

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

Interim Condensed Financial statements

*for the three month ended 31 March 2022,
(unaudited)*

Translation from Ukrainian

Content

Management report

Independent auditor's report

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STATEMENT OF FINANCIAL POSITION**As at 31 March 2022***(UAH thousands)*

	Notes	31 March 2022	31 December 2021
Assets			
Cash and cash equivalents	7	21,585,137	30,188,103
Precious metals		1,681	1,666
Due from credit institutions	8	1,162,701	5,081,150
Derivative financial assets	9	41	509
Loans to customers and finance leases	10	60,854,155	55,889,683
Investments at fair value through other comprehensive income	11	28,400,824	29,458,919
Investment property	12	153,955	153,955
Property and equipment and intangible assets	13	1,165,462	1,187,141
Right-of-use assets	14	193,944	255,664
Other property	15	361,519	385,353
Assets held for sale		36	-
Current income tax assets		10,454	-
Deferred income tax assets	16	32,486	32,254
Other assets	18	601,315	637,119
Total assets		114,523,710	123,271,516
Liabilities			
Due to the National Bank of Ukraine	19	8,199,309	4,699,967
Due to credit institutions	20	6,582,313	7,305,696
Derivative financial liabilities	9	27,693	72,346
Due to customers	21	87,718,525	96,736,381
Provisions for guarantees, commitments and legal risks	17, 23, 27	664,949	635,462
Lease liabilities	14	190,098	230,772
Current income tax liabilities		-	444,773
Other liabilities	18	1,236,172	1,515,217
Total liabilities		104,619,059	111,640,614
Equity			
Share capital	22	13,837,000	13,837,000
Acquired title of ownership to shares		(518,439)	(518,439)
Result from transactions with shareholders		(1,102,304)	(1,102,304)
Additional paid-in capital		135,942	135,942
Other provisions	22	(319,552)	(2,185)
Accumulated deficit		(2,127,996)	(719,112)
Total equity		9,904,651	11,630,902
Total equity and liabilities		114,523,710	123,271,516

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board

Andrii KRAVETS

Chief Accountant

Nataliia ILNYTSKA

17 August 2022

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**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the three months ended 31 March 2022

(UAH thousands)

	Notes	Reporting period		Previous period	
		for the current quarter	for the current quarter cumulative since the year	for the corresponding quarter of the previous year	for the corresponding quarter cumulative since the year
Interest income calculated using effective interest rate					
Loans to customers		1,167,647	1,167,647	1,079,976	1,079,976
Investments at fair value through other comprehensive income		787,128	787,128	1,034,845	1,034,845
Deposit certificates of the National Bank of Ukraine		103,888	103,888	84,849	84,849
Due from credit institutions		22,234	22,234	8,228	8,228
		<u>2,080,897</u>	<u>2,080,897</u>	<u>2,207,898</u>	<u>2,207,898</u>
Other interest income					
Loans to customers at fair value through other incomes/losses		2,763	2,763	3,586	3,586
Financial leases		63,441	63,441	69,432	69,432
		<u>66,204</u>	<u>66,204</u>	<u>73,018</u>	<u>73,018</u>
		<u>2,147,101</u>	<u>2,147,101</u>	<u>2,280,916</u>	<u>2,280,916</u>
Interest expense					
Due to the National Bank of Ukraine		(92,486)	(92,486)	(11,136)	(11,136)
Due to customers		(611,067)	(611,067)	(1,040,129)	(1,040,129)
Due to credit institutions		(30,844)	(30,844)	(34,669)	(34,669)
		<u>(734,397)</u>	<u>(734,397)</u>	<u>(1,085,934)</u>	<u>(1,085,934)</u>
Other interest expense					
Lease liability		(5,748)	(5,748)	(5,534)	(5,534)
		<u>(5,748)</u>	<u>(5,748)</u>	<u>(5,534)</u>	<u>(5,534)</u>
		<u>(740,145)</u>	<u>(740,145)</u>	<u>(1,091,468)</u>	<u>(1,091,468)</u>
Net interest income, before credit loss expense		<u>1,406,956</u>	<u>1,406,956</u>	<u>1,189,448</u>	<u>1,189,448</u>
Credit loss expense	7, 8, 10, 11, 27	(1,909,326)	(1,909,326)	(602,787)	(602,787)
Net interest income, after credit loss expense		<u>(502,370)</u>	<u>(502,370)</u>	<u>586,661</u>	<u>586,661</u>
Losses on initial recognition of financial assets		-	-	(1,532)	(1,532)
Change in fair value of loans to customers at fair value through profit or loss		(1,905)	(1,905)	5,498	5,498
Net fee and commission income	24	319,120	319,120	336,722	336,722
Net gains on derecognition of financial assets at amortized cost		1,173	1,173	6,778	6,778
Net gains on investments at fair value through other comprehensive income		25,120	25,120	72,736	72,736
Net losses on derecognition of financial liabilities		200	200	285	285
Net gains on foreign exchange operations and precious metals	25	61,544	61,544	25,856	25,856
Result on operations with derivative financial instruments		52,644	52,644	57,486	57,486
Net gains on investment property		4,221	4,221	3,603	3,603
Other income	26	78,042	78,042	94,345	94,345
Non-interest income		<u>540,159</u>	<u>540,159</u>	<u>601,777</u>	<u>601,777</u>

The accompanying notes on pages 6 to 73 are an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME****For the three months ended 31 March 2022***(UAH thousands)*

	Notes	Reporting period		Previous period	
		for the current quarter	for the current quarter cumulative since the year	for the corresponding quarter of the previous year	for the corresponding quarter cumulative since the year
Staff costs	28	(675,964)	(675,964)	(495,184)	(495,184)
Other operating expense	28	(661,542)	(661,542)	(266,400)	(266,400)
Depreciation and amortization	13	(61,095)	(61,095)	(65,265)	(65,265)
Depreciation of right-of-use assets		(23,095)	(23,095)	(18,111)	(18,111)
Changes in expected credit losses on other assets and other provisions	27	(25,209)	(25,209)	(33,585)	(33,585)
Non-interest expense		(1,446,905)	(1,446,905)	(878,545)	(878,545)
Profit/(loss) before income tax		(1,409,116)	(1,409,116)	309,893	309,893
Income tax expense	16	232	232	(65,835)	(65,835)
Net profit/(loss)		(1,408,884)	(1,408,884)	244,058	244,058
Other comprehensive income					
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of debt instruments at fair value through other comprehensive income		(493,100)	(493,100)	(193,381)	(193,381)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	22	(25,120)	(25,120)	(72,736)	(72,736)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	22	200,853	200,853	(14,128)	(14,128)
Income taxes related to revaluation of investments at fair value through other comprehensive income	22	-	-	50,444	50,444
		(317,367)	(317,367)	(229,801)	(229,801)
Other comprehensive income/(loss), after income tax		(317,367)	(317,367)	(229,801)	(229,801)
Total comprehensive income/(loss)		(1,726,251)	(1,726,251)	14,257	14,257
Weighted average number of shares (in thousands)		13,837,000	13,837,000	13,837,000	13,837,000
Basic and diluted net earnings/(loss) per share (in UAH)		(0.10)	(0.10)	0.02	0.02

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board

Andrii KRAVETS

Chief Accountant

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17 August 2022

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STATEMENT OF CHANGES IN EQUITY**For the three month ended 31 March 2022***(UAH thousands)*

	Notes	Share capital	Acquired title of ownership to shares	Result from transactions with share-holders	Additional paid-in capital	Other provisions	Accumulated deficit	Total capital
As at 1 January 2021		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>687,554</u>	<u>(4,490,922)</u>	<u>8,548,831</u>
Total comprehensive income for the year	22	-	-	-	-	(688,936)	3,771,007	3,082,071
Transfer as a result of disposal of real estate		-	-	-	-	(803)	803	-
As at 31 December 2021		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>(2,185)</u>	<u>(719,112)</u>	<u>11,630,902</u>
Total comprehensive income	22	-	-	-	-	(317,367)	(1,408,884)	(1,726,251)
As at 31 March 2021		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>(319,552)</u>	<u>(2,127,996)</u>	<u>9,904,651</u>

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Chairman of the Management Board



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17 August 2022

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STATEMENT OF CASH FLOWS (THE DIRECT METHOD)

For the three month ended 31 March 2022

(UAH thousands)

	Notes	31 March 2022	31 March 2021
Cash flows from (used in) operating activities			
Interest received		1,940,071	2,531,099
Interest paid		(747,045)	(1,140,988)
Fees and commissions received		602,575	467,613
Fees and commissions paid		(239,455)	(119,766)
Net result on foreign exchange operations and operations with precious metals (realized)	25	78,532	13,155
Result on operations with derivative financial instruments		13,167	(101,247)
Other income received		45,512	77,798
Staff costs		(648,061)	(404,188)
Other operating expense		(553,294)	(249,091)
Cash flows from (used in) operating activities before changes in operating assets and liabilities		492,002	1,074,385
<i>Net (decrease)/increase in operating assets</i>			
Precious metals		2,142	(2,260)
Due from credit institutions		4,521,369	242,272
Loans to customers and finance leases		(6,402,169)	1,040,462
Other assets		747,599	(92,121)
<i>Net (decrease)/increase in operating liabilities</i>			
Due to credit institutions		(890,388)	253,902
Due to customers		(10,844,300)	(12,747,593)
Other liabilities		(1,396,032)	(220,992)
Net cash flows from (used in) operating activities before income taxes		(13,769,777)	(10,451,945)
Income taxes paid		(455,227)	-
Net cash flows from (used in) operating activities		(14,225,004)	(10,451,945)
Cash flows from (used in) investing activities			
Acquisition of securities		(165,282,147)	(100,909,505)
Proceeds on sale and repayment of securities		165,699,994	98,143,728
Acquisition of property and equipment and intangible assets		(39,719)	(9,608)
Proceeds on disposal of property and equipment		374	-
Proceeds on investment property		4,220	3,603
Proceeds on disposal of other property	15	31,096	52,626
Net cash flows from (used in) investing activities		413,818	(2,719,156)
Cash flows from (used in) financing activities			
Proceeds of borrowed funds from credit institutions		-	988,896
Repayment of borrowed funds from credit institutions		(134,211)	(140,760)
Proceeds of borrowed funds from the National Bank of Ukraine		7,200,000	1,000,000
Repayment of borrowed funds from the National Bank of Ukraine		(3,700,000)	-
Repayment of lease liability principal amount		(17,561)	(16,884)
Net cash flows from (used in) financial activities	34	3,348,228	1,831,252
Effect of exchange rate changes on cash and cash equivalents		1,857,852	(292,148)
Effect of expected credit losses on cash and cash equivalents		2,140	(1,761)
Net increase/(decrease) in cash and cash equivalents		(8,602,966)	(11,633,758)
Cash and cash equivalents at the beginning of the period		30,188,103	35,287,994
Cash and cash equivalents at the end of the period		21,585,137	23,654,236

Authorized and signed on behalf of the Bank's management by:

Chairman of the Management Board

Andrii KRAVETS

Chief Accountant

Nataliia ILNYTSKA

17 August 2022

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(in thousands of Hryvnias, unless otherwise indicated)

1. General information

Organizational structure and operations

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

The Bank is engaged in accepting deposits from individuals and legal entities and extending loans, transferring payments in Ukraine and abroad, exchanging currencies and providing other banking services to its corporate and retail customers. The Bank's Head Office is located in Kyiv. As at 31 March 2022, the Bank's network consisted of 263 registered outlets (including 190 working outlets) (2021: 268 registered outlets, including 268 working outlets) in different regions of Ukraine. The Bank's registered address is: 1 Yerevanska St., Kyiv, Ukraine. The Bank's Head Office is located at: 19, 21,23 Staronavodnytska St., Kyiv, Ukraine.

When implementing the Green Banking Strategy, the priority activity of the Bank is to finance projects related to efficient use of energy resources and reduction of negative environmental impact.

At present, the Bank is the only bank in Eastern Europe with its own technical office involved in professional analysis of alternative energy and energy efficiency projects.

The Bank finances eco-projects on renewable energy, energy efficiency and ecology.

The Bank has implemented an environmental management system based on sustainable development principles and standards of the International Financial Corporation (PS IFC).

As at 31 March 2022 and 31 December 2021, the Bank's issued shares were held by the following shareholders:

Shareholder		31 March 2022, %	31 December 2021, %
Ministry of Finance of Ukraine	73	94.94	94.94
Other		5.06	5.06
Total		100.00	100.00

As at 31 March 2022 and 31 December 2021, the Bank's ultimate controlling party was the Ukrainian government represented by the Ministry of Finance of Ukraine.

These interim financial statements have been authorized for issue and signed by the Bank's management on 17 August 2022.

2. Operating environment and going concern

On 25 February 2022, Fitch Ratings, a credit rating agency, downgraded Ukraine's long-term foreign currency Issuer Default Rating (IDR) to 'CCC'. On 25 February 2022, Standard&Poor's Global Ratings, a credit rating agency, downgraded Ukraine's long- and short-term foreign and national currency sovereign credit ratings to 'B-/B' with the forecast "revision with a possible reduction".

The Board of the National Bank of Ukraine decided to increase the discount rate to 10% p.a. starting 21 January 2022. The strengthening of the monetary policy of the National Bank of Ukraine is due to the realization of a significant number of pro-inflationary risks.

On 24 February 2022, the Russian Federation started full-scale armed aggression on the territory of Ukraine. In connection with the armed aggression of the Russian Federation against Ukraine and based on the proposal of the National Security and Defense Council, and in accordance with Ukrainian law, the President of Ukraine signed Decree No. 64/2022 "On the introduction of martial law in Ukraine" from 5:30 February 24, 2022 year for a period of 30 days. The decree of the President of Ukraine dated March 14, 2022 No. 133/2022 extended martial law in Ukraine from 05:30 on March 26, 2022 for a period of 30 days.

Due to the martial law imposed in Ukraine, the constitutional rights and freedoms of man and citizen provided for in Articles 30-34, 38, 39, 41-44, 53 of the Constitution of Ukraine may be temporarily restricted, as well as temporary restrictions of the rights and legitimate interests of legal entities may be introduced.

(in thousands of Hryvnias, unless otherwise indicated)

The National Bank of Ukraine has introduced a number of special aspects of carrying out banking operations to ensure the sustainability of the banking system during the martial law period, as approved by Resolution No. 18 of the Board of the National Bank of Ukraine dated 24 February 2022, which are as follows:

- ▶ non-cash payments are made without restrictions;
- ▶ the NBU provides blank refinancing of banks to maintain liquidity without any amount restrictions for up to one year with possible extension for another year;
- ▶ payments of the Government of Ukraine are made without restrictions, according to the special period law;
- ▶ it is prohibited to issue cash in Ukraine and abroad in UAH and in foreign currencies in excess of the limits set by the NBU;
- ▶ cross-border transfers of currency values from Ukraine have been restricted;
- ▶ any operations involving RUB and BYN have been forbidden;
- ▶ forbidden are early repayments of loans received by banks from non-residents and accelerations of maturities for such loans;
- ▶ in case the banks violate the banking operation limits or regulations, the NBU will not apply any sanctions to such banks to the extent that this violation was caused by military actions.

The NBU fixed the official exchange rate of UAH 29.25/USD 1 as at 24 February 2022. After the liberation of the territory of Ukraine from the Russian invaders and the return of the economy and financial system to functioning on a market basis, the National Bank of Ukraine will return to the traditional format of inflation targeting with a floating exchange rate.

According to the decisions of the National Bank of Ukraine, public sector banks, including JSB "UKRGASBANK", are included in the list of critical infrastructure facilities in the Ukrainian banking system and in the list of authorized banks of Ukraine involved in operations (transactions) during the special period.

The armed aggression of the Russian Federation and full-scale war actions have caused huge destruction of the civilian infrastructure and resulted in the temporary occupation of certain territories. A comprehensive and accurate assessment of the losses will be possible only after the end of the martial law status and the liberation of the temporarily occupied territories.

By the decision of the Management Board of JSB "UKRGASBANK" dated 24 February 2022, the Action Plan in the State of Emergency has been approved for JSB "UKRGASBANK", according to which the emergency response team operates in the Bank during the special period, which takes over the powers of collective bodies and coordinates the actions of the Bank's employees during their work in the state of emergency. The Bank has promptly implemented the resolutions and decisions of the NBU and other authorities.

The Supervisory Board and the committees of the Supervisory Board of the Bank continue to perform their functions.

Today, the vast majority of the Bank's branches have been operating since the pre-war period. The Bank has decided to close down 10 branches.

The Bank ensured the smooth operation of the IT infrastructure, expanded the use of cloud technology, including the deployment of processing center systems in AWS. A number of measures have been taken to improve the Bank's information security and several DDoS attacks have been repulsed.

The Bank did not cease any of its operations. In the near future, the Bank does not plan to change its business model due to martial law and will continue to operate as a universal bank with a full range of banking services to all customer categories.

Following the start of the armed aggression, the Bank introduced credit holidays for borrowers in the Individuals, SME and Legal entities segments, which anticipated the change of schedules for payment of principal and accrued interest for the period of March-April 2022.

Management monitors the current situation with the spread of the armed aggression and takes measures, if necessary, to minimize any negative consequences as much as possible. Further adverse developments and macroeconomic conditions may adversely affect the financial position and performance of the Bank in a manner that cannot be determined at this time.

In preparing these financial statements, the known and estimated impact of the above factors on the Bank's financial position and performance in the reporting period have been taken into account.

(in thousands of Hryvnias, unless otherwise indicated)

3. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and the requirements of Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV dated 16 July 1999, concerning the preparation of financial statements.

Basis of measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable in the market or is estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability as if the market participants took those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on this basis, except for leases that are within the scope of IFRS 16 *Leases* and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

Impact of the COVID-19 pandemic

Due to the rapid spread of COVID-19 pandemic in 2020-2021, which continued in 2021, many governments, including the Ukrainian Government, introduced various measures to combat the outbreak, introduced territorial quarantine zones that include the introduction of travel restrictions, prohibited or restricted operations of enterprises and organizations, and introduced the possibility of vaccination. These measures have affected the demand for goods and services, and the overall business scale. It is expected that the pandemic itself as well as the related public health and social measures may influence the business of entities and organizations in a wide range of industries across Ukraine. The Government of Ukraine and the National Bank of Ukraine have taken a number of decisions to mitigate a significant economic downfall caused by the COVID-19 pandemic. These measures include credit holidays for individuals and businesses, a ban on raising interest rates on consumer loans and a ban on penalties, fines, etc. for overdue loans, borrowers' loans restructuring, easing and delaying the introduction of certain regulatory restrictions to help the financial sector maintain its capabilities to provide financial resources to customers to avoid liquidity shortages of businesses as a result of the COVID-19 containment measures.

Going concern

These financial statements have been prepared on a going concern basis. In preparing the financial statements for the three month ended 31 March 2022, the Bank's management assessed the Bank's ability to continue its activities in the future given the factor of hostilities in Ukraine, which have and continue to cause negative consequences for customers of the Bank in particular and for the economy of Ukraine as a whole. The Bank's management believes that within the next twelve months the Bank will be able to meet its obligations in a timely manner and in full.

Given the forecast indicators of liquidity, capital adequacy ratios, the amount of expected credit losses, the Bank's management believes that there are sufficient grounds for preparing this financial statements based on a going concern principle.

The main going concern assumptions of the Bank were based on the following macroeconomic indicators:

Indicator	2022	2023
GDP	-35%	+23%
Consumer price index	20%	19%

(in thousands of Hryvnias, unless otherwise indicated)

In this respect, the Bank made the following assumptions regarding UAH/USD exchange rate:

- ▶ up until 1 July 2022: UAH/USD 29.25;
- ▶ up until 1 October 2022: UAH/USD 35.00;
- ▶ up until 1 April 2023: UAH/USD 40.00.

The Euro exchange rate is calculated as the cross-rate of EUR to USD at 1.05. At the same time, taking into account the market situation, the Bank expects a narrowing of the net interest margin.

The forecast level of asset growth excluding exchange rate differences is expected to be around 8%. The securities portfolio value is expected to be stable. The forecast level of loan portfolio growth is expected at 21%. Lending will be made mainly in UAH in three key business areas: corporate business, including using a mechanism of government programs; small and medium business - lending is planned mainly within the state program "5-7-9" in the following areas: agriculture, post-war recovery, investment loans, trade, replenishment of working capital for utilities, other investment loans, replenishment of working capital (other enterprises); retail business - lending for the purchase of cars, utilization of the limits of credit card and mortgage lending, including through possible government programs to restore destroyed housing. The forecast amount of allowances made for the period from 1 April 2022 to 1 April 2023 is preliminarily estimated at the level of UAH 7,650,684 thousand. The instruments for financing credit transactions will be the attraction of NBU refinancing loans, which is an open financing instrument, and customer funds.

