(286,725)	5,277	(25,692)	(307,140)
Modifications in macro-model inputs	(50,556)	6	–	(50,550)

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 2 Collective*	*Stage 3 Collective*	*Total*
Translation differences	(8,486)	(19)	(696)	(9,201)
Allowance of credit-related commitments at 31 December 2021	**248,247**	**76**	**593**	**248,916**

The following tables show the analysis of changes in financial guarantees and corresponding allowance:

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Total*
Financial guarantees at 1 January 2022	**1,533,699**	**32,734**	**–**	**–**	**1,566,433**
New financial guarantees originated or purchased	2,647,993	–	–	–	2,647,993
Completed (settled) financial guarantees	(1,073,625)	(1,222)	–	(40,225)	(1,115,072)
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(183,502)	188,572	(5,070)	–	–
Transfer to Stage 3	–	(32,180)	–	32,180	–
Modifications in financial guarantees	(32,952)	–	–	–	(32,952)
Translation differences	308,421	5,274	5,070	8,045	326,810
Financial guarantees at 31 December 2022	**3,200,034**	**193,178**	**–**	**–**	**3,393,212**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Total*
Financial guarantees at 1 January 2021	**219,394**	**33,930**	**19,843**	**–**	**273,167**
New financial guarantees originated or purchased	1,473,221	–	–	–	1,473,221
Completed (settled) financial guarantees	(194,949)	–	–	(589)	(195,538)
Transfer to Stage 1	17,696	–	(17,696)	–	–
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	(609)	–	–	609	–
Modifications in financial guarantees	25,461	–	–	–	25,461
Translation differences	(6,515)	(1,196)	(2,147)	(20)	(9,878)
Financial guarantees at 31 December 2021	**1,533,699**	**32,734**	**–**	**–**	**1,566,433**

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Total*
Allowance for financial guarantees at 1 January 2022	**2,882**	–	–	**–**	**2,882**
New financial guarantees originated or purchased	129	–	–	**–**	129
Completed (settled) financial guarantees	(2,682)	–	–	(40,225)	(42,907)
Transfer to Stage 2	–	506	(506)	**–**	–
Transfer to Stage 3	–	(1,720)	–	1,720	–
Modifications in allowance	864	1,208	497	38,505	41,074
Translation differences	182	6	9	**–**	197
Allowance for financial guarantees at 31 December 2022	**1,375**	**–**	**–**	**–**	**1,375**

	Stage 1 Collective
Allowance for financial guarantees at 1 January 2021	**191**
New financial guarantees originated or purchased	647
Completed (settled) financial guarantees	(127)
Modifications in allowance	2,173
Translation differences	(2)
Allowance for financial guarantees at 31 December 2021	**2,882**

The following tables show the analysis of changes in the letters of credit (except for security accounts) and the corresponding allowance:

(thousands of Ukrainian hryvnia)

	Stage 1 Collective
Letters of credit at 1 January 2022	**1,115,381**
New letters of credit originated or purchased	2,675,622
Completed (settled) letters of credit	(2,515,996)
Modifications in letters of credit	(634,016)
Translation differences	147,443
Letters of credit at 31 December 2022	**788,434**

	Stage 1 Collective
Letters of credit at 1 January 2021	**57,544**
New letters of credit originated or purchased	2,504,051
Completed (settled) letters of credit	(1,424,790)
Modifications in letters of credit	(13,220)
Translation differences	(8,204)
Letters of credit at 31 December 2021	**1,115,381**

	Stage 1 Collective
Allowance for letters of credit at 1 January 2022	**39,155**
New letters of credit originated or purchased	118,528
Completed (settled) letters of credit	(134,737)
Modifications in allowance	(187)
Translation differences	17,236
Allowance for letters of credit at 31 December 2022	**39,995**

	Stage 1 Collective
Allowance for letters of credit at 1 January 2021	**4,477**
New letters of credit originated or purchased	120,994
Completed (settled) letters of credit	(73,087)
Modifications in allowance	(12,314)
Translation differences	(915)
Allowance for letters of credit at 31 December 2021	**39,155**

The following tables show the analysis of modifications in avals and corresponding allowance:

	Stage 1 Collective	*Stage 2 Collective*	*Total*
Avals at 1 January 2022	**400,443**	**–**	**400,443**
New avals originated or purchased	3,434,738	–	3,434,738
Completed (settled) avals	(2,699,639)	(16,223)	(2,715,862)
Transfer to Stage 2	(24,554)	24,554	–
Modifications in avals	(779,326)	–	(779,326)
Avals at 31 December 2022	**331,662**	**8,331**	**339,993**

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 3 Collective*	*Total*
Avals at 1 January 2021	**334,339**	**–**	**334,339**
New avals originated or purchased	3,726,077	–	3,726,077
Completed (settled) avals	(2,982,987)	(24,963)	(3,007,950)
Transfer to Stage 3	(24,963)	24,963	–
Modifications in avals	(652,023)	–	(652,023)
Avals at 31 December 2021	**400,443**	**–**	**400,443**

	Stage 1 Collective	*Stage 2 Collective*	*Total*
Allowance for avals at 1 January 2022	**34**	**–**	**34**
New avals originated or purchased	192	–	192
Completed (settled) avals	(204)	(3)	(207)
Transfer to Stage 2	(1)	1	–
Modifications in avals	(2)	2	–
Allowance for avals at 31 December 2022	**19**	**–**	**19**

	Stage 1 Collective	*Stage 3 Collective*	*Total*
Allowance for avals at 1 January 2021	**42**	**–**	**42**
New avals originated or purchased	464	–	464
Completed (settled) avals	(334)	(25)	(359)
Transfer to Stage 3	(25)	25	–
Modifications in avals	(113)	–	(113)
Allowance for avals at 31 December 2021	**34**	**–**	**34**

Other provisions

Performance guarantees

Performance guarantees are the arrangements to provide compensation where a counterparty fails to perform its contractual obligations. Risk related to the counterparty's possible failure to perform its contractual obligations.

	31 December 2022	*31 December 2021*
Performance guarantees	6,166,559	6,330,080
Less: provisions	(2,307)	(561)
Commitments related to performance guarantees (before deducting cash held as security)	**6,164,252**	**6,329,519**
Less: cash held as security for performance guarantees (Note 22)	(1,334,621)	(2,698,533)
Commitments related to performance guarantees	**4,829,631**	**3,630,986**

The provision for performance guarantees is recognised in "Other liabilities" of the consolidated statement of financial position.

Movements in provisions for performance guarantees are provided in the tables below:

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Provision at 1 January 2022	**561**	**–**	**–**	**–**	**–**	**561**
New originated or purchased	1	–	–	–	–	1
Completed (settled)	(184)	(1)	–	–	–	(185)
Transfer to Stage 2	(32)	310	(276)	(2)	–	–
Modifications in allowance	257	(309)	276	2	1,465	1,691

(thousands of Ukrainian hryvnia)

	Stage 1 Collective	*Stage 2 Collective*	*Stage 2 Individual*	*Stage 3 Collective*	*Stage 3 Individual*	*Total*
Translation differences	239	–	–	–	–	239
Provision of credit-related commitments at 31 December 2022	**842**	**–**	**–**	**–**	**1,465**	**2,307**

Provision at 1 January 2021	**3,455**
Charge/(reversal)	(2,868)
Translation differences	(26)
Provision at 31 December 2021	**561**

Financial covenants

The Bank is a party to various arrangements with other credit institutions, which contain financial covenants relating to the financial performance and general risk profile of the Bank (capital adequacy, liquidity, credit risks). The benchmarks for such covenants are specified by the agreements, other documents agreed upon by the parties to the agreements with reference to the international and local regulatory requirements.

These financial covenants may restrict the Bank's ability to execute certain business strategies and enter into other significant transactions in the future.

During 2022, The Bank informed the international creditors about the impossibility of fulfilling its obligations to comply with the certain financial covenants and got their consent not to apply actions against the Bank for violating these obligations until 31 December 2022, inclusive. The management continues communication with the international creditors on this issue and expects to get the appropriate consents until the Bank achieves the financial covenants compliance.

Pledged assets

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

As at 31 December 2022, the securities pledged by the Bank as collateral are:

	2022	*2021*		*2022*	*2021*
Liability type	*Liability amount*		*Asset type*	*Asset carrying amount*	
NBU refinancing loans	18,468,854	21,366,867	Ukrainian state bonds at fair value through profit or loss	10,546,640	11,290,760
			Ukrainian state bonds at fair value through other comprehensive income	6,629,543	7,529,194
			Ukrainian state bonds at amortised cost	6,722,983	6,983,949
			Corporate bonds	8,461,960	8,372,405
NBU interest rate swap (notional amount)	8,397,406	8,647,406	Ukrainian state bonds at fair value through other comprehensive income	967,193	1,095,864
Loan from the Entrepreneurship Development Fund	30,774	60,818	Ukrainian state bonds at fair value through other comprehensive income	63,729	86,548

(thousands of Ukrainian hryvnia)

26. Interest income and expense

Interest income calculated using effective interest method	***2022***	***2021***
Interest income on loans and advances to customers	8,453,170	5,242,212
Interest income on debt instruments at amortised cost	2,005,075	2,852,011
Interest income on debt instruments at fair value through other comprehensive income	1,635,524	1,228,171
Interest income on cash and bank balances in the National Bank of Ukraine	1,187,014	1,070,618
Interest income on cash and bank balances in other banks	126,698	13,299
Interest income on deposits to banks	91,729	7,211
Interest income on loans and advances to banks	7,053	4,619
	13,506,263	**10,418,141**
Other interest income		
Interest income on debt instruments at fair value through profit or loss	1,133,548	1,198,825
Interest income on finance lease	228,701	306,347
	1,362,249	**1,505,172**
Interest expense		
Interest expense on deposits from customers	(5,066,007)	(3,911,638)
Interest expense on liabilities due to central banks	(3,970,417)	(1,441,280)
Interest expense on borrowings	(1,321,464)	(1,108,093)
Interest expense on bonds	(398,328)	(834,139)
Interest expense on bank loans and overdrafts	(37,825)	(38,388)
Interest expense on deposits from banks	(3,294)	(39)
Other interest expenses	(68,011)	(75,781)
	(10,865,346)	**(7,409,358)**

27. Fee income and expense

	2022	***2021***
Fee income		
Cash and settlement service	624,360	631,388
Guarantees and letters of credit	257,757	213,177
Transactions with banks	193,128	198,021
Credit servicing commission	82,521	83,532
Other	49,303	56,477
	1,207,069	**1,182,595**
Fee expense		
Cash and settlement service	(235,592)	(315,036)
Currency conversion	(16,166)	(20,617)
Guarantees and letters of credit	(40,416)	(3,314)
Other	(4,341)	(7,630)
	(296,515)	**(346,597)**

28. Employee benefits expense and other administrative and operating expenses

Employee benefits expense and other administrative and operating expenses comprise:

	2022	***2021***
Salaries and bonuses	1,556,797	1,570,685
Mandatory contributions to the state funds	282,689	244,999
Employee benefits expense	**1,839,486**	**1,815,684**
Payables to the Individual Deposit Guarantee Fund	228,142	213,979

(thousands of Ukrainian hryvnia)

	2022	*2021*
Repair and maintenance of property, plant and equipment	99,623	114,448
Security	73,277	66,253
Legal and advisory services	61,632	50,126
Maintenance of premises	59,147	48,275
Result from sale of investment property	20,590	–
Electronic and data processing costs	40,417	41,367
Operating taxes	35,748	47,348
Expenses for cash collection	18,304	26,875
Communication services	15,827	15,286
Administrative expenses	14,773	12,831
Rent of premises	10,424	13,040
Marketing and advertising	9,230	23,966
Impairment of non-current assets	5,435	–
Personnel recruitment expenses	5,208	–
Representative offices expenses	3,624	2,966
Charity	3,565	3,500
Business travel and related expenses	2,670	4,380
Losses/(reversal of losses) on impairment of performance guarantees	1,505	(2,868)
Modifications of financial assets	33	44,252
Other	57,734	81,473
Other administrative and operating expenses	**766,908**	**807,497**

Expenses for payment to the non-state pension fund in 2022 amounted to UAH 1,172 thousand (2021: UAH 916 thousand).

