

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

Interim Condensed Financial statements

*for the three month ended 31 March 2023,
(unaudited)*

Translation from Ukrainian

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STATEMENT OF FINANCIAL POSITION**as at 31 March 2023***(UAH thousands)*

	Notes	31 March 2023	31 December 2022 (reclassified)	31 December 2021 (reclassified)
Assets				
Cash and cash equivalents	7	50,346,029	35,346,787	30,188,103
Loans and advances to banks	8	1,869,104	2,420,569	5,081,150
Loans and advances to customers	9	61,904,595	64,759,128	55,889,683
Investments in securities	10	27,445,978	23,217,149	29,458,919
Derivative financial assets	11	29,340	15,069	509
Investment property	12	156,366	156,366	153,955
Current tax assets		2,690,423	2,690,423	-
Deferred tax assets	13	29,976	30,138	32,254
Property, equipment and intangible assets	14	1,186,749	1,234,025	1,187,141
Right-of-use assets	15	182,986	166,113	255,664
Other financial assets	16	514,504	900,755	334,523
Other non-financial assets	16	580,078	709,427	689,615
Total assets		146,936,128	131,645,949	123,271,516
Liabilities				
Due to banks	17	5,370,747	6,567,526	9,499,926
Due to customers	18	128,121,772	112,778,613	96,736,381
Derivative financial liabilities	11	564	737	72,346
Other borrowed funds	19	3,537,947	3,385,858	2,505,737
Provisions	21			
Provisions for loan commitments and financial guarantee contracts		236,691	302,743	369,357
Other provisions		278,425	396,062	266,105
Total provisions		515,116	698,805	635,462
Other financial liabilities		601,939	771,373	1,343,870
Other non-financial liabilities		525,574	526,915	402,119
Current tax liabilities		-	-	444,773
Total liabilities		138,673,659	124,729,827	111,640,614
Equity				
Issued capital	20	13,837,000	13,837,000	13,837,000
Retained earnings		(4,105,854)	(5,539,413)	(1,309,788)
Share premium		135,942	135,942	135,942
Result from transactions with shareholders		(1,102,304)	(1,102,304)	(1,102,304)
Treasury shares		(518,439)	(518,439)	(518,439)
Reserve and other funds of a bank	20	967,777	967,777	590,676
Other reserves		(951,653)	(864,441)	(2,185)
Total equity attributable to owners of parent		8,262,469	6,916,122	11,630,902
Total equity		8,262,469	6,916,122	11,630,902
Total equity and liabilities		146,936,128	131,645,949	123,271,516

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

Acting Chairman of the Management Board

Rodion MOROZOV

Chief Accountant

Nataliia ILNYTSKA

28 April 2023V. Usenko
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The accompanying notes on pages 6 to 74 are an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
for the three months ended 31 March 2023

(UAH thousands)

	<i>Reporting period</i>		<i>Previous period</i>	
	<i>for the current quarter</i>	<i>for the current quarter cumulative since the year</i>	<i>for the corresponding quarter of the previous year</i>	<i>for the corresponding quarter cumulative since the year</i>
Interest income calculated using effective interest rate				
Loans to customers	1,912,930	1,912,930	1,167,647	1,167,647
Investments at fair value through other comprehensive income	982,641	982,641	787,128	787,128
Deposit certificates of the National Bank of Ukraine	312,171	312,171	103,888	103,888
Due from credit institutions	135,074	135,074	22,234	22,234
	3,342,816	3,342,816	2,080,897	2,080,897
Other interest income				
Loans to customers at fair value through profit or loss	1,822	1,822	2,763	2,763
Finance lease	16,391	16,391	63,441	63,441
	18,213	18,213	66,204	66,204
	3,361,029	3,361,029	2,147,101	2,147,101
Interest expense				
Due to the National Bank of Ukraine	(62,299)	(62,299)	(92,486)	(92,486)
Due to customers	(2,169,317)	(2,169,317)	(611,067)	(611,067)
Due to credit institutions	(60,580)	(60,580)	(30,844)	(30,844)
	(2,292,196)	(2,292,196)	(734,397)	(734,397)
Other interest expense				
Lease liabilities	(3,415)	(3,415)	(5,748)	(5,748)
	(3,415)	(3,415)	(5,748)	(5,748)
	(2,295,611)	(2,295,611)	(740,145)	(740,145)
Net interest income, before credit loss expense	1,065,418	1,065,418	1,406,956	1,406,956
Credit loss (expense)/recovery	699,360	699,360	(1,909,326)	(1,909,326)
	1,764,778	1,764,778	(502,370)	(502,370)
Changes in fair value of loans to customers at fair value through profit or loss	1,696	1,696	(1,905)	(1,905)
Commission income	628,548	628,548	558,575	558,575
Commission expense	(268,731)	(268,731)	(239,455)	(239,455)
Net gains on derecognition of financial assets at amortized cost	1,483	1,483	1,173	1,173
Net gains on investments at fair value through other comprehensive income	18,156	18,156	25,120	25,120
Net gain/(losses) on derecognition of financial liabilities	167	167	200	200

The accompanying notes on pages 6 to 74 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	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
Net gains on foreign exchange operations and precious metals	23	139,119	139,119	467,196	467,196
Result on operations with derivative financial instruments		182,688	182,688	(353,008)	(353,008)
Net gains on investment property		3,092	3,092	4,221	4,221
Other income	24	50,088	50,088	78,042	78,042
Non-interest income		756,306	756,306	540,159	540,159
Staff costs	26	(759,504)	(759,504)	(675,964)	(675,964)
Other operating expense	26	(271,466)	(271,466)	(661,542)	(661,542)
Depreciation and amortization	14	(78,842)	(78,842)	(61,095)	(61,095)
Depreciation of right-of-use assets		(21,238)	(21,238)	(23,095)	(23,095)
Change in allowance for impairment of assets and other provisions	25	23,967	23,967	(25,209)	(25,209)
Non-interest expense		(1,107,083)	(1,107,083)	(1,446,905)	(1,446,905)
(Loss) /profit before income tax		1,414,001	1,414,001	(1,409,116)	(1,409,116)
Income tax expense	13	19,558	19,558	232	232
Net (loss)/profit		1,433,559	1,433,559	(1,408,884)	(1,408,884)
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		(158,891)	(158,891)	(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	20	(18,156)	(18,156)	(25,120)	(25,120)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	20	109,555	109,555	200,853	200,853
Income taxes related to revaluation of investments at fair value through other comprehensive income	20	(19,720)	(19,720)	-	-
		(87,212)	(87,212)	(317,367)	(317,367)
Other comprehensive (loss)/income, after income tax		(87,212)	(87,212)	(317,367)	(317,367)
Total comprehensive (loss)/income		1,346,347	1,346,347	(1,726,251)	(1,726,251)
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	(0.10)	(0.10)

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

Acting Chairman of the Management Board

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The accompanying notes on pages 6 to 44 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the three month ended 31 March 2023

(UAH thousands)

	Notes	Share capital	Acquired title of ownership to shares	Result from transactions with shareholders	Additional paid-in capital	Other reserves	Accumulated deficit	Total equity
As at 1 January 2022		13,837,000	(518,439)	(1,102,304)	135,942	(2,185)	(719,112)	11,630,902
Total comprehensive income / (loss) for the year	20	-	-	-	-	(853,267)	(3,861,513)	(4,714,780)
Transfer as a result of disposal of real estate		-	-	-	-	(8,989)	8,989	-
As at 31 December 2022		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>(864,441)</u>	<u>(4,571,636)</u>	<u>6,916,122</u>
Total comprehensive (loss)/income	20	-	-	-	-	(87,212)	1,433,559	1,346,347
As at 31 March 2023		<u>13,837,000</u>	<u>(518,439)</u>	<u>(1,102,304)</u>	<u>135,942</u>	<u>(951,653)</u>	<u>(3,138,077)</u>	<u>8,262,469</u>

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STATEMENT OF CHANGES IN EQUITY
for the three month ended 31 March 2023

(UAH thousands)