The forecast level of increase in liabilities excluding exchange rate differences is expected to be around 10%, including the following: the corporate business portfolio is planned to decrease due to large concentrations and funds of budgetary institutions; small and medium business portfolio is planned to increase due to UAH balances on demand; retail business portfolio is planned to increase due to balances on card accounts - crediting for salary-card projects with a decrease in balances on deposits.

The Bank expects a gradual resumption of business and transaction activity of customers starting from the Q2 2022. Despite the forecast inflation rate (20%), the Bank will continue to take measures aimed at the rational use of administrative costs and capital investments by limiting the financing of certain expenditure items. The main areas of capital investment will be: support of the Bank's IT infrastructure, increase of information security and restoration of the Bank's network, which suffered as a result of military aggression.

Subject to occurrence of the above events, the Bank considers the possibility of additional capitalization to cover losses, maintain liquidity, lend to the real sector of the economy and comply with capital adequacy ratios. Thus, as of the issuing the financial statements, the Bank address the above issue. Given the fact that the Bank belongs to the category of strategically important enterprises and is a systemically important bank, in the opinion of management the probability of additional capitalization is high.

However, there is a material uncertainty related to the unpredictable further impact of military aggression in the territory of Ukraine on the assumptions underlying management's assessments, that may cast significant doubt on the Bank's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Functional and presentation currency

These financial statements are presented in thousands of Hryvnias, unless otherwise indicated. The Bank's functional and presentation currency is Hryvnia ("UAH").

4. Summary of accounting policies

Changes in accounting policies

The Bank applied some amendment that became effective for the annual reporting periods beginning on or after 1 January 2021. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases, which are effective from 30 June 2021. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

(in thousands of Hryvnias, unless otherwise indicated)

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Bank has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Foreign currency translation

Transactions in foreign currencies are initially recognized in the Bank's functional currency at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates effective at the reporting date. The foreign currency gains or losses are recognized in the statement of profit or loss and other comprehensive income as a net result of foreign exchange operations. Non-monetary assets and liabilities in foreign currencies at fair value are translated into UAH at the exchange rates effective at the fair value measurement date. Non-monetary items at historical cost in a foreign currency are translated using the exchange rates prevailing at the transaction dates.

The differences between a contractual exchange rate on a specific transaction in a foreign currency and the official exchange rate established by the National Bank of Ukraine at the date of such a transaction are also included in the result of trading activities in foreign currencies.

The official exchange rates of the National Bank of Ukraine used in the preparation of these financial statements are as follows:

Currency	31 March 2022	31 December 2021
USD	29.2549	27.2782
EUR	32.5856	30.9226

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the date of transaction, i.e. the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require the delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, including transaction costs, except when financial assets and financial liabilities are measured at fair value through profit or loss.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ▶ amortized cost;
- ▶ fair value through other comprehensive income (FVOCI);
- ▶ fair value through profit or loss (FVPL).

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Due from credit institutions, loans to customers and finance leases, and other financial investments

The Bank measures amounts due from credit institutions, loans to customers and other financial investments at amortized cost only if both of the following conditions are met:

- ▶ the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;

(in thousands of Hryvnias, unless otherwise indicated)

- ▶ 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- ▶ the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ how managers of the business are remunerated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- ▶ the expected frequency, value and timing of sales are also important aspects of the Bank's business model assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Solely payments of principal and interest test (SPPI test)

As a second step of its classification process, the Bank assesses the contractual terms of financial asset to identify whether there are cash flows relating thereto exclusively in payments against principal and interest on the principal amount outstanding (the so-called SPPI test).

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are related to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

- ▶ instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- ▶ the contractual terms of the financial asset meet the SPPI test.

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 (OCI). Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position. Instead, an amount equal to the allowance for expected losses that would arise if the assets were measured at amortized 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 reclassified to the net profit or loss upon derecognition of the asset.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and undrawn loan commitments.

(in thousands of Hryvnias, unless otherwise indicated)

Financial guarantees are initially recognized 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 initially recognized less cumulative amortization recognized in the statement of profit or loss and ECL allowance.

Undrawn loan commitments and letters of credit are commitments, under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the ECL allowance amount and the initially recognised amount less, where appropriate, the amortisation of accumulated income.

Performance guarantees

Performance guarantees are contracts that provide compensation if the other party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by the other party occurs.

Government grants

Government grants in the form of non-financial assets from the public authorities are recognized at net present value of future cash flows related to interest income compensation. Loss on initial recognition of preferential loans is presented on a net basis of revenue recognition of government grants in the profit or loss and other comprehensive income.

Further accounting for receivables for government grants is carried at amortized cost using the effective interest method and is subject to impairment with subsequent recognition of income and expenses in the profit or loss and other comprehensive income if the instrument is derecognised or if it was impaired or amortized.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash balances with the National Bank of Ukraine, due from credit institutions with maturities up to 90 days from the date of origination that are free from contractual encumbrances, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of fair value changes and are used by the Bank to manage its short-term commitments, including the overnight deposit certificates issued by the National Bank of Ukraine.

Due from credit institutions

In the normal course of business, the Bank grants loans or maintains deposits for various periods of time with other credit institutions. Due from credit institutions is initially measured at fair value. Due from credit institutions with fixed maturities is measured at amortized cost using the effective interest rate method and is accounted net of expected credit losses.

Precious metals

Precious metals are stated at the lower of net realizable value or cost. The net realizable value of precious metals is based on quoted market prices. Foreign currency revaluation effect is recognized as exchange differences on transactions with precious metals within "Net gains on foreign exchange operations and precious metals" of the statement of profit or loss and other comprehensive income.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements of securities ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the counterparty has the right by contract or common practice to sell or re-pledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within due to credit institutions or customers. Securities purchased under agreements to resell (reverse repurchase agreements or "reverse repo") are recorded as due from credit institutions or loans to customers, as appropriate. The difference between sale and repurchase price is treated as interest income or expense and accrued over the life of repo agreements using the effective interest rate method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recorded in the financial statements, unless sold to third parties, in which case the purchase and sale is recorded within gains less losses from investments at fair value through profit/loss. The obligation to return them is recorded at fair value as a trading liability.

(in thousands of Hryvnias, unless otherwise indicated)

Derivative financial instruments

In the course of its ordinary activities, the Bank uses various derivative financial instruments, including forward contracts and swaps in foreign exchange markets, which are concluded predominantly with Ukrainian banks. Derivative instruments are initially recognized at fair value at the date of the contract, after which they are revalued at fair value. All derivative instruments are recognized as assets when their fair value is positive and as liabilities if their fair value is negative.

Changes in the fair value of derivative instruments are recognized immediately within "Result on operations with derivative financial instruments" of the statement of profit or loss and other comprehensive income. The Bank evaluates and calculates the fair value of forward contracts and recognizes its material changes in profit or loss.

Though the Bank performs the trade operations with derivative instruments for the purposes of hedging, these instruments do not meet the criteria of hedge accounting.

Embedded derivative financial instruments

The Bank accounts in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments.

Borrowed funds

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 credit institutions and due to customers. Upon initial recognition, borrowed funds are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the borrowed funds are derecognized, as well as through the amortization process.

Leases

i. The Bank as a lessee

The Bank applies a single approach to the recognition and measurement of all leases other than short-term and low-value asset leases. The Bank recognizes a lease liability in respect of the lease payments and right-of-use assets that are rights to use the underlying assets.

Right-of-use assets

The Bank recognizes the right-of-use assets at the commencement date of a lease (i.e., the date on which the underlying asset becomes available for use). The right-of-use assets are measured at initial cost, less accumulated depreciation and accumulated impairment losses, and adjustments for the revaluation of the lease liability. The initial cost of the right-of-use assets consists of the amount of the initial estimate of the lease liability, the initial direct costs and the lease payments made at the commencement date of a lease or prior to the commencement date of a lease, less the received lease incentives. If the Bank does not have sufficient confidence that it will acquire title to the underlying asset at the end of the lease term, the recognized right-of-use asset is amortized on a straight-line basis prior to the earlier of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are tested for impairment.

Lease liability

At the commencement date of a lease the Bank recognizes the lease liability at the present value of the lease payments that will be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives to be received; variable lease payments that depend on the index or rate; and the amounts to be payable under residual value guarantees. Lease payments also include the exercise price of the option to purchase, if there is reasonable assurance that the Bank will take advantage of that opportunity, and the payment of penalties for terminating the lease, if the lease term reflects the potential option of termination of the lease. Variable payments, which do not depend on the index or rate, are recognized as expenses in the period, in which the event or condition occurs that gives rise to such payments.

(in thousands of Hryvnias, unless otherwise indicated)

To calculate the present value of the lease payments, the Bank applies the lessee's incremental borrowing rate at the commencement date of a lease, if the interest rate implicit in the lease cannot be easily determined. After the lease takes effect, the lease liability increases to reflect the interest accrual and decreases to reflect the lease payments made. Also, in the event of modification, change of the lease term, change in the essence of fixed lease payments or change of option of purchase of the underlying asset, the carrying value of the lease liabilities is revalued.

Short-term and low-value asset leases

The Bank applies a recognition exemption to short-term leases (that is, to the agreements where the lease term, as at the lease commencement date, is less than 12 months and which do not include an option to purchase). The Bank also applies a recognition exemption with respect to low-value assets to office equipment leases and other asset leases (i.e. up to UAH 150 thousand). Lease payments under short-term leases and under low-value asset leases are recognized as lease expenses on a straight-line basis over the lease term.

ii. Operating leases – Bank as a lessor

Leases for which the Bank does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term and is included in net income from investment property in the statement of profit or loss and other comprehensive income. Initial direct costs incurred in the process of negotiating and concluding operating leases are included in the carrying amount of the leased asset and are recognized over the lease term on the same basis as lease income. Contingent lease payments are recognized as income in the period in which they were received.

iii. Finance leases – Bank as a lessor

The Bank records the lease payment receivables in the amount equal to net lease investments starting from the lease commencement date. Financial income is calculated using a method that reflects a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are included in the initial amount of lease payment receivables.

Expected credit losses

The Bank estimates the impairment for asset-related transactions measured at amortized cost or at fair value through other comprehensive income, for financial guarantees, letters of credit and undrawn loan commitments.

According to the general approach, depending on whether a financial instrument's credit risk has increased significantly since initial recognition, the Bank attributes its financial instruments to one of the stages described below:

- ▶ Stage 1: financial instruments for which there are no signs of a significant increase in credit risk. For these financial instruments, the Bank recognizes an allowance based on the 12-month expected credit loss;
- ▶ Stage 2: financial instruments for which there are signs of a significant increase in credit risk since the initial recognition, but no signs of impairment exist. For these financial instruments, the Bank recognizes the expected credit loss for the lifetime of such financial instruments;
- ▶ Stage 3: financial instruments for which there are signs of a significant increase in credit risk since the initial recognition and the objective evidence of impairment exists. For these financial instruments, the Bank recognizes the expected credit loss for the lifetime of such financial instruments;
- ▶ Purchased or originated credit impaired (POCI) – financial assets are assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at initial recognition and interest revenue is subsequently recognized based on a credit-adjusted EIR. ECL allowances are only recognized or derecognized to the extent that there is a subsequent change in the expected credit losses for the lifetime of the financial instrument.

Renegotiated loans and/or modifications

Where possible, the Bank seeks to renegotiate the lending conditions: restructure loans rather than to take possession of collateral. Restructuring, i.e. change in significant terms and conditions under the original agreement by entering into additional arrangements with a debtor due to its financial difficulties (as determined by the Bank) and the need to create favourable conditions for it to meet its obligations under the asset (change in interest rate; cancellation, wholly or in part, of financial sanctions (penalties, fines, forfeits) accrued for untimely payments of the principal and interest amounts and failed to be repaid by the debtor; change in the repayment schedule (terms and amounts of the principal, interest/fees); change in the fee amount etc.).

As a result of significant changes in the terms of the loan agreement, the Bank repurchases the original financial instrument and recognizes the new financial instrument.

(in thousands of Hryvnias, unless otherwise indicated)

The Bank determines the following modifications to contractual cash flows for financial instruments as significant:

- ▶ change of the currency of the financial instrument;
- ▶ change in the type of interest rate of a financial instrument (fixed to floating or vice versa);
- ▶ consolidation of several financial instruments or a financial instrument split into several ones.

Similarly, with respect to financial assets, the Bank determines the following modification of contractual cash flows as material:

- ▶ The inclusion in the contract of the additional terms / exclusion of terms / changes in the terms of the contract that affect the result of SPPI test. If the "indicative" test results in a change in the result of the test of the characteristics of contractual cash flows, conducted at the time of recognition of the financial instrument, the modification is considered material.

In case of significant modification, the Bank derecognizes an initial financial asset and recognizes a new financial asset. At the modification date, the Bank recognizes a new financial asset at its fair value taking into account transaction costs associated with the origination of a new financial asset (with the exception of a new asset measured at fair value through profit or loss) and determines the amount of the 12-month expected credit loss.

If, as a result of the modification, a new financial asset is impaired at initial recognition, the Bank recognizes the cumulative changes in the expected credit losses for the lifetime of this financial asset.

The Bank continually analyses the renegotiated loans to ensure that all criteria and options for future payments are met.

If the modification of contractual cash flows does not result in the derecognition of the original financial asset (i.e. when the modification of contractual cash flows is not substantial), the Bank continues to apply current approaches to accounting for the financial asset whose contractual terms have been modified. Subject to changes in contractual cash flows discounted at the original effective interest rate, the Bank recognizes the modification-related income or expense included in other income/expense in the statement of profit or loss and other comprehensive income.

Write off of loans

Loans are written off using the expected credit loss allowance based on the decision of the Management Board.

The Bank recognizes bad debts on active banking transactions, for which there are no reasonable expectations for the recovery of financial assets/repayment of trade receivables and which meet one of the evidence of bad debts in accordance with the Tax Code of Ukraine and requirements of the National Bank of Ukraine. The Bank writes off such bad debts in financial and/or tax accounting against the allowance made.

Subsequent recoveries of amounts previously written off are reflected as other income in the statement of profit or loss and other comprehensive income in the period of recovery.

Investments 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 being measured at fair value. Instead, an amount equal to the allowance for expected credit losses that would arise were the assets measured at amortized cost is recognized in OCI as an accumulated impairment amount, with the corresponding charge to profit or loss. The accumulated credit losses recognised in OCI is reclassified to the net profit or loss upon derecognition of the asset.

Non-financial assets

Other non-financial assets, other than deferred tax, are assessed at each reporting date for any indication of impairment. The recoverable amount of non-financial assets is the greater of their fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(in thousands of Hryvnias, unless otherwise indicated)

Derecognition of financial assets and liabilities

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.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement of the Bank is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

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

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 profit or loss.

Taxation

The current income tax charge is calculated in accordance with the Ukrainian tax regulations.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income, because it excludes the items of income or expense that are taxable or deductible in other years, and it further excludes the items that are never taxable or deductible. The Bank's taxable profit is determined by adjusting the financial result, which is presented in the Bank's financial statements in accordance with the International Financial Reporting Standards, for the differences arising under the Tax Code of Ukraine. The Bank's current tax expense is calculated using tax rates that have been enacted during such reporting periods.

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 a taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates set by the tax legislation of Ukraine in the respective reporting periods.

Also, Ukrainian tax regulations include other taxes and duties. These taxes are included in administrative and operating expense.

Investment property

Investment property, which consists of office premises, is the property held to earn rentals from long-term leases or for capital appreciation and is not occupied by the Bank. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, which is based on the market evidence as a result of valuations performed by independent appraisers, less any subsequently accumulated impairment losses. Revaluation is performed with sufficient regularity so that the carrying amounts did not differ significantly from those arrived at using fair value as at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

*(in thousands of Hryvnias, unless otherwise indicated)***Property and equipment**

Property and equipment, other than buildings and land plots, is carried at its historical cost, less any accumulated depreciation and recognized impairment losses, if any.

Following initial recognition at cost, buildings and land plots 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 included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. In this case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit and loss, except that a deficit directly offsetting a previous surplus on the same asset which is directly offset against the surplus in the property and equipment revaluation reserve.

In addition, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Upon disposal, the respective surplus of property revaluation is transferred to retained earnings.

Depreciation of an asset begins on the first day of the month following the month in which the item of property, equipment and intangible assets became available for use and ceases on the first day of the month following the month in which the item of property, equipment and intangible assets is disposed of.

Depreciation of property, equipment and intangible assets is calculated based on the new useful life, starting from the month following the month of change in the useful life.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Furniture and equipment	2-10
Leasehold improvements	Over the validity of relevant lease contract
Motor vehicles	2-5

Residual value, useful lives, and depreciation methods are reviewed at the end of each reporting year and adjusted as appropriate.

Costs related to repairs and renewals are charged when incurred and included in other operating and administrative expense, unless they qualify for capitalization.

Intangible assets

Intangible assets include the acquired computer software. Intangible assets acquired separately are measured on initial recognition at acquisition cost. Following initial recognition, intangible assets are carried at cost, less any accumulated amortization 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 amortized over the useful economic lives of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each reporting year-end.

An item of property and equipment and intangible assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

Other property

The non-current assets, which have been acquired by foreclosure of collateral and are held for further sale, are recognized by the Bank as other property. These assets do not qualify for recognition as assets held for sale and cannot be recognized as non-current assets to be used in the Bank's ongoing operations or as investment property. These assets are measured at the lower of cost or net realizable value.

(in thousands of Hryvnias, unless otherwise indicated)

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party fully or partially, receivables are recognized to the extent it is virtually certain that reimbursement will be received and the amount of the receivables can be measured reliably.

Retirement and other benefit obligations

The Bank has pension arrangements to the state pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of gross salary payments. Such expense is charged in the period, in which the related salaries are earned.

Share capital and other reserves

Ordinary and preference shares are carried in equity.

Acquired title of ownership to shares of the Bank's own issue is deducted directly from equity. A gain or loss arising from purchase, sale, issue or cancellation of the Bank's treasury shares is not included in profit or loss.

The surplus of consideration received over the nominal value of shares issued is reflected as additional paid-in capital.

Other reserves included in equity (other comprehensive income) in the Bank's statement of financial position comprise a revaluation reserve of investments measured at fair value through other comprehensive income and a revaluation reserve of buildings that includes a revaluation reserve of land plots and buildings.

Profit or loss arising from transactions with the Bank's shareholders is recognized in equity as "Result from transactions with shareholders".

Segment reporting

The Bank's segment reporting is based on the following operating segments: individuals (retail banking), legal entities (corporate banking), clients of small and medium-sized enterprises (SME), financial institutions, asset management, and other.

Contingencies

Contingent liabilities are not recognized in the statement of financial position, but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognized in the statement of financial position. The information about such assets is disclosed when an inflow of economic benefits is probable.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank, and the revenue can be reliably measured.

Interest income and expense are recognized on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Bank considers all paid and/or received fees, duties, and transaction costs that form an integral part of income/expense on the financial instrument, in particular:

(in thousands of Hryvnias, unless otherwise indicated)

- a) financial instrument origination fees received/paid by the Bank and related to origination or acquisition of such a financial instrument;
- b) fees received/paid by the Bank on lending arrangements in the course of loan origination or acquisition as consideration for participation in the financial instrument's acquisition if it is probable that a loan commitment will lead to a specific lending arrangement;
- c) fees received/paid by the Bank when issuing debt securities that are accounted for at amortized cost.

Revenue on debt financial instruments is carried using the effective interest rate method, except for financial assets measured at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest received from the assets measured at fair value is classified as interest income.

Fee and commission income and expense (hereinafter, "fees") is income and expense related to the services rendered/received, which amount is calculated pro rata to the amount of an asset or liability or is fixed.

Where it is probable that a loan commitment will lead to a specific lending arrangement or loan tranche, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement or loan tranche, the loan commitment fees are recognized in the statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a specific lending arrangement or loan tranche, the loan commitment fee is recognized in the statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized after the applicable services have been provided.

Other revenue is recognized in profit or loss as soon as the applicable transaction has been completed.

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

New and revised IFRS

The following new standards and interpretations were issued, but not yet effective on the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards 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* (IFRS 4) 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 record 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 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 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) 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.

(in thousands of Hryvnias, unless otherwise indicated)

IFRS 17 will be effective for annual periods beginning on or after 1 January 2023, with comparative information required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 at the date of initial application. The Bank continues to assess the effect that the application of IFRS 17 may have on its financial statements.

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 affected by the availability of such a right and 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 16 Property, Plant and Equipment

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity applies the amendment. It is expected that these amendments will not have a material impact on the Bank's financial statements.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the reporting period in which it applies the amendments.

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

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

This amendment will be effective for the annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The Bank shall apply this amendment to the financial liabilities that have been modified or replaced at (or after) the beginning of the annual reporting period, in which the Bank first applies this amendment. It is expected that this amendment will not have a material impact on the Bank's financial statements.

(in thousands of Hryvnias, unless otherwise indicated)

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.