29. Risk management

Introduction

The risk management system is key to ensuring the Bank's sustainable operations, it provides for proper identification and unbiased assessment of the Bank's risks, and for continuous risk analysis, monitoring and control, and for the preparation of the relevant information, to make timely and adequate management decisions.

The system of the Bank's risk management is complex and relies on the law of Ukraine, with due consideration of the Bank's systemic importance and the recommendations by the Basel Committee on Banking Supervision (BCBS) on how to manage risks. The Bank and its governing bodies constantly ensure the measures for the sustainable development of a risk management culture and the effective functioning of the Bank's risk management system.

The Bank's risk management system covers all significant types of risks that the Bank is exposed to during its operations, namely:

Credit risk;

Liquidity risk;

Interest risk in the banking book;

Market risk;

Operational risk;

Compliance risk;

and includes the following components:

Organisational structure;

the Bank's risk management culture and code of conduct (ethics);

Internal regulatory documents of the Bank on risk management;

Tools for effective risk management in the Bank;

Information systems that provide for risk management and reporting instruments.

Risk management structure

The Bank's risk management system ("RMS") is based on a segregation of responsibilities between all stand-alone structural and separate units of the Bank using the three line protection model.

The Bank's RMS bodies are: Supervisory Board, Risk Committee of the Supervisory Board, Management Board; Management Board committees, namely Credit Committee, Small Credit Committee, Assets and Liabilities Committee (ALCO), Operational and Compliance Risk Management Committee; other Bank's collegial bodies; Internal Audit Department (third line of protection); Chief Risk Officer (CRO) and Risk Management Department (second line of protection); Chief Compliance Officer (CCO) and Compliance Control Department (second line of protection); business units and support units (first line of protection).

The Supervisory Board is ultimately responsible for setting and approving the objectives in risk and capital management and for approving the risk management strategy. The Bank's Supervisory Board was formed in accordance with Ukraine's legal requirements for governing bodies of state-owned banks.

Units of the second and third lines of protection, the Chief Risk Officer (CRO) and the Chief Compliance Officer (CCO) are accountable to the Supervisory Board. These units are staffed with duly qualified employees who ensure the effective performance of the appropriate roles and tasks.

The risk management is carried out at the Bank's all organisational levels, including by involving every employee of the Bank in the risk management process.

The Bank's risk management system is regulated by a number of the Bank's risk management regulations, including the regulation of the entire risk management process (from risk identification to risk reporting) and both defining the general requirements (including the organisational structure, strategic objectives of risk management, risk appetite level etc.) and detailing the methodological approaches and procedures for risk management. The Bank's risk management regulations (Risk Management Strategy, Risk Appetite Statement, Business Recovery Plan, policies, methodologies, provisions/rules/procedures, etc.) are prepared and updated by the Bank with due regard to the requirements of Resolution #64 of the Board of the National Bank of Ukraine of 11 June 2018 (as amended).

Risk management at the Bank is carried out by way of risk identification and assessment; continuous and qualitative risk analysis; identifying and setting an acceptable level of risk; risk forecasts; capital estimation based on the results of risk assessment and/or forecasting (including stress testing); continuous monitoring and control of risks, including of the amounts of the applicable indicators/ limits, preparation and implementation, where required, of measures to mitigate/reduce the level of risks; and risk reporting to the Bank's management, including to the Supervisory Board, Risk Committee of the Supervisory Board, Management Board and other collegial bodies of the Bank (on a daily, monthly and quarterly basis).

The Bank uses effective tools and models for risk management, including risk assessment tools and models, in particular, limiting, statistical and mathematical models, analysis of actual values of indicators and the reasons for their significant changes, forecasting, etc. The Bank ensures constant monitoring of risks, their levels, as well as actual implementation of measures aimed at mitigating risks and their effectiveness.

Risk measurement and reporting systems

The tools and models, which are used to assess a particular type of risk, are determined based on the nature of this type of risk, the requirements of the NBU regulations and the banking practice of assessing/managing this type of risk, as well as with due consideration of the current situation and (where relevant) actual values and forecasts for the macroeconomic indicators.

The Bank's risks are measured using methods, which reflect both the expected loss under normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment, including with due consideration of macrofactors. The Bank also runs worse case scenarios reflecting the impact of emergency events with a low probability of occurrence. The Bank also carries out back-testing of the models and checks their adequacy.

Risks are monitored and controlled primarily based on the amounts/limits established by the Bank, which reflect the level of risk acceptable to the Bank. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Risk reporting at regular intervals is provided to the Bank's Supervisory Board and the Risk Committee of the Bank's Supervisory Board (quarterly), the Bank's Management Board and dedicated committees of the Bank's Management Board (monthly), as well as other users. Risk reporting is made in such a way as to reflect accurate, complete, reliable, timely information on all significant risks of the Bank, the ongoing situation and the dynamics of their changes. The risk reporting shall include all necessary information to enable the appropriate collegial and management bodies of the Bank to assess, from the managerial point of view, the significant risks of the Bank and the effectiveness of their management, to make the appropriate conclusions and, if necessary, to take the adequate management decisions. Cases of violation of risk limits/amounts and significant increase in risk (at approximation of the actual risk levels to the established risk appetite limits) should be communicated to the authorised collegial bodies of the Bank, including the Management Board and Supervisory Board.

Risk concentration

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank's performance to the developments affecting a particular segment.

To avoid excessive concentrations of risks, the regulatory documents that outline the approaches to the Bank's activities and procedures include specific guidelines to focus on maintaining a diversified portfolio. The identified concentration of risks is duly controlled and managed.

Credit risk

The Bank takes on the exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk management is primarily aimed at ensuring the fulfilment of liabilities by the Bank's debtors/ counterparties in the form, amount and within the time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits fixed in the Bank.

The credit risk management includes the following:

comprehensive and complete analysis of a debtor and a credit project, process of making conclusions by the dedicated departments of the Bank and considering them in the process of taking decisions to issue a loan/assume a credit-related commitment;

proper support of the system of credit proxies, with the proxy levels being differentiated depending on the level of credit risk: the higher the risk, the higher the level of proxy at which the decision is taken to make a loan transaction / assume a credit-related commitment;

providing loans or assuming credit-related commitments solely in accordance with the law, the approved credit policy and other regulations of the Bank;

setting credit risk amounts/limits and continuous control of their observation;

assessing credit risk within the established credit risk level in accordance with the requirements of the National Bank of Ukraine, and measuring the impairment of financial assets and charging allowances for active bank operations in accordance with IFRS and in adequate amounts;

continuous monitoring of credit risk at the level of both individual loans/commitments and sub-portfolios and total credit portfolio, including over time with identification of significant changes and analysis of their causes;

maintaining and regular updating of the Bank's credit risk management methodology;

support of the system of comprehensive and complete credit risk reporting with the frequency as required by law, including of the system for monitoring and escalation of any identified violations of credit risk limits with further decisions to be taken on measures to eliminate such violations and with control of their implementation in place.

Individual credit risk

Individual credit risk is the risk associated with a particular loan transaction or a debtor and the probability that the debtor will not be able to timely and fully meet its obligations to the Bank to repay the debt under the terms of the loan agreement. It can also be defined as the probability that the Bank will incur losses from the debtor's failure to comply with the terms of the loan transaction.

The Bank manages its individual credit risk throughout the life cycle of the loan transaction, from assessing the risk acceptability in the analysis of the debtor and the credit project, which precedes the loan transaction, to full debtor's performance under the loan transaction.

Individual credit risk management includes the following:

- proper analysis of a debtor, including the assessment of the debtor's financial position and creditworthiness, due consideration of the group influence (if any) and assessment of the probability of the debtor's default according to the system of the internal credit rating, which is based on the financial data (quantitative parameters) and non-financial data (qualitative parameters) on the Bank's debtors/counterparties;
- proper analysis of a loan transaction, including comprehensive consideration of the risk factors attributable to this loan transaction, assessment of the possibility of its being carried out, structuring of the loan transaction agreement in accordance with the Bank's regulations;
- fixing and monitoring of the individual credit limits;
- assessment and monitoring of the loan transaction collateral and checking it for acceptability;
- continuous monitoring of the debtor's fulfillment of its obligations to the Bank, including continuous monitoring of the credit risk factors ("CRF") within the early response system and further work with the debtors, for which CRF is identified, making operational decisions on plans for further work with such debtors and control over the execution of those plans;
- regular credit review;
- charge of a sufficient allowance for impairment of financial assets on loan transactions of debtors;
- continuous provision of effective work with non-performing debts of debtors by the Bank's dedicated renegotiation and recovery unit (respective reclassification of a debt into a non-performing one, if this debt has the evidence of a non-performing debt) for full repayment of debts on loan transactions (including the debts recorded off-balance), including the measures to repay the debt at the expense of collateral and other enforcement activity under the legal collection in progress.

Portfolio credit risk

Portfolio credit risk is the risk originating from the total debt on the Bank's loan transactions. It is inherent in the group of loan transactions or debtors with similar credit profiles, in the sub-portfolio (in particular, portfolio of loans, securities, receivables, etc.) or in the total loan portfolio of the Bank (for all loan transactions).

The Bank manages its portfolio credit risk by performing the components of individual credit risk management, and this also includes:

diversification of the loan portfolio and setting concentration limits to avoid the risk of portfolio deterioration in the quality of loan transactions;

setting other limits and indicators of credit risk related to the portfolio/sub-portfolios to control the Bank's credit risk;

comprehensive monitoring of the loan portfolio, including the monitoring of the loan portfolio structure, control of credit risk limits and indicators and escalation in case of any violations in order to make decisions on mitigation/elimination of negative factors, as well as control and evaluation of their use;

comprehensive, entire and regular credit risk reporting in accordance with law (including by sub-portfolio, group and category of a borrower, etc., in movement and with the identification and analysis of significant changes).

Credit-related commitment risks

The Bank issues financial guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. These guarantees expose the Bank to risks similar to credit risks which are mitigated by similar control procedures and principles.