	Notes	31 March 2023	31 March 2022
Cash flows from (used in) operating activities			
Interest received		3,379,576	1,940,071
Interest paid		(2,097,657)	(747,045)
Fees and commissions received		648,458	602,575
Fees and commissions paid		(268,731)	(239,455)
Net result on foreign exchange operations and operations with precious metals (realized)	23	91,868	78,532
Result on operations with derivative financial instruments		169,741	13,167
Other income received		46,851	45,512
Staff costs		(720,060)	(648,061)
Other operating expense		(322,628)	(553,294)
Cash flows from (used in) operating activities before changes in operating assets and liabilities		927,418	492,002
<i>Net (decrease)/increase in operating assets</i>			
Precious metals		1,440	2,142
Due from credit institutions		538,922	4,521,369
Loans to customers and finance leases		3,888,994	(6,402,169)
Other assets		366,485	747,599
<i>Net (decrease)/increase in operating liabilities</i>			
Due to credit institutions		(1,214,294)	(890,388)
Due to customers		14,816,347	(10,844,300)
Other liabilities		(211,033)	(1,396,032)
Net cash flows from (used in) operating activities before income taxes		19,114,279	(13,769,777)
Income taxes paid		-	(455,227)
Net cash flows from (used in) operating activities		19,114,279	(14,225,004)
Cash flows from (used in) investing activities			
Acquisition of securities		(13,461,534)	(165,282,147)
Proceeds on sale and repayment of securities		9,041,354	165,699,994
Acquisition of property and equipment and intangible assets		(31,614)	(39,719)
Proceeds on disposal of property and equipment		-	374
Proceeds on investment property		3,092	4,220
Proceeds on disposal of other property	16	-	31,096
Net cash flows from (used in) investing activities		(4,448,702)	413,818
Cash flows from (used in) financing activities			
Proceeds of borrowed funds from credit institutions		119,648	-
Repayment of borrowed funds from credit institutions		(43,103)	(134,211)
Proceeds of borrowed funds from the National Bank of Ukraine		-	7,200,000
Repayment of borrowed funds from the National Bank of Ukraine		-	(3,700,000)
Repayment of lease liability principal amount		(21,324)	(17,561)
Net cash flows from (used in) financing activities	32	55,221	3,348,228
Effect of exchange rate changes on cash and cash equivalents		291,454	1,857,852
Effect of expected credit losses on cash and cash equivalents		(13,010)	2,140
Net increase/(decrease) in cash and cash equivalents		14,999,242	(8,602,966)
Cash and cash equivalents at the beginning of the period		35,346,787	30,188,103
Cash and cash equivalents at the end of the period		50,346,029	21,585,137

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

Acting Chairman of the Management Board

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The accompanying notes on pages 6 to 74 are an integral part of these financial statements.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

1. General information

Organizational structure and operations

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

The Bank is engaged in accepting deposits from individuals and legal entities and extending loans, transferring payments in Ukraine and abroad, exchanging currencies and providing other banking services to its corporate and retail customers. The Bank's Head Office is located in Kyiv. As at 31 March 2023, the Bank's network consisted of 222 registered outlets (including 217 operating outlets) (2022: 217 registered outlets, including 217 operating outlets) in different regions of Ukraine. The registered address of the Bank is : 1 Yerevanska St., Kyiv, Ukraine. The Bank's mailing address: 19, 21,23 Staronavodnytska St., Kyiv, Ukraine.

As at 31 March 2023 and 31 December 2022, the Bank's issued shares were held by the following shareholders:

<i>Shareholder</i>	31 March 2023, %	31 December 2022, %
Ministry of Finance of Ukraine	94.94	94.94
Other	5.06	5.06
Total	100.00	100.00

As at 31 March 2023 and 31 December 2022, the Bank's ultimate controlling party was the Ukrainian government represented by the Ministry of Finance of Ukraine.

The Bank has no subsidiaries.

These interim condensed financial statements have been authorized for issue and signed by the Bank's management 28 April 2023.

2. Operating environment

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

On 24 February 2022, the Russian Federation launched a full-scale military invasion to Ukraine. The ongoing war has led to significant civilian casualties, massive displacement of the population, damage to infrastructure, electricity outages, and overall significant disruption to economic activity in Ukraine. This also had a detrimental and long-lasting impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to the military invasion, the President of Ukraine introduced the state of martial law, which is currently extended until 20 May 2023.

A significant part of the Ukrainian territory, including but not limited to, parts of Kyiv, Chernihiv, Sumy and Kharkiv regions, was occupied at the beginning of the war, however, these regions were subsequently liberated. As at 31 March 2023, active military actions remain intense, albeit concentrated in eastern and southern Ukraine, with the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions still under occupation. In addition, since October 2022, the Russian Federation started missile and drone attacks that impacted power grid as well as other critical civilian infrastructure all over Ukraine, which results in electricity outages for both households and businesses.

With the beginning of war, the NBU introduced certain administrative restrictions on currency conversion transactions and capital movements, including restrictions on interest and dividend payments abroad. Due to these restrictions, UAH lacks exchangeability and is not freely convertible.

After invasion, all global rating agencies lowered Ukraine's ratings: Fitch - to CC, Moody's - to Caa3 with a negative outlook, and S&P - to CCC+ with a stable outlook.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

On 20 January 2023, the rating agency Fitch Ratings confirmed the issuer's long-term default ratings (RDE) in foreign currency at the level of "CC" and in the national currency at the level of "CCC-". The rating of the country's ceiling was confirmed at the "B-" level and the short-term RDE in foreign and national currencies at the "C" level. On 10 March 2023, the Standard & Poor's rating agency confirmed the long- and short-term sovereign credit rating of Ukraine in foreign currency to the level of "CCC+/C" with "SD/SD" and confirmed the long- and short-term sovereign credit rating of Ukraine in the national currency at the level "CCC+/C", the forecast is "stable".

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

3. Basis of preparation

(a) Statement of compliance

These 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.

(b) 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 assessed using a different valuation technique. In measuring the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability as if the market participants took those characteristics into account when pricing the asset or liability at the measurement date.

(c) Going concern

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

The bank ensured uninterrupted operation of the IT infrastructure, expanded the use of cloud technologies, including the deployment of processing center systems in AWS. A number of actions were taken to improve the Bank's information security.

The Bank continues to function as a universal bank with a full range of banking services for all categories of clients in accordance with the Main (strategic) areas of activity of state sector banks for the period of martial law and post-war economic recovery (Decree of the CMU dated May 7, 2022 No. 356-p) and the Bank's Budget for 2023.

The priority areas, in accordance with the Main (strategic) areas of activity of public sector banks for the period of martial law and post-war economic recovery, are:

- agricultural sector of the economy - food supply of the country;
- enterprises (objects) of critical infrastructure;
- industries that ensure food safety - food industry, food retail, etc.;
- infrastructure projects aimed at the restoration/development of social, transport and critical infrastructure facilities;
- transport and logistics infrastructure;
- relocation of enterprises located in those regions of Ukraine/places of active hostilities during martial law;
- import substitution of products imported from the Russian Federation and/or the Republic of Belarus.

Thus, the key business lines for revenue generation remain: corporate business (including trade financing operations), small and medium-sized business, retail business, investment banking.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The Budget provides for maintaining an adequate level of liquidity and continuing to optimize the balance sheet structure, giving preference to investments in low-risk assets. According to the Budget, the financial result for 2023 is positive. The Bank constantly monitors the current situation for existing and potential risks in order to respond in a timely manner with the necessary tools to minimize any negative consequences.

Management of the Bank monitors the development of the current situation in Ukraine caused by the armed conflict, and takes measures, if necessary, to minimize any negative consequences as much as possible and provide a full range of banking services. Further negative development of events and macroeconomic conditions may adversely affect the Bank's financial condition and results of operations in a manner that is not currently determinable.

As at 31 March 2023, the total amount of cash and cash equivalents is UAH 50,346,029 thousand. Also, the Bank has not yet observed significant outflows from clients' accounts (deposit and current) compared to this date.

The Bank has breached non-financial covenants for loans received from credit institutions, which provide for the event of default and cross-default under loan agreements in the amount of UAH 3,965,945 thousand. The Bank has not received all the necessary waiver letters from creditors until the end of March 2023 (Note 19 and 27). As at the date of approval of these financial statements, the lenders have provided neither claims for early repayment of debt, nor waivers of covenant breach.