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 are applicable for annual reporting 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 is currently assessing the impact of the amendments on the Bank's accounting policy disclosures.

5. Significant accounting judgments and estimates

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

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

Key estimates in applying accounting policies

Fair value of financial instruments

Investments measured at fair value through other comprehensive income, loans to customers measured at fair value through profit or loss and derivative financial instruments are stated at fair value.

The Bank considers that the accounting estimates and assumptions related to valuation of financial instruments where quoted market prices are not available are the key source of estimation uncertainty, because: (a) they are highly susceptible to change from period to period because they require that management make assumptions about interest rates, volatility, exchange rates, credit rating of a counterparty, valuation adjustments and specific feature of the transactions and (b) the impact that recognition of a change in valuations would have on the assets reported in the statement of financial position as well as its income/expense could be material.

Had management used different assumptions regarding interest rates, volatility, exchange rates, credit rating of a counterparty, offer date and valuation adjustments, their value could differ significantly from that reflected in the financial statements.

(in thousands of Hryvnias, unless otherwise indicated)

Expected credit loss allowance

The measurement of impairment losses under IFRS 9 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 impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Deterioration in credit quality of loan portfolios and trade receivables (amongst other items) as a result of the COVID-19 pandemic may have a significant impact on the Bank's ECL measurement.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions 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 LTECL basis and the qualitative assessment;
- ▶ the segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ development of ECL models, including the various formulae and the choice of inputs;
- ▶ determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- ▶ selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

More details are provided in Notes 10 and 29.

Fair value of buildings and land plots

As discussed in Note 4, buildings and land plots are carried at revalued amount, less any subsequent accumulated depreciation and impairment losses. The method used to estimate fair value is the comparative approach to evaluation. The comparative approach to evaluation is based on an analysis of the results of comparable sales of similar buildings. The estimation of the fair value of buildings and land plots requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors. Management engages external independent appraisers to estimate the fair value of property.

6. Segment information

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

Legal entities:	Mainly granting purpose loans, servicing deposits and current accounts for corporate and institutional customers.
Clients of small and medium-sized enterprises (hereinafter – "SME"):	Mainly customer servicing under targeted lending programs, deposits and current accounts of customers whose activities meet certain criteria and limits.
Individuals:	Mainly servicing individual customers' deposits and granting consumer loans, overdrafts, handling credit cards and funds transfer facilities.
Financial institutions:	Mainly placing funds with and attracting funds from other financial institutions.
Asset management and other:	Finance and other central functions.

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

The segment information below is presented on the basis used by the Bank's chief operating decision maker to evaluate performance, in accordance with IFRS 8 *Operating Segments*. Management reviews discrete financial information for each of its segments, including estimates of operating results, assets, and liabilities. The segments are managed primarily on the basis of their performance, without analysing intersegment funding and income and expense arising between them.

During the three months ended 31 March of 2022, the Bank received revenue from transactions with one client in the amount of UAH 29,133 thousand. During the three months ended 31 March of 2021, the Bank received revenue from transactions with one client in the amount of UAH 68,863 thousand.

(in thousands of Hryvnias, unless otherwise indicated)

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

31 March 2022	Legal entities	SME	Individuals	Financial institutions	Asset management and other	Total
Income						
Interest income	868,843	251,195	113,813	22,234	891,016	2,147,101
Fee and commission income	183,507	101,447	163,030	54,228	56,364	558,576
Net gains on foreign exchange operations and precious metals	25,133	948	69,111	-	(33,648)	61,544
Result on operations with derivative financial instruments	-	-	-	-	52,644	52,644
Net gains on investments at fair value through other comprehensive income	-	-	-	-	25,120	25,120
Net gains on investment property	-	-	-	-	4,221	4,221
Net gains/(losses) on derecognition of financial assets at amortized cost	(30)	130	1,073	-	-	1,173
Net gains/(losses) on derecognition of financial liabilities	98	73	29	-	-	200
Other income	26,431	11,827	15,561	-	24,223	78,042
Total income	1,103,982	365,620	362,617	76,462	1,019,940	2,928,621
Expenses						
Interest expense	(414,976)	(51,858)	(144,233)	(123,330)	(5,748)	(740,145)
Fee and commission expense	(51,217)	(7,284)	(89,733)	(60,306)	(30,916)	(239,456)
Credit loss (expense)/ recovery	(856,120)	(573,103)	(285,620)	6,370	(200,853)	(1,909,326)
Staff costs	(183,354)	(135,255)	(293,022)	(10,670)	(53,663)	(675,964)
Depreciation and amortization	(18,740)	(8,109)	(31,229)	(675)	(2,342)	(61,095)
Change in allowance for impairment of assets and other provisions	47,249	(74,257)	1,573	-	226	(25,209)
Depreciation of right-of-use assets	(5,807)	(2,583)	(12,323)	(203)	(2,179)	(23,095)
Result from transactions on loans at fair value through profit or loss	-	(1,905)	-	-	-	(1,905)
Other operating expense	(167,834)	(89,608)	(362,966)	(6,271)	(34,863)	(661,542)
Total expenses	(1,650,799)	(943,962)	(1,217,553)	(195,085)	(330,338)	(4,337,737)
Segment results	(546,817)	(578,342)	(854,936)	(118,623)	689,602	(1,409,116)
Income tax expense					232	232
Profit/(loss) for the period					689,834	(1,408,884)
Segment assets	48,527,853	8,190,248	5,407,668	7,166,919	45,231,022	114,523,710
Segment liabilities	(51,274,889)	(11,623,982)	(25,335,081)	(6,582,313)	(9,802,794)	(104,619,059)
Other segment information						
Capital expenditures	4,224	1,623	7,793	135	332	14,107

31 March 2021/ 31 December 2021	Legal entities	SME	Individuals	Financial institutions	Asset management and other	Total
Income						
Interest income	818,712	203,304	130,978	8,228	1,119,694	2,280,916
Fee and commission income	181,921	92,154	143,586	28,729	10,099	456,489
Net gains on foreign exchange operations and precious metals	38,499	927	26,456	-	(40,026)	25,856
Result on operations with derivative financial instruments	-	-	-	-	57,486	57,486
Net gains on investment property	-	-	-	-	3,603	3,603
Net gains on investments at fair value through other comprehensive income	-	-	-	-	72,736	72,736
Net gains/(losses) on derecognition of financial assets at amortized cost	3,736	173	2,869	-	-	6,778
Net gains/(losses) on derecognition of financial liabilities	78	41	166	-	-	285
Result from transactions on loans at fair value through profit or loss	-	5,498	-	-	-	5,498

(in thousands of Hryvnias, unless otherwise indicated)

31 March 2021/ 31 December 2021	Legal entities	SME	Individuals	Financial institutions	Asset management and other	Total
Other income	5,567	29,451	38,961	–	20,366	94,345
Total income	1,048,513	331,548	343,016	36,957	1,243,958	3,003,992
Expenses						
Interest expense	(656,353)	(79,023)	(304,753)	(45,806)	(5,533)	(1,091,468)
Fee and commission expense	(23,669)	(5,679)	(48,257)	(30,057)	(12,105)	(119,767)
Credit loss expense	(696,524)	84,660	(3,101)	(1,950)	14,128	(602,787)
Change in allowance for impairment of assets and other provisions	(43,544)	1	1,233	(2)	8,727	(33,585)
Losses on initial recognition of financial assets	–	–	(1,532)	–	–	(1,532)
Staff costs	(134,036)	(77,583)	(221,313)	(7,962)	(54,290)	(495,184)
Depreciation and amortization	(19,024)	(7,322)	(34,716)	(697)	(3,506)	(65,265)
Depreciation of right-of-use assets	(2,871)	(1,239)	(8,944)	(96)	(4,961)	(18,111)
Other operating expense	(29,250)	(42,102)	(153,033)	(1,439)	(40,576)	(266,400)
Total expenses	(1,605,271)	(128,287)	(774,416)	(88,009)	(98,116)	(2,694,099)
Segment results	(556,758)	203,261	(431,400)	(51,052)	1,145,842	309,893
Income tax expense					(65,835)	(65,835)
Profit for the period					1,080,007	244,058
Segment assets	43,269,423	8,236,470	5,700,211	26,117,314	39,948,098	123,271,516
Segment liabilities	(57,964,877)	(11,659,821)	(27,599,176)	(6,747,843)	(7,668,897)	(111,640,614)
Other segment information						
Capital expenditures	3,770	1,358	8,387	126	376	14,017

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2022	31 December 2021
Deposit certificates of the National Bank of Ukraine (overnight)	8,001,973	5,004,384
Current accounts with other credit institutions	5,678,296	21,027,557
Cash on hand	5,052,798	2,566,879
Current accounts with the National Bank of Ukraine	2,562,810	1,594,725
Time deposits with credit institutions with maturities up to 90 days	292,562	–
	21,588,439	30,193,545
Less: expected credit losses	(3,302)	(5,442)
Cash and cash equivalents	21,585,137	30,188,103

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

As at 31 March 2022 and 31 December 2021, the Bank complied with the requirements of the National Bank of Ukraine regarding the obligatory reserve amounts.

Changes in expected credit losses during the three months ended 31 March of 2022 and 31 March 2021 were as follows:

(in thousands of Hryvnias, unless otherwise indicated)

	Stage 1
As at 1 January 2022	5,442
New assets originated or purchased	17
Assets repaid	-
Changes in expected credit losses	(2,491)
Total credit loss expense before the effect of exchange differences	(2,474)
Exchange differences	334
As at 31 March 2022	3,302
	Stage 1
As at 1 January 2021	3,524
New assets originated or purchased	96
Assets repaid	-
Changes in expected credit losses	1,810
Total credit loss expense before the effect of exchange differences	1,906
Exchange differences	(145)
As at 31 March 2021	5,285

8. Due from credit institutions

Due from credit institutions comprise:

	31 March 2022	31 December 2021
Reverse REPO agreements	626,268	487,776
Current accounts due from credit institutions in precious metals	229,012	191,873
Time deposits with maturities over 90 days or overdue	11,617	10,832
Other amounts due from credit institutions	307,612	4,404,888
	1,174,509	5,095,369
Less: expected credit losses	(11,808)	(14,219)
Due from credit institutions	1,162,701	5,081,150

As at 31 March 2022, due from credit institutions are carried at amortized cost, except for current accounts due from credit institutions in precious metals in the amount of UAH 229,012 thousand (2021: UAH 191,873 thousand), which are carried at fair value through profit or loss.

As at 31 March 2022, the overdue balance of due from credit institutions amounted to UAH 11,617 thousand (2021: UAH 10,832 thousand).

As at 31 March 2022, amounts due from credit institutions in the amount of UAH 949,781 thousand (or 80.87% of the total amount due from credit institutions) was placed with three banks (2021: UAH 4,606,625 thousand with three banks, or 90.41% of the total amount due from credit institutions).

As at 31 March 2022, reverse REPO agreements were secured by UDGB with the fair value of UAH 690,378 thousand (2021: UAH 522,172 thousand).

Other amounts due from credit institutions include guarantee deposits placed mainly for customer transactions, such as letters of credit, guarantees, performance guarantees and transactions with travel checks and payments cards.

Analysis of changes in the gross carrying value for the three months ended 31 March 2022 is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	4,892,664	-	10,832	4,903,496
New assets originated or purchased	2,676,918	-	-	2,676,918
Assets repaid	(6,823,843)	-	-	(6,823,843)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Exchange differences	188,141	-	785	188,926
As at 31 March 2022	933,880	-	11,617	945,497

(in thousands of Hryvnias, unless otherwise indicated)

Analysis of changes in the gross carrying value for the year ended 31 December 2021 is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	661,775	-	11,228	673,003
New assets originated or purchased	17,547,745	-	-	17,547,745
Assets repaid	(13,325,746)	-	-	(13,325,746)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Exchange differences	8,890	-	(396)	8,494
At 31 December 2021	4,892,664	-	10,832	4,903,496

Changes in expected credit losses for the three months ended 31 March 2022 were as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	3,387	-	10,832	14,219
New assets originated or purchased	28	-	-	28
Assets repaid	(3,254)	-	-	(3,254)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	(670)	-	-	(670)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(3,896)</i>	-	-	<i>(3,896)</i>
Write-off	-	-	-	-
Exchange differences	700	-	785	1,485
As at 31 March 2022	191	-	11,617	11,808

Changes in expected credit losses for the three months ended 31 March 2021 were as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	284	-	11,228	11,512
New assets originated or purchased	223	-	-	223
Assets repaid	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	(179)	-	-	(179)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>44</i>	-	-	<i>44</i>
Write-off	-	-	-	-
Exchange differences	(3)	-	(154)	(157)
As at 31 March 2021	325	-	11,074	11,399

9. Derivative financial instruments

The Bank enters into currency exchange operations whereby it is obliged to supply one currency in exchange for another under pre-determined exchange rates. Such transactions are entered into with Ukrainian and international banks and clients. Currency delivery under such contracts should not exceed one month.

The Bank concludes contracts for the purchase of derivative financial instruments for hedging purposes, but these instruments do not qualify for hedge accounting.

(in thousands of Hryvnias, unless otherwise indicated)

Notional amounts in the tables below represent the accounts receivable and payable:

Foreign exchange contracts	31 March 2022				31 December 2021			
	Notional amount		Fair value		Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Swaps/forwards	557,400	(585,093)	-	(27,693)	3,721,794	(3,793,002)	-	(71,208)
Spots	26,069	(26,028)	41	-	1,224,084	(1,224,713)	509	(1,138)
Total derivative assets/ (liabilities)			41	(27,693)			509	(72,346)

10. Loans to customers and finance leases

Loans to customers and finance leases comprise:

	31 March 2022	31 December 2021
Legal entities	53,056,628	46,873,919
SME	8,935,336	8,387,684
Individuals	6,635,041	6,511,452
Gross loans to customers and finance leases	68,627,005	61,773,055
Less: expected credit losses	(7,772,849)	(5,883,372)
Loans to customers and finance leases	60,854,155	55,889,683

As at 31 March 2022, loans to customers and finance leases included loans to customers of UAH 94,557 thousand (2021: UAH 95,847 thousand), the contractual terms of which do not comply to the terms of the basic lending arrangement, and which are measured at FVPL. Information regarding fair value measurement of loans to customers at FVPL is provided in Note 30.

As at 31 March 2022, loans to customers and finance leases included loans to customers of UAH 1,796 thousand (2021: UAH 1,674 thousand) held under the business model, the purpose of which is to retain financial assets to obtain contractual cash flows and sales. Information regarding fair value measurement of loans to customers at FVOCI is provided in Note 30.

As at 31 March 2022, the total amount of not overdue restructured loans was UAH 2,366,218 thousand (2021: UAH 2,260,425 thousand).

During the three month of 2022, the Bank performed foreclosure of collateral for repayment of loans to customers. The value of pledged property used for repayment of loans to customers amounted to UAH 705 thousand (2021: UAH 8,019 thousand).

Analysis of changes in the gross carrying value for the three months ended 31 March 2022 is as follows:

Legal entities	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2022	33,275,253	9,917,838	3,424,334	256,494	46,873,919
New assets	8,994,635	817,697	50,696	83,691	9,946,719
Repaid assets	(4,021,471)	(1,396,797)	(86,489)	(6,432)	(5,511,189)
Transfer to stage 1	702,430	(702,430)	-	-	-
Transfer to stage 2	(3,079,767)	3,079,767	-	-	-
Transfer to stage 3	(428,936)	(640,132)	1,069,068	-	-
Amounts written off	-	-	(92,605)	-	(92,605)
Exchange differences	1,202,804	512,852	109,565	14,563	1,839,784
As at 31 March 2022	36,644,948	11,588,795	4,474,569	348,316	53,056,628

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2022	6,368,371	1,531,545	391,921	-	8,291,837
New assets	1,140,399	36,004	16,982	-	1,193,384
Repaid assets	(682,310)	(67,191)	(7,200)	-	(756,701)
Transfer to stage 1	97,477	(97,241)	(236)	-	-
Transfer to stage 2	(992,300)	992,300	-	-	-
Transfer to stage 3	(914,390)	(96,425)	1,010,815	-	-
Amounts written off	-	-	-	-	-
Exchange differences	24,724	74,599	12,935	-	112,258
As at 31 March 2022	5,041,971	2,373,591	1,425,216	-	8,840,778

(in thousands of Hryvnias, unless otherwise indicated)

<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2022	4,963,594	21,740	1,511,345	14,773	6,511,452
New assets	533,075	734	4,598	1,708	540,115
Repaid assets	(471,897)	(3,430)	(24,074)	(735)	(500,135)
Transfer to stage 1	23,243	(14,398)	(8,845)	-	-
Transfer to stage 2	(208,201)	209,195	(994)	-	-
Transfer to stage 3	(351,468)	(23,748)	375,216	-	-
Amounts written off	-	-	(4,177)	-	(4,177)
Exchange differences	916	6	86,864	-	87,786
As at 31 March 2022	4,489,262	190,099	1,939,934	15,746	6,635,041

Analysis of changes in the gross carrying value for the year ended 31 December 2021 is as follows:

<i>Legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2021	26,370,809	11,541,605	3,471,279	298,922	41,682,615
New assets	38,922,028	2,179,937	245,719	3,794	41,351,478
Repaid assets	(21,901,569)	(11,662,867)	(699,564)	(38,784)	(34,302,784)
Transfer to stage 1	1,513,127	(1,513,127)	-	-	-
Transfer to stage 2	(10,829,682)	12,169,642	(1,339,960)	-	-
Transfer to stage 3	(61,217)	(1,990,304)	2,051,521	-	-
Amounts written off	-	-	(173,331)	-	(173,331)
Exchange differences	(738,243)	(807,048)	(131,330)	(7,438)	(1,684,059)
At 31 December 2021	33,275,253	9,917,838	3,424,334	256,494	46,873,919

<i>SME</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2021	4,704,335	2,025,499	955,736	-	7,685,570
New assets	5,969,347	41,649	95,506	-	6,106,502
Repaid assets	(3,788,622)	(711,047)	(696,299)	-	(5,195,968)
Transfer to stage 1	643,124	(573,321)	(69,803)	-	-
Transfer to stage 2	(1,091,342)	1,259,405	(168,063)	-	-
Transfer to stage 3	(265)	(336,239)	336,504	-	-
Amounts written off	-	-	(11,289)	-	(11,289)
Exchange differences	(68,206)	(174,401)	(50,371)	-	(292,978)
At 31 December 2021	6,368,371	1,531,545	391,921	-	8,291,837

<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2021	3,066,495	29,840	2,469,610	5,424	5,571,369
New assets	4,142,991	5,182	51,236	13,353	4,212,762
Repaid assets	(2,109,520)	(32,930)	(171,481)	(1,658)	(2,315,589)
Transfer to stage 1	152,254	(133,058)	(19,196)	-	-
Transfer to stage 2	(262,754)	264,803	(2,049)	-	-
Transfer to stage 3	(24,985)	(112,077)	137,062	-	-
Amounts written off	(31)	-	(886,742)	(2,346)	(889,119)
Exchange differences	(856)	(20)	(67,095)	-	(67,971)
At 31 December 2021	4,963,594	21,740	1,511,345	14,773	6,511,452

Write-offs are represented by bad debts in the amount of UAH 96,782 thousand (2021: UAH 1,073,739 thousand of write-off of bad debts).