The Bank undertakes to effect payment against presentation of complying documents under letters of credit. Uncovered letters of credit expose the Bank to risks similar to credit risks which are mitigated by similar control procedures and principles.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

Impairment of financial assets

Assessment of expected credit losses

The Bank recorgnises an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as credit-related commitments and financial guarantees (collectively "financial instruments"). Equity instruments are not subject to impairment.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in

which case the allowance is based on the ECL over the life of the asset. The 12 months ECL is the portion of lifetime expected credit lossesthat represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime expected credit lossesand 12 months ECL are calculated on either an individual basis or a collective basis.

Assessment of whether the credit risk has increased significantly by considering the change in the risk of default occurring over the remaining life of the financial instrument, identification of default events and calculation of allowance is made by the Bank at the end of each reporting period (monthly).

The Bank groups its financial instruments, for which ECL is measured, as described below:

Stage 1	When financial instruments are first recognised, the Bank recognises an allowance based on 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from other Stages.
Stage 2	When a financial instrument has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. Stage 2 financial instruments also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3	Financial instruments considered credit-impaired. For such financial instruments, the Bank records an allowance for the lifetime expected credit losses.
Purchased or originated credit impaired (POCI)	Purchased or originated credit impaired financial assets are assets that are credit impaired on initial recognition. POCI financial assets are recorded at fair value at initial recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Calculation of expected credit losses

To identify whether the credit risk has increased significantly from the moment of the initial recognition of a financial instrument, the Bank uses the defined lists of the events that have the signs of the increased credit risk. Irrespective of whether or not the events that have the signs of the increased credit risk occur, it is deemed that the performance of financial liabilities delayed for more than 30 days is the evidence that the credit risk has increased significantly from the moment of the initial recognition of a financial instrument.

The Bank considers that the event of default has occurred in relation to a financial instrument and, respectively, allocates such asset to Stage 3 (credit-impaired asset) where the borrower has delayed the performance of its financial liabilities for more than 90 days and where the interest due dates have been restructured (for more than 90 days) or where the borrower has been declared bankrupt. Where the conditions for a credit-impaired asset are revised and the modification does not result in derecognition of financial assets, such assets remain in Stage 3 until the below criteria of absence of default are met.

If the borrower's financial position is improved and its solvency is restored, the asset may be excluded from default when the following major criteria are met:

Repayment of liabilities overdue more than 90 days that resulted in the recognition of a default and the absence of overdue payments more than 7 days during the last six consecutive months as at the reporting date;

Settlement of payments postponed as part of their restructuring (with respect to the accrued interest payment) or payment of income in the amount bigger than the amount of income that was restructured;

Repayment of debt in the amount not less than 50% of debt at the date of restructuring.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon.
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at default. In the ECL calculation for the entire lifetime of a financial instrument, its expected changes after the reporting date are considered, including the granting/repayment of the debt principal, accrual and payment of interest.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs. LGD is based on the difference between the contractual cash flows due and the one that the Bank would expect to receive, including from the realisation of any collateral.

Depending on the qualities of a financial instrument, the Bank calculates ECL either on an individual basis (scenario analysis) or a collective (portfolio) basis.

The Bank calculates ECLs on an individual basis for all Stage 2 or Stage 3 assets of the borrowers whose debt to the Bank is significant (equivalent to over UAH 300,000 thousand), of bank borrowers, and the assets, which, at the moment of derecognition of an initial instrument and recognition of a new one, were classified as POCI. As part of the scenario analysis, the Bank calculates ECL based on the forecast of the cash flows discounted using effective interest rate with due consideration of the period of cash flow proceeds. During calculation, the likelihood that the scenario will be implemented in an upside case, base and downside cases is considered.

The Bank calculates ECL on a collective (portfolio) basis for all other assets grouped by the respective features, including by the credit risk profile, and uses the models for calculation, which are relevant for the respective group, and relies on a broad range of forward looking information as economic inputs.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

For the off-balance sheet financial instruments, the allowance is calculated similar to that for the balance-sheet financial instruments, with due consideration of a conversion rate.

Debt instruments at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the asset.

Purchased or originated credit impaired financial assets

For purchased or originated credit impaired assets, only changes in ECL accumulated from the initial recognition for the entire term are recognised by the Bank as the estimated ECL allowance.

Internal rating and probability of default assessment process

The Probability of Default (PD) is one of the credit risk components. The Bank applies an approach to assess of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and internal rating class (PD-Rate) ranging from 1 to 17 (17 grades). Rating class 1-14 corresponds to not default, rating class 15-17 corresponds to default (probability of default is 100%).

The following information is used to calculate the borrowers/Group rating:

(thousands of Ukrainian hryvnia)

- Financial statements data;
- Answers to non-financial issues;
- Warning signals in respect of the borrower (high risk factors);
- Information on the level of support from the Group (parent company support level, if any).

The estimated probability of default (PD) and rating class (PD-Rate) are determined on the basis of the quantitative (financial model) and qualitative (non-financial model) factors, the weight of the model factors is 80% and 20%, respectively. The estimated rating is modified (decreased) using the warning signals and taking into account the parent company support (increased or decreased), if any.

The rating system is revised (validation and adjustment, if required) on an annual basis.

The Bank uses the following levels of internal credit rating (rating class) to assess the assets of corporate borrowers.

Internal rating class (PD-Rate)	*Probability of default(PD)*	*Internal rating description*
From 1 to 7	Up to 5.87%	High rating
From 8 to 9	From 5.88% to 13.99%	Standard rating
From 10 to 14	From 14.00% to 99.9%	Low rating
From 15 to 17	100%	Credit-impaired assets (default)

In the following table, for the exposures of foreign credit institutions, as well as for Ukrainian state bonds and other securities issued by central and local authorities, high rating is equal to or higher than BBB- rating by Fitch, standard rating is below BBB-, but higher than CCC+, substandard rating is equal to or lower than CCC+ by Fitch. The probability of default (PD) for the respective rating levels is calculated as the average of the actual defaults over the past five years according to Standard&Poor's, an international rating agency, statistics. In case of a zero value of actual defaults for the respective ratings, the nearest non-zero value of the default level is used. The statistics are reviewed on an annual basis.

The Bank uses the following external credit ratings to assess foreign credit institutions

Rating of international rating agency Standard&Poor's	*Probability of default (PD), average level for the last five years*	*Rating description*
From AAA to BBB-	Up to 0.1%	High rating
From BB+ to B-	From 0.11% to 5.773%	Standard rating
From CCC+ to C	From 5.774% to 99.9%	Low rating
R; SD; D	100%	Credit-impaired assets (default)

The Bank determines the probability of default (PD) for Ukrainian state bonds, other securities issued by central and local authorities based on the statistical and analytical data of the international rating agency Standard&Poors regarding sovereign defaults separately in national and foreign currencies and the corresponding long-term credit rating assigned to Ukraine by this agency, taking into account the term of the financial instrument. Based on the value of such rating as at 31 December 2022, Ukrainian state bonds and other securities issued by central authorities are classified as assets with a low rating. Determination of the probability of default for securities issued by local authorities is carried out on the basis of the rating assigned to them by an international rating agency (if necessary adjusted to the scale of the international rating agency Standard&Poors). Probability of default for securities issued by corporate borrowers is determined based on the internal rating class (PD-Rate), as described above.

Exposure at Default (EAD)

For Stage 1, the exposure at default (EAD) is equal to the gross carrying amount of a financial instrument at the calculation date.

For Stages 2 and 3, EAD is calculated for the entire lifetime of the asset, with the principal, future interest and accumulated depreciation determined on the basis of the debt repayment schedule.

(thousands of Ukrainian hryvnia)

For credit products having no repayment schedules (such as revolving credit lines, credit cards), the EAD is constant in time and is equal to the current gross carrying amount of the loan.

The EAD for credit-related commitments and other financial liabilities is calculated based on a credit conversion factor (CCF).

Loss Given Default (LGD)

Loss given default (LGD) is one of credit risk components on the basis of which the expected credit losses are estimated and shows a share of current loan debt which the bank would lose irrevocably in the event of default of a borrower with regard to the existing collateral for the loan and other characteristics of loan and borrower. The main acceptable repayment sources are as follows: repayment through enforcement of collateral (by types of collateral) and cash repayment (by business lines of the borrowers' activities), less the coefficient of expenses for work with the Bank's non-performing portfolio. The LGD coefficients are calculated based on the bank's own statistics for the period of at least 5 years. The statistics and coefficients are reviewed and updated on an annual basis.

Loss given default for Ukrainian state bonds is determined by the Bank as the average level of losses in case of defaults of Ukraine, based on the level of returns in case of such defaults, in accordance with the statistical and analytical data of the international rating agency Moody's Investment Service.

Impact of macroeconomic indicators

Under IFRS 9, the Bank takes into account in its estimates of expected credit losses the forecasts of future economic conditions with regard to the link between macroeconomic factors and an integral index of the credit portfolio quality. The actual rate of defaults for the year (by segments) calculated as the ratio of the number of loans that became defaulted during the year to the number of loans that were not defaulted at the beginning of the year, is taken as an integral indicator of the loan portfolio quality. The following indicators and their modifications (change for the year, quarter, time lag) can be taken as macroeconomic factors: Consumer Price Index, GDP growth, export/import growth, etc. The following data serve as the sources of information on the actual and projected macroeconomic indicators: inflation report and other statistical reports of the NBU, the State Statistics Service of Ukraine, IMF and World Bank data, etc. The statistics and macro coefficients are reviewed and updated at least once every six months. Upon the results of review, the macro model coefficients (probability of default adjustment indicators) are determined.

The table below shows the current coefficients of the macro model with regard to segments (business units).

Segment	***2023***	***2024***	***2025 and subsequent years***
Corporate banking	2.8	1.66	0.71
Small and medium-sized business	1.73	0.77	0.65
Retail banking	2.38	1.16	1.00
State-financed institutions	2.8	1.66	0.71

For Ukrainian state bonds, the Bank applies 3 scenarios that reflect options for the further development of events and their impact on the ratings of Ukraine: positive, basic and negative, including taking into account the rating forecast from Standard&Poors and own expectations regarding the further development of the situation. The weighted probability of default (PD) under all scenarios is used as the probability of default (PD) for each individual financial asset (Ukrainian state bonds).

Credit quality by category of financial assets

The Bank uses its internal credit ratings to manage the credit quality of financial assets, as described above. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Bank's credit rating system.