In 2023, the Bank expects non-compliance to occur in respect of financial covenants of loan agreements. The Bank obtained waivers from three creditors with regard to covenants breached for 12 months of 2023 in the amount of UAH 1,202 million, and from one creditor with regard to covenants breached for 7 months of 2023 in the amount of UAH 949 million. The Bank has not yet received a waiver for UAH 1,168 million from one creditor.

The Bank is in constant communication with the creditors and expects to obtain from one creditors the necessary waivers for financial covenants within 12 months in 2023. The result of these efforts cannot be predicted, however, in case the early repayment request would be received, the Bank has sufficient funds to continue its uninterrupted activities and will not require additional financing for settlement of these loans.

Starting from the end of March 2023, the value of the standard of the maximum amount of credit risk per counterparty (hereinafter - the "H7 ratio") is within the standard value (no more than 20% of the regulatory capital) established by the National Bank of Ukraine for systemically important banks. As of the date of issue of this report, the Bank has not violated the prudential requirements of the NBU (normative and limits of currency positions).

For the purposes of its going concern assessment, management has concluded that the Bank will be able to continue as a going concern.

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

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

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

(d) Reclassifications

When preparing the interim financial statements as at 31 March 2023 and for the 3 months ending on this date, the Bank made reclassifications in the statement of financial position in accordance with the format of reporting according to international standards in a single electronic format. Accordingly, certain changes were made to the presentation of comparative information for 2022 and 2021 to bring it into line with the new data presentation format.

In particular, the following reclassifications were made in the financial statement:

- (1) Articles "Precious metals", "Other property" and "Other assets" are combined into separate articles "Other financial assets" and "Other non-financial assets";
- (2) Changed the name of the article "Due from credit institutions" to "Loans and advances to banks";

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

- (3) Changed the name of the article "Loans to customers and financial leases" to "Loans and advances to customers";
- (4) Changed the name of the article "Investments at fair value through other comprehensive income" to "Investments in securities";
- (5) Changed the name of the article "Current income tax assets" to "Current tax assets";
- (6) Changed the name of the article "Deferred income tax assets" to "Deferred tax assets";
- (7) Changed the name of the article "Current income tax liabilities" to "Current tax liabilities";
- (8) The article "Due to the National Bank of Ukraine" was combined with the article "Due to credit institutions" into the article "Due to banks" with the exception of loans from international and other financial organizations, which are reflected in the article "Other borrowed funds";
- (9) Changed the name of the article "Provisions for guarantees, commitments and legal risks" to "Total provisions", which is represented by separate articles "Provisions for loan commitments and financial guarantee contracts" and "Other provisions";
- (10) Articles "Lease liabilities", "Other liabilities" are combined into separate articles "Other financial liabilities" and "Other non-financial liabilities";
- (11) Changed the name of the article "Acquired title of ownership to shares" to "Treasury shares";
- (12) Changed the name of the article "Additional paid-in capital" to "Share premium";
- (13) Changed the name of the article "Result from transactions with shareholders" to "Result from transactions with the shareholder";
- (14) The article "Accumulated deficit" is represented by separate articles "Retained earnings" and "Reserve and other funds of a bank".

		31 December 2022 (Before reclassifications)	31 December 2022 (After reclassifications)	31 December 2021 (Before reclassifications)	31 December 2021 (After reclassifications)	31 December 2021 (After reclassifications)
Assets						
Precious metals	(1)	1,349	(1,349)	-	1,666	(1,666)
Other property	(1)	337,064	(337,064)	-	385,353	(385,353)
Other assets	(1)	1,271,769	(1,271,769)	-	637,119	(637,119)
Other financial assets	(1)	-	900,755	900,755	-	334,523
Other non-financial assets	(1)	-	709,427	709,427	-	689,615
Liabilities						
Due to the National Bank of Ukraine	(8)	998,956	(998,956)	-	4,699,967	(4,699,967)
Due to credit institutions	(8)	8,954,428	(8,954,428)	-	7,305,696	(7,305,696)
Due to banks	(8)	-	6,567,526	6,567,526	-	9,499,926
Other borrowed funds	(8)	-	3,385,858	3,385,858	-	2,505,737
Provisions for guarantees, commitments and legal risks	(9)	698,805	(698,805)	-	635,462	(635,462)
Provisions for loan commitments and financial guarantee contracts	(9)	-	302,743	302,743	-	369,357
Other provisions	(9)	-	396,062	396,062	-	266,105
Lease liabilities	(10)	163,506	(163,506)	-	230,772	(230,772)
Other liabilities	(10)	1,134,782	(1,134,782)	-	1,515,217	(1,515,217)
Other financial liabilities	(10)	-	771,373	771,373	-	1,343,870
Other non-financial liabilities	(10)	-	526,915	526,915	-	402,119
Equity						
Accumulated deficit	(14)	(4,571,636)	4,571,636	-	(719,112)	719,112
Retained earnings	(14)	-	(5,539,413)	(5,539,413)	-	(1,309,788)
Reserve and other funds of a bank	(14)	-	967,777	967,777	-	590,676

(e) Functional and presentation currency

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

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***4. Summary of accounting policies****Changes in accounting policies**

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

Foreign currency translation

Foreign currency transactions are initially recognized in the Bank's functional currency at the exchange rates prevailing as 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 2023	31 December 2022
USD	36.5686	36.5686
EUR	39.7812	38.9510

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 makes a commitment 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 fair value, 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 (FVTPL).

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

Loans and advances to banks, loans and advances to customers, and other financial investments

The Bank measures amounts loans and advances to banks, loans *and* advances 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 Ukrainian 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 certain business objectives.

Rather than on an instrument-by-instrument basis, the Bank's business model is assessed 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 manner 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 a minor influence 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 FVTPL.

Debt instruments at FVOCI

In accordance with IFRS 9, the Bank measures debt instruments at FVOCI when both of the following conditions are met:

- ▶ the 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 match the criteria of the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized 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 accumulated impairment, 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Financial guarantees, letters of credit and undrawn loan commitments

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

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequently to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less accumulated depreciation recognized in the statement of profit or loss, and ECL allowance.

Undrawn loan commitments and letters of credit are commitments under contracts, over the terms of which the Bank is required to provide a loan to the customer at predetermined conditions. These contracts fall within 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash balances with the National Bank of Ukraine, loans and advances to banks 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, except for balances of precious metals on the correspondent accounts.

Balances in precious metals

Balances in precious metals on the correspondent accounts in Banks are recognized at fair value through profit or loss. The value of assets changes on a daily basis depending on the prices for precious metals and the official exchange rates for precious metals in the Ukrainian market.

Loans and advances to banks

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/(losses) 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 method.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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 transactions with derivative financial instruments of the statement of profit or loss and other comprehensive income. The Bank estimates and calculates the fair value of forward contracts and recognizes its material changes in profit or loss.

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

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 banks and due to customers. Upon initial recognition, borrowed funds are subsequently measured at amortized cost using the effective interest 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 measurement of the lease liability, the initial direct costs and the lease payments made at or before 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 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, 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 cost of exercising the option to purchase, if the Bank is reasonably certain that it will take advantage of that option, and the lease termination penalties if the lease term reflects the Bank's ability to terminate the lease. Variable payments that do not depend on any index or rate are recognized as expenses in the period, in which the event or condition occurs that gives rise to such payments.

To calculate the present value of the lease payments, the Bank applies the lessee's incremental borrowing rate at the commencement date, 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 substance of fixed lease payments or change of option of purchase of the underlying asset, the carrying value of the lease liabilities is revalued.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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 purchase option). 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. Rental income is recognized on a straight-line basis over the lease term and is included in net gains on 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 rental income. Contingent lease payments are recognized as income in the period in which they were received.

iii. Finance leases — Bank as a lessor

Lease payments receivable are recognized in the amount equal to net lease investments starting from the lease commencement date. Finance 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 of credit risk. For these financial instruments, the Bank recognizes an allowance based on the 12-month expected credit losses;
- ▶ Stage 2: financial instruments for which there are signs of a significant increase of credit risk since the initial recognition, but no signs of impairment exist. For these financial instruments, the Bank recognizes the lifetime expected credit losses;
- ▶ 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 lifetime expected credit losses;
- ▶ Purchased or originated credit impaired (POCI) financial assets are assets that are credit impaired on initial recognition. POCI assets are measured at fair value at initial recognition and interest income 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 lifetime expected credit losses on the financial instrument.
- ▶ The definition of a significant increase in credit risk and default is given in Note 29.