(in thousands of Hryvnias, unless otherwise indicated)

Expected credit losses on loans to customers and finance leases for the three months ended 31 March 2022 were as follows:

Legal entities	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2022	406,403	1,354,074	2,283,053	31,035	4,074,565
New assets	159,944	-	30,083	-	190,027
Repaid assets	(1,866)	(68,197)	-	-	(70,063)
Transfer to stage 1	2,227	(2,227)	-	-	-
Transfer to stage 2	(518,494)	518,494	-	-	-
Transfer to stage 3	(212,353)	(258,932)	471,285	-	-
Change of reserve	423,946	184,996	100,769	26,445	736,156
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(146,596)</i>	<i>374,134</i>	<i>602,137</i>	<i>26,445</i>	<i>856,120</i>
Changes in impaired interest	-	-	20,521	-	20,521
Amounts written off	-	-	(92,605)	-	(92,605)
Exchange differences	17,415	72,870	51,370	2,122	143,777
As at 31 March 2022	277,222	1,801,078	2,864,476	59,602	5,002,378

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2022	25,298	76,931	272,065	-	374,294
New assets	4,666	-	-	-	4,666
Repaid assets	(111)	(10)	(685)	-	(806)
Transfer to stage 1	224	(219)	(5)	-	-
Transfer to stage 2	(40,783)	40,783	-	-	-
Transfer to stage 3	(477,841)	(56,845)	534,686	-	-
Change of reserve	507,718	58,086	3,439	-	569,243
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(6,127)</i>	<i>41,795</i>	<i>537,435</i>	-	<i>573,103</i>
Changes in impaired interest	-	-	3,619	-	3,619
Amounts written off	-	-	-	-	-
Exchange differences	13	4,847	10,402	-	15,262
As at 31 March 2022	19,184	123,573	823,521	-	966,278

Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2022	10,405	7,016	1,407,404	9,688	1,434,513
New assets	362	-	905	-	1,267
Repaid assets	(110)	(164)	(4,265)	-	(4,539)
Transfer to stage 1	406	(295)	(111)	-	-
Transfer to stage 2	(29,859)	30,016	(157)	-	-
Transfer to stage 3	(266,143)	(18,704)	284,847	-	-
Change of reserve	296,236	11,240	(16,827)	(1,757)	288,892
<i>Total credit loss expense before the effect of exchange differences</i>	<i>892</i>	<i>22,093</i>	<i>264,392</i>	<i>(1,757)</i>	<i>285,620</i>
Changes in impaired interest	-	-	4,504	10	4,514
Amounts written off	-	-	(4,177)	-	(4,177)
Exchange differences	1	2	83,720	-	83,723
As at 31 March 2022	11,298	29,111	1,755,843	7,941	1,804,193

(in thousands of Hryvnias, unless otherwise indicated)

Expected credit losses on loans to customers and finance leases for the three months ended 31 March 2021 were as follows:

Legal entities	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2021	492,483	1,257,994	2,464,888	35,979	4,251,344
New assets	59,982	217,506	-	-	277,488
Repaid assets	(10,454)	(247,667)	144	-	(257,977)
Transfer to stage 1	1,733	(1,733)	-	-	-
Transfer to stage 2	(197,490)	229,701	(32,211)	-	-
Transfer to stage 3	(13,322)	(19,673)	32,995	-	-
Change of reserve	308,877	303,380	73,061	(8,305)	677,013
<i>Total credit loss expense before the effect of exchange differences</i>	<i>149,326</i>	<i>481,514</i>	<i>73,989</i>	<i>(8,305)</i>	<i>696,524</i>
Changes in impaired interest	-	-	52,227	-	52,227
Amounts written off	-	-	(5,361)	-	(5,361)
Exchange differences	(8,900)	(39,726)	(30,721)	(55)	(79,402)
As at 31 March 2021	632,909	1,699,782	2,555,022	27,619	4,915,332

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2021	123,111	228,672	551,025	-	902,808
New assets	15,612	-	35	-	15,647
Repaid assets	(339)	(551)	(34)	-	(924)
Transfer to stage 1	3,616	(3,604)	(12)	-	-
Transfer to stage 2	(50,287)	50,318	(31)	-	-
Transfer to stage 3	(146)	(5,847)	5,993	-	-
Change of reserve	(32,420)	(91,206)	24,243	-	(99,383)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(63,964)</i>	<i>(50,890)</i>	<i>30,194</i>	-	<i>(84,660)</i>
Changes in impaired interest	-	-	9,533	-	9,533
Amounts written off	-	-	(3,064)	-	(3,064)
Exchange differences	(1,045)	(8,649)	(9,052)	-	(18,746)
As at 31 March 2021	58,102	169,133	578,636	-	805,871

Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2021	18,262	11,817	2,356,447	4,402	2,390,928
New assets	1,268	-	579	-	1,847
Repaid assets	(317)	(621)	(5,580)	-	(6,518)
Transfer to stage 1	1,611	(1,561)	(50)	-	-
Transfer to stage 2	(20,431)	20,676	(245)	-	-
Transfer to stage 3	(4,965)	(13,954)	18,919	-	-
Change of reserve	21,909	(3,994)	(9,279)	(745)	7,891
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(925)</i>	<i>546</i>	<i>4,344</i>	<i>(745)</i>	<i>3,220</i>
Changes in impaired interest	-	-	12,611	407	13,018
Amounts written off	-	-	(533,638)	-	(533,638)
Exchange differences	(39)	(23)	(28,411)	-	(28,473)
As at 31 March 2021	17,298	12,340	1,811,353	4,064	1,845,055

The following is the information on undiscounted ECLs at initial recognition of purchased credit-impaired loans to customers and finance leases, which were initially recognized during 3 months ended 31 March 2022 and 2021:

	31 March 2022	31 December 2021
Legal entities	27,804	-
SME	-	-
Individuals	3,329	10,592
Total undiscounted ECLs at initial recognition of POCI	31,133	10,592

*(in thousands of Hryvnias, unless otherwise indicated)***Collateral**

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

Type of collateral	31 March 2022			
	Legal entities	SME	Individuals	Total
Deposits	5,076,713	228,246	9,089	5,314,048
Real estate	19,982,951	3,456,467	2,222,594	25,662,012
Other assets	14,574,731	4,297,940	2,167,310	21,039,981
Unsecured	13,422,233	952,683	2,236,048	16,610,964
Total loans	53,056,628	8,935,336	6,635,041	68,627,005

Type of collateral	31 December 2021			
	Legal entities	SME	Individuals	Total
Deposits	4,318,358	242,936	7,278	4,568,572
Real estate	19,143,913	3,321,681	2,156,106	24,621,700
Other assets	13,652,495	3,999,425	2,267,334	19,919,254
Unsecured	9,759,153	823,642	2,080,734	12,663,529
Total loans	46,873,919	8,387,684	6,511,452	61,773,055

The above amounts represent the carrying value of the loans, before expected credit losses, and do not represent the fair value of collateral. The Bank assesses the fair value of collateral at the loan origination, change of collateral structure, collateral repossession when the borrower is unable to repay the loan, and in cases and with frequency required by Ukrainian regulations.

As at 31 March 2022 and 31 December 2021, other assets include movable property, goods in turnover, etc.

In the absence of collateral or other credit quality enhancement tools, the expected credit losses on loans to customers at Stage 3 as at 31 March 2022 and 31 December 2021 would be bigger by:

	31 March 2022	31 December 2021
Legal entities	1,542,832	1,328,580
SME	549,191	108,990
Individuals	48,815	52,084
	2,140,839	1,489,654

The following table presents the structure of loans to customers and finance leases by types of client segments and by debt currency:

Types of clients	31 March 2022				31 December 2021			
	In foreign currency	In national currency	Total	Impaired	In foreign currency	In national currency	Total	Impaired
State entities and municipalities	7,765,066	10,406,984	18,172,050	979,355	6,721,318	7,959,194	14,680,512	681,078
Corporate clients	22,866,431	12,018,147	34,884,578	3,843,531	22,065,312	10,133,966	32,199,278	2,999,750
Micro	2,981	474,204	477,185	6,041	2,859	494,778	497,637	5,658
SME	1,956,407	6,501,744	8,458,151	1,419,999	1,881,418	6,002,758	7,884,176	386,262
Individuals	1,287,281	5,347,760	6,635,041	1,955,681	1,213,509	5,297,943	6,511,452	1,526,119
Total	33,878,166	34,748,839	68,627,005	8,204,607	31,884,416	29,888,639	61,773,055	5,598,867

(in thousands of Hryvnias, unless otherwise indicated)

The following table presents the structure of loans to customers and finance leases by types of client segments and maturities:

<i>Types of clients</i>	31 March 2022			31 December 2021		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
State entities and municipalities	10,599,539	7,572,511	18,172,050	7,449,845	7,230,667	14,680,512
Corporate clients	14,922,055	19,962,523	34,884,578	14,870,301	17,328,977	32,199,278
Micro	203,930	273,255	477,185	171,290	326,347	497,637
SME	3,460,705	4,997,446	8,458,151	2,799,748	5,084,428	7,884,176
Individuals	1,501,671	5,133,370	6,635,041	1,562,688	4,948,764	6,511,452
Total	30,687,900	37,939,105	68,627,005	26,853,872	34,919,183	61,773,055

As at 31 March 2022, loans to customers and finance leases in the amount of UAH 24,380,131 thousand were granted to the ten biggest borrowers/groups of Bank's related counterparties (35.53% of the total loans to customers); allowance for expected credit losses of UAH 469,476 thousand was made for these loans to customers and finance leases (2021: UAH 20,526,387 thousand, or 33.23% and the allowance for expected credit losses of UAH 535,588 thousand).

The loans are primarily granted to those customers which operate on the territory of Ukraine in the following industries:

	31 March 2022	31 December 2021
Extraction, trade in gas and fuel	13,289,726	9,615,107
Electric power industry	9,534,897	9,877,636
Individuals	6,635,041	6,511,452
Trade	6,469,536	5,289,190
Agriculture and food industry	5,739,405	5,419,268
Real estate	5,470,803	5,321,848
Transport	4,718,107	3,904,958
Production	4,075,032	3,762,229
Municipality	3,099,719	3,340,519
Construction	2,462,540	1,791,889
Service sector	1,766,461	1,673,654
Metallurgy	1,697,053	1,683,878
Finance	336,894	276,410
Telecommunications	31,243	32,163
Other	3,300,548	3,272,854
Total	68,627,005	61,773,055

In the table below, the loans to customers under finance leasing agreements are distributed by segments and maturities:

	31 March 2022			31 December 2021		
	<i>Legal entities</i>	<i>SME</i>	<i>Total</i>	<i>Legal entities</i>	<i>SME</i>	<i>Total</i>
Within one year						
Finance lease	1,045	36,890	37,935	1,278	52,035	53,313
Less: expected credit losses	-	(244)	(244)	-	(581)	(581)
Short-term finance leasing agreements	1,045	36,646	37,691	1,278	51,454	52,732
More than one year						
Finance lease	34,285	1,828,145	1,862,430	31,542	1,796,715	1,828,257
Less: expected credit losses	(27,778)	(380,928)	(408,706)	(241)	(13,595)	(13,836)
Long-term finance leasing agreements	6,507	1,447,217	1,453,724	31,301	1,783,120	1,814,421
Total finance leasing agreements	7,552	1,483,863	1,491,415	32,579	1,834,574	1,867,153

(in thousands of Hryvnias, unless otherwise indicated)

The following table presents the provision structure on finance lease by industry and Bank's customer segment:

	31 March 2022		31 December 2021	
	Legal entities	SME	Legal entities	SME
Transport	767	1,723,576	909	1,683,114
Service sector	-	73,880	-	82,595
Production	-	57,102	-	62,961
Agriculture and food industry	34,563	-	31,911	-
Construction	-	2,149	-	5,097
Real estate	-	4,739	-	4,096
Other	-	721	-	1,258
Total	35,330	1,862,167	32,820	1,839,121

The following table presents the analysis of finance lease receivables as at 31 March 2022, which is included in the legal entity and SME loan portfolio:

	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Total
Gross investments in finance leases	997,059	662,455	246,808	151,908	46,423	2,104,653
Foregone financial revenue from future finance leases	(320,651)	(179,096)	(68,982)	(35,266)	(9,243)	(613,238)
Net investments in finance leases	676,408	483,359	177,826	116,642	37,180	1,491,415

The following table presents the analysis of finance lease receivables as at 31 December 2021, which is included in the legal entity and SME loan portfolio:

	Within 1 year	From 1 year to 2 years	From 2 years to 3 years	From 3 years to 4 years	From 4 years to 5 years	Total
Gross investments in finance leases	948,332	760,516	290,385	170,923	67,097	2,237,253
Foregone financial revenue from future finance leases	(198,248)	(108,364)	(42,481)	(17,183)	(3,824)	(370,100)
Net investments in finance leases	750,084	652,152	247,904	153,740	63,273	1,867,153

11. Investments at fair value through other comprehensive income

Investments at fair value through other comprehensive income include:

	31 March 2022	31 December 2021
Ukrainian domestic government bonds (UDGB)	25,371,382	23,258,700
State Mortgage Institution bonds	1,664,874	1,656,312
Corporate bonds	99,498	97,673
Municipal bonds	1,253,741	1,433,424
Corporate shares	11,329	11,328
Deposit certificates issued by the National Bank of Ukraine	-	3,001,482
Investments at fair value through other comprehensive income	28,400,824	29,458,919

The Bank classifies overnight deposit certificates issued by the National Bank of Ukraine as cash and cash equivalents. Deposit certificates issued by the National Bank of Ukraine with other maturities are classified as investments at fair value through other comprehensive income.

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

(in thousands of Hryvnias, unless otherwise indicated)

The movement of gross carrying amount of investments at fair value through other comprehensive income includes:

<i>Investments at fair value through other comprehensive income</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount as at 1 January 2022	27,842,659	-	1,963,144	29,805,803
New created and purchased assets	165,106,852	-	24,923	165,131,775
Assets repaid	(158,165,338)	-	-	(158,165,338)
Assets sold	(7,888,838)	-	-	(7,888,838)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(398,667)	-	398,667	-
Unwinding of discount (recognized in interest revenue)	-	-	-	-
Reclassification	-	-	-	-
Write-off	-	-	-	-
Exchange differences	64,056	-	-	64,056
Gross carrying amount as at 31 March 2022	26,560,724	-	2,386,734	28,947,458

<i>Investments at fair value through other comprehensive income</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount as at 1 January 2021	54,440,291	-	2,124,499	56,564,790
New created and purchased assets	263,110,889	-	-	263,110,889
Assets repaid	(220,838,441)	-	(161,354)	(220,999,795)
Assets sold	(67,850,685)	-	-	(67,850,685)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Unwinding of discount (recognized in interest revenue)	-	-	-	-
Reclassification	-	-	-	-
Write-off	-	-	-	-
Exchange differences	(1,019,395)	-	-	(1,019,395)
Gross carrying amount as at 31 December 2021	27,842,659	-	1,963,145	29,805,804

Changes in expected credit losses for the three months ended 31 March 2022 were as follows:

<i>Investments at fair value through other comprehensive income</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Expected credit losses as at 1 January 2022	51,380	-	306,833	358,213
New created and purchased assets	10,008	-	-	10,008
Assets repaid	(716)	-	-	(716)
Assets sold	(557)	-	-	(557)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(366)	-	366	-
Change of reserve	(7,555)	-	198,400	190,845
Write-off	-	-	-	-
Exchange differences	170	-	-	170
Expected credit losses as at 31 March 2022	52,364	-	505,599	557,963

(in thousands of Hryvnias, unless otherwise indicated)

Changes in expected credit losses for the three months ended 31 March 2021 were as follows:

Investments at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2021	266,806	-	275,256	542,062
New created and purchased assets	21,413	-	-	21,413
Assets repaid	(7,797)	-	-	(7,797)
Assets sold	(26,714)	-	-	(26,714)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	(19,612)	-	(15,929)	(35,541)
Write-off	-	-	-	-
Exchange differences	(2,213)	-	-	(2,213)
Expected credit losses as at 31 March 2021	231,883	-	259,327	491,210

As at 31 March 2022, UDGB with fair value of UAH 547,470 thousand (2021: UAH 572,574 thousand) were pledged for a long-term loan received from a credit institution (Note 20).

As at 31 March 2022, UDGB with fair value of UAH 11,025,084 thousand (2021: UAH 1,421,759 thousand) were pledged as a collateral for loans received from the National Bank of Ukraine (Note 19).

12. Investment property

The movement of investment property items was as follows:

	31 March 2022	31 December 2021
Carrying amount as at 1 January	153,955	149,255
Additions	-	392
Fair value adjustment	-	4,308
Carrying amount as at 31 March /31 December	153,955	153,955

Income from investment property includes rental income in the amount of UAH 4,220 thousand (2021: UAH 13,464 thousand).

13. Property and equipment and intangible assets

Movements in property and equipment and intangible assets were as follows:

	Buildings and land plots	Furniture and equipment	Leasehold improvements	Motor vehicles	Construction in progress and items not put into operation	Intangible assets	Total
Cost or revalued amount							
As at 1 January 2022	853,454	958,534	39,003	46,552	3,359	661,552	2,562,454
Additions	-	27,700	-	-	553	11,466	39,719
Disposals	-	(2,366)	(401)	(575)	-	-	(3,342)
Transfers	455	396	96	-	(947)	-	-
Impairment	-	(15)	-	-	-	-	(15)
Reclassification to the category of Assets held for sale	-	(116)	-	-	-	-	(116)
As at 31 March 2022	853,909	984,133	38,698	45,977	2,965	673,018	2,598,700
Accumulated depreciation							
As at 1 January 2022	-	765,212	30,192	40,790	-	539,119	1,375,313
Depreciation charges	5,559	27,873	1,395	1,044	-	25,224	61,095
Disposals	-	(2,275)	(238)	(575)	-	-	(3,088)
Reclassification to the category of Assets held for sale	-	(82)	-	-	-	-	(82)
As at 31 March 2022	5,559	790,728	31,349	41,259	-	564,343	1,433,238
Net book value							
As at 1 January 2022	853,454	193,322	8,811	5,762	3,359	122,433	1,187,141
As at 31 March 2022	848,350	193,405	7,349	4,718	2,965	108,675	1,165,462

(in thousands of Hryvnias, unless otherwise indicated)

	<i>Buildings and land plots</i>	<i>Furniture and equipment</i>	<i>Leasehold improvements</i>	<i>Motor vehicles</i>	<i>Construction in progress and items not put into operation</i>	<i>Intangible assets</i>	<i>Total</i>
Cost or revalued amount							
As at 1 January 2021	928,721	947,553	37,235	46,552	8,362	572,603	2,541,026
Additions	-	22,749	137	-	10,314	90,891	124,091
Disposals	(26,612)	(20,010)	(2,353)	-	-	(1,942)	(50,917)
Transfers	3,091	8,242	3,984	-	(15,317)	-	-
Revaluation	(51,746)	-	-	-	-	-	(51,746)
As at 31 December 2021	853,454	958,534	39,003	46,552	3,359	661,552	2,562,454
Accumulated depreciation							
As at 1 January 2021	-	653,756	26,679	35,876	-	476,177	1,192,488
Depreciation charges	25,799	131,097	5,669	4,914	-	63,084	230,563
Disposals	(398)	(19,641)	(2,156)	-	-	(142)	(22,337)
Revaluation	(25,401)	-	-	-	-	-	(25,401)
As at 31 December 2021	-	765,212	30,192	40,790	-	539,119	1,375,313
Net book value							
As at 1 January 2021	928,721	293,797	10,556	10,676	8,362	96,426	1,348,538
As at 31 December 2021	853,454	193,322	8,811	5,762	3,359	122,433	1,187,141

As at 31 December 2021, the valuation of the fair value of buildings and land plots was performed by an independent appraiser. To estimate the fair value of buildings, a comparative approach and an income approach were mainly used. Key assumptions relate to the condition, quality and location of the buildings used as comparatives.

Had the valuation of buildings and land plots been performed using a historical cost model, the carrying value of the buildings and land plots as at 31 March 2022 would amount to UAH 850,011 thousand (2021: UAH 826,036 thousand).

As at 31 March 2022, property and equipment and intangible assets with a historical cost of UAH 809,146 thousand (2021: UAH 802,117 thousand) were fully depreciated, but are still used by the Bank.

14. Right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities include:

	<i>Right-of-use assets</i>				<i>Lease liabilities</i>
	<i>Buildings</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>	
As at 1 January 2022	194,973	74	60,617	255,664	230,772
Additions	7,193	33	259	7,485	7,485
Early termination	(426)	-	(45,684)	(46,110)	(31,575)
Depreciation expense	(19,903)	(107)	(3,085)	(23,095)	-
Interest expense	-	-	-	-	5,748
Payments	-	-	-	-	(22,332)
As at 31 March 2022	181,837	-	12,107	193,944	190,098
	<i>Right-of-use assets</i>				<i>Lease liabilities</i>
	<i>Buildings</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>	
As at 1 January 2021	71,987	368	84,845	157,200	126,148
Additions	192,910	-	-	192,910	192,910
Early termination	(8,838)	-	-	(8,838)	(9,640)
Depreciation expense	(61,086)	(294)	(24,228)	(85,608)	-
Interest expense	-	-	-	-	20,367
Payments	-	-	-	-	(99,013)
As at 31 December 2021	194,973	74	60,617	255,664	230,772

For the three months ended 31 March 2022, the Bank recognized expenses on short-term leases, leases of low-value assets and variable lease payments in the amount of UAH 9,219 thousand (31 March 2021: 5,091 thousand).

For the three months ended 31 March 2022, the total lease-related cash outflow amounted to UAH 31,551 thousand (31 March 2021: 27,459 thousand).

*(in thousands of Hryvnias, unless otherwise indicated)***15. Other property**

As at 31 March 2022, the carrying value of other property received as repayment of debts from the Bank's customers on non-performing loans was UAH 361,519 thousand (2021: UAH 385,353 thousand).