At 31 December 2022	***Note***	***Stage***	***High rating***	***Standard rating***	***Low rating***	***Credit-impaired***	***Total***
Financial assets							
Cash and cash equivalents (except for cash in hand)	6	1	79,409,213	210,091	1,303	–	79,620,607
Loans and advances to banks	9	1	535,575	59,686	–	–	595,261
		3	–	–	–	76,442	76,442

(thousands of Ukrainian hryvnia)

At 31 December 2022	*Note*	*Stage*	*High rating*	*Standard rating*	*Low rating*	*Credit-impaired*	*Total*
Loans and advances to customers	10						
Legal entities		1	12,752,672	4,465,594	4,946,683	–	22,164,949
		2	3,260,482	1,526,761	4,232,654	–	9,019,897
		3	–	–	–	18,375,099	18,375,099
		POCI	–	–	–	14,062,465	14,062,465
Individuals		1	91,236	–	5,775	–	97,011
		2	15,072	–	5,470	–	20,542
		3	–	–	–	1,510,575	1,510,575
		POCI	–	–	–	2,241	2,241
State entities		1	15,973,953	13,417,879	5,305,680	–	34,697,512
		2	–	–	128,663	–	128,663
		3	–	–	–	3,509,704	3,509,704
		POCI	–	–	–	13,666	13,666
Investments in securities	11						
- at fair value through other comprehensive income		1	22,179	–	3,579,403	–	3,601,582
		2	–	–	9,230,225	–	9,230,225
- at amortised cost		1	97,177	–	15,386,768	–	15,483,945
		2	–	–	7,005,186	–	7,005,186
Other financial assets (except for transit accounts on transactions with payment cards)	16	1	–	95,191	107,129	–	202,320
		3	–	–	–	120,726	120,726
		POCI	–	–	–	6,942	6,942
Total financial assets			**112,157,559**	**19,775,202**	**49,934,939**	**37,677,860**	**219,545,560**
Loan commitments and financial guarantee contracts	22						
Financial guarantees		1	1,095,979	1,790,354	313,701	–	3,200,034
		2	193,178	–	–	–	193,178
Undrawn loan commitments		1	12,608,021	7,906,967	1,582,133	–	22,097,121
		2	462,538	1,463,737	52,082	–	1,978,357
		3	–	–	–	233,975	233,975
Letters of credit (except for coverage accounts)		1	788,434	–	–	–	788,434
Avals on promissory notes		1	234,612	97,050	–	–	331,662
		2	8,331	–	–	–	8,331
Total loan commitments and financial guarantee contracts			**15,391,093**	**11,258,108**	**1,947,916**	**233,975**	**28,831,092**
Total			**127,548,652**	**31,033,310**	**51,882,855**	**37,911,835**	**248,376,652**

At 31 December 2021	*Note*	*Stage*	*High rating*	*Standard rating*	*Low rating*	*Credit-impaired*	*Total*
Financial assets							
Cash and cash equivalents (except for cash in hand)	6	1	38,833,575	2,721,030	–	–	41,554,605
Loans and advances to banks	9	1	375,112	7,903,364	14	–	8,278,490
		3	–	–	–	330,250	330,250
Loans and advances to customers	10						
Legal entities		1	11,813,998	11,292,886	6,986,068	–	30,092,952
		2	5,427	131,622	1,857,910	–	1,994,959
		3	–	–	–	11,992,902	11,992,902
		POCI	–	–	–	13,241,937	13,241,937
Individuals		1	157,378	–	4,651	–	162,029
		2	2,753	–	2,776	–	5,529
		3	–	–	–	1,285,410	1,285,410
		POCI	–	–	–	2,445	2,445
State entities		1	12,322,576	7,233,682	6,214,189	–	25,770,447
		2	16,717	–	1,900,806	–	1,917,523
		3	–	–	–	190,571	190,571
Investments in securities	11						
- at fair value through other comprehensive income		1	12,776,460	–	–	–	12,776,460
- at amortised cost		1	30,186,313	–	–	–	30,186,313
Other financial assets (except for transit accounts on transactions with payment	16	1	–	30,053	34,226	–	64,279

(thousands of Ukrainian hryvnia)

At 31 December 2021	*Note*	*Stage*	*High rating*	*Standard rating*	*Low rating*	*Credit-impaired*	*Total*
cards)							
		3	–	–	–	79,064	79,064
		POCI	–	–	–	1,356	1,356
Total financial assets			**106,490,309**	**29,312,637**	**17,000,640**	**27,123,935**	**179,927,521**
Loan commitments and financial guarantee contracts	22						
Financial guarantees		1	1,000,196	184,771	348,732	–	1,533,699
		2	2,728	30,006	–	–	32,734
Undrawn loan commitments		1	7,781,951	4,346,240	1,888,161	–	14,016,352
		2	9,503	472	257	–	10,232
		3	–	–	–	1,476	1,476
Letters of credit (except for coverage accounts)		1	2,439	1,112,942	–	–	1,115,381
Avals on promissory notes		1	85,173	315,270	–	–	400,443
Total loan commitments and financial guarantee contracts			**8,881,990**	**5,989,701**	**2,237,150**	**1,476**	**17,110,317**
Total			**115,372,299**	**35,302,338**	**19,237,790**	**27,125,411**	**197,037,838**

The Bank's internal rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly.

Analysis of collateral

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral. The collateral comes in various forms, such as cash, securities, real estate, inventories, etc. The Bank's accounting policy for collateral assigned to it through its lending arrangements did not change during the reporting year. Collateral, unless repossessed, is not stated in the Bank's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. The fair value of collateral received is valued at inception with subsequent revaluation: real estate, land, vehicles, equipment are revalued at least once every twelve months, other property is revalued not less than once every six months.

The Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

Collateral repossessed

The Bank's accounting policy for repossessed collateral remained the same during the reporting year. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations, obtaining lease payments, or should be sold. Assets determined to be useful for the internal operations are transferred to the property, plant and equipment category, assets determined to be held for obtaining lease payments are transferred to investment property category and are recognised at fair value. Assets being repossessed for sale are accounted for in "Non-current assets held for sale" or "Repossessed pledged property".

Write-off

The Bank's accounting policy for write-offs remained the same during the reporting year. In accordance with the Ukrainian law, loans may only be written off with the approval of the Bank's Management Board or Supervisory Board. The Bank does not use any partial write-offs of assets. Financial assets are written off in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The table below provides the analysis of the market value of collateral for credit-impaired assets (Stage 3) and purchased and originated credit-impaired assets (POCI) which is taken into account by the Bank for the purpose of asset impairment assessment in the amount not exceeding the carrying amount of the loan.

(thousands of Ukrainian hryvnia)

		Collateral market value										
At 31 December 2022	*Maximum exposure at risk*	*Cash/ deposits*	*Guarantees of the CMU/Investment banks*	*Real estate*	*Land*	*Vehicles*	*Equipment*	*Goods / other movable property*	*Excessive collateral*	*Total collateral*	*Net exposure at risk*	*Relevant ECLs*
Loans to legal entities	32,437,564	199,475	141,372	13,166,088	477,572	597,327	2,945,350	203,753	(2,830,671)	14,900,266	17,537,298	15,967,058
Loans to individuals	1,512,816	–	–	–	–	–	–	–	–	–	1,512,816	1,510,575
Loans to state entities	3,523,370	6,000	–	75,501	–	–	543	4,484,506	(1,779,193)	2,787,357	736,013	903,155
Total	**37,473,750**	**205,475**	**141,372**	**13,241,589**	**477,572**	**597,327**	**2,945,893**	**4,688,259**	**(4,609,864)**	**17,687,623**	**19,786,127**	**18,380,788**

		Collateral market value									
At 31 December 2021	*Maximum exposure at risk*	*Cash/ deposits*	*Real estate*	*Land*	*Vehicles*	*Equipment*	*Goods / other movable property*	*Excessive collateral*	*Total collateral*	*Net exposure at risk*	*Relevant ECL*
Loans to legal entities	25,234,839	21,034	9,654,218	431,920	44,661	3,716,128	601,757	(3,966,073)	10,503,645	14,731,194	13,947,759
Loans to individuals	1,287,855	–	–	–	–	–	–	–	–	1,287,855	1,285,409
Loans to state entities	190,571	–	–	–	–	–	–	–	–	190,571	86,406
Total	**26,713,265**	**21,034**	**9,654,218**	**431,920**	**44,661**	**3,716,128**	**601,757**	**(3,966,073)**	**10,503,645**	**16,209,620**	**15,319,574**

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. The Bank considers the loan restructured if the modifications made as a result of existing or expected financial difficulties of the borrower are those that the Bank would not agree in the event of the borrower's financial solvency. Restructuring may include extending repayment terms and agreeing on new loan terms. Once the terms of loan have been renegotiated, the loan is no longer considered overdue. Management continually analyses the renegotiated loans to ensure that all criteria and options for future payments are met.

Geographical concentration

Geographical concentration of the Bank's financial assets and liabilities is provided below:

	31 December 2022			
	Ukraine	*OECD countries*	*Other non-OECD countries*	*Total*
Assets				
Cash and cash equivalents	21,529,874	59,851,812	4,436	81,386,122
Loans and advances to banks	26,324	347,060	220,088	593,472
Loans and advances to customers	82,429,861	–	–	82,429,861
Investments in securities	62,486,708	–	–	62,486,708
Derivative financial assets	2,324,622	–	–	2,324,622
Other financial assets	445,885	5,993	89	451,967
	169,243,274	**60,204,865**	**224,613**	**229,672,752**
Liabilities				
Due to other banks	22,111,516	33	47,089	22,158,638
Customer accounts	175,365,878	1,148,264	633,283	177,147,425
Derivative financial liabilities	9,810	–	–	9,810
Other borrowed funds	30,774	27,270,584	–	27,301,358
Subordinated debt	–	4,055,444	–	4,055,444
Other financial liabilities	336,761	264,040	15	600,816
	197,854,739	**32,738,365**	**680,387**	**231,273,491**
Net position	**(28,611,465)**	**27,466,500**	**(455,774)**	**(1,600,739)**
Loan commitments and financial guarantee contracts (Note 25)	**26,409,141**	**–**	**–**	**26,409,141**

(thousands of Ukrainian hryvnia)

	31 December 2021			
	Ukraine	***OECD countries***	***Other non-OECD countries***	***Total***
Assets				
Cash and cash equivalents	19,988,984	22,886,471	6,916	42,882,371
Loans and advances to banks	7,871,463	216,738	181,969	8,270,170
Loans and advances to customers	69,024,757	310,105	–	69,334,862
Investments in securities	66,195,840	–	–	66,195,840
Derivative financial assets	582,742	–	–	582,742
Other financial assets	177,026	393	177	177,596
	163,840,812	**23,413,707**	**189,062**	**187,443,581**
Liabilities				
Due to other banks	23,896,360	1,643,168	37,843	25,577,371
Customer accounts	120,578,729	733,873	524,634	121,837,236
Derivative financial liabilities	7	–	–	7
Other borrowed funds	60,818	27,176,836	–	27,237,654
Subordinated debt	–	3,605,597	–	3,605,597
Other financial liabilities	455,115	140,902	1	596,018
	144,991,029	**33,300,376**	**562,478**	**178,853,883**
Net position	**18,849,783**	**(9,886,669)**	**(373,416)**	**8,589,698**
Loan commitments and financial guarantee contracts (Note 25)	**16,222,617**	**1,744**	**–**	**16,224,361**

Liquidity risk

Liquidity risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in the expected profit as a result of its failure to finance the increase of assets and/or to discharge its obligations in due time.

The main purpose of liquidity risk management is to ensure the ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps.

The key task of the liquidity risk management is as follows:

- determination and observance by the Bank of an acceptable level of liquidity risk in accordance with the Bank's strategic objectives;
- making a sufficient amount of highly liquid assets for the Bank to meet its obligations;
- thorough assessment of inflows and outflows of funds by contractual and expected maturities (including with due consideration of using different behavioral models);
- assessment of how the implementation of various stress case scenarios impacts the inflow and outflow of funds;
- planning, making timely decisions to prevent the occurrence and implementation of measures to mitigate the liquidity risk;
- compliance with liquidity ratios and liquidity risk limits.