Renegotiated loans and/or modifications

Where possible, the Bank seeks to renegotiate the lending conditions, i.e. 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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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 SPPI test 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 losses.

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.

In the case the modification of the contract terms are caused by the market shift (e.g., a decrease in the interest rate in the event of changes in the NBU discount rate), provided that the changes in the terms of the contract were not caused by the significant financial difficulties of the borrower, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification.

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 asset-based banking transactions for which there are no reasonable expectations of recovering of a financial asset. The Bank writes off such bad debts against the loss provision.

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 recognized 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 Ukrainian 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized 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 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 comprises 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. Revaluations are 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 Ukrainian hryvnias, unless otherwise indicated)

Property and equipment

Property and equipment other than buildings and land plots is carried at 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. Revaluations 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/amortization of an asset commences 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/amortization 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	According to the shorter of the term of validity of the relevant lease contract and the term of useful life
Motor vehicles	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. Subsequent to 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. The useful life of an intangible asset that arises as a result of contractual or other legal rights, and accordingly, the rate of depreciation, is limited by the term of validity of these rights or the norms of the Tax Code of Ukraine.

Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each reporting year-end. Depreciation is calculated using the straight-line method over the expected useful life of the assets. The terms of useful use are set depending on the type of intangible asset and range from 3 to 7 years.

An item of property, equipment and intangible assets is derecognized 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 recognized in the statement of profit or loss and other comprehensive income.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Other property

The non-current assets, which have been acquired by foreclosure of collateral and are held for further sale, are recognized 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 cost.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation 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 the amount of the obligation can be reliably estimated.

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 reported 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 method. The effective interest 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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:

- (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.

Income on debt financial instruments is carried using the effective interest 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 (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.

Amortized cost of a financial asset or financial liability - the amount at which a financial asset or financial liability is valued at the time of initial recognition, after deducting funds received or paid [principal amount of the debt, interest income/expenses or other payments related with the initiation of a financial asset or financial liability], increased or decreased by the amount of accumulated depreciation calculated using the effective interest rate, - the difference between the initially recognized amount and the maturity amount of the financial instrument, as well as for financial assets adjusted taking into account the allowance for credit losses.

The gross carrying value of a financial asset is the amortized cost of the financial asset before adjusting for the amount of the allowance for credit losses.

Calculation of interest income and expenses

The effective interest rate for a financial asset or financial liability is calculated upon initial recognition of the financial asset or financial liability. When calculating interest income and expenses, the effective interest rate is applied to the value of the gross carrying value of the asset (when the asset is not credit-impaired) or the fair value of the liability. However, for financial assets that have become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the fair value of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income is again based on the gross carrying value.

For originated credit impaired financial assets, interest income is calculated using the effective interest rate, adjusted for credit risk, to the fair value of the financial asset. The calculation of interest income on such assets is not carried out on the basis of the gross carrying value, even if the credit risk on them will subsequently decrease.

When calculating the effective interest rate for financial instruments that are not purchased or originated credit impaired assets, the Bank estimates future cash flows, taking into account all the contractual terms of this financial instrument, but without taking into account expected credit losses. For purchased or originated credit impaired financial assets, the effective interest rate, adjusted for credit risk, is calculated using the amount of expected future cash flows, including expected credit losses.

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

Fee and commission income and expense (hereinafter the "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.

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Fee and commission income and expenses consist of fees and commissions received/paid by the Bank for providing financial services, other than those related to the origination of a financial asset or liability, which form a part of the effective interest income/expenses.

Fees and commissions from financial services provided by the Bank, including payment services, brokerage services, investment advice and financial planning, investment banking services and asset management services.

Fees and commission income are accounted for in the income statement as the Bank satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:

- If the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognised in the income statement when the service is provided;
- If the performance obligation is satisfied over-time, the related revenue is recognised in the income statement in order to reflect the progress of satisfaction of such obligation.

Transaction fees coming from securities transactions, payment services, interchange, foreign currency transactions are typically booked at the point in time when the service is provided and immediately withdrawn from customer account.

Fees related to on-going management, loan administration, deposit and custody services, account administration, agency services, administration of loan syndication, asset management and payment cards are normally recognised over time during the term of the contract. The revenue is measured on straight-line basis and is evenly distributed during the term of the contract as this method best depicts the Group's commitment to stand ready for fulfilment of customer requests. These services are mostly invoiced on regular basis (typically monthly), selected services are invoiced in advance.

Fees related to loans provided, other than those related to the origination, which form a part of the effective interest income, are either booked at the point in time when the service is provided or recognised over time during the term of the contract based on the type of services provided.

The amount of revenues linked to fee and commission income is determined based on contractual conditions. Variability that would have impact on amount that the Bank expects to receive is not usually foreseen for services provided by the Bank.

If a contract regards different goods/services which are not priced and charged on the stand-alone price level, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in the income statement on the basis of the timing of satisfaction of each obligation.

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

New and revised IFRS

From 1 January 2022, such new IFRS and IFRS changes became effective:

- ▶ Annual Improvements to IFRSs, 2018- 2020 Cycle;
- ▶ Amendments to:
 - IFRS 3 Business Combinations
 - IAS 16 Property, Plant and Equipment;
 - IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Annual Improvements to IFRSs, 2018- 2020 Cycle

Annual Improvements to IFRSs, 2018- 2020 Cycle is a comprehensive package of changes to IFRS, which includes, in particular:

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

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

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognized, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract. In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The above amendments to the accounting policies did not have a significant impact on the financial statements and did not require restatement.

Standards issued but not yet effective.

A number of new standards and amendments to standards are effective for annual period beginning after 1 January 2022 and earlier application is permitted, however the bank has not early adopted the new and amended standards in preparing these financial statements.

- IFRS 17 "Insurance contracts"; including Amendments to IFRS 17 issued on 25 June 2020;
- Amendments to IAS 1 "Presentation of Financial Statements" and "IFRS Practice Statement 2: Disclosure of Accounting policies".
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates;
- Amendments to IFRS 17 "Insurance Contracts" - Initial application of IFRS 17 and IFRS 9 – Comparative Information issued on 9 December 2021;
- Amendments to IAS 12 Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction issued on 7 May 2021;
- Amendments to IAS 1 Presentation of financial Statements: Classification of Liabilities as Current or Non-current issued on 23 January 2020, Classification of Liabilities as Current or Non-current – Deferral of Effective Date issued on 15 June 2020 and Non-current Liabilities with Covenants issued on 31 October 2022.
- Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback issued on 22 September 2022.

The description of the possible impact of new standards issued but not yet effective on the Bank's financial statements and operations is disclosed below. Other new standards issued but not yet effective does not have impact the Bank's financial statements and operations.

IFRS 17 replaces the interim Standard - IFRS 4, requires consistent accounting for all insurance contracts based on the current valuation model, provides useful information about the profitability of insurance contracts.

The main changes of IFRS 17 include: classification of insurance and investment contracts; mandatory separation of non-insurance components; determining the profitability of insurance contracts at initial recognition (for example, whether insurance contracts are onerous); requirements for aggregation of contracts: for risk level, profitability, release date and other requirements of the standard; expanding disclosure requirements information in financial statements in the structure of the balance sheet and the report on financial results; actuarial calculations through different methods of liability assessment. IFRS 17 is applied retrospectively. It should be noted that before the initial version of IFRS 17 was amended in June 2020, which provided for: postponement of the date of initial application of IFRS 17 to 01.2023, as well as the postponement of the expiration of the temporary exception provided for by IFRS 4 regarding the application of IFRS 9 to this date; additional exclusion from the scope of IFRS 17 of credit card contracts that provide for insurance coverage, as well as exclusion (as an option) of credit agreements that provide for the transfer of insurance risk; permission to apply IFRS 17 regarding interim financial statements in accordance with the choice of accounting policy at the level of the

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business entity; the requirement for an economic entity, which on the date of initial recognition recognizes losses under issued onerous insurance contracts, to also recognize profit from retained reinsurance contracts; simplified presentation of information on insurance contracts in the Statement of Financial Position (assets and liabilities for portfolios of insurance contracts, not groups); simplification regarding the transition to the application of IFRS 17 in business combinations and regarding the date of application of the risk reduction option and the approach of applying the fair value model.