Cost	Land plots	Non-residential property	Residential property	Ownership rights to real estate	Movables, furniture and equipment	Total
As at 1 January 2022	21,642	262,088	75,936	6,561	19,126	385,353
Additions	-	-	754	-	-	754
Sale	(2,143)	(20,750)	(1,695)	-	-	(24,588)
As at 31 March 2022	19,499	241,338	74,995	6,561	19,126	361,519

Cost	Land plots	Non-residential property	Residential property	Ownership rights to real estate	Movables, furniture and equipment	Total
As at 1 January 2021	65,211	525,868	95,015	40,707	43,447	770,248
Additions	-	8,575	-	-	254	8,829
Sale	(41,526)	(245,413)	(10,992)	(34,146)	(24,575)	(356,652)
Impairment	(2,043)	(26,942)	(8,087)	-	-	(37,072)
As at 31 December 2021	21,642	262,088	75,936	6,561	19,126	385,353

16. Taxation

Income tax expenses comprise:

	31 March 2022	31 March 2021
Current income tax expenses	-	65,848
Changes in deferred taxes – origination and reversal of temporary differences	(232)	(50,457)
Deferred tax recognized in other comprehensive income	-	50,444
Income tax expense/(reimbursement)	(232)	65,835

Reconciliation of the income tax expenses based on the current tax rates and actual income tax expense is as follows:

	31 March 2022	31 March 2021
Profit/(loss) before income tax	(1,409,116)	309,893
Statutory tax rate	18%	18%
Theoretical income tax expense/(reimbursement) at the statutory rate	(253,641)	55,781
Non-deductible expense for taxation	5,497	10,053
Adjustments of the tax base due to reassessment of temporary differences and changes in laws	-	1
Changes in unrecognized deferred tax assets	247,912	-
Income tax expense/(reimbursement)	(232)	65,835

(in thousands of Hryvnias, unless otherwise indicated)

As at 31 March 2022 and 31 March 2021, deferred tax assets and liabilities and their movements for the respective periods were as follows:

	<i>Origination and reversal of temporary differences</i>			<i>Origination and reversal of temporary differences</i>		
	<i>In the statement of profit or loss</i>	<i>Within equity</i>	<i>31 March 2022</i>	<i>In the statement of profit or loss</i>	<i>Within equity</i>	<i>31 March 2021</i>
Tax effect of non-taxable temporary differences						
Assessment of investments at fair value through other comprehensive income	-	57,126	97,600	-	50,444	(46,781)
Property and equipment and intangible assets	232	-	32,486	13	-	36,432
Tax losses carried forward	247,911	-	247,911	-	-	-
Deferred tax assets/ (liabilities), gross	248,143	57,126	377,997	13	50,444	(10,349)
Unrecognized deferred tax asset	(247,911)	(57,126)	(345,511)	-	-	-
Deferred tax assets/ (liabilities), net	232	-	32,486	13	50,444	(10,349)

Preparation and provision of financial statements and corporate income tax returns is made at different periods. Consequently, financial and tax accounting may have minor differences. These differences will be reported in tax accounting in the next reporting period.

In compliance with the applicable tax laws, the tax base for corporate income tax is the Bank's financial result before tax as disclosed in the Bank's IFRS financial statements, adjusted for the differences provided for by the Tax Code of Ukraine. Thus, tax accounting is based on financial accounting with further tax adjustments for timely and accurate tax reporting.

17. Provisions for legal risks

Provisions for legal risks relate to other property of the Bank, which ownership rights are likely to be lost, and legal claims for which it is probable that the Bank will incur losses.

The change in provisions for legal risks was as follows:

	<i>Provisions for legal risks</i>
As at 1 January 2022	265,297
Accrued	-
Write-off	(21)
As at 31 March 2022	265,276
	<i>Provisions for legal risks</i>
As at 1 January 2021	250,813
Released	(1,079)
Write-off	-
As at 31 March 2021	249,734

*(in thousands of Hryvnias, unless otherwise indicated)***18. Other assets and liabilities**

Other assets comprise:

	31 March 2022	31 December 2021
Other financial assets		
Receivable for securities	507,270	507,270
Clearing payments for payment cards	228,847	219,608
Other accrued income	100,850	113,362
Receivable for operations with cash	14,874	–
Other receivables for operations with banks	5,295	5,099
Receivables for operations with credit cards and international payment systems	694	486
Other	22,914	11,530
	880,744	857,355
Less: expected credit losses on other financial assets	(528,943)	(522,830)
Total other financial assets	351,801	334,525
Other non-financial assets		
Prepayments	228,582	281,243
Receivable for property rights	110,889	110,889
Cash and precious metals located in the temporarily occupied territory of the Autonomous Republic of Crimea and in the territories of Luhansk and Donetsk regions beyond Ukrainian control	56,717	53,803
Inventories	13,809	17,190
Receivables from employees	13,164	10,906
Prepayments for the assets to be provided under finance leases	5,292	10,589
Taxes recoverable, other than income tax	3,158	301
Other	4,575	–
	436,186	484,921
Less: allowance for impairment on other non-financial assets	(186,672)	(182,327)
Total other non-financial assets	249,514	302,594
Total other assets	601,315	637,119

Analysis of changes in the expected credit loss (ECL) allowance for other financial assets for the three month ended 31 March 2022 is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	429	560	521,841	522,830
New assets originated or purchased	2,040	861	301	3,202
Assets repaid	(54)	(55)	(155)	(264)
Transfer to stage 1	760	(34)	(726)	–
Transfer to stage 2	(198)	199	(1)	–
Transfer to stage 3	–	(415)	(415)	–
Changes in expected credit losses	204	1,612	1,150	2,966
<i>Total credit loss expense before the effect of exchange differences</i>	2,752	2,168	984	5,904
Write-off	–	–	–	–
Exchange differences	1	–	208	209
As at 31 March 2022	3,182	2,728	523,033	528,943

(in thousands of Hryvnias, unless otherwise indicated)

Analysis of changes in the expected credit loss (ECL) allowance for other financial assets for the three month ended 31 March 2021 is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	1,337	1,894	532,991	536,222
New assets originated or purchased	352	438	47	837
Assets repaid	(340)	(689)	(3,504)	(4,533)
Transfer to stage 1	15	(15)	–	–
Transfer to stage 2	(8)	33	(25)	–
Transfer to stage 3	(37)	(43)	80	–
Changes in expected credit losses	(47)	(926)	1,356	383
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(65)</i>	<i>(1,202)</i>	<i>(2,046)</i>	<i>(3,313)</i>
Write-off	–	–	(92)	(92)
Exchange differences	(1)	(14)	19	4
As at 31 March 2021	1,271	678	530,872	532,821

Analysis of changes in the impairment provision for other non-financial assets for the three months ended 31 March 2022 is as follows:

	Other assets
As at 1 January 2022	182 327
Accrued/(reversed)	(619)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(619)</i>
Recovery	–
Amounts written off	–
Exchange differences	4 964
As at 31 March 2022	186 672

Analysis of changes in the impairment provision for other non-financial assets for the three months ended 31 March 2021 is as follows:

	Other assets
As at 1 January 2021	185,671
Accrued/(reversed)	(5,149)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(5,149)</i>
Recovery	6,921
Amounts written off	–
Exchange differences	(2,074)
As at 31 March 2021	185,369

Other liabilities comprise:

	31 March 2022	31 December 2021
Accounts payable for operations with banks	256,831	5,940
Payables for operations with payment cards	247,807	852,302
Accruals for unused vacations	246,853	227,388
Payables for operations with clients	174,254	158,967
Payables for payments to the Individual Deposit Guarantee Fund	46,129	45,672
Deferred income	32,029	32,339
Payables for operations with clients on purchase and sale of foreign currency, bank and precious metals	29,089	–
Accrued expenses for cash and settlements	23,909	19,115
Maintenance of premises	18,801	7,311
Payables on taxes and mandatory contributions, except for income tax	14,338	30,980
Accounts payable for payments to employees	12,986	4,548
Communication services	6,073	6,865
Payables for the assets to be provided under finance leases	5,631	14,594
Rent of premises	5,386	3,060

(in thousands of Hryvnias, unless otherwise indicated)

	31 March 2022	31 December 2021
Repair and maintenance of property, plant and equipment	3,182	750
Payables to payment cards transactions processing center	2,092	2,177
Accounts payable for acquiring assets	–	90
Other	110,782	103,119
Other liabilities	1,236,172	1,515,217

19. Due to the National Bank of Ukraine

Loans received from the National Bank of Ukraine include:

	Maturity	31 March 2022	31 December 2021
Long-term loans obtained through refinancing	9 January 2026	999,854	999,974
Short-term loans obtained through refinancing	24 February 2023	7,199,455	–
	28 January 2022	–	3,699,993
Total due to the National Bank of Ukraine		8,199,309	4,699,967

As at 31 March 2022, the interest rate on long-term loans obtained through refinancing was 10% per annum (2021: 9%).

As at 31 March 2022, the interest rate on short-term loans obtained through refinancing was 11% per annum (2021: 10%).

As at 31 March 2022, the discount rate of the National Bank of Ukraine was 10% (2021: 9%).

As at 31 March 2022 and 31 December 2021 the following assets were pledged as a collateral for loans received from the National Bank of Ukraine:

	Notes	31 March 2022	31 December 2021
Ukrainian state bonds	11	11,025,084	1,421,759
Due from credit institutions	8	–	4,019,938
Total		11,025,084	5,441,697

20. Due to credit institutions

Due to credit institutions comprise:

	31 March 2022	31 December 2021
Current accounts	3,829,227	4,458,932
Time deposits and loans	2,486,705	2,505,737
Other amounts due to credit institutions	266,381	341,027
Due to credit institutions	6,582,313	7,305,696

As at 31 March 2022, the balance of due to credit institutions amounted to UAH 2,164,966 thousand (32.89%) raised from three banks (2021: balance amounted to UAH 2,136,864 thousand (29.25%) raised from three banks).

As at 31 March 2022, a long-term loan received from one credit institution was secured by the Ukrainian domestic government bonds with a fair value of UAH 547,470 thousand (2021: UAH 572,574 thousand) (Note 11).

As at 31 March 2022, current accounts of credit institutions included funds raised in precious metals, which are measured at fair value through profit or loss in the amount to UAH 65,598 thousand (2021: UAH 49,884 thousand). As at 31 March 2022, there were no change in fair value of current accounts of credit institutions due to changes in credit risk (2021: none).

*(in thousands of Hryvnias, unless otherwise indicated)***21. Due to customers**

Due to customers by operating segments comprise:

	31 March 2022	31 December 2021
Current accounts		
- Legal entities	38,615,151	41,481,178
- SME	8,305,477	6,423,022
- Individuals	13,944,624	13,835,204
	60,865,252	61,739,404
Time deposits		
- Legal entities	12,334,610	16,117,795
- SME	3,248,408	5,238,405
- Individuals	11,270,255	13,640,777
	26,853,273	34,996,977
Due to customers	87,718,525	96,736,381

As at 31 March 2022, the amounts due to customers of UAH 21,679,637 thousand (24.72%) included the amounts due to ten largest customers of the Bank (2021: UAH 30,064,498 thousand (31.08%)).

As at 31 March 2022, the amounts due to budget organizations were UAH 2,523,640 thousand and included the amounts due to customers: UAH 2,521,950 thousand – in "Legal entities" (2021: UAH 602,459 thousand); UAH 1,690 thousand – in "SME" (2021: UAH 1,958 thousand).

As at 31 March 2022, amounts due to customers included funds raised in precious metals, which are measured at fair value through profit or loss, in the amount to UAH 13,254 thousand in "Legal entities" (2021: UAH 11,561 thousand), UAH 137,879 thousand - in "Individuals" (2021: UAH 122,636 thousand). As at 31 March 2022, there was no change in fair value of funds raised in precious metals due to changes in credit risk (2021: none).

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

	31 March 2022	31 December 2021
Individuals	25,282,421	27,548,088
Service sector	13,494,728	18,051,371
Transport	12,090,283	11,346,356
Power engineering	11,548,838	10,666,103
Production	4,676,627	5,802,626
Metallurgy	4,144,574	4,260,659
Finance	3,801,476	4,741,733
Trade	3,754,686	4,721,137
Agriculture and food industry	2,193,472	1,824,432
Construction	1,955,791	2,701,748
Insurance	1,415,647	1,690,543
Other	3,359,982	3,381,585
Due to customers	87,718,525	96,736,381

As at 31 March 2022, the analysis of amounts due to customers by industry in terms of "Individuals" in the amount of UAH 25,282,421 thousand (2021: UAH 27,548,088 thousand) included a portion of amounts due to customers in terms of "SME" in the amount of UAH 67,542 thousand (2021: UAH 72,107 thousand).

As at 31 March 2022, category "Other" included the funds of non-resident legal entities of UAH 3,089,098 thousand (2021: UAH 3,092,214 thousand).

As at 31 March 2022, loans to customers were secured by amounts due to customers of UAH 5,314,048 thousand (2021: UAH 4,568,572 thousand) (Note 10).

As at 31 March 2022, amounts due to customers secured the financial commitments and contingencies in the amount of UAH 2,417,221 thousand (2021: UAH 4,315,389 thousand) (Note 23).

*(in thousands of Hryvnias, unless otherwise indicated)***22. Equity****Share capital**

As at 31 March 2022, the authorized issued share capital comprised 13,836,522,922 ordinary shares and 477,078 preferred shares (2021: 13,836,522,922 ordinary shares and 477,078 preferred shares) with the nominal value of UAH 1 per share. Ordinary shares give rights to their holders to participate in the General Shareholders' Meetings, to receive dividends and, in case of liquidation of the Bank, to receive a portion of the Bank's property or its value in proportion to the value of the Bank's shares owned by them in the order and in accordance with the procedure stipulated by the legislation of Ukraine and the Bank's charter. The shareholders that own preferred shares have a right to vote in certain cases according to the charter and are entitled to receive annual fixed amounts of dividends, unless otherwise envisaged by law.

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

	<i>Number of shares, thousand</i>		<i>Nominal value, thousand UAH</i>		<i>Nominal value, thousand UAH</i>	<i>Total, thousand UAH</i>
	<i>Ordinary</i>	<i>Preferred</i>	<i>Ordinary</i>	<i>Preferred</i>		
As at 31 December 2020	13,836,523	477	13,836,523	477	13,837,000	13,837,000
Issued and registered shares	-	-	-	-	-	-
As at 31 December 2021	13,836,523	477	13,836,523	477	13,837,000	13,837,000
Issued and registered shares	-	-	-	-	-	-
As at 31 March 2022	13,836,523	477	13,836,523	477	13,837,000	13,837,000

Reserve fund

The Bank creates a reserve fund to cover unforeseen losses on all items of assets and off-balance liabilities. The amount of charges to the reserve fund should be not less than 5% of the Bank's profit until it reaches 25% of the Bank's regulatory capital. As at 31 March 2022, the Bank's reserve fund amounted to UAH 590,676 thousand (2021: UAH 590,676 thousand).

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

Movements in other reserves

Movements in other reserves were as follows:

	<i>Property and equipment revaluation reserve</i>	<i>Revaluation reserve for investments at fair value through other comprehensive income</i>	<i>Total</i>
As at 1 January 2021	246,564	440,990	687,554
Revaluation of property, plant and equipment	(25,813)	-	(25,813)
Income tax related to revaluation of property and equipment	4,646	-	4,646
Net change in fair value of debt instruments at fair value through other comprehensive income	-	(431,465)	(431,465)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	-	(288,148)	(288,148)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	(45,381)	(45,381)
Income tax associated with revaluation of securities	-	97,225	97,225
Transfer of accumulated revaluation reserve on disposal of equity instruments at fair value through other comprehensive income	-	-	-
Transfer as a result of disposal of assets	(803)	-	(803)
As at 31 December 2021	224,594	(226,779)	(2,185)

(in thousands of Hryvnias, unless otherwise indicated)

	<i>Property and equipment revaluation reserve</i>	<i>Revaluation reserve for investments at fair value through other comprehensive income</i>	<i>Total</i>
Net change in fair value of debt instruments at fair value through other comprehensive income	–	(493,100)	(493,100)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	–	(25,120)	(25,120)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	–	200,853	200,853
Income tax associated with revaluation of securities	–	–	–
Transfer of accumulated revaluation reserve on disposal of equity instruments at fair value through other comprehensive income	–	–	–
Transfer as a result of disposal of assets	–	–	–
As at 31 March 2022	224,594	(544,146)	(319,552)

23. Commitments and contingencies

Legal issues

In the ordinary course of business, the Bank is subject to legal actions and complaints. The Bank's management believes that the final amount of the liabilities, which may arise from legal proceedings, will not have a material adverse effect on the Bank's financial position or the results of its future operations (Note 17).

Taxation

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

Management believes that it has complied with all existing tax legislation requirements. However, no certainties exist that the tax authorities would not apply some other approach to the Bank's compliance with the effective tax legislation and further impose fines and penalties.

Commitments and contingencies

As at 31 March 2022 and 2021, contractual commitments and contingencies were as follows:

	<i>31 March 2022</i>	<i>31 December 2021</i>
<i>Credit-related commitments</i>		
Financial guarantees	5,143,842	6,505,292
Loan commitments	9,925,141	11,491,698
Letters of credit	8,434,370	7,501,194
- including secured letters of credit	666,858	618,387
- including unsecured letters of credit	7,767,512	6,882,807
	23,503,353	25,498,184
Performance guarantees	1,011,508	1,057,264
	1,011,508	1,057,264
Commitments and contingencies	24,514,861	26,555,448

(in thousands of Hryvnias, unless otherwise indicated)

As at 31 March 2022, loan commitments amounted to UAH 9,925,141 thousand (2021: UAH 11,491,698 thousand), including:

- ▶ loan commitments to strategic customers of the Bank in the amount of UAH 1,478,178 thousand (2021: UAH 2,542,200 thousand);
- ▶ loan commitments to other customers of the Bank in the amount of UAH 8,446,963 thousand (2021: UAH 8,949,498 thousand).

As at 31 March 2022 and 2021, loan commitments are revocable commitments.

As at 31 March 2022, estimated allowances for ECLs in respect of credit-related commitments amounted to UAH 398,995 thousand (31 March 2021: UAH 186,910 thousand).

As at 31 March 2022, estimated allowances for performance guarantees amounted to UAH 680 thousand (31 March 2021: UAH 4,515 thousand).

As at 31 March 2022, commitments and contingencies were secured by cash collateral in the amount of UAH 2,417,221 thousand (2021: UAH 4,315,389 thousand) (Note 21).