Liquidity risk management is performed:

- Either on the long-term basis that is focused on ensuring appropriate liquidity levels in the short and long-term time horizon;
- Or on the short-term basis that is focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

Liquidity risk management includes determination of acceptable levels of maturity gaps (by currency) and also:

- Setting target (most appropriate and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- Permanent monitoring of actual key liquidity risk indicators;

(thousands of Ukrainian hryvnia)

- Undertaking adequate corrective actions if actual key liquidity risk indicators approach their critical and/or threshold levels.

In addition, the Bank assesses liquidity based on certain liquidity ratios established by the NBU.

	31 December 2022, %	***31 December 2021, %***
LCR "Liquidity coverage ratio" on all currencies (AC) and in foreign currency (FC) (high-quality liquid assets/ net estimated cash outflow within 30 calendar days: difference of aggregate expected cash outflows and aggregate expected cash inflows where aggregate expected inflows are taken at the amount not more than 75 percent of the total expected outflows using the expected outflow and expected inflow rates established by the National Bank of Ukraine)		
Minimum required by the NBU:		
LCRAC − 100% on all currencies	176.73	193.21
LCRFC − 100% in foreign currency	312.64	163.38
NSFR "Net Stable Funding Ratio" liquidity ratio, which sets the minimum required level of stable funding sufficient to finance the bank's operations on the horizon of one year. The Net Stable Funding Ratio (NSFR) introduced on 01 April 2021 is calculated as the ratio of the available stable funding (ASF) to the required stable funding (RSF). The Bank calculates the amounts of: 1) available stable funding (ASF) as the sum of the ASF components (regulatory capital and liabilities) weighted by the ASF ratios set by the National Bank of Ukraine, which show the level of their stability on the horizon of one year; 2) required stable funding (RSF) as the sum of the RSF components (assets and off-balance sheet liabilities) weighted by the RSF ratios set by the National Bank of Ukraine, which show their liquidity on the horizon of one year.		
Minimum required by the NBU: 90% starting from 01 October 2021; 100% starting from 01 April 2023.	139.06	122.01

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial liabilities based on contractual undiscounted repayment obligations. Liabilities on demand with the maturity up to 3 month are classified as liabilities on demand. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous periods.

Financial liabilities As at 31 December 2022	***Less than 3 months***	***From 3 to 12 months***	***1 to 5 years***	***More than 5 years***	***Total***
Due to other banks	4,730,640	3,184,223	27,633,316	–	35,548,179
Customer accounts	157,200,798	19,424,602	777,712	56,174	177,459,286
Other borrowed funds	1,552,052	6,513,356	13,071,250	17,096,041	38,232,699
Subordinated debt	404,036	386,264	1,545,057	4,426,132	6,761,489
Derivative financial liabilities	6,655	–	–	–	6,655
Including:					
- *financial instruments settled on a gross basis*	*6,655*	–	–	–	*6,655*
• *Amounts to be received*	*(9,000,000)*	–	–	–	*(9,000,000)*
• *Amounts to be paid*	*9,006,655*	–	–	–	*9,006,655*
Other financial liabilities	732,804	2,056	4,111	–	738,971
Including:					
- *lease commitments*	*1,012*	*2,056*	*4,111*	–	*7,179*

(thousands of Ukrainian hryvnia)

Financial liabilities As at 31 December 2022	***Less than 3 months***	***From 3 to 12 months***	***1 to 5 years***	***More than 5 years***	***Total***
Loan commitments and financial guarantee contracts	2,686,414	2,568,830	432,086	–	5,687,330
Total undiscounted financial liabilities	**167,313,399**	**32,079,331**	**43,463,532**	**21,578,347**	**264,434,609**

Financial liabilities As at 31 December 2021	***Less than 3 months***	***From 3 to 12 months***	***1 to 5 years***	***More than 5 years***	***Total***
Due to other banks	3,979,896	2,154,006	26,331,577	–	32,465,479
Customer accounts	100,829,482	19,771,663	1,735,818	72,620	122,409,583
Other borrowed funds	1,496,388	6,364,531	13,821,951	8,985,874	30,668,744
Subordinated debt	314,616	593,588	1,448,021	3,590,382	5,946,607
Derivative financial liabilities	20,863	61,698	108,734	–	191,295
Other financial liabilities	583,799	474	5,625	–	589,898
Including:					
- *lease commitments*	–	*474*	*5,625*	–	*6,099*
Loan commitments and financial guarantee contracts	1,178,632	2,305,387	722,199	–	4,206,218
Total undiscounted financial liabilities	**108,403,676**	**31,251,347**	**44,173,925**	**12,648,876**	**196,477,824**

The above table shows the timing of expiry dates of ltters of credit, financial guarantees and Banks avals on promissory notes as part of loan commitments and financial guarantee contracts, according to the respective agreements. Undrawn loan commitments can be executed on demand and are included with the maturity up to 3 months. The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. To limit the liquidity risk arising from asymmetric prepayment and early repayment of the term assets and liabilities, the Bank incorporates such conditions in standard client agreements that motivate customers not to use the options of prepayment and early repayment.

Market risk

The Bank considers market risk as the aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank's obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

Interest rate risk

Interest rate risk is considered by the Bank as the inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank's operations including the effect of negative impact by internal and external factors.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank's interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- Setting target (most appropriate and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) key interest rate risk indicators;
- Permanent monitoring of actual key interest rate risk indicators;
- Taking efficient measures if the actual key interest rate risk indicators approach their critical and/or threshold levels.

The key tasks of the interest rate risk management are as follows:

(thousands of Ukrainian hryvnia)

- determination and observance by the Bank of an acceptable level of interest rate risk in accordance with the Bank's strategic objectives;
- ensuring the most acceptable interest rate gap based on the risk appetite;
- assessment of the interest rate gaps and sensitivity of the Bank to changes in interest rates;
- planning, making timely decisions to prevent the occurrence of the interest rate risk, implementation of measures to mitigate the interest rate risk;
- assessment of how the implementation of various stress case scenarios impacts the Bank's sensitivity to changes in interest rates.

The sensitivity of the consolidated statement of profit or loss reflects the effect of the acceptable changes in interest rates on the Bank's net interest income for one year determined based on the floating rate on non-trading financial assets and financial liabilities held at reporting date.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit or loss.

	31 December 2022				
Currency	*Interest rate basis*	*Increase in basis points*	*Effect on profit before tax*	*Decrease in basis points*	*Effect on profit before tax*
UAH	NBU	+500	(409,960)	-500	409,960
UAH	UIRD	+500	395,715	-100	(395,735)
USD	SOFR	+100	(170,586)	-100	170,586
USD	LIBOR	+100	(145,953)	-100	145,418
USD	UIRD	+100	112,030	-100	(112,030)
EUR	Euribor	+75	7,749	-75	(7,749)
EUR	UIRD	+75	37,691	-75	(37,691)
Total			**(173,314)**		**172,759**

	31 December 2021				
Currency	*Interest rate basis*	*Increase in basis points*	*Effect on profit before tax*	*Decrease in basis points*	*Effect on profit before tax*
UAH	NBU	+100	(62,169)	-100	62,169
UAH	UIRD	+100	36,571	-100	(36,571)
USD	LIBOR	+75	(76,721)	-75	75,044
USD	UIRD	+75	58,733	-75	(58,733)
EUR	LIBOR	+75	9,633	-75	(9,633)
EUR	Euribor	+75	14,500	-75	(14,500)
Other	LIBOR	+75	2	-75	(2)
Total			**(19,451)**		**17,774**

To assess the possible effects of the acceptable changes in interest rates, the equity sensitivity on investment securities with fixed rate measured at fair value through other comprehensive income and classified at the 2nd level of the fair value hierarchy of the asset, the method of modified duration is used with the following assumptions: for corporate bonds, +/-500 b.p. (31 December 2021: +/-200 b.p.), for corporate bonds, +/-500 b.p. for Ukrainian state bonds denominated in local currency (31 December 2021: +/-200 b.p.), +/-100 b.p. for Ukrainian state bonds in foreign currencies (31 December 2021: +/-100 b.p.). As at 31 December 2022, the total effect of changes on the Bank's equity is: UAH (4,807,614) thousand /UAH 4,807,614 thousand (31 December 2021: UAH (2,323,542) thousand /UAH 2,323,542 thousand).

Sensitivity of net gain/(loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments, which have a fixed interest rate and are revalued through profit/(loss), as at 31 December 2022 in terms of effects of acceptable changes in interest rates using the method of modified duration. The effect of changes in interest rate of +/-500 b.p. for Ukrainian state bonds in UAH (31 December 2021: +/-100 b.p.), +/- 100 b.p. for Ukrainian state bonds in foreign currency (31 December 2021: +/-100 b.p.) on the Bank's income is UAH (2,005,948) thousand /UAH 2,005,948 thousand (31 December 2021: UAH (542,687) thousand /UAH 542,687 thousand).

(thousands of Ukrainian hryvnia)

Currency risk

The Bank considers currency risk as the inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amounts required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is aimed at securing an excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- Setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) key credit risk indicators;
- Permanent monitoring of actual key currency risk indicators;
- Taking efficient measures if the actual key currency risk indicators approach their critical and/or threshold levels.

The key task of the currency risk management is as follows:

- determination and observance by the Bank of an acceptable level of currency risk in accordance with the Bank's strategic objectives;
- assessment of the Bank's sensitivity to currency risk (of the impact of changes in foreign exchange rates);
- assessment of how the implementation of various stress case scenarios impacts the level of the Bank's currency risk;
- planning, making timely decisions to prevent the occurrence of the currency risk, implementation of measures to mitigate the currency risk;
- observance of the currency risk limits, including the regulatory ones.

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2022 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Hryvnia, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

	31 December 2022		*31 December 2021*	
Currency	*Change in currency rate, %*	*Effect on profit before tax*	*Change in currency rate, %*	*Effect on profit before tax*
UAH/ USD	+15.00%	334,178	+11.50%	247,402
UAH/EUR	+16.50%	(195,201)	+11.50%	12,958
Total		**138,977**		**260,360**
UAH/ USD	-15.00%	(334,178)	-11.50%	320,296
UAH/EUR	-16.50%	195,201	-11.50%	(12,958)
Total		**(138,977)**		**307,338**

Operational risk

The Bank establishes an effective operational risk management system to minimize the negative effect of losses resulting from operational risk events and minimize the likelihood of operational risk events in the future, ensure the Bank's stable and continuous operations, interaction of the Bank's units at all organisational levels on operational risk management and implementation of the operational risk management culture.

The Methodology for collecting and processing information on operational risk events, including events related to military operations (since 2014), was approved. Categorisation of these losses/expenses by risk type (credit, market, liquidity and operational risk) was performed.

The Bank ensures the implementation and continuous support of the processes of operational risk identification, assessment, monitoring, reporting, control and minimisation. To identify and assess the operational risk, the Bank uses mandatory and additional tools in accordance with the requirements of the National Bank of Ukraine and best practices on operational risk management. The Bank assesses operational risk with regard to its interrelation and impact on other risks inherent in the Bank's activities.