Changes to IAS 1 "Presentation of Financial Statements" consist in replacing requirements for organizations to disclose their "significant accounting policies" with the requirement to disclose "material accounting policies". Information is material if its omission, misrepresentation or obfuscation could, in accordance with reasonable expectations, affect the decisions taken by the main users of general purpose financial statements on the basis of such statements, which provide financial information about a particular reporting entity.

The bank analyzed the available banking products: from lending (including the provision of credit cards), the provision of financial guarantees and the provision of performance guarantees, and came to the conclusion that there are no banking products to which the requirements of IFRS 17 should be applied. Credit agreements (including including credit cards) do not meet the definition of an insurance contract in accordance with the requirements of IFRS 17. The Bank continues to apply the requirements of IFRS 9 to financial guarantee contracts, and IFRS 9 to performance guarantee contracts, as such contracts do not belong to the scope application of IFRS 17.

5. Significant accounting judgments and estimates

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

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

Key estimates in applying accounting policies

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

Fair value of financial instruments

Investments in securities 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 markets prices are not available is a key source of estimation uncertainty because: (i) they are highly susceptible to change from period to period because they require management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in separate 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 dates and valuation adjustments, their value could differ significantly from that reflected in the financial statements.

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 the ECL and assessing a significant increase of credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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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 of credit risk and so allowances for financial assets should be measured on an LTECL basis, and the qualitative assessment;
- ▶ development of ECL models, including the various formulae and the choice of inputs;
- ▶ determination of relationships between macroeconomic scenarios and economic inputs, such as unemployment rate and collateral values, and the effect on probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD);
- ▶ selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The impact of changes in estimates related to the application management adjustments to forward-looking information is disclosed in Note 27.

For more detailed information, see Notes 9 and 27.

Fair value of buildings and land plots and investment property

As discussed in Note 4, buildings and land plots are carried at revalued amount, less any subsequent accumulated depreciation and impairment losses. Fair value is predominantly determined using the comparative approach. The comparative approach to fair value measurement is based on an analysis of the results of comparable sales of similar buildings. Determining 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 values to estimate the fair value of property.

Deferred tax assets

Estimating the likelihood of recognition of deferred tax assets requires management to exercise judgment, particularly in determining the future taxable income against which the deferred tax assets can be utilized. Such preliminary estimates depend on a number of factors, changes in which could result in different amounts of deferred tax assets or liabilities. For information on these estimates, see Note 16.

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.
Customers of small and medium-sized enterprises (hereinafter – "SME"):	Mainly customer servicing under target lending programs, deposits and current accounts of customers whose activities meet certain criteria and limits.
Individuals:	Mainly servicing individual customer 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, including the NBU and international financial institutions.
Asset management and other:	Conducting operations with government bonds, financial, treasury and other central functions.

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

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

During the three months ended 31 March of 2023, the Bank received revenue from transactions with one client in the amount of UAH 876,902 thousand (17.16%). During the three months ended 31 March of 2022, the Bank's revenue from transactions with one client amounted to UAH 706.445 thousand (24.12%).

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

31 March 2023	Legal entities	SME	Individuals	Financial institutions	Asset management and other segments	Total
Income						
Interest income	1,503,699	292,047	135,397	447,244	982,642	3,361,029
Fee and commission income, including:	205,531	116,415	198,559	27,739	80,304	628,548
-Settlements	43,444	92,872	180,486	27,739	76,474	421,015
- Agent operations in the foreign exchange market	68,913	20,882	13,333	-	-	103,128
-Guarantees and letters of credit	85,304	2,091	-	-	2,610	90,005
- Loan servicing to customers	7,210	135	10	-	-	7,355
-Transactions with securities	98	177	24	-	1,220	1,519
-Other	562	258	4,706	-	-	5,526
Credit loss recovery/(expense)	745,120	58,920	16,626	(11,779)	(109,527)	699,360
Result on operations with derivative financial instruments	-	-	-	-	182,688	182,688
Net gains on foreign exchange operations and precious metals	147,029	2,321	53,912	-	(64,143)	139,119
Change in allowance for impairment of assets and other provisions	35,754	(5,445)	(3,887)	28	(2,483)	23,967
Net gains on investments at fair value through other comprehensive income	-	-	-	-	18,156	18,156
Net gains on investment property	-	-	-	-	3,092	3,092
Result from operations with loans to customers at fair value through profit or loss	-	1,696	-	-	-	1,696
Net gains on derecognition of financial assets at amortized cost	343	264	876	-	-	1,483
Net gains/ (losses) on derecognition of financial liabilities	132	24	11	-	-	167
Other income	7,093	9,594	18,206	-	15,195	50,088
Total income	2,644,701	475,836	419,700	463,232	1,105,924	5,109,393
Expenses						
Interest expense	(1,385,735)	(456,391)	(327,190)	(122,878)	(3,417)	(2,295,611)
Fee and commission expense	(41,402)	(7,893)	(134,006)	(29,950)	(55,480)	(268,731)
Staff costs	(210,446)	(148,596)	(332,941)	(14,782)	(52,739)	(759,504)
Depreciation and amortisation	(24,134)	(10,559)	(40,630)	(1,086)	(2,433)	(78,842)
Depreciation of right-of-use assets	(5,840)	(2,585)	(11,696)	(305)	(812)	(21,238)
Other operating expense	(46,301)	(32,603)	(171,678)	(2,131)	(18,753)	(271,466)
Total expenses	(1,713,858)	(658,627)	(1,018,141)	(171,132)	(133,634)	(3,695,392)
Segment results	930,843	(182,791)	(598,441)	292,100	972,290	1,414,001
Income tax expense					19,558	19,558
Profit for the period					991,848	1,433,559
Segment assets	50,057,133	8,891,966	4,270,904	48,888,341	34,827,784	146,936,128
Segment liabilities	(76,234,310)	(21,334,864)	(30,929,924)	(8,908,694)	(1,265,867)	(138,673,659)
Other segment information						
Capital expenditures	10,392	4,483	15,331	463	945	31,614

31 March 2022/ 31 December 2022	Legal entities	SME	Individuals	Financial institutions	Asset management and other segments	Total
Income						
Interest income	868,843	251,195	113,813	22,234	891,016	2,147,101
Fee and commission income, including:	183,507	101,446	163,030	54,228	56,364	558,575
-Settlements	28,364	72,440	151,856	54,228	49,118	356,006
-Guarantees and letters of credit	90,700	1,747	-	-	5,067	97,514

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

					Asset management and other segments	
31 March 2022/ 31 December 2022	Legal entities	SME	Individuals	Financial institutions		Total
-Loan servicing to customers	34,103	15,639	46	-	-	49,788
-Agent operations in the foreign exchange market	28,727	10,837	3,178	-	39	42,781
-Transactions with securities	534	186	316	-	2,138	3,174
-Other	1,079	597	7,634	-	2	9,312
Net gains/ (losses) on foreign exchange operations and precious metals	25,133	949	69,111	-	372,003	467,196
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 on derecognition of financial assets at amortized cost	(30)	130	1,073	-	-	1,173
Net gains 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	1,372,947	3,281,628
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)	(30,915)	(239,455)
Credit loss recovery/(expense)	(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)
Result on operations with derivative financial instruments	-	-	-	-	(353,008)	(353,008)
Depreciation and amortisation	(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 operations with loans to customers 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)	(683,345)	(4,690,744)
Segment results	(546,817)	(578,342)	(854,936)	(118,623)	689,602	(1,409,116)
Income tax expense					232	232
Profit for the period					689,834	(1,408,884)
Segment assets	52,197,057	9,424,941	4,516,330	34,948,577	30,559,044	131,645,949
Segment liabilities	(59,663,541)	(21,344,162)	(32,197,192)	(9,953,384)	(1,571,548)	(124,729,827)
Other segment information						
Capital expenditures	12,807	5,260	20,137	438	1,077	39,719

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2023	31 December 2022
Current accounts with other credit institutions	26,994,224	20,508,440
Deposit certificates of the National Bank of Ukraine (overnight)	12,223,063	7,013,233
Current accounts with the National Bank of Ukraine	7,666,288	4,770,104
Cash on hand	3,480,721	3,060,267
	50,364,296	35,352,044
Less: expected credit losses	(18,267)	(5,257)
Cash and cash equivalents	50,346,029	35,346,787

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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 2023 and 31 December 2022, the Bank complied with the requirements of the National Bank of Ukraine regarding the obligatory reserve amounts.