Changes in the expected credit loss allowance for financial guarantees for the three months ended 31 March 2022 were as follows:

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	132,540	56,535	-	189,075
New guarantees	4,915	-	-	4,915
Expired guarantees	(1,314)	(56)	-	(1,370)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(110,785)	110,785	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	100,305	3,466	-	103,771
<i>Total credit loss expense before transition difference</i>	<i>(6,879)</i>	<i>114,195</i>	<i>-</i>	<i>107,316</i>
Exchange differences	4,351	4,729	-	9,080
As at 31 March 2022	130,012	175,459	-	305,471

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	119	-	1	120
New guarantees	322	-	-	322
Expired guarantees	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(71,332)	-	71,332	-
Change of reserve	70,891	-	-	70,891
<i>Total credit loss expense before transition difference</i>	<i>(119)</i>	<i>-</i>	<i>71,332</i>	<i>71,213</i>
Exchange differences	5	-	-	5
As at 31 March 2022	5	-	71,333	71,338

(in thousands of Hryvnias, unless otherwise indicated)

Changes in the expected credit loss allowance for financial guarantees for the three months ended 31 March 2021 were as follows:

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	30,298	9,223	-	39,521
New guarantees	63,937	60	-	63,997
Expired guarantees	(819)	(59,978)	-	(60,797)
Transfer to stage 1	1,768	(1,768)	-	-
Transfer to stage 2	(231,043)	231,043	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	212,544	(156,983)	-	55,561
<i>Total credit loss expense before transition difference</i>	<i>46,387</i>	<i>12,374</i>	<i>-</i>	<i>58,761</i>
Exchange differences	(649)	(5,925)	-	(6,574)
As at 31 March 2021	76,036	15,672	-	91,708

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	367	-	8	375
New guarantees	4	-	-	4
Expired guarantees	(1)	-	-	(1)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	(80)	-	-	(80)
<i>Total credit loss expense before transition difference</i>	<i>(77)</i>	<i>-</i>	<i>-</i>	<i>(77)</i>
Exchange differences	(1)	-	-	(1)
As at 31 March 2021	289	-	8	297

Changes in allowances for expected credit losses under performance guarantees for the three months ended 31 March 2022 were as follows:

Legal entities	Total
As at 1 January 2022	805
Accrued/(reversed)	(173)
<i>Total credit loss expense before transition difference</i>	<i>(173)</i>
Exchange differences	44
As at 31 March 2022	676

SME	Total
As at 1 January 2022	3
Accrued/(reversed)	1
<i>Total credit loss expense before transition difference</i>	<i>1</i>
Exchange differences	-
As at 31 March 2022	4

Changes in allowances for expected credit losses under performance guarantees for the three months ended 31 March 2021 were as follows:

Legal entities	Total
As at 1 January 2021	5,780
Accrued/(reversed)	(1,090)
<i>Total credit loss expense before transition difference</i>	<i>(1,090)</i>
Exchange differences	(176)
As at 31 March 2021	4,514

(in thousands of Hryvnias, unless otherwise indicated)

SME	Total
As at 1 January 2021	20
Accrued/(reversed)	(19)
<i>Total credit loss expense before transition difference</i>	(19)
Exchange differences	-
As at 31 March 2021	1

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the three months ended 31 March 2022:

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	2,490	160,221	-	162,711
New loan commitments	363	-	-	363
Expired loan commitments	(293)	-	-	(293)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	(2,364)	(160,433)	7,024	(155,773)
<i>Total credit loss expense before transition difference</i>	(2,294)	(160,433)	7,024	(155,703)
Exchange differences	3	513	-	516
As at 31 March 2022	199	1	7,024	7,224

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	100	31	6,615	6,746
New loan commitments	12	-	-	12
Expired loan commitments	(1)	-	(29)	(30)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(5)	5	-	-
Transfer to stage 3	(2,511)	-	2,511	-
Change of reserve	2,429	(36)	(1,987)	406
<i>Total credit loss expense before transition difference</i>	(76)	(31)	495	388
Exchange differences	-	-	-	-
As at 31 March 2022	24	-	7,110	7,134

Individuals	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	2,255	1	8,449	10,705
New loan commitments	243	-	16	259
Expired loan commitments	(51)	-	(673)	(724)
Transfer to stage 1	4	(3)	(1)	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(775)	(2,279)	3,054	-
Change of reserve	685	2,282	(5,620)	(2,653)
<i>Total credit loss expense before transition difference</i>	106	-	(3,224)	(3,118)
Exchange differences	-	-	239	239
As at 31 March 2022	2,361	1	5,464	7,826

(in thousands of Hryvnias, unless otherwise indicated)

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the three months ended 31 March 2021:

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	-	56,640	45,257	101,897
New loan commitments	-	5,699	-	5,699
Expired loan commitments	-	(5,774)	-	(5,774)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(8,117)	8,117	-	-
Transfer to stage 3	-	-	-	-
Change of reserve	8,117	(3,347)	(17,961)	(13,191)
<i>Total credit loss expense before transition difference</i>	-	4,695	(17,961)	(13,266)
Exchange differences	-	(171)	-	(171)
As at 31 March 2021	-	61,164	27,296	88,460

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	-	24	714	738
New loan commitments	-	-	-	-
Expired loan commitments	-	-	(45)	(45)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(7,089)	-	7,089	-
Change of reserve	7,090	(2)	(6,849)	239
<i>Total credit loss expense before transition difference</i>	1	(2)	195	194
Exchange differences	-	-	(1)	(1)
As at 31 March 2021	1	22	908	931

Individuals	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	-	-	6,966	6,966
New loan commitments	-	-	9	9
Expired loan commitments	-	-	(1,790)	(1,790)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(1)	1	-	-
Transfer to stage 3	(210)	(217)	427	-
Change of reserve	211	216	(23)	404
<i>Total credit loss expense before transition difference</i>	-	-	(1,377)	(1,377)
Exchange differences	-	-	(75)	(75)
As at 31 March 2021	-	-	5,514	5,514

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

Assets pledged as collateral

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

(in thousands of Hryvnias, unless otherwise indicated)

As at 31 March 2022, assets pledged by the Bank as collateral are:

<i>Liability type</i>	<i>Liability amount</i>	<i>Asset type</i>	<i>Asset carrying amount</i>
Long-term loans obtained through refinancing from NBU	999,854	UDGB	11,025,084
Short-term loans obtained through refinancing from NBU	7,199,455		
Long-term loan from a financial institution	411,502	UDGB	547,470
Total	8,610,811		11,572,554

As at 31 December 2021, assets pledged by the Bank as collateral are:

<i>Liability type</i>	<i>Liability amount</i>	<i>Asset type</i>	<i>Asset carrying amount</i>
Long-term loans obtained through refinancing from NBU	999,974	UDGB	1,421,759
Short-term loans obtained through refinancing from NBU	3,699,993	Due from credit institutions	4,019,938
Long-term loan from a financial institution	393,090	UDGB	572,574
Total	5,093,057		6,014,271

24. Net fee and commission income

Net fee and commission income comprised:

	<i>For the three months, ended 31 March 2022</i>	<i>For the three months, ended 31 March 2021</i>
Settlements	356,369	293,447
Guarantees and letters of credit	97,515	60,805
Loan servicing to customers	49,788	56,214
Agent operations in the foreign exchange market	43,254	36,380
Transactions with securities	3,174	2,497
Other	8,475	7,145
Fee and commission income	558,575	456,488
Settlements	(176,913)	(90,683)
Guarantees and letters of credit	(54,586)	(21,342)
Agent operations in the foreign exchange market	(5,278)	(4,104)
Other	(2,678)	(3,637)
Fee and commission expense	(239,455)	(119,766)
Net fee and commission income	319,120	336,722

25. Net gains on foreign exchange operations and precious metals

Net gains on foreign exchange operations and precious metals comprise:

	<i>For the three months, ended 31 March 2022</i>	<i>For the three months, ended 31 March 2021</i>
Dealing	78 532	13,155
Translation differences	(16 987)	12,701
Net gains on foreign exchange operations and precious metals	61 544	25,856

*(in thousands of Hryvnias, unless otherwise indicated)***26. Other income**

Other income comprised:

	<i>For the three months, ended 31 March 2022</i>	<i>For the three months, ended 31 March 2021</i>
Penalties received and other fees for overdue payments under loan agreements	21,741	1,452
Recovery of expenses under financial lease agreements	16,703	24,821
Fees from insurance companies and banks	15,597	42,897
Positive result from sale of assets held for sale and other property	5,815	12,263
Recovery of previously written-off assets	4,970	2,515
Compensation costs for utilities of premises leased	2,688	2,077
Recovery of litigation expenses	1,410	1,588
Gain on marketing support services	1,042	1,514
Surplus cash collection at ATMs	593	555
Positive result from sale of property and equipment and intangible assets	412	-
Gain from acquired ownership of the amounts due to customers	256	33
Recovery of registration costs	252	668
Other	6,563	3,962
Total other income	78,042	94,345

There are cases in the Bank's operations when the accounts, which are to be closed, have balances left unclaimed by the customers. "Gain from acquired ownership of the amounts due to customers" includes the customer funds that the Bank recognized as income in accordance with the Civil Code of Ukraine because of expired ownership of the balances.

27. Changes in expected credit losses

The table below discloses the expected credit loss expenses for the financial instruments recorded in the statement of profit or loss and other comprehensive income for the three months ended 31 March 2022:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	(2,474)	-	-	-	(2,474)
Due from credit institutions	8	(3,896)	-	-	-	(3,896)
Loans to customers and finance leases	10	(151,831)	438,022	1,403,964	24,688	1,714,843
Investments at fair value through other comprehensive income	11	184,492	-	16,361	-	200,853
Other financial assets	18	2,752	2,168	984	-	5,904
Financial guarantees	23	(6,998)	114,195	71,332	-	178,529
Undrawn loan commitments	23	(2,264)	(160,464)	4,295	-	(158,433)
Total credit loss expense		19,781	393,921	1,496,936	24,688	1,935,326

The statement of profit or loss and other comprehensive income for the three months ended 31 March 2022 also includes changes in the following other provisions:

- ▶ Reversal of provisions for other non-financial assets in the amount of UAH (619) thousand (Note 18);
- ▶ Reversal of provisions for performance guarantees in the amount of UAH (172) thousand (Note 23).

(in thousands of Hryvnias, unless otherwise indicated)

The table below discloses the expected credit loss expenses for the financial instruments recorded in the statement of profit or loss and other comprehensive income for the three months ended 31 March 2021:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	1,906	-	-	-	1,906
Due from credit institutions	8	44	-	-	-	44
Loans to customers and finance leases	10	84,437	431,170	108,527	(9,050)	615,084
Investments at fair value through other comprehensive income	11	1,801	-	(15,929)	-	(14,128)
Recovery of previously written-off customer loans		-	-	(119)	-	(119)
Other financial assets	18	(65)	(1,202)	(2,046)	-	(3,313)
Financial guarantees	23	46,310	12,374	-	-	58,684
Undrawn loan commitments	23	1	4,693	(19,143)	-	(14,449)
Total credit loss expense		134,434	447,035	71,290	(9,050)	643,709

The statement of profit or loss and other comprehensive income for the three months ended 31 March 2021 also includes changes in the following other provisions:

- ▶ Reversal of provisions for other non-financial assets in the amount of UAH (5,149) thousand (Note 18);
- ▶ Reversal of provisions for legal risks in the amount of UAH (1,079) thousand (Note 17);
- ▶ Reversal of provisions for performance guarantees in the amount of UAH (1,109) thousand (Note 23).

28. Staff costs and other operating expense

Staff costs and other operating expense comprise:

	<i>For the three months, ended 31 March 2022</i>	<i>For the three months, ended 31 March 2021</i>
Salaries and bonuses	464,155	392,282
Other staff costs	109,357	22,591
Employment taxes	102,452	80,311
Staff costs	675,964	495,184
Charity	377,578	2,080
Repair and maintenance of property, plant and equipment	55,716	38,050
Communication services	47,935	39,646
Payments to the Individual Deposit Guarantee Fund	46,129	54,241
Office supplies	27,024	11,638
Taxes, other than income tax	22,617	19,639
Lease and maintenance of premises	17,773	17,069
Software support	15,875	15,447
Professional services	14,898	16,187
Security	10,339	11,288
Encashment	7,485	5,880
Marketing and advertising	2,161	4,218
Business trips	111	131
Other	15,901	30,886
Other operating expenses	661,542	266,400

(in thousands of Hryvnias, unless otherwise indicated)

29. Risk management

The Bank's risk management system is based on the Bank's size, business model, business scale, types and complexity of operations. The risk management system includes: risk identification, risk measurement (assessment), risk monitoring, risk reporting, risk control, and mitigation of all significant risks for the Bank to be able to measure the capital amount required to cover all significant risks inherent in the Bank's operations.

The risk management system is based on the distribution of obligations between the Bank's divisions with application of a model of three security lines:

- ▶ first line – at the level of business divisions and Bank's operation support divisions;
- ▶ second line – at the level of risk management divisions, including the department of risk management and social and environmental risk management, and the department of compliance;
- ▶ third line – at the level of the internal audit department in relation to inspection and assessment of the risk management system efficiency.

Risk management structure

Supervisory Board

The Supervisory Board outlines and approves the risk management strategy, credit policy, risk appetite statement, individual risk management policies, going concern procurement plan, plan for financing in crisis situations, strategy and operational plan for management of non-performing assets and foreclosed property, determines the risk appetite and sets risk limits, recognizes the sources of capitalization and other Bank's financing, considers reporting on the Bank's risk profile, reviews the results of stress-testing, approves CRO's appointment and dismissal, identifies cases of CRO's prohibition (veto), ensures the functioning of the risk management system and control over its effectiveness.

Risk Management Committee of the Supervisory Board

The Risk Management Committee of the Supervisory Board ensures the availability and updates of the internal regulations governing the Bank's risk management process and credit policy, regularly monitors and analyzes the current profile of risks assumed by the Bank, monitors the compliance with the risk appetite amounts specified in the risk appetite statement.

Management Board

The Management Board is responsible for the overall risk management and for implementation of risk strategies and principles approved by the Supervisory Board. The Management Board delegates the operational risk management authority to the Bank's collegial structures and sets the authority limits for such collegial structures.

The decision of the Management Board of JSC "UKRGAZBANK" dated February 24, 2022 approved the Action Plan of JSC "UKRGAZBANK" in the conditions of an emergency mode of operation, according to which the Operational Headquarters operates in the Bank during a special period, which has taken over the powers of collegial bodies, including in relation to risk management, and coordinates the actions of the Bank's employees in terms of work under emergency conditions.

The Supervisory Board and the committees of the Bank's Supervisory Board continue to perform their functions.

Collegial structures of the Management Board

Credit Council, Credit Committee, Committee for Methodological Support of Retail, Small and Microbusiness Risk Management, Commission for Problem Borrowers, Commission for Monitoring of Credit Operations of Clients, Credit Commissions of Directories manage the credit risk within the limits of authorities delegated to them by the Management Board.

The Assets and Liabilities Management Committee manages the liquidity risk, interest rate risk and market risk within the limits of authorities delegated by the Management Board.

The Operational Risk Management Committee manages the operational risk within the limits of authorities delegated by the Management Board.

The Information Security Management Committee manages the information risk as a component of the operational risk within the limits of authorities delegated by the Management Board.

(in thousands of Hryvnias, unless otherwise indicated)

CRO (Chief Risk Officer) and its subordinate risk management divisions

The CRO and its subordinate risk management divisions ensure timely identification, measurement, monitoring, control and reporting of significant risks, prepare and submit risk reports to the Supervisory Board, Risk Management Committee of the Supervisory Board, Management Board, collegial structures of the Management Board, develop and update the Bank's methodology, risk assessment tools and models, ensure coordination of risk management related work with other structural units of the Bank, calculate the Bank's risk profile, provide monitoring and prevention of violations of risk appetite amounts and risk limits, control the approximation of risk indicators to the approved risk amounts and risk limits and initiate measures to prevent their violations, carry out stress testing, prepare conclusions for adoption of credit decisions both for new loans and for making changes to the conditions of the existing loans, prepare conclusions on the risks inherent in new products before their introduction for the appropriate management decisions to be taken.

CCO (Chief Compliance Officer) and Compliance Department

CCO and Compliance Department develop compliance procedures, including compliance principles that must be observed by all employees and management, ensure compliance of the compliance function with the current requirements of law and conducting trainings and increasing the awareness of the Banks employees regarding compliance with legal norms, relevant professional standards associations applicable to the Bank, risk management cultures, taking into account the code of conduct (ethics), organize the continuous functioning of the compliance function in the Bank, coordinate the establishment of potential areas of compliance risk that may result in the loss of the Bank's reputation, legal or regulatory sanctions or financial losses, ensure the development and implementation of measures to limit (reduce) compliance risk, including transparent processes for the purpose of preventing or reducing the level of compliance risk, as well as for the purpose of identifying, registering and implementing measures for compliance violations, assess compliance risks inherent to new products and significant changes in the Bank's activities until the moment of their implementation in order to make appropriate management decisions, ensure the organization of control over the Bank's compliance with the norms regarding the timeliness and reliability of financial and statistical reporting, prepare conclusions regarding compliance risk for decision-making regarding the implementation of active transactions of the Bank's related parties.

Risk appetite statement

The Bank determines (declares) the aggregate risk appetite by setting the aggregate risk limits and the risk appetite for individual risks by setting risk limits for significant risks, which are defined by the Risk Management Strategy currently effective at JSB "UKRGASBANK":

- ▶ Credit risk;
- ▶ Liquidity risk;
- ▶ Interest rate risk;
- ▶ Market risks;
- ▶ Operational risk;
- ▶ Compliance risk;
- ▶ Environmental risk;
- ▶ Social risk.

The statement is based on the assumptions underlying the Bank's Budget, taking into account the prudential requirements of the National Bank of Ukraine (including those set for systemically important banks) and covenants, which the Bank has undertaken to comply with according to the agreements with international financial institutions.

The aggregate risk appetite includes the requirements to maintain the target credit rating on an international scale, comply with capital ratios and capital buffers, including with due consideration of expected changes in prudential and regulatory requirements.

Risk appetite for credit risk includes a system of indicators to control the quality of the loan portfolio (a portion of non-performing assets and foreclosed property), the value of credit risk, the limit of risk concentration by largest borrowers, industries and more.

Risk appetite for liquidity risk includes minimum liquidity coverage ratios (LCRs) in all currencies and separately in foreign currencies, a net stable funding ratio (NSFR), and the limit of risk concentration in liabilities.

Risk appetite for interest rate risk includes the sensitivity of net interest income and the economic value of capital to parallel/non-parallel shifts in yield curves in major currencies.

Risk appetite for market risks is set as the maximum values of items sensitive to market risk and as the value at risk calculated using a parametric model based on Student's t-distribution with 7 degrees of freedom with a confidence interval of 99% over the horizon of 10 trading days.

(in thousands of Hryvnias, unless otherwise indicated)

Risk appetite for operational risk is set as the maximum amount of direct losses from the occurrence of operational risk at the year-end. At the same time, regardless of the cost of the incident and the amount of potential damage, the Bank has established zero tolerance for operational risks associated with incidents of internal fraud, negligence, disruption of the continuity of critical business processes.

Credit risk

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

The Supervisory Board approved the Credit Policy, which defines the main areas of lending and regulates the basic principles and conditions for assuming the credit risk. To manage the risk of concentration of the loan portfolio, the Bank monitors the loan portfolio structure and, if necessary, sets the appropriate limits.

The carrying amount of items in the statement of financial position, including derivative financial instruments, without taking into account the impact of risk reduction due to collateral agreements, most accurately reflects the maximum amount of credit risk for these items.

As at 31 March 2022, the total amount of indebtedness under loan agreements and off-balance sheet liabilities, guarantees and letters of credit, which the Bank recognized as non-performing, amounted to UAH 6,288,014 thousand (2021: UAH 6,016,987 thousand), including

- ▶ bad debts in the amount of UAH 3,800,544 thousand (2021: UAH 3,741,094 thousand);
- ▶ indebtedness, for which the Bank expects repayment due to restructuring in the amount of UAH 2,487,470 thousand (2021: UAH 2,275,893 thousand).

Derivative financial instruments

Credit risk arising from derivative financial instruments is limited to their nominal amount under the applicable contracts.

Credit-related commitment risks

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

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

As at 31 March 2022, the credit rating of Ukraine, according to the international rating agencies, was CCC (2021: B). The Bank uses the following approach to determining the rating based on the ratings of several international rating agencies:

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

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

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

(in thousands of Hryvnias, unless otherwise indicated)

The following table details the credit ratings of the Bank's financial assets:

	AAA – A	BBB – B	Lower than B	Unrated	31 March 2022
Cash and cash equivalents (other than cash on hand)	3,371,376	2,481,227	10,679,736	–	16,532,339
Due from credit institutions	216,782	300,062	12,759	633,098	1,162,701
Derivative financial assets	–	41	–	–	41
Investments at fair value through other comprehensive income	17	–	28,296,657	104,150	28,400,824

As at 31 December 2021, the classification of the Bank's financial assets by credit ratings is as follows:

	AAA – A	BBB – B	Lower than B	Unrated	31 December 2021
Cash and cash equivalents (other than cash on hand)	19,063,859	8,557,365	–	–	27,621,224
Due from credit institutions	310,400	4,282,974	–	487,776	5,081,150
Derivative financial assets	499	10	–	–	509
Investments at fair value through other comprehensive income	16	29,454,251	–	4,652	29,458,919

Impairment assessment

The Bank calculates the expected credit losses based on several probability-weighted scenarios to measure the expected cash shortfalls discounted using EIR. Cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. ECL calculation methods are outlined below. The calculation elements are as follows:

Probability of Default (PD)	<i>Probability of Default</i> is an estimate of the likelihood that counterparties fail to discharge their Default (PD) contractual obligations.
Exposure at Default (EAD)	The <i>Exposure at Default</i> is the amount of debt on the asset that the counterparty is likely to fail to perform at any future date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.
Loss Given Default (LGD)	The <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default by the counterparty occurs. LGD is calculated using a few scenarios. Estimates of probabilities for all scenarios and sub-types of loss in the event of default are combined in the overall assessment. The probability of scenarios for non-performing debt maintenance is calculated based on historical data. The level of losses in the case of default of loans with collateral is determined on the basis of collateral foreclosure value, taking into account the potential cash shortage in comparison with the book value (discount) and the term of realization.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore transfers it to Stage 3 (credit-impaired) for ECL calculations in all cases when the debt becomes 90 days past due on its contractual payments or in the following cases, regardless of the number of days of debt overdue:

- ▶ Internal rating of the borrower indicates default or near-default;
- ▶ A bankruptcy case has been initiated against the customer or the debtor files for bankruptcy;
- ▶ For a financial instrument, the terms of the agreement have been changed, without which the client would not be able to perform further debt servicing.

Significant increase in credit risk

In order to determine the existence of a significant increase in credit risk since the initial recognition of a financial instrument, the Bank uses certain lists of events that contain signs of an increase in credit risk. Regardless of occurrence of the events having signs of an increase in credit risk, it is considered that over-30-days past due payments is the evidence of a significant increase in credit risk since the initial recognition of a financial instrument.

(in thousands of Hryvnias, unless otherwise indicated)

The default probability is estimated using the distribution of borrowers by the number of days past due. Other input data used in models are the economic indicators.

Impairment assessment on individual and collective basis

Dependent on the factors below, the Bank calculates ECLs either on individual or on collective basis.

The Bank calculates the ECLs on an individual basis for the assets, which are included in Stage 2 or Stage 3 and which outstanding balance of debt per group of counterparties exceeds the limit set for the respective business segment and is individually significant.