The Bank uses specialised tools for operational risk management, which include:

- collection of external data on operational risk events;
- collection of external data on operational risk events;
- assessment of the processes and risks quality;
- analysis of operational risk scenarios;
- operational risk stress testing;
- key risk indicators;
- model risk analysis.

The Bank manages risks of project activities (including significant changes in activities) by providing expert opinions. The Bank analyses internal regulatory and administrative documents in terms of identifying process risks and integrating relevant controls.

To ensure the implementation of operational risk management culture and internal controls culture at all organisational levels, the Bank continuously trains employees and provides consulting support so that they obtain sufficient risk management related knowledge, including for correct and timely identification, analysis, taking measures and reporting on operational risk management.

The Bank is constantly working on improving the operational risk management system and internal control system, including the implementation/compliance with regulations of the National Bank of Ukraine, with regard to international standards and recommendations for operational risk management.

The Bank's strategy for its ability to withstand extraordinary events is to proactively plan measures to ensure the sustainability/restoration of the Bank's operations covering a certain range of potential events that could disrupt the Bank's targeted course of business.

<u>This strategy is implemented by introducing requirements for the Bank</u> to provide customers and creditors of the Bank, the Bank's sole shareholder represented by the state, counterparties and regulatory authorities with reasonable evidence of the Bank's ability to ensure its sustainability or restore the functioning of its processes at a pre-determined level of performance in the event of emergency events.

Achievement of the Bank's strategic goals in terms of its ability to withstand emergency events is ensured by implementing/compliance with the requirements of the relevant strategic components:

<u>The strategic components of the BCM system are:</u>

- Identification of the Bank's critical processes and divisions involved in them.

  The Bank's responsible employees determine the list of processes of certain divisions directly involved in achieving the Bank's strategic goals;

- Identification of key resources required to ensure the targeted course of the Bank's critical processes.
- The Bank's responsible employees determine the list of types of key resources required to ensure the targeted course of the processes of divisions directly involved in achieving the Bank's strategic goals and the metrics of their availability/restoration;

- Identification of key risks that pose a threat to the target course of the Bank's critical processes.

(thousands of Ukrainian hryvnia)

- The Bank's responsible employees determine a list of key unfavorable scenarios of business continuity disruption events that may adversely affect the targeted course of processes of divisions directly involved in achieving the Bank's strategic goals.

Implementation of the Bank's key objectives to ensure its ability to withstand emergency events is based on priorities (in descending order):

- health and safety of the Bank's employees;
- minimization of the Bank's financial losses in case of a business continuity interruption event;
- protection of the Bank's information and material resources;
- reducing the negative effects of a business interruption event on the Bank's operations, including, but not limited to: its reputation, ability to carry out certain transactions, liquidity, asset quality, market position and the Bank's ability to comply with the requirements of the Ukrainian effective law, including the NBU's regulations

The Bank regulates the main approaches to resumption of operations after an emergency in the form of the Bank's Business Continuity Plan. This Plan is a set of applied requirements for the resumption of the Bank's operations, presented at three levels:

Level 1. Plans to restore the availability of the Bank's resources
Level 2. Business continuity plans for the Bank's divisions
Level 3. Business Continuity Plan and Operational Response Plan in case of expansion of the military conflict zone in the regions of Ukraine

30. Fair value of assets and liabilities

Levels of the fair value hierarchy

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as shown below:

	31 December 2022				
	Fair value measurement applied				
	Valuation date	*Quoted market prices (Level 1)*	*Valuation based on assumptions confirmed by observable data (Level 2)*	*Valuation based on assumptions not confirmed by observable data (Level 3)*	*Total*
Assets carried at fair value					
Loans and advances to banks in precious metals	31 December 2022	–	94,668	–	**94,668**
Investment securities at fair value through profit or loss:					
Ukrainian state bonds	31 December 2022	–	888,792	26,961,581	**27,850,373**
Investment securities at fair value through other comprehensive income:					
Ukrainian state bonds	31 December 2022	–	12,521,500	–	**12,521,500**
Corporate shares	31 December 2022	–	–	22,179	**22,179**
Derivative financial assets	31 December 2022	–	2,324,622	–	**2,324,622**
Investment property	01 December 2022	–	–	667,496	667,496
Buildings	01 December 2022	–	–	1,801,046	**1,801,046**
Land	01 December 2022	–	–	4,424	**4,424**
Liabilities carried at fair value					
Customer accounts in precious metals	31 December 2022	–	66,457	–	**66,457**
Derivative financial liabilities	31 December 2022	–	9,810	–	**9,810**
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2022	9,314,939	72,071,183	–	**81,386,122**
Loans and advances to banks	31 December 2022	–	498,804	–	**498,804**
Loans and advances to customers	31 December 2022	–	–	80,947,706	**80,947,706**
Investment securities at amortised cost	31 December 2022	–	19,887,489	–	**19,887,489**
Other financial assets	31 December 2022	–	451,967	–	**451,967**
Liabilities for which fair value is disclosed					
Due to other banks	31 December 2022	–	22,158,638	–	**22,158,638**
Customer accounts	31 December 2022	–	177,112,933	–	**177,112,933**

(thousands of Ukrainian hryvnia)

	31 December 2022				
	Fair value measurement applied				
	Valuation date	***Quoted market prices (Level 1)***	***Valuation based on assumptions confirmed by observable data (Level 2)***	***Valuation based on assumptions not confirmed by observable data (Level 3)***	***Total***
Other borrowed funds	31 December 2022	–	24,931,949	–	**24,931,949**
including Eurobonds issued	*31 December 2022*	–	*1,500,981*	–	***1,500,981***
Subordinated debt	31 December 2022	–	1,458,128	–	**1,458,128**
Other financial liabilities	31 December 2022	–	600,816	–	**600,816**

	31 December 2021				
	Fair value measurement applied				
	Valuation date	***Quoted market prices (Level 1)***	***Valuation based on assumptions confirmed by observable data (Level 2)***	***Valuation based on assumptions not confirmed by observable data (Level 3)***	***Total***
Assets carried at fair value					
Loans and advances to banks in precious metals	31 December 2021	–	52,274	–	**52,274**
Investment securities at fair value through profit or loss:					
Ukrainian state bonds	31 December 2021	–	–	23,319,112	**23,319,112**
Investment securities at fair value through other comprehensive income:					
Ukrainian state bonds	31 December 2021	–	12,430,319	–	**12,430,319**
Corporate bonds	31 December 2021	–	283,786	–	**283,786**
Corporate shares	31 December 2021	–	–	23,248	**23,248**
Derivative financial assets	31 December 2021	–	582,742	–	**582,742**
Investment property	31 December 2021	–	–	984,056	**984,056**
Buildings	1 July 2021	–	–	1,641,235	**1,641,235**
Land	1 December 2020	–	–	4,457	**4,457**
Liabilities carried at fair value					
Customer accounts in precious metals	31 December 2021	–	45,321	–	**45,321**
Derivative financial liabilities	31 December 2021	–	7	–	**7**
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2021	3,824,287	39,058,084	–	**42,882,371**
Loans and advances to banks	31 December 2021	–	8,217,896	–	**8,217,896**
Loans and advances to customers	31 December 2021	–	–	68,384,011	**68,384,011**
Investment securities at amortised cost	31 December 2021	–	29,517,124	–	**29,517,124**
Other financial assets	31 December 2021	–	177,596	–	**177,596**
Liabilities for which fair value is disclosed					
Due to other banks	31 December 2021	–	25,577,371	–	**25,577,371**
Customer accounts	31 December 2021	–	121,766,497	–	**121,766,497**
Other borrowed funds	31 December 2021	5,845,459	21,512,569	–	**27,358,028**
including Eurobonds issued	*31 December 2021*	*5,845,459*	–	–	***5,845,459***
Subordinated debt	31 December 2021	3,719,327	–	–	**3,719,327**
Other financial liabilities	31 December 2021	–	595,997	–	**595,997**

When moving between levels of the fair value hierarchy, the Bank adheres to the policy of determining the time of transfers - at the end of the reporting period.

As at 31 December, 2022, other borrowed funds, namely Eurobonds and subordinated debt, were transferred from Level 1 to Level 2 of the fair value hierarchy, since there was no active market during 2022, and the fair value, accordingly, was determined using methods based on observable market data.

(thousands of Ukrainian hryvnia)

Investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income

The fair value of investment securities at fair value through profit or loss is determined using the valuation model, which inputs are both observable in the market (exchange rate, coefficients of zero coupon yield curve on Ukrainian state bonds in UAH (Nelson-Siegel model), interest rates) and unobservable in the market (historical exchange rate volatility). The the fair value of Ukrainian indexed state bonds is determined using of the appropriate software complex and is controlled by the specialists of the back-office support of operations on the financial markets of the Operations Department.

The fair value of investment securities at fair value through other comprehensive income (excluding shares) is determined by quotations in the securities market or using the method of discounting cash flows based on the NBU yield curve. The the fair value determination processes are controlled by the specialists of the back-office support of operations on the financial markets of the Operations Department.

The fair value of shares is determined using the models that include only unobservable market inputs, including the assumptions about the future financial performance of an investee. This calculation is performed using the data of the annual official information on the financial and economic activity of the issuers of securities, if it was made public in accordance with the requirements of the current legislation of Ukraine using the appropriate software complex and is controlled by the specialists of the back-office support of operations on the financial markets of the Operations Department.

Derivative financial instruments

A market approach and open level 2 inputs are used to determine fair value, where possible. Generally, the market approach is used to determine the fair value of interest rate swaps, forwards and swaps in the foreign exchange market for the most liquid currencies.

The determination of the fair value of the interest rate swap is based on the model of the interest rate swap as a combination of two bonds, which is based on the fact that notional amounts of credits that are conditionally exchanged between the parties to the contract are equal, and therefore the interest rate swap can be represented as a combination of a long position in one bond and short position in another bond.

When determaning the fair value of a currency swap, the method of determination of the fair value of a currency forward, which is a part of a currency swap, is used. The fair value of a currency forward is determined based on the assumption of a fair forward exchange rate, which is calculated based on the current exchange rate, the effective rate in the base and related currencies, and the terms to maturity.

Fair value of financial assets and financial liabilities not carried 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 carried 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.

	31 December 2022			*31 December 2021*		
	Carrying amount	*Fair value*	*Unrecognised gain/ (loss)*	*Carrying amount*	*Fair value*	*Unrecognised gain/ (loss)*
Financial assets						
Cash and cash equivalents	81,386,122	81,386,122	–	42,882,371	42,882,371	–
Loans and advances to banks	498,804	498,804	–	8,217,896	8,217,896	–
Loans and advances to customers	82,429,861	80,947,706	(1,482,155)	69,334,862	68,384,011	(950,851)
Investment securities at amortised cost	22,092,656	19,887,489	(2,205,167)	30,139,375	29,517,124	(622,251)
Other financial assets	451,967	451,967	–	177,596	177,596	–
Financial liabilities						
Due to other banks	22,158,638	22,158,638	–	25,577,371	25,577,371	–
Customer accounts	177,080,968	177,112,933	(31,965)	121,791,915	121,766,497	25,418

(thousands of Ukrainian hryvnia)

	31 December 2022			*31 December 2021*		
	Carrying amount	*Fair value*	*Unrecognised gain/ (loss)*	*Carrying amount*	*Fair value*	*Unrecognised gain/ (loss)*
Other borrowed funds	27,301,358	24,931,949	2,369,409	27,237,654	27,358,028	(120,374)
including Eurobonds issued	*3,870,390*	*1,500,981*	*2,369,409*	*5,725,085*	*5,845,459*	*(120,374)*
Subordinated debt	4,055,444	1,458,128	2,597,316	3,605,597	3,719,327	(113,730)
Other financial liabilities	600,816	600,816	–	596,018	596,018	–
Total unrecognised change in unrealised fair value			**1,247,438**			**(1,781,788)**

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 which fair value approximates their carrying amount

For the financial assets and financial liabilities that are liquid or have a short-term maturity (less than 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 issued, the fair values are 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.

Movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value:

	At 1 January 2022	*Gain/ (loss) recognised in the consolidated statement of profit or loss*	*Gain/ (loss) recognised in the consolidated statement of comprehensiv e income*	*Purchases*	*Transfers/ Writes off*	*Settlements*	*At 31 December 2022*
Investment securities at fair value through profit or loss	23,319,113	4,772,928(a)	–	–	–	(1,130,460)(3)	26,961,581
Investment securities at fair value through other comprehensive income	23,248	795(b)	(1,069)	–	–	(795)(i)	22,179
Investment property	984,056	(58,644)(c)	–	24,211(e)	(4,229)	(277,898)(k)	667,496
Buildings	1,641,235	(9,685)(d)	187,023	220(f)	(17,747)	–	1,801,046
Land	4,457	(37)(l)	4	–	–	–	4,424
Total assets	**25,972,109**	**4,705,357**	**185,958**	**24,431**	**(21,976)**	**(1,409,153)**	**29,456,726**

	At 1 January 2021	***Gain/ (loss) recognised in the consolidated statement of profit or loss***	***Gain/ (loss) recognised in the consolidated statement of comprehensive income***	***Purchases***	***Transfers***	***Settlements***	***At 31 December 2021***
Investment securities at fair value through profit or loss	29,008,521	(1,117,628)[a]	–	–	–	(4,571,780)[g]	23,319,113
Investment securities at fair value through other comprehensive income	22,603	933[b]	645	–	–	(933)[h]	23,248
Investment property	1,143,451	(36,989)[c]	–	145,818[e]	(6,804)	(335,398)[i]	984,056
Buildings	1,748,326	(31,841)[d]	(82,949)	1,495[f]	6,204	–	1,641,235
Land	3,857	–	–	–	600	–	4,457
Total assets	**31,926,758**	**(1,111,547)**	**(82,304)**	**147,313**	–	**(4,908,111)**	**25,972,109**

[a] Gains in the amount of UAH 4,772,928 thousand include: UAH 3,636,380 thousand of revaluation of investment securities at fair value through profit or loss included in "Net gain/(loss) from investment securities at fair value through profit or loss" and UAH 1,133,548 thousand of accrued interest income included in "Other interest income" (2021: Losses in the amount of UAH (1,117,628) thousand include: UAH (2,316,452) thousand of revaluation of investment securities at fair value through profit or loss included in "Net gain/(loss) on transactions with financial instruments at fair value through profit or loss" and UAH 1,198,825 thousand of accrued interest income included in "Other interest income").

[b] Accred dividends in the amount of UAH 795 thousand included in "Other income" (2021: accrued dividends in the amount of UAH 933 thousand included in "Other income").

[c] Loss from revaluation of investment property in the amount of UAH (58,644) thousand is included in "Net increase/(decrease) from revaluation of investment property" (2021: gain from revaluation of investment property in the amount of UAH 36,989 thousand is included in "Net increase/(decrease) from revaluation of investment property".

[d] Loss in the amount of UAH 9,685 thousand includes: gain from revaluation of buildings in the amount of UAH 21,593 thousand included in "Other income" and loss in the amount of UAH 31, 278 thousand included in "Depreciation and amortisation" (2021: loss in the amount of UAH 31,841 thousand included in "Depreciation and amortisation").

[e] UAH 24,211 thousand of purchases comprise: UAH 15,879 thousand of additions and UAH 8,332 thousand of transfers from "Non-current assets classified as held for sale" to "Investment property" (2021: UAH 133,185 thousand of additions and UAH 12,633 thousand of transfers from "Non-current assets classified as held for sale: to "Investment property").

[f] Purchases in the amount of UAH 220 thousand include transfers from capital investments to "Property, plant and equipment" (2021: purchases in the amount of UAH 1,495 thousand include transfers from capital investments to "Property, plant and equipment").

[g] Redemption in the amount of UAH 1,130,460 thousand includes: coupon payments in the amount of UAH 1,130,460 thousand (2021: redemption in the amount of UAH 4,571,780 thousand includes: coupon payment in the amount of UAH 1,222,960 thousand and redemption of securities in the amount of UAH 3,348,820 thousand.

[h] Dividend payments in the amount of UAH 795 thousand (2021: dividend payments in the amount of UAH 933 thousand).

[i] UAH 277,898 thousand of disposals (2021: UAH 335,398 thousand of disposals).

[g] Loss from revaluation of land in the amount of UAH 37 thousand included in "Other income" (2021: none).

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

	2022		
	Realised gains	***Unrealised gains/ (losses)***	***Total***
Investment securities at fair value through profit or loss	906,440	3,866,488	4,772,928
Investment securities at fair value through other comprehensive income	795	–	795
Investment property	–	(58,644)	(58,644)
Buildings	–	(9,685)	(9,685)
Land	–	(37)	(37)
Total	**907,235**	**3,798,122**	**4,705,357**

In 2022, the Bank sold investment property items with a loss of UAH 20,590 thousand as a result of the inclusion in the calculation result the value added tax, which was accounted for as a part of other assets (2021: with a profit of UAH 44,003 thousand).

(thousands of Ukrainian hryvnia)

	2021		
	Realised gains	***Unrealised gains/ (losses)***	***Total***
Investment securities at fair value through profit or loss	732,145	(1,849,773)	(1,117,628)
Investment securities at fair value through other comprehensive income	933	–	933
Investment property	–	36,989	36,989
Buildings	–	(31,841)	(31,841)
Total	**733,078**	**(1,844,625)**	**(1,111,547)**

The tables below show the quantitative information as at 31 December 2022 and 31 December 2021 about significant unobservable inputs used for the fair valuation of assets classified as those of Level 3 of the fair value hierarchy:

At 31 December 2022	***Carrying amount***	***Valuation technique***	***Unobservable parameter***	***Parameter values***
Investment securities at fair value through other comprehensive income	22,179	Discounted cash flows	Expected profitability	13.9%
Investment securities at fair value through profit or loss	26,961,581	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	25.863%
Investment property				
- real estate	227,120	Comparative	Price per sqm	UAH 0.2 thousand - UAH 41.0 thousand
- land	440,376	Comparative, comparing the sale prices of similar land plots	Price per acre	UAH 1.9 thousand - UAH 1,905.3 thousand
Buildings	1,801,046	Comparative	Price per sqm	UAH 1 thousand - UAH 46 thousand
Land	4,424	Comparative	Price per acre	UAH 48 thousand - UAH 367 thousand

At 31 December 2021	***Carrying amount***	***Valuation technique***	***Unobservable parameter***	***Parameter values***
Investment securities at fair value through other comprehensive income	23,248	Discounted cash flows	Expected profitability	12.0%
Investment securities at fair value through profit or loss	23,319,112	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	25.754%
Investment property				
- real estate	482,028	Comparative	Price per sqm	UAH 0.1 thousand - UAH 50.5 thousand
- land	502,028	Comparative, comparing the sale prices of similar land plots	Price per acre	UAH 1.8 thousand - UAH 1,876.7 thousand
Buildings	1,641,235	Comparative	Price per sqm	UAH 1 thousand - UAH 30 thousand
Land	4,457	Comparative	Price per acre	UAH 48 thousand - UAH 352 thousand

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

As at 31 December 2022, 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 4,433 thousand / decrease by UAH 4,300 thousand (31 December 2021: increase by UAH 16,607 thousand / decrease by UAH 16,361 thousand).

As at 31 December 2022, the Bank assumes the impact of changes in exchange rate volatility when measuring the fair value of investment securities at fair value through profit or loss at +77.08 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian state bonds with indexed value is UAH 724,655.32 thousand and will result in the profit increase. (31 December 2021: the Bank assumed the impact of changes in exchange rate volatility when measuring the fair value of investment securities at fair value through profit or loss at +11.44 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian state bonds with indexed value is UAH 197,647 thousand and will result in the profit increase.)

(thousands of Ukrainian hryvnia)

If 1 sqm of real estate / 1 hectare of land plot increases/decreases, the fair value of buildings, land and investment property would increase/decrease respectively.

31. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 29 for the Bank's contractual undiscounted repayment obligations.

	31 December 2022			*31 December 2021*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Assets						
Cash and cash equivalents	81,386,122	–	81,386,122	42,882,371	–	42,882,371
Loans and advances to banks	209,229	384,243	593,472	7,807,763	462,407	8,270,170
Loans and advances to customers	37,325,677	45,104,184	82,429,861	22,651,040	46,683,822	69,334,862
Investments in securities:						
- at fair value through profit or loss	9,407,092	18,443,281	27,850,373	224,983	23,094,129	23,319,112
- at fair value through other comprehensive income	4,321,258	8,222,421	12,543,679	3,402,069	9,335,284	12,737,353
- at amortised cost	3,329,442	18,763,214	22,092,656	14,760,550	15,378,825	30,139,375
Current tax assets	2,866	–	2,866	–	250,048	250,048
Derivative financial assets	424,743	1,899,879	2,324,622	218	582,524	582,742
Non-current assets classified as held for sale	218,877	–	218,877	8,332	–	8,332
Investment property	–	667,496	667,496	–	984,056	984,056
Property, plant and equipment	–	1,986,866	1,986,866	–	1,850,466	1,850,466
Intangible assets	–	63,460	63,460	–	74,463	74,463
Deferred tax asset	–	1,414,884	1,414,884	–	1,190,303	1,190,303
Other financial assets	451,967	–	451,967	177,596	–	177,596
Other non-financial assets	137,714	–	137,714	292,283	–	292,283
Total	**137,214,987**	**96,949,928**	**234,164,915**	**92,207,205**	**99,886,327**	**192,093,532**
Liabilities						
Due to other banks	3,689,784	18,468,854	22,158,638	4,206,821	21,370,550	25,577,371
Customer accounts	176,731,096	416,329	177,147,425	121,208,953	628,283	121,837,236
Derivative financial liabilities	9,810	–	9,810	7	–	7
Other borrowed funds	2,485,676	24,815,682	27,301,358	2,016,045	25,221,609	27,237,654
Subordinated debt	469,233	3,586,211	4,055,444	83,843	3,521,754	3,605,597
Allowance for loan commitments and financial guarantee contracts	520,007	–	520,007	290,987	–	290,987
Other provisions	2,307	–	2,307	561	–	561
Other financial liabilities	596,705	4,111	600,816	590,393	5,625	596,018
Including lease commitments	*3,068*	*4,111*	*7,179*	*474*	*5,625*	*6,099*
Other non-financial liabilities	333,973	–	333,973	495,356	–	495,356
Current tax liabilities	143	–	143	–	–	–
Total	**184,838,734**	**47,291,187**	**232,129,921**	**128,892,966**	**50,747,821**	**179,640,787**
Net amount	**(47,623,747)**	**49,658,741**	**2,034,994**	**(36,685,761)**	**49,138,506**	**12,452,745**

The maturity analysis does not reflect the historical stability of current accounts. Such accounts are closed during longer period than one specified in the tables above. These balances are included to amounts payable within one year.