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

Changes in expected credit losses during the three months ended 31 March 2023 and 31 March 2022 were as follows:

	Stage 1
As at 1 January 2023	5,257
New assets originated or purchased	-
Assets repaid	-
Changes in expected credit losses	12,451
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	<i>12,451</i>
Exchange differences	559
As at 31 March 2023	18,267

	Stage 1
As at 1 January 2022	5,442
New assets originated or purchased	17
Assets repaid	-
Changes in expected credit losses	(2,491)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(2,474)</i>
Exchange differences	334
As at 31 March 2022	3,302

8. Loans and advances to banks

Loans and advances to banks comprise:

	31 March 2023	31 December 2022
Reverse REPO agreements	511,800	399,168
Current accounts in banks in precious metals	300,620	276,538
Term deposits with maturities over 90 days or overdue	-	14,521
Other amounts in banks	1,057,850	1,746,694
	1,870,270	2,436,921
Less: expected credit losses	(1,166)	(16,352)
Due from credit institutions	1,869,104	2,420,569

As at 31 March 2023, loans and advances to banks are carried at amortized cost, except for current accounts in banks in precious metals in the amount of UAH 300,620 thousand, which are carried at fair value through profit or loss (2022: UAH 276,538 thousand).

As at 31 March 2023, there are no overdue balances of loans and advances to banks (2022: UAH 14,521 thousand).

As at 31 March 2023, loans and advances to banks in the amount of UAH 1,647,803 thousand (or 88,11% of the total amount loans and advances to banks) was placed with three banks (2022: UAH 2,072,181 thousand (or 85,03% of the total amount loans and advances to banks)).

As at 31 March 2023, reverse REPO agreements were secured by UDGB with the fair value of UAH 553,106 thousand (2022: UAH 421,235 thousand).

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With respect to balances loans and advances to banks, the Bank has not determined the event of an increase of credit risk, and it classifies these assets in Stage 1 due to their short-term nature and quick period of update on the balance sheet, except for the term deposits with maturities over 90 days or overdue.

Other amounts in banks include guarantee deposits placed against a loan received under refinancing from the National Bank of Ukraine and for customer transactions, such as letters of credit, guarantees, performance guarantees and transactions with travel checks and payments cards.

The analysis of changes in the gross carrying value loans and advances to banks that are carried at amortized cost for the three months ended 31 March 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	2,145,862	-	14,521	2,160,383
New assets originated or purchased	584,442	-	-	584,442
Assets repaid	(1,161,560)	-	-	(1,161,560)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Write-offs	-	-	(14,521)	(14,521)
Foreign exchange differences	906	-	-	906
At 31 March 2023	1,569,650	-	-	1,569,650

The analysis of changes in the gross carrying value due from credit institutions that are carried at amortized cost for the year ended 31 December 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	7,980,499	-	-	7,980,499
Assets repaid	(11,063,963)	-	-	(11,063,963)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Foreign exchange differences	336,662	-	3,689	340,351
At 31 December 2022	2,145,862	-	14,521	2,160,383

Changes in expected credit losses for the three months ended 31 March 2023 were as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	1,830	-	14,522	16,352
New assets originated or purchased	182	-	-	182
Assets repaid	(177)	-	-	(177)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in expected credit losses	(677)	-	-	(677)
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	<i>(672)</i>	-	-	<i>(672)</i>
Write-offs	-	-	(14,522)	(14,522)
Foreign exchange differences	8	-	-	8
As at 31 March 2023	1,166	-	-	1,166

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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>-</i>	<i>-</i>	<i>(3,896)</i>
Write-off	-	-	-	-
Exchange differences	700	-	785	1,485
As at 31 March 2022	191	-	11,617	11,808

9. Loans and advances to customers

Loans and advances to customers comprise:

	31 March 2023	31 December 2022
Legal entities	58,482,985	61,201,988
SME	10,222,127	10,781,717
Individuals	5,463,440	5,709,448
Gross loans and advances to customers	74,168,552	77,693,153
Less: expected credit losses	(12,263,957)	(12,934,025)
Loans and advances to customers	61,904,595	64,759,128

As at 31 March 2023, loans and advances to customers included loans to customers of UAH 55,973 thousand (2022: UAH 60,654 thousand), the contractual terms of which do not comply to the terms of the basic lending arrangement, and which are measured at FVTPL. Information regarding fair value measurement of loans to customers at FVTPL is provided in Note 28.

As at 31 March 2023, loans and advances to customers included loans to customers of UAH 2,245 thousand (2022: UAH 2,245 thousand) held under the business model, the purpose of which is to retain financial assets to obtain contractual cash flows and sales. Information regarding fair value measurement of loans and advances to customers at FVOCI is provided in Note 28.

As at 31 March 2023, the total amount of restructured loans not overdue was UAH 1,581,300 thousand (2022: UAH 1,964,393 thousand).

During the three months ended 31 March of 2023, the Bank does not performed foreclosure of collateral for repayment of loans to customers. The value of foreclosed collateral used for repayment of loans to customers none (2022: UAH 8,277 thousand). (Note 16).

As at 31 March 2023, the amount of loans to legal entities and SMEs located in the territories occupied as a result of the military operations amounted to UAH 2,521,871 thousand, for which a provision of UAH 2,284,990 thousand was created (2022: UAH 2,491,580 thousand, for which a provision of UAH 2,054,354 thousand, in accordance).

As at 31 March 2023, the amount of loans to individuals located in the territories occupied as a result of military operations amounted to UAH 126,746 thousand, for which a provision of UAH 62,084 thousand was created (2022: UAH 172,584 thousand, for which a provision of UAH 64,009 thousand, in accordance).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The analysis of changes in the gross carrying value for the three months ended 31 March 2023 is as follows:

Legal entities	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	17,315,721	28,785,249	14,533,691	567,327	61,201,988
New assets and other changes					
in existing assets	4,308,513	422,535	199,503	9,831	4,940,382
Repaid assets	(5,679,208)	(2,098,807)	(79,640)	(3,138)	(7,860,793)
Transfer to Stage 1	1,347,038	(1,347,038)	-	-	-
Transfer to Stage 2	(2,169,241)	3,753,742	(1,584,501)	-	-
Transfer to Stage 3	-	(339,257)	339,257	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(60,511)	-	(60,511)
Foreign exchange differences	33,664	170,607	57,648	-	261,919
As at 31 March 2023	15,156,487	29,347,031	13,405,447	574,020	58,482,985

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	5,230,965	3,056,688	2,433,410	-	10,721,063
New assets and other changes					
in existing assets	774,609	194,080	36,166	-	1,004,855
Repaid assets	(1,132,848)	(355,314)	(101,092)	-	(1,589,254)
Transfer to Stage 1	453,318	(397,171)	(56,147)	-	-
Transfer to Stage 2	(1,009,891)	1,051,338	(41,447)	-	-
Transfer to Stage 3	(5,735)	(92,569)	98,304	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(1,276)	-	(1,276)
Foreign exchange differences	1,895	22,411	6,460	-	30,766
As at 31 March 2023	4,312,313	3,479,463	2,374,378	-	10,166,154

Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	3,562,564	103,543	2,026,730	16,611	5,709,448
New assets and other changes					
in existing assets	267,759	4,780	17,336	38	289,913
Repaid assets	(471,353)	(10,008)	(40,848)	(1,321)	(523,530)
Transfer to Stage 1	158,086	(117,770)	(40,316)	-	-
Transfer to Stage 2	(214,926)	247,215	(32,289)	-	-
Transfer to Stage 3	(1,819)	(178,346)	180,165	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(12,286)	(231)	(12,517)
Foreign exchange differences	-	-	126	-	126
As at 31 March 2023	3,300,311	49,414	2,098,618	15,097	5,463,440

The new assets and other changes in existing assets, in addition to the emergence of new assets, also include the accrual of interest and the disbursement of loans within opened credit facilities at the appropriate stages during the three months ended 31 March of 2023.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The Analysis of changes in the gross carrying value for the year ended 31 December 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 and other changes					
in existing assets	40,832,285	3,777,344	513,813	254,409	45,377,851
Repaid assets	(31,812,653)	(4,704,792)	(662,978)	(12,134)	(37,192,557)
Transfer to Stage 1	1,227,372	(1,217,905)	(9,467)	-	-
Transfer to Stage 2	(28,781,740)	29,301,593	(519,853)	-	-
Transfer to Stage 3	(427,106)	(11,544,831)	11,971,937	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(990,593)	-	(990,593)
Foreign exchange differences	3,002,310	3,256,002	806,500	68,556	7,133,368
As at 31 December 2022	17,315,721	28,785,249	14,533,693	567,325	61,201,988

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 and other changes					
in existing assets	6,556,426	216,640	159,751	-	6,932,817
Repaid assets	(3,638,263)	(1,262,219)	(100,685)	-	(5,001,167)
Transfer to Stage 1	833,770	(810,786)	(22,984)	-	-
Transfer to Stage 2	(3,704,469)	4,882,503	(1,178,034)	-	-
Transfer to Stage 3	(1,230,293)	(1,896,033)	3,126,326	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(12,487)	-	(12,487)
Foreign exchange differences	45,423	395,038	69,602	-	510,063
As at 31 December 2022	5,230,965	3,056,688	2,433,410	-	10,721,063

Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2022	4,963,594	21,740	1,511,345	14,773	6,511,452
New assets and other changes					
in existing assets	1,170,450	18,766	70,316	4,100	1,263,632
Repaid assets	(2,021,111)	(30,345)	(164,719)	(2,262)	(2,218,437)
Transfer to Stage 1	658,138	(264,376)	(393,762)	-	-
Transfer to Stage 2	(641,444)	679,312	(37,868)	-	-
Transfer to Stage 3	(570,074)	(321,846)	891,920	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(232,585)	-	(232,585)
Foreign exchange differences	3,011	292	382,083	-	385,386
As at 31 December 2022	3,562,564	103,543	2,026,730	16,611	5,709,448

The new assets and other changes in existing assets, in addition to the emergence of new assets, also include the accrual of interest and the disbursement of loans within credit facilities at the appropriate stages during 2022.

Write-offs of loan debts are represented by bad debts in the amount of UAH 74,304 thousand (2021: UAH 1,235,665 thousand of write-off of bad debts).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

Legal entities	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	73,382	765,933	8,479,676	201,464	9,520,455
New assets	33,066	-	-	-	33,066
Repaid assets	(16,288)	(806)	-	-	(17,094)
Transfer to Stage 1	11,125	(11,125)	-	-	-
Transfer to Stage 2	(25,279)	1,167,769	(1,142,490)	-	-
Transfer to Stage 3	-	(7,244)	7,244	-	-
Changes in expected credit losses	(23,091)	(979,583)	246,184	(4,630)	(761,120)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>(20,467)</i>	<i>169,011</i>	<i>(889,062)</i>	<i>(4,630)</i>	<i>(745,148)</i>
Changes in impaired interest	-	-	135,892	2,255	138,147
Amounts written off	-	-	(60,511)	-	(60,511)
Foreign exchange differences	17	3,594	47,195	-	50,806
As at 31 March 2023	52,932	938,538	7,713,190	199,089	8,903,749

SME	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	49,575	90,312	1,472,935	-	1,612,822
New assets	3,673	-	13	-	3,686
Repaid assets	(417)	(434)	(3,884)	-	(4,735)
Transfer to Stage 1	7,827	(5,077)	(2,750)	-	-
Transfer to Stage 2	(9,477)	16,855	(7,378)	-	-
Transfer to Stage 3	(44)	(6,680)	6,724	-	-
Changes in expected credit losses	(18,094)	(26,880)	(12,897)	-	(57,871)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>(16,532)</i>	<i>(22,216)</i>	<i>(20,172)</i>	-	<i>(58,920)</i>
Changes in impaired interest	-	-	21,194	-	21,194
Amounts written off	-	-	(1,276)	-	(1,276)
Foreign exchange differences	4	904	4,113	-	5,021
As at 31 March 2023	33,047	69,000	1,476,794	-	1,578,841

Individuals	Stage 1	Stage 2	Stage 3	POCI	Total
As at 1 January 2023	77,463	30,680	1,685,648	6,956	1,800,747
New assets	2,089	-	2,058	-	4,147
Repaid assets	(1,315)	(2,145)	(6,835)	(7)	(10,302)
Transfer to Stage 1	34,179	(22,301)	(11,878)	-	-
Transfer to Stage 2	(32,111)	45,743	(13,632)	-	-
Transfer to Stage 3	(182)	(50,540)	50,722	-	-
Changes in expected credit losses	(35,122)	12,017	13,823	(1,189)	(10,471)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>(32,462)</i>	<i>(17,226)</i>	<i>34,258</i>	<i>(1,196)</i>	<i>(16,626)</i>
Changes in impaired interest	-	-	9,391	260	9,651
Amounts written off	-	-	(12,286)	(231)	(12,517)
Foreign exchange differences	-	-	112	-	112
As at 31 March 2023	45,001	13,454	1,717,123	5,789	1,781,367

(in thousands of Ukrainian 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 Ukrainian hryvnias, unless otherwise indicated)

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 the three months ended 31 March of 2023 and in 2022:

	31 March 2023	31 December 2022
Legal entities	-	350,494
SME	-	-
Individuals	-	10,023
Total undiscounted ECLs at initial recognition of POCI	-	360,517

Collateral

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

Type of collateral	31 March 2023				<i>Of them in Stage 3 and POCI</i>
	Legal entities	SME	Individuals	Total	Total
Deposits	2,383,922	369,519	2,553	2,755,994	82,555
Real estate	24,709,215	3,327,845	2,300,439	30,337,499	9,336,394
Other assets	21,606,725	5,067,443	1,254,473	27,928,641	4,457,242
Unsecured	9,783,123	1,457,320	1,905,975	13,146,418	4,593,225
Total loans	58,482,985	10,222,127	5,463,440	74,168,552	18,469,416

Type of collateral	31 December 2022				<i>Of them in Stage 3 and POCI</i>
	Legal entities	SME	Individuals	Total	Total
Deposits	2,914,698	371,632	4,751	3,291,081	85,474
Real estate	25,852,654	3,355,331	2,262,951	31,470,936	9,456,049
Other assets	22,524,677	5,412,075	1,471,284	29,408,036	5,042,991
Unsecured	9,909,959	1,642,679	1,970,462	13,523,100	4,995,222
Total loans	61,201,988	10,781,717	5,709,448	77,693,153	19,579,736

The above amounts represent the carrying amounts of the loans before expected credit losses and do not represent the fair value of collateral. The Bank assesses the fair value of collateral at the loan origination, change of collateral 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 2023 and 31 December 2022, other assets include movable property, goods in turnover, etc.