The Bank combines the financial assets assessed on collective basis in homogeneous groups depending on the internal features of loans, for example, payment days past due, type of product, etc.

Forward-looking information and economic scenarios

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

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

The Bank has carried out the statistical analysis of dependence that the default probability of the Bank's customers has on economic indicators. The Bank has identified the indicators most closely related to the level of borrowers' defaults in each of the portfolio segments.

For obtaining forecast information, the Bank uses external sources (forecasts by the NBU, the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine and other government bodies, forecasts by the IMF, the World Bank and other leading international organizations, forecasts by leading international rating agencies (companies), such as Moody's, Fitch Ratings, S&P Global Ratings and Bloomberg information system data). The table below gives the forecast values of the economic indicators used in economic scenario for calculation of the ECL.

Key drivers	ECL scenario	Probability, %	2022	2023 and subsequent years
Nominal GDP growth, %	Upside	25	2.7	5.3
	Base case	50	2.1	4.6
	Downside	25	1.3	3.6
NBU discount rate	Upside	25	6.5	5.3
	Base case	50	7.5	6.5
	Downside	25	8.9	8.2
UIRD 12m UAH	Upside	25	8.19	8.03
	Base case	50	8.91	9.01
	Downside	25	9.63	10.0

The credit quality of financial assets is managed by the Bank using the internal credit ratings, as described above. The table below shows the credit quality by class of loan-related asset in the statement of financial position, based on the Bank's credit rating system.

31 March 2022	Notes	High grade	Standard grade	Sub-standard grade	Impaired	Total	
Cash and cash equivalents (other than cash on hand)	7	Stage 1	16,525,789	132	9,720	–	16,535,641
Due from credit institutions measured at amortized cost	8	Stage 1	300,781	107,162	525,937	–	933,880
		Stage 2	–	–	–	–	–
		Stage 3	–	–	–	11,617	11,617
Loans to customers and finance leases at amortized cost:	10	Stage 1	7,809,006	18,051,277	10,784,665	–	36,644,948
- Legal entities		Stage 2	621,021	6,192,220	4,775,554	–	11,588,795

(in thousands of Hryvnias, unless otherwise indicated)

31 March 2022	Notes		High grade	Standard grade	Sub-standard grade	Impaired	Total
		Stage 3	21,799	387,341	1,040,003	2,971,103	4,420,246
		POCI	-	-	264,700	83,617	348,317
- SME		Stage 1	3,342,868	1,210,009	489,094	-	5,041,971
		Stage 2	116,834	1,586,841	669,916	-	2,373,591
		Stage 3	-	1,077,281	270,158	77,777	1,425,216
- Individuals		Stage 1	4,444,903	43,396	831	132	4,489,262
		Stage 2	10,642	152,721	26,736	-	190,099
		Stage 3	-	402,703	1,477	1,530,220	1,934,400
		POCI	4,354	-	-	11,392	15,746
Investments at fair value through other comprehensive income	11	Stage 1	26,959,391	-	-	-	26,959,391
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	1,988,067	1,988,067
Undrawn loan commitments:	23						
- Legal entities		Stage 1	1,939,148	1,563,802	417,501	-	3,920,451
		Stage 2	117,234	1,504,324	140,793	-	1,762,351
		Stage 3	32,505	468,654	70,000	11,200	582,359
- SME		Stage 1	525,355	297,299	101,939	-	924,593
		Stage 2	4,195	1,881	4,230	-	10,306
		Stage 3	2,500	12,656	133	1,060	16,349
- Individuals		Stage 1	2,659,610	12,669	1,151	2,812	2,676,242
		Stage 2	6	21,469	2,923	-	24,398
		Stage 3	-	2,388	111	5,594	8,093
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):	23						
- Legal entities		Stage 1	1,411,537	4,675,767	4,830,546	-	10,917,850
		Stage 2	82,034	-	1,737,682	-	1,819,716
		Stage 3	-	900	424	-	1,324
- SME		Stage 1	19,006	4,775	52,421	-	76,202
		Stage 2	-	-	1,429	-	1,429
		Stage 3	-	94,832	-	-	94,832
Total			66,950,518	37,872,499	26,220,074	6,694,591	137,737,682

31 December 2021	Notes		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents (other than cash on hand)	7	Stage 1	27,376,839	44,272	205,555	-	27,626,666
Due from credit institutions measured at amortized cost	8	Stage 1	4,462,247	99,875	330,542	-	4,892,664
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	10,832	10,832
Loans to customers and finance leases at amortized cost:	10						
- Legal entities		Stage 1	4,651,542	12,621,261	16,002,450	-	33,275,253
		Stage 2	335,061	4,504,311	5,078,466	-	9,917,838
		Stage 3	-	-	331,718	3,041,964	3,373,682
		POCI	-	-	256,494	-	256,494
- SME		Stage 1	3,125,902	2,686,695	555,774	-	6,368,371
		Stage 2	103,114	729,761	698,670	-	1,531,545
		Stage 3	-	154,323	158,913	78,685	391,921
- Individuals		Stage 1	4,721,427	242,031	102	34	4,963,594
		Stage 2	36	14,580	7,124	-	21,740
		Stage 3	-	68,279	695	1,437,211	1,506,185
		POCI	3,342	7	2,052	9,372	14,773
Investments at fair value through other comprehensive income	11	Stage 1	27,842,659	-	-	-	27,842,659
		Stage 2	-	-	-	-	-
		Stage 3	-	-	-	1,963,145	1,963,145
Undrawn loan commitments:	23						
- Legal entities		Stage 1	1,934,902	2,000,031	718,699	-	4,653,632

(in thousands of Hryvnias, unless otherwise indicated)

31 December 2021	Notes	High grade	Standard grade	Sub-standard grade	Impaired	Total	
		Stage 2	77,215	2,986,819	76,539	–	3,140,573
		Stage 3	–	–	64,102	16,600	80,702
-	SME	Stage 1	527,470	251,176	102,763	–	881,409
		Stage 2	18,529	5,723	335	–	24,587
		Stage 3	–	131	21,200	1,060	22,391
-	Individuals	Stage 1	2,617,129	54,832	1,133	2,230	2,675,324
		Stage 2	–	2,816	1,166	–	3,982
		Stage 3	–	2,390	221	6,487	9,098
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):							
	23						
-	Legal entities	Stage 1	2,915,939	3,642,577	6,347,406	–	12,905,922
		Stage 2	–	–	378,360	–	378,360
		Stage 3	–	–	402	–	402
-	SME	Stage 1	18,118	31,199	52,669	–	101,986
		Stage 2	–	–	1,429	–	1,429
		Stage 3	–	–	–	–	–
Total			80,731,471	30,143,089	31,394,979	6,567,620	148,837,159

The following table describes the grouping on balances by rating categories.

Description of the internal rating level	Number of days past due	Level of internal rating	Rating of external international rating agency (Fitch), non-resident counterparties	Rating of external international rating agency (Fitch), resident counterparties
High grade	No overdue payments	A1, A2, A3	AAA+ to BBB	According to the interbank rating established for resident banks with grades 1, 2 and B (rating of Ukraine), which includes domestic government bonds and municipal bonds, and which applies to the Operational Department of the NBU and PJSC "SETTLEMENT CENTER" in accordance with para. 41 of NBU Regulation No. 351 dated 30 June 2016.
Standard grade	From 1 to 30 days, from 31 to 60 days	B1, B2, B3	BB+ to B	According to the intrabank rating established for resident banks with grade 3 (values of the international scale rating "B" and below or "NR") and other issuers by category of investment available for sale, which have no rating and are attributed to Stage 1
Sub-standard grade	From 61 to 90 days	C1, C2, C3, D1, D2, D3	CCC to C	According to the intrabank rating established for resident banks with grade 4 (values of the international scale rating "B" and below or "NR") and other issuers by category of investment available for sale, which have no rating and are attributed to Stage 2
Impaired	More than 90 days	E	D	According to the intrabank rating established for resident banks with grade 5 (values of the international scale rating "D" and below or "NR") and other issuers by category of investment available for sale, which have no rating and are attributed to Stage 3

*(in thousands of Hryvnias, unless otherwise indicated)***Geographical concentration**

The following table summarizes geographical concentration of monetary assets and liabilities:

	31 March 2022			
	Ukraine	OECD countries	CIS and other foreign banks	Total
Assets				
Cash and cash equivalents	15,734,023	5,843,261	7,853	21,585,137
Precious metals	1,681	–	–	1,681
Due from credit institutions	645,857	516,844	–	1,162,701
Derivative financial assets	–	41	–	41
Loans to customers and finance leases	60,854,155	–	–	60,854,155
Investments at fair value through other comprehensive income	28,400,807	17	–	28,400,824
Other assets	351,802	–	–	351,802
	105,988,325	6,360,163	7,853	112,356,341
Liabilities				
Due to the National Bank of Ukraine	8,199,309	–	–	8,199,309
Due to credit institutions	4,768,516	1,804,365	9,432	6,582,313
Derivative finance liabilities	27,693	–	–	27,693
Due to customers	87,718,525	–	–	87,718,525
Provisions for guarantees and commitments	664,949	–	–	664,949
Lease liabilities	190,098	–	–	190,098
Other liabilities	551,527	–	–	551,527
	102,120,617	1,804,365	9,432	103,934,414
Difference between assets and liabilities	3,867,708	4,555,798	(1,579)	8,421,927

	31 December 2021			
	Ukraine	OECD countries	CIS and other foreign banks	Total
Assets				
Cash and cash equivalents	9,389,968	20,750,276	47,859	30,188,103
Precious metals	1,666	–	–	1,666
Due from credit institutions	4,516,038	436,413	128,699	5,081,150
Derivative financial assets	–	509	–	509
Loans to customers and finance leases	55,857,103	32,580	–	55,889,683
Investments at fair value through other comprehensive income	29,458,903	16	–	29,458,919
Other assets	334,525	–	–	334,525
	99,558,203	21,219,794	176,558	120,954,555
Liabilities				
Due to the National Bank of Ukraine	4,699,967	–	–	4,699,967
Due to credit institutions	5,538,174	1,726,598	40,924	7,305,696
Derivative financial liabilities	71,159	1,187	–	72,346
Due to customers	96,736,381	–	–	96,736,381
Provisions for guarantees and commitments	635,462	–	–	635,462
Lease liabilities	230,772	–	–	230,772
Other liabilities	1,113,099	–	–	1,113,099
	109,025,014	1,727,785	40,924	110,793,723
Difference between assets and liabilities	(9,466,811)	19,492,009	135,634	10,160,832

*(in thousands of Hryvnias, unless otherwise indicated)***Liquidity risk and funding management**

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

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

As at 31 March 2022 and 31 December 2021, the Bank complied with the regulatory requirements of the National Bank of Ukraine regarding the minimum level of liquidity coverage ratio in all currencies and separately in foreign currencies (regulatory values as at 31 March 2022 and 31 December 2021 – not less than 100%). The values of liquidity coverage ratios in all currencies and separately in foreign currencies are as follows:

	31 March 2022	31 December 2021
All-currency LCR, liquidity coverage ratio for all currencies	145.16%	166.04%
Foreign currency LCR, liquidity coverage ratio in foreign currency	121.51%	146.65%

Analysis of assets and liabilities of the Bank by the estimated dates of their recovery or repayment is discussed in Note 31.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the information on undiscounted cash flows of financial liabilities as at 31 March 2022 and 31 December 2021 based on the remaining time to maturity according to the terms of agreements. Gross settled derivative instruments that are presented in terms of amounts receivable and payable as per maturities. Liabilities that are subject to repayment on demand are to be repaid on the earliest possible date. However, the Bank expects that most customers will not demand repayment on the earliest possible date.

Financial liabilities As at 31 March 2022	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Due to the National Bank of Ukraine	222,389	7,791,496	1,277,534	–	9,291,419
Due to credit institutions	5,521,565	354,955	1,071,225	–	6,947,745
Derivative financial instruments:					
- contractual amounts receivable	(557,400)	–	–	–	(557,400)
- contractual amounts payable	585,093	–	–	–	585,093
Due to customers	75,829,919	11,340,359	796,544	2,173	87,968,995
Lease liabilities	26,908	71,423	160,965	–	259,296
Other liabilities	551,527	–	–	–	551,527
Total undiscounted financial liabilities	82,180,001	19,558,233	3,306,268	2,173	105,046,675

Financial liabilities As at 31 December 2021	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Due to the National Bank of Ukraine	3,749,562	67,808	1,271,973	–	5,089,343
Due to credit institutions	6,057,158	559,217	1,067,369	–	7,683,744
Derivative financial instruments:					
- contractual amounts receivable	(4,497,824)	–	–	–	(4,497,824)
- contractual amounts payable	4,570,170	–	–	–	4,570,170
Due to customers	83,015,300	12,780,474	1,275,689	4,650	97,076,113
Lease liabilities	27,326	75,468	177,363	–	280,157
Other liabilities	1,113,099	–	–	–	1,113,099
Total undiscounted financial liabilities	94,034,791	13,482,967	3,792,394	4,650	111,314,802

(in thousands of Hryvnias, unless otherwise indicated)

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

	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
31 March 2022	8,700,082	7,902,998	6,258,837	641,437	23,503,354
31 December 2021	7,149,015	10,676,834	7,057,466	614,869	25,498,184

Operational risk

Operational risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit due to errors or deficiencies in the internal processes, willful or negligent acts by the staff or others, failures in information systems or due to external events.

Operational risk management is the responsibility of the Bank's Management Board, which is authorized to establish the principles to ensure the methodology for effective management and monitoring of operational risks. The Operational Risk Management Committee is a collegial structure of the Management Board, which functions include implementing the operational risk management policies, improving the business processes, implementing the internal control systems/additional controls, developing measures based on reviews of operational incidents.

Interest rate risk

Interest rate risk is the existing or potential risk to the Bank's earnings and capital arising from adverse changes in interest rates on the market. This risk affects both the Bank's profitability and the economic value of its assets, liabilities and off-balance sheet instruments. The table below shows the sensitivity to possible changes in interest rates, with constant values of all other variables of the Bank's statement of profit or loss and other comprehensive income.

Sensitivity of the statement of profit or loss and other comprehensive income reflects the effect of the assumed changes in interest rates on net interest income for one year, which is a result of gaps between maturities of assets and liabilities before revision of the interest rate that reflects maturity before revision of the base rate for instruments with a floating (variable) interest rate and maturity for instruments with a fixed interest rate.

Sensitivity of statement of profit or loss and other comprehensive income (method of liquidity gaps before revision)

31 March 2022						
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets	32,117,768	8,888,352	35,394,340	24,321,161	3,094,781	103,816,402
Liabilities	83,292,766	5,506,859	10,991,256	2,689,094	309	102,480,284
Difference between assets and liabilities	(51,174,998)	3,381,493	24,403,084	21,632,067	3,094,472	1,336,118
1%	(490,719)	28,164	91,595			(370,960)
-1%	490,719	(28,164)	(91,595)			370,960
31 March 2021						
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets	44,628,424	7,518,829	39,764,895	30,371,368	2,506,077	124,789,593
Liabilities	83,747,892	16,507,181	14,911,447	4,372,526	995,520	120,534,566
Difference between assets and liabilities	(39,119,468)	(8,988,352)	24,853,448	25,998,842	1,510,557	4,255,027
1%	(375,118)	(74,862)	93,285			(356,695)
-1%	375,118	74,862	(93,285)			356,695

*(in thousands of Hryvnias, unless otherwise indicated)***Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges and security prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risks for non-trading positions are managed and monitored using sensitivity analysis.

Currency risk

Currency risk is the existing or potential risk for the Bank's earnings or capital arising out of unfavourable fluctuations in foreign exchange rates and precious metal prices. The Assets and Liabilities Management Committee sets limits on positions by foreign currencies based on the requirements of the National Bank of Ukraine. Currency positions are monitored on a daily basis.

The major foreign currency denominated positions of assets and liabilities as at 31 March 2022 are as follows:

	UAH	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	12,625,790	7,585,536	1,264,696	109,115	21,585,137
Precious metals	-	-	-	1,681	1,681
Due from credit institutions	378,311	273,306	282,073	229,011	1,162,701
Loans to customers and finance leases	31,131,721	15,889,814	13,832,620	-	60,854,155
Investments at fair value through other comprehensive income	27,575,889	777,462	47,473	-	28,400,824
Investment property	153,955	-	-	-	153,955
Property and equipment, intangible assets	1,165,462	-	-	-	1,165,462
Right-of-use assets	193,944	-	-	-	193,944
Assets held for sale	36	-	-	-	36
Other property	361,519	-	-	-	361,519
Current income tax assets	10,454	-	-	-	10,454
Deferred income tax assets	32,486	-	-	-	32,486
Other assets	539,095	31,571	30,582	67	601,315
Total assets	74,168,662	24,557,689	15,457,444	339,874	114,523,669
Liabilities					
Due to the National Bank of Ukraine	8,199,309	-	-	-	8,199,309
Due to credit institutions	842,181	1,711,335	3,933,300	95,497	6,582,313
Due to customers	55,603,485	20,781,592	11,145,470	187,978	87,718,525
Provisions for guarantees, commitments and legal risks	410,972	9,790	244,187	-	664,949
Lease liabilities	190,098	-	-	-	190,098
Other liabilities	802,621	137,614	279,322	16,615	1,236,172
Total liabilities	66,048,666	22,640,331	15,602,279	300,090	104,591,366
Net long/(short) recognized position	8,119,996	1,917,358	(144,835)	39,784	
Assets receivable	-	-	583,468	-	583,468
Assets payable	-	(611,120)	-	-	(611,120)
Net long/(short) unrecognized position	-	(611,120)	583,468	-	
Total long/(short) recognized and unrecognized position	8,119,996	1,306,238	438,633	39,784	

(in thousands of Hryvnias, unless otherwise indicated)

The major foreign currency denominated positions of assets and liabilities as at 31 December 2021 are as follows:

	UAH	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	7,653,306	19,181,554	2,897,134	456,109	30,188,103
Precious metals	–	–	–	1,666	1,666
Due from credit institutions	158,431	400,567	4,330,279	191,873	5,081,150
Loans to customers and finance leases	27,631,652	14,751,020	13,507,011	–	55,889,683
Investments at fair value through other comprehensive income	28,245,969	572,933	640,017	–	29,458,919
Investment property	153,955	–	–	–	153,955
Property and equipment and intangible assets	1,187,141	–	–	–	1,187,141
Right-of-use assets	255,664	–	–	–	255,664
Other property	385,353	–	–	–	385,353
Deferred income tax assets	32,254	–	–	–	32,254
Other assets	582,400	29,164	25,415	140	637,119
Total assets	66,286,125	34,935,238	21,399,856	649,788	123,271,007
Liabilities					
Due to the National Bank of Ukraine	4,699,967	–	–	–	4,699,967
Due to credit institutions	553,043	3,350,272	3,319,292	83,089	7,305,696
Due to customers	51,125,615	28,035,446	17,364,111	211,209	96,736,381
Provisions for guarantees, commitments and legal risks	455,819	13,406	166,237	–	635,462
Lease liabilities	230,772	–	–	–	230,772
Current income tax liabilities	444,773	–	–	–	444,773
Other liabilities	1,338,710	79,156	95,446	1,905	1,515,217
Total liabilities	58,848,699	31,478,280	20,945,086	296,203	111,568,268
Net long/(short) recognized position	7,437,426	3,456,958	454,770	353,585	
Assets receivable	3,685,075	972,352	259,626	28,826	4,945,879
Assets payable	–	(4,044,171)	(599,960)	(373,585)	(5,017,716)
Net long/(short) unrecognized position	3,685,075	(3,071,819)	(340,334)	(344,759)	
Total long/(short) recognized and unrecognized position	11,122,501	385,139	114,436	8,826	

The following table presents the currencies in which the Bank has significant positions as at 31 March 2022 and 31 March 2021 for monetary assets and liabilities. The analysis involves calculation of the impact of a possible change in exchange rates against the Ukrainian Hryvnia on the statement of profit or loss and other comprehensive income (due to the presence of non-trading monetary assets and liabilities which fair value is sensitive to changes in exchange rates). The negative value shown in the table reflects the potential net decrease in the statement of profit or loss and other comprehensive income or equity, and the positive values reflect the potential net increase.

Currency	Increase in foreign currency exchange rate, % 31 March 2022	Effect on profit before tax 31 March 2022	Increase in foreign currency exchange rate, % 31 March 2021	Effect on profit before tax 31 March 2021
USD	14.00%	182,873	15.00%	(86,256)
EUR	15.00%	65,795	16.00%	54,095

(in thousands of Hryvnias, unless otherwise indicated)

Currency	Decrease in foreign currency exchange rate, % 31 March 2022	Effect on profit before tax 31 March 2022	Decrease in foreign currency exchange rate, % 31 March 2021	Effect on profit before tax 31 March 2021
USD	-11.00%	(143,686)	-12.00%	69,005
EUR	-13.00%	(57,022)	-14.00%	(47,333)

30. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable in the market or is estimated using another valuation technique.