Amounts due to customers include term deposits of individuals. In accordance with the Ukrainian law, the Bank is obliged to return term deposit on maturity date specified in the deposit agreement. The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only cases provided for by the deposit agreement. The Bank expects that customers will not request term deposits early, thus these balances are included in disclosures above in accordance with their contractual maturities.

(thousands of Ukrainian hryvnia)

32. Presentation of financial instruments by measurement category

Assets by measurement categories as at 31 December 2022:

	Assets at fair value through other comprehensive income	*Assets at fair value through profit or loss*	*Assets at amortised cost*	*Total*
Cash and cash equivalents	–	–	81,386,122	81,386,122
Loans and advances to banks	–	94,668	498,804	593,472
Loans and advances to customers	–	–	82,429,861	82,429,861
Investments in securities	12,543,679	27,850,373	22,092,656	62,486,708
Derivative financial assets	–	2,324,622	–	2,324,622
Other financial assets	–	–	451,967	451,967
Total	**12,543,679**	**30,269,663**	**186,859,410**	**229,672,752**

Assets by measurement categories as at 31 December 2021:

	Assets at fair value through other comprehensive income	*Assets at fair value through profit or loss*	*Assets at amortised cost*	*Total*
Cash and cash equivalents	–	–	42,882,371	42,882,371
Loans and advances to banks	–	52,274	8,217,896	8,270,170
Loans and advances to customers	–	–	69,334,862	69,334,862
Investments in securities	12,737,353	23,319,112	30,139,375	66,195,840
Derivative financial assets	–	582,742	–	582,742
Other financial assets	–	–	177,596	177,596
Total	**12,737,353**	**23,954,128**	**150,752,100**	**187,443,581**

As at 31 December 2022, all financial liabilities of the Bank were accounted for at amortised cost, except the attracted gold-denominated deposits and derivative financial liabilities accounted for at FVPL (31 December 2021: all financial liabilities of the Bank were accounted for at amortised cost, except the attracted gold-denominated deposits and derivative financial liabilities accounted for at FVPL).

33. 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 as at 31 December 2022 and 2021 and related income and expense for the years ended 31 December 2022 and 2021, are as follows:

(thousands of Ukrainian hryvnia)

	Key management personnel	
	31 December 2022	***31 December 2021***
Loans to and advances customers, gross	**4,295**	**1,683**
Less: Allowance for impairment	(311)	(25)
Loans and advances to customers, net	**3,984**	**1,658**
Other financial assets	16	1
Current accounts	19,426	4,690
Time deposits	8,096	4,092
Customer accounts	**27,522**	**8,782**
Other non-financial liabilities	15	14

	Key management personnel	
	2022	***2021***
Interest income on loans	58	124
Interest expense on customer deposits	(152)	(123)
Fee income	305	100
Net increase/(decrease) from foreign exchange translation	(3,263)	50

In 2022, the aggregate remuneration and other benefits paid to key management personnel amount to UAH 115,702 thousand (UAH 58 thousand of payments to the non-state pension fund) (2021: UAH 117,603 thousand (UAH 47 thousand of payments to the non-state pension fund)).

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 the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

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 2022 are disclosed below:

Client	*Sector*	*Cash and cash equivalents*	*Loans and advances to customers*	*Derivative financial assets*	*Due to other banks*	*Customer accounts*	*Guarantees issued*
Client 1	State entities	–	–	–	–	30,215,357	–
Client 2	State entities	–	–	–	–	15,645,416	–
Client 3	Finance	19,507,835	–	2,307,813	18,468,854	–	–
Client 4	Extractive industry	–	5,481,858	–	–	2,354,906	–
Client 5	Extractive industry	–	6,721,052	–	–	–	–
Client 6	Power engineering	–	6,961,186	–	–	–	–
Client 7	Power engineering	–	3,759,120	–	–	–	–
Client 8	Power engineering	–	–	–	–	–	1,408,028
Client 9	Road construction	–	7,074,760	–	–	–	–
Client 10	Mechanical engineering	–	–	–	–	2,386,483	–
Client 11	Mechanical engineering	–	2,010,301	–	–	–	109,966
Client 12	Trade	–	–	–	–	–	2,137,608
Client 13	Trade	–	–	–	–	–	1,928,076
Client 14	Professional, scientific and technical activities	–	–	–	–	2,085,880	–
Client 15	Professional, scientific and technical activities	–	902,615	–	–	–	–
Client 16	Transport and communications and technical activities	–	1,099,474	–	–	–	–
Other		–	2,719,086		408,603	23,260,180	–

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 2021 are disclosed below:

(thousands of Ukrainian hryvnia)

Client	*Sector*	*Cash and cash equivalents*	*Loans and advances to banks*	*Loans and advances to customers*	*Derivative financial assets*	*Due to other banks*	*Customer accounts*	*Guarantees issued*
Client 1	State entities	–	–	–	–	–	5,691,258	–
Client 2	State entities	–	–	–	–	–	1,250,579	–
Client 3	Finance	18,484,579	7,730,670	–	582,412	21,366,867	–	–
Client 7	Power engineering	–	–	4,051,434	–	–	6,242,309	–
Client 6	Power engineering	–	–	5,197,528	–	–	2,240,595	–
Client 5	Extractive industry	–	–	4,051,597	–	–	6,453,998	–
Client 4	Extractive industry	–	–	2,662,001	–	–	–	–
Client 17	Transport and communications	–	–	–	–	–	2,470,606	–
Client 18	Transport and communications	–	–	–	–	–	1,701,797	–
Client 16	Transport and communications	–	–	1,434,684	–	–	–	–
Client 9	Road construction	–	–	5,520,379	–	–	–	–
Client 11	Mechanical engineering	–	–	1,558,761	–	–	–	604,096
Client 10	Mechanical engineering	–	–	–	–	–	1,387,990	–
Client 12	Trade	–	–	–	–	–	–	1,689,619
Client 13	Trade	–	–	–	–	–	–	1,594,114
Client 15	Professional, scientific and technical activities	–	–	763,216	–	–	1,393,203	–
Other		–		1,785,235	–	–	15,750,876	97,208

During the year ended 31 December 2022, the Bank recorded UAH 5,096,488 thousand of interest income under significant transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government (2021: UAH 3,201,590 thousand), including the interest income of UAH 1,186,941 thousand under transactions with the NBU deposit certificates with maturity up to 90 days (2021: UAH 1,070,618 thousand) of interest income and UAH 5,787,502 thousand (2021: UAH 3,145,353 thousand) of interest expenses.

As at 31 December 2022, the Bank's investments in securities issued by the Ukrainian Government or by entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government amounted to UAH 62,168,561 thousand (31 December 2021: UAH 65,972,073 thousand) and included the following:

	31 December 2022	*31 December 2021*
Investment securities at fair value through profit or loss	27,850,373	23,319,113
Investment securities at fair value through other comprehensive income	12,540,558	12,734,480
Investment securities at amortised cost	21,777,630	29,918,480

Carrying amount of Ukrainian state bonds included into investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income is disclosed in Note 11.

During the year 2022, the Bank recognised UAH 3,615,502 thousand of interest income on transactions with Ukrainian state bonds (2021: UAH 3,677,177 thousand) and UAH 1,116,908 thousand of interest income on transactions with other investment securities (2021: UAH 1,590,683 thousand).

34. Capital adequacy

The Bank manages its exposures to ensure that it maintains an adequate capital level to cover the external risks inherent in its business. 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.

(thousands of Ukrainian hryvnia)

NBU capital adequacy ratios

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

Starting from October 2022, the bank's capital ratios are lower than the thresholds set by the NBU due to the formation of allowances for expected credit losses as a result of the impact of war of the Russian Federation against Ukraine.

In accordance with the resolution of the NBU's Board Resolution #23 "On Certain Issues of Activities of Ukrainian Banks and Banking Groups" of 25 February 2022 does not require to apply any penalties to banks for the violations of capital and credit risk ratios caused by the negative impact of military aggression of the Russian Federation against Ukraine. Taking into account the above, the NBU did not apply measures to the Bank as a result of lowering the values of the capital ratios below the minimum levels established by the NBU.

During 2022, The Bank informed the international creditors about the impossibility of fulfilling its obligations to comply with capital ratios and other financial covenants and got their consent not to apply actions against the Bank for violating capital ratios and other financial covenants until 31 December 2022, inclusive.

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 regulatory capital adequacy ratio was as follows:

	31 December 2022	*31 December 2021*
Main capital	3,896,200	8,589,984
Additional capital, calculated	3,981,895	5,225,345
Additional capital included in calculation of total capital (limited to main capital)	3,874,021	5,225,345
Total regulatory capital	**7,770,221**	**13,815,329**
Risk weighted assets	**101,447,519**	**76,062,721**
Main capital adequacy ratio	**3.84%**	**11.29%**
Regulatory capital adequacy ratio	**7.66%**	**18.16%**

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 (additional 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:

	31 December 2022	*31 December 2021*
Tier 1 capital	2,861,156	11,916,270
Tier 2 capital, calculated	604,416	3,434,784
Tier 2 capital, included in calculation of total capital	604,416	3,434,784
Total capital	**3,465,572**	**15,351,054**
Risk weighted assets	**107,247,078**	**86,350,562**
Tier 1 capital adequacy ratio	**2.7%**	**13.8%**
Total capital adequacy ratio	**3.2%**	**17.8%**

35. Subsequent events

On 2 November 2022, the Management Board of JSC :"Ukreximbank" made a decision on the Bank's sale of its share in the share capital of "Eximleasing" LLC in the amount of 49% at a price not lower than the market value determined in the report of the appraiser on property valuation. On 11 November 2022, the Supervisory Board of JSC "Ukreximbank" approved the decision of the Management Board on such a sale. The sale procedure took place through an auction with a price increase on the SETAM site (setam.net.ua), and already on 5 December 2022 the auction took place, at which the winner (buyer) was determined. In connection with the need for the buyer to obtain the permission of the Antimonopoly Committee of Ukraine for the purchase of corporate rights, the actual signing of the purchase and sale agreements and the act of acceptance of the transfer took place on 5 June 2023.

As a result of the sale of "Eximleasing" LLC, the Bank recognized a profit in the amount of UAH 1,756 thousand.

As disclosed in Note 2 and 25, as at the date when these financial statements are authorised for issue, military operations continue and martial law is in effect on the territory of Ukraine, which indicates the existence of a significant uncertainty, which may call into question the Bank's ability to continue its activities on an ongoing basis. The Bank received from its international creditors consent not to apply actions against the Bank for violating its obligations to comply with the regulatory capital ratios and other financial covenants until 30 June 2023, inclusive.