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

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

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

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

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

Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Investments at fair value through other comprehensive income	2	Discounted cash flows: Future cash flows are estimated based on the inputs that are observable either directly or indirectly. The estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Investments at fair value through other comprehensive income	3	Discounted cash flows: Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the issuer operates.
Loans to customers at fair value through profit or loss	3	Discounted cash flows: Future cash flows are estimated based on both observable and unobservable inputs. Non-observable data include assumptions about the borrower's future financial performance, risk profile, and economic assumptions about the industry and geographical jurisdiction in which the borrower operates.
Derivative financial instruments	2	Discounted cash flows: Future cash flows are estimated based on forward exchange rates (observable foreign exchange rates at the end of the reporting period) and forward exchange rates discounted at a rate reflecting a credit risk from different counterparties.

(in thousands of Hryvnias, unless otherwise indicated)

Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Buildings and land plots, investment property	3	The Bank engages professional independent appraisers to determine the fair value of its buildings and land plots and investment property by using a comparative approach to evaluation and income approach for the items for which there are no market comparatives. In a comparative approach to evaluation, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of a property item). The main parameter used in this valuation technique is the price per square meter of a property item.
Due from credit institutions at fair value through profit or loss	2	Financial assets in precious metals are measured at fair value through profit or loss. The value of assets changes on a daily basis depending on the price for precious metals and the official exchange rate published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to credit institutions at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the price for precious metals and the official exchange rate published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to customers at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the price for precious metals and the official exchange rate published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.

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

	31 March 2022			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Due from credit institutions at fair value through profit or loss	-	229,012	-	229,012
Derivative financial assets	-	41	-	41
Loans to customers at fair value through profit or loss	-	-	94,557	94,557
Investments at fair value through other comprehensive income	16	28,389,496	11,312	28,400,824
Investment property	-	-	153,955	153,955
Buildings and land plots	-	-	848,350	848,350
	16	28,618,549	1,108,174	29,726,739
Liabilities measured at fair value				
Due to credit institutions at fair value through profit or loss	-	65,598	-	65,598
Derivative financial liabilities	-	27,693	-	27,693
Due to customers at fair value through profit or loss	-	151,133	-	151,133
Total	-	244,424	-	244,424

(in thousands of Hryvnias, unless otherwise indicated)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Due from credit institutions at fair value through profit or loss	-	191,873	-	191,873
Derivative financial assets	-	509	-	509
Loans to customers at fair value through profit or loss	-	-	95,847	95,847
Investments at fair value through other comprehensive income	16	29,447,591	11,312	29,458,919
Investment property	-	-	153,955	153,955
Buildings and land plots	-	-	853,454	853,454
	16	29,639,973	1,114,568	30,754,557
Liabilities measured at fair value				
Due to credit institutions at fair value through profit or loss	-	49,884	-	49,884
Derivative financial liabilities	-	72,346	-	72,346
Due to customers at fair value through profit or loss	-	134,197	-	134,197
Total	-	256,427	-	256,427

Movements in Level 3 financial instruments measured at fair value

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

Financial assets	As at 1 January 2022	Total gains/ (losses) recognized in the statement of profit or loss	Acquisition	Repayment	Revaluation surplus recognized as part of equity	As at 31 March 2022
Investments at fair value through other comprehensive income	11,312	-	-	-	-	11,312
Loans to customers at fair value through profit or loss	95,847	781	11,328	(13,399)	-	94,557

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

The following table shows the impact of using reasonably possible alternative assumptions on measurements of the fair value of Level 3 instruments:

Financial assets	31 March 2022		31 December 2021	
	Carrying amount	Impact of possible alternative assumptions	Carrying amount	Impact of possible alternative assumptions
Investments at fair value through other comprehensive income	11,312	(11,327)	11,312	(11,312)
Loans to customers at fair value through profit or loss	94,557	1,513 / (1,462)	95,847	1,718 / (1,651)

To analyse the sensitivity of the loans to customers at fair value through profit or loss, the assumption of changes in the discount rate of future cash flows was applied. Decrease in discount rates by 10% will increase the carrying amount by UAH 1,513 thousand. The increase in discount rates by 10% will decrease the carrying amount by UAH 1,462 thousand.

*(in thousands of Hryvnias, unless otherwise indicated)***Fair value of financial assets and liabilities not carried at fair value**

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

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

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

Financial assets / financial liabilities	Fair value hierarchy	Valuation techniques and key inputs
Loans to customers and finance leases	3	Discounted cash flows: Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include the assumptions regarding future financial performance of the counterparty, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the counterparty operates. The discount rate reflecting the credit risk of counterparties belonged to the most significant input data.
Due from credit institutions		
Due to credit institutions	3	Discounted cash flows: Future cash flows are estimated based on unobservable inputs.
Due to customers		

	31 March 2022			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	21,585,137	-	-	21,585,137
Due from credit institutions	-	-	933,689	933,689
Loans to customers and finance leases	-	-	60,372,188	60,372,188
Total	21,585,137	-	61,305,877	82,891,014

Liabilities for which fair values are disclosed				
Due to the National Bank of Ukraine	-	-	8,199,309	8,199,309
Due to credit institutions	-	-	6,516,715	6,516,715
Due to customers	-	-	96,522,835	96,522,835
Total	-	-	111,238,859	111,238,859

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Cash and cash equivalents	30,188,103	-	-	30,188,103
Due from credit institutions	-	-	4,889,277	4,889,277
Loans to customers and finance leases	-	-	55,093,442	55,093,442
Total	30,188,103	-	59,982,719	90,170,822

Liabilities for which fair values are disclosed				
Due to the National Bank of Ukraine	-	-	4,699,967	4,699,967
Due to credit institutions	-	-	7,255,812	7,255,812
Due to customers	-	-	96,539,771	96,539,771
Total	-	-	108,495,550	108,495,550

(in thousands of Hryvnias, unless otherwise indicated)

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 statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 March 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	21,585,137	21,585,137	30,188,103	30,188,103
Due from credit institutions	933,689	933,689	4,889,277	4,889,277
Loans to customers and finance leases	60,757,802	60,372,188	55,792,162	55,093,442
Total assets	83,276,628	82,891,014	90,869,542	90,170,822
Financial liabilities				
Due to the National Bank of Ukraine	8,199,309	8,199,309	4,699,967	4,699,967
Due to credit institutions	6,516,715	6,516,715	7,255,812	7,255,812
Due to customers	87,567,392	96,522,835	96,602,184	96,539,771
Total liabilities	102,283,416	111,238,859	108,557,963	108,495,550

31. Analysis of assets and liabilities by maturities

The table below summarizes assets and liabilities according to the periods when they are expected to be recovered or settled. See Note 29 for the Bank's contractual undiscounted repayment obligations.

	31 March 2022				31 December 2021			
	Within one year	More than one year	Maturity undefined	Total	Within one year	More than one year	Maturity undefined	Total
Cash and cash equivalents	21,585,137	-	-	21,585,137	30,188,103	-	-	30,188,103
Precious metals	1,681	-	-	1,681	1,666	-	-	1,666
Derivative financial assets	41	-	-	41	509	-	-	509
Due from credit institutions	1,162,701	-	-	1,162,701	5,081,150	-	-	5,081,150
Loans to customers and finance leases	28,955,696	31,898,459	-	60,854,155	25,602,396	30,287,287	-	55,889,683
Investments at fair value through other comprehensive income	9,536,042	18,864,782	-	28,400,824	12,457,150	17,001,769	-	29,458,919
Investment property	-	-	153,955	153,955	-	-	153,955	153,955
Property and equipment and intangible assets	-	-	1,165,462	1,165,462	-	-	1,187,141	1,187,141
Right-of-use assets	-	-	193,944	193,944	-	-	255,664	255,664
Other property	-	-	361,519	361,519	-	-	385,353	385,353
Current income tax assets	10,454	-	-	10,454	-	-	-	-
Deferred income tax assets	-	32,486	-	32,486	-	32,254	-	32,254
Assets held for sale	36	-	-	36	-	-	-	-
Other assets	551,789	49,526	-	601,315	607,528	29,591	-	637,119
Total	61,803,577	50,845,253	1,874,880	114,523,710	73,938,502	47,350,901	1,982,113	123,271,516
Due to National Bank of Ukraine	7,199,455	999,854	-	8,199,309	3,699,993	999,974	-	4,699,967
Due to credit institutions	5,594,535	987,778	-	6,582,313	6,325,441	980,255	-	7,305,696
Derivative financial liabilities	27,693	-	-	27,693	72,346	-	-	72,346
Due to customers	86,931,924	786,601	-	87,718,525	95,468,625	1,267,756	-	96,736,381
Lease liabilities	15,377	174,721	-	190,098	16,987	213,785	-	230,772
Provisions for guarantees and commitments	565,703	99,246	-	664,949	472,892	162,570	-	635,462
Current income tax liabilities	-	-	-	-	444,773	-	-	444,773
Other liabilities	1,225,211	10,961	-	1,236,172	1,498,059	17,158	-	1,515,217
Total	101,559,898	3,059,161	-	104,619,059	107,999,116	3,641,498	-	111,640,614
Net amount	(39,756,321)	47,786,092	1,874,880	9,904,651	(34,060,614)	43,709,403	1,982,113	11,630,902

(in thousands of Hryvnias, unless otherwise indicated)

The Bank's management believes that the negative liquidity gap (liquidity gap between financial assets and financial liabilities repayable within one year as at 31 March 2022 amounted to UAH 39,293,115 thousand) that arose is under control and does not threaten the Bank's ability to settle its liabilities in full and in a timely manner. Thus, the Bank has access to secondary reserve of liquid funds represented by:

- ▶ Unencumbered securities – Ukrainian domestic government bonds in the amount of UAH 8,607,163 thousand, municipal bonds in the amount of UAH 1,209,115 thousand that have a high degree of liquidity and were included in the category of repayable after one year. Liquid funds may be received either through the sale of the said securities or raising of a refinancing borrowing from the National Bank of Ukraine with the securities used as a collateral. As at 31 March 2022, the fair value of securities that may be considered as a cover for the cumulative liquidity gap in the category of repayable within one year amounted to UAH 9,816,278 thousand;
- ▶ Stable balances on current and other customer accounts determined based on Bank's own methods, which are based on statistical analysis of fluctuations in current customer account balances. As at 31 March 2022, the stable balances on current and other accounts were estimated to be equal to UAH 43,157,770 thousand. Based on the going concern assumption, actual maturity of the stable balances may be considered as undefined.

Thus, the negative liquidity gap that arose as at 31 March 2022 in the amount of UAH 39,293,115 thousand based on the estimated maturities of the above-mentioned financial instruments has changed to a positive liquidity gap and may be estimated in the amount of UAH 13,680,932 thousand.

32. Related party transactions

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

As at 31 March 2022, the Bank was 94.94% state-owned bank under the control of the Ministry of Finance of Ukraine (2021: 94.94%). Correspondingly transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel and entities, if any, that are controlled, jointly controlled, or significantly influenced by them.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by the government. Government refers to government agencies and similar bodies whether local, national or international.

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

	31 March 2022			31 March 2021 / 31 December 2021		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
Assets						
Cash and cash equivalents	8,001,973	-	-	5,004,384	-	-
Current accounts with the National Bank of Ukraine	2,562,810	-	-	1,594,725	-	-
Current accounts and overnight placements with other credit institutions	88,098	-	-	204,504	-	-
Due from credit institutions	12,759	-	-	4,028,263	-	-
Loans to customers and finance leases, gross	18,554,666	6,068	23,462	14,674,103	4,360	19,792
Less: expected credit losses / allowance for impairment	(1,074,301)	(72)	(842)	(970,242)	(62)	(118)
Investments at fair value through other comprehensive income	28,298,141	-	-	29,358,062	-	-
Right-of-use assets	18,431	1,278	-	66,686	1,470	-
Liabilities						
Due to the National Bank of Ukraine	8,199,309	-	-	4,699,967	-	-
Due to credit institutions						
- current accounts	12	29,313	-	23	8,245	-
- time deposits	682,340	-	-	779,139	-	-
- other amounts	1,015	-	-	969	-	-

(in thousands of Hryvnias, unless otherwise indicated)

	31 March 2022			31 March 2021 / 31 December 2021		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
Due to customers						
- current accounts	20,366,691	96,221	110,820	24,935,158	176,836	124,838
- time deposits	2,219,896	105,277	20,751	3,219,380	118,812	26,243
Lease liabilities	6,866	1,349	-	37,457	1,538	-
Commitments and contingencies						
Financial guarantees	1,566,972	-	-	1,569,323	-	-
Credit-related commitments	2,882,923	3,814	11,041	4,126,680	542	10,649
Letters of credit	432,283	-	-	367,209	-	-
Performance guarantees	123,960	-	-	145,938	-	-

	31 March 2022			31 March 2021 / 31 December 2021		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
Statement of profit or loss and other comprehensive income						
Interest income calculated using effective interest rate:						
- loans to customers	353,167	190	399	368,256	71	425
- investments at fair value through other comprehensive income	783,956	-	-	1,032,897	-	-
- deposit certificates of the National Bank of Ukraine	103,888	-	-	84,849	-	-
Interest expense:						
- due to the National Bank of Ukraine	92,486	-	-	11,136	-	-
- due to credit institutions	6,026	-	-	10,234	-	-
- due to customers	248,902	1,253	323	418,064	2,887	582
- lease liabilities	306	39	-	156	2,461	-
Credit loss recovery/(expense)	(104,059)	(10)	(724)	(200,252)	1	(33)
Net gains on investments at fair value through other comprehensive income	25,092	-	-	71,911	-	-
Other income	341	72	468	296	504	-
Other operating expenses	60,561	241	215	66,556	3,286	92

Risk concentration

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

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

As at 31 March 2022, 49% of assets and 30% of liabilities were concentrated in operations with state-owned companies, the National Bank of Ukraine, state banks and government authorities (2021: 44% assets and 36% liabilities).

The Bank manages concentration risk in its loan and investment portfolios by setting limits for counterparties and groups of counterparties.

Remuneration to key management personnel comprises the following:

	31 March 2022	31 March 2021
Salaries and bonuses	19,983	17,020
Total remuneration to key management personnel	19,983	17,020

(in thousands of Hryvnias, unless otherwise indicated)

33. Capital adequacy

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

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

Under the current capital requirements set by the National Bank of Ukraine, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 March 2022 and 31 December 2021 the minimum level was 10%. The Bank complied with the statutory capital ratios during the periods ended 31 March 2022 and 31 December 2021.

The Bank analyses its activities to meet the minimum capital requirements, including the capital adequacy requirements calculated in accordance with the Basel Accord of 1988, as defined in the International Convergence: of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. As at 31 March 2022 and 31 December 2021, the minimum level required by Basel I was 8% and the minimum Tier 1 capital adequacy ratio was 4%.

Analytical bases for calculation of capital adequacy according to the NBU requirements and requirements of Basel I are different, therefore are not comparable.

As at 31 March 2022 and 31 December 2021, the Bank's capital adequacy ratio was as follows:

	31 March 2022	31 December 2021
Base capital	8,666,714	8,701,893
Supplementary capital	2,705,776	2,771,199
Deductible	-	-
Regulatory Capital	<u>11,372,490</u>	<u>11,473,092</u>
N2 ratio	18.31%	19.67%
N3 ratio	13.96%	14.92%

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of Basel I as at 31 March 2022 and 31 December 2021:

	31 March 2022	31 December 2021
Tier 1 capital	11,294,021	12,703,137
Tier 2 capital	(1,421,856)	(1,104,489)
Total capital	<u>9,872,165</u>	<u>11,598,648</u>
Risk weighted assets	<u>67,717,666</u>	<u>66,830,970</u>
Tier 1 capital ratio	16.68%	19.01%
Total capital ratio	14.58%	17.36%

As at 31 March 2022 and 31 December 2021 the Bank was in compliance with the capital ratio calculated in accordance with the Basel Accord.

*(in thousands of Hryvnias, unless otherwise indicated)***34. Changes in liabilities arising from financing activities**

	<i>Due to the National Bank of Ukraine</i>	<i>Due to credit institutions (long-term)</i>	<i>Lease liabilities</i>	<i>Total</i>
Carrying amount at 1 January 2021	-	3,164,521	126,148	3,290,669
Additions	4,700,000	1,517,430	192,910	6,410,340
Repayment	-	(1,891,721)	(79,328)	(1,971,049)
Exchange differences	-	(298,930)	-	(298,930)
Other	(33)	14,437	(8,959)	5,446
Carrying amount at 31 December 2021	4,699,967	2,505,737	230,772	7,436,476
Additions	7,200,000	-	7,485	7,207,485
Repayment	(3,700,000)	(134,211)	(17,561)	(3,851,772)
Exchange differences	-	117,024	-	117,024
Other	(658)	(1,845)	(30,598)	(33,101)
Carrying amount at 31 March 2022	8,199,309	2,486,705	190,098	10,876,112

35. Subsequent events

After the reporting date, the Board of the National Bank of Ukraine on June 2, 2022 decided to increase the discount rate from 10% per annum to 25% per annum. The purpose of this step, along with other measures, is to protect citizens' UAH incomes and savings, increase the attractiveness of UAH assets, reduce pressure on the foreign exchange market, and as a result strengthen the National Bank's ability to ensure exchange rate stability and curb inflationary processes during wartime.

The decree of the President of Ukraine dated April 18, 2022 No. 259/2022 extended martial law in Ukraine from 5:30 April 25, 2022 for a period of 30 days. The decree of the President of Ukraine dated May 17, 2022 No. 341/2022 extended martial law in Ukraine from 05:30 on May 25, 2022 for a period of 90 days. The decree of the President of Ukraine dated August 12, 2022 No.573/2022 extended martial law in Ukraine from 05:30 on August 23, 2022 for a period of 90 days (till November 21, 2022).

On July 22, 2022, Fitch Ratings, a credit rating agency, downgraded Ukraine's long-term foreign currency Issuer Default Rating (IDR) from 'CCC' to 'C' (pre-default), and long-term national currency from "CCC" to "CCC-". On August 12, 2022, Fitch Ratings, a credit rating agency, downgraded Ukraine's long-term foreign currency Issuer Default Rating (IDR) from 'C' to 'RD' (restricted default).

On May 27, 2022, Standard&Poor's Global Ratings, a credit rating agency, downgraded the long-term and short-term sovereign credit rating of Ukraine in foreign currency to the level of "CCC+/C" with a "negative" forecast, while the rating in the national currency remained unchanged at the level of "B -/B". On July 29, 2022, Standard&Poor's Global Ratings, a credit rating agency, downgraded the long-term and short-term sovereign credit rating of Ukraine in foreign currency to the level of "CC/C" with a "negative" forecast. On August 12, 2022, Standard&Poor's Global Ratings, a credit rating agency, downgraded sovereign credit rating of Ukraine to the level "CD" (Sample Default).

From 9:00 a.m. on July 21, 2022, the National Bank of Ukraine adjusted the official exchange rate of the UAH to the USD by 25% to UAH 36.5686/ USD in view of the change in the fundamental characteristics of the Ukrainian economy during the war and the strengthening of the USD against other currencies. Such a step will make it possible to increase the competitiveness of Ukrainian manufacturers, bring exchange rates closer to different groups of businesses and the population, and support the stability of the economy in wartime conditions.

Since May 2022, the Bank provides restructuring tools for individual borrowers and groups of borrowers adversely affected by the war.

(in thousands of Hryvnias, unless otherwise indicated)

In May 2022, the Government approved the Principal (strategic) areas of operations of public sector banks for the periods of martial law and post-war economic recovery, which, among other, provide for the focus of public sector banks on financing:

- ▶ of the business entities affected by the armed aggression of the Russian Federation against Ukraine and/or to prevent such aggression, in particular to meet the needs of the Armed Forces of Ukraine, other military units made in accordance with the law, and/or the population affected by the military actions during martial law;
- ▶ of the agricultural sector of economy to provide food for the country, including the sowing campaign, and of the related industries that ensure the operation of agricultural businesses (suppliers of fuel, fertilizers, seeds, plant protection products, etc.);
- ▶ of the critical infrastructure facilities;
- ▶ of the food industry, food retail and the related industries
- ▶ that ensure food supplies to the population;
- ▶ of the infrastructure projects aimed at the recovery/development of social, transport and critical infrastructure facilities, including those damaged/destroyed as a result of military actions during martial law;
- ▶ of the transport and logistics infrastructure of the country and projects related to inventing new logistics solutions;
- ▶ of relocation of the businesses from the regions of Ukraine/places where active military actions occurred during martial law;
- ▶ of the production facilities for import substitution of the products imported from Russia and/or Belarus.

The Bank's credit policy for 2022 has been adjusted to take into account the above priorities.

In accordance with the decisions of the Government of Ukraine, the COVID-19 related quarantine measures have been extended until 31 August 2022.