In the absence of collateral the expected credit losses on loans to customers at Stage 3 as at 31 March 2023 and 31 December 2022 would be higher by:

	31 March 2023	31 December 2022
Legal entities	4,047,661	4,483,111
SME	488,297	706,209
Individuals	93,524	125,045
	4,629,482	5,314,365

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

Types of customers	31 March 2023				31 December 2022			
	In foreign currency	In national currency	Total	Impaired	In foreign currency	In national currency	Total	Impaired
State-owned entities and municipalities	6,923,660	9,399,846	16,323,506	2,698,269	7,411,800	10,577,284	17,989,084	2,668,621
Corporate customers	23,408,096	18,751,383	42,159,479	11,281,199	22,670,968	20,541,936	43,212,904	12,432,397
SME	2,167,136	8,054,991	10,222,127	2,376,233	2,168,012	8,613,705	10,781,717	2,435,377
Individuals	1,357,765	4,105,675	5,463,440	2,113,715	1,366,349	4,343,099	5,709,448	2,043,341
Total	33,856,657	40,311,895	74,168,552	18,469,416	33,617,129	44,076,024	77,693,153	19,579,736

(in thousands of Ukrainian 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 customers</i>	31 March 2023			31 December 2022		
	<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-owned entities and municipalities	7,938,803	8,384,703	16,323,506	14,155,950	3,833,134	17,989,084
Corporate customers	23,048,283	19,111,196	42,159,479	27,865,485	15,347,419	43,212,904
SME	5,322,956	4,899,171	10,222,127	7,374,835	3,406,882	10,781,717
Individuals	1,166,217	4,297,223	5,463,440	2,593,447	3,116,001	5,709,448
Total	37,476,259	36,692,293	74,168,552	51,989,717	25,703,436	77,693,153

As at 31 March 2023, loans to customers and finance leases in the amount of UAH 25,181,717 thousand were granted to the ten largest borrowers/groups of Bank's related counterparties (33.95% of the total loans to customers); allowance for expected credit losses of UAH 2,662,214 thousand was made for these loans to customers and finance leases (2022: UAH 25,183,771 thousand, or 32.41%, and the allowance for expected credit losses of UAH 2,446,556 thousand).

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

	31 March 2023	31 December 2022
Extraction, trade in gas and fuel	13,129,917	13,415,120
Trade	10,834,077	10,334,202
Electric power industry	10,771,531	10,966,784
Agriculture and food industry	9,770,551	11,555,348
Real estate	5,858,728	6,030,442
Individuals	5,463,440	5,709,448
Manufacturing	3,950,941	4,063,849
Transport	3,863,120	4,440,555
Construction	2,089,559	2,051,572
Service sector	1,836,608	1,941,336
Metallurgy	1,823,592	1,821,325
Municipality	1,352,784	1,795,762
Finance	173,795	208,207
Telecommunications	29,417	29,958
Other	3,220,492	3,329,245
Total	74,168,552	77,693,153

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

	31 March 2023			31 December 2022		
	<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	1,585	475,728	477,313	–	464,719	464,719
Less: expected credit losses	–	(1,756)	(1,756)	–	(2,560)	(2,560)
Short-term finance lease agreements	1,585	473,972	475,557	–	462,159	462,159
More than one year						
Finance lease	25,657	803,078	828,735	28,687	827,384	856,071
Less: expected credit losses	(6,027)	(488,693)	(494,720)	(7,011)	(492,879)	(499,890)
Long-term finance lease agreements	19,630	314,385	334,015	21,676	334,505	356,181
Total finance lease agreements	21,215	788,357	809,572	21,676	796,664	818,340

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The collateral structure on finance leases by industry and Bank's customer segment is presented in the table below:

	31 March 2023		31 December 2022	
	Legal entities	SME	Legal entities	SME
Transport	-	1,223,102	-	1,158,650
Service sector	-	32,964	-	39,891
Manufacturing	-	15,848	-	32,841
Agriculture and food industry	27,242	-	28,687	-
Real estate	-	4,749	-	4,747
Unsecured	-	2,143	-	55,975
Total	27,242	1,278,806	28,687	1,292,104

The analysis of finance lease receivables in the legal entity and SME loan portfolio as at 31 March 2023 is presented in the table below:

	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	686,306	486,464	268,365	71,836	-	1,512,971
Unearned finance income from future finance leases	(112,466)	(44,985)	(37,912)	(11,560)	-	(206,923)
Investments in finance leases	573,840	441,479	230,453	60,276	-	1,306,048

The analysis of finance lease receivables in the legal entity and SME loan portfolio as at 31 December 2022 is presented in the table below:

	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	939,440	287,565	168,681	72,103	500	1,468,289
Unearned finance income from future finance leases	(48,639)	(44,015)	(37,475)	(17,203)	(167)	(147,499)
Investments in finance leases	890,801	243,550	131,206	54,900	333	1,320,790

10. Investments in securities

Investments in securities at fair value through other comprehensive income include:

	31 March 2023	31 December 2022
Ukrainian domestic government bonds (UDGB)	24,925,802	20,630,471
State Mortgage Institution bonds	1,500,312	1,353,913
Municipal bonds	916,682	1,130,540
Corporate bonds	91,849	90,893
Corporate shares	11,333	11,332
Investments in securities at fair value through other comprehensive income	27,445,978	23,217,149

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 in securities 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.

Movements in gross carrying amount of investments in securities at fair value through other comprehensive income include:

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***Investments in securities at fair value through other comprehensive income**

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	5,895,024	17,354,591	2,015,955	25,265,570
New created and purchased assets	13,436,681	-	-	13,436,681
Assets repaid	(1,336,835)	(1,211,595)	-	(2,548,430)
Assets sold	(6,671,612)	(806,460)	-	(7,478,072)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Accrued income (expenses)	442,964	487,849	51,828	982,641
Write-offs	-	-	-	-
Foreign exchange differences	(119)	-	-	(119)
Gross carrying amount as at 31 March 2023	11,766,103	15,824,385	2,067,783	29,658,271

Investments in securities at fair value through other comprehensive income

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	28,018,429	-	2,015,389	30,033,818
New created and purchased assets	34,217,788	-	-	34,217,788
Assets repaid	(28,467,148)	-	(671,770)	(29,138,918)
Assets sold	(13,264,837)	-	-	(13,264,837)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(17,354,591)	17,354,591	-	-
Transfer to Stage 3	(399,133)	-	399,133	-
Accrued income (expenses)	2,994,378	-	273,203	3,267,581
Write-offs	-	-	-	-
Foreign exchange differences	150,138	-	-	150,138
Gross carrying amount as at 31 December 2022	5,895,024	17,354,591	2,015,955	25,265,570

Changes in expected credit losses for the three months ended 31 March 2023 were as follows:

Investments in securities at fair value through other comprehensive income

	Stage 1	Stage 2	Stage 3	Total
Expected credit losses as at 1 January 2022	139,009	854,204	105,352	1,098,565
New created and purchased assets	242,735	-	-	242,735
Assets repaid	(2,320)	(1,395)	-	(3,715)
Assets sold	(5,189)	(4,615)	-	(9,804)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in expected credit losses	(4,481)	(129,005)	306	(133,180)
Write-offs	-	-	-	-
Exchange differences	14	-	-	14
Expected credit losses as at 31 December 2022	369,768	719,189	105,658	1,194,615

For the purpose of ECL determination of Ukrainian government bonds the Bank applied PD and LGD of international credit agencies based on the Ukraine's credit rating as of 31 March 2023.

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

Investments in securities at fair value through other comprehensive income

	Stage 1	Stage 2	Stage 3	Total
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	-
Changes in expected credit losses	(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 Ukrainian hryvnias, unless otherwise indicated)

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

As at 31 March 2023, UDGB with fair value of UAH 1,055,976 thousand (2022: UAH 1,084,684 thousand) were pledged for a long-term loans received from a credit institution (Note 19).

As at 31 March 2023, UDGB with the fair value of UAH 11,188,500 thousand were pledged as collateral for loans received from the National Bank of Ukraine (2022: UAH 16,566,069 thousand) (Note 17).

11. Derivative financial assets and liabilities

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 in the following foreign currencies: US dollar and Euro.

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

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

	31 March 2023				31 December 2022			
	Notional amount		Fair value		Notional amount		Fair value	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts								
Swaps/forwards	7,892,544	(7,864,960)	27,674	(90)	2,941,048	(2,926,410)	14,972	(334)
Spots	2,465,219	(2,464,027)	1,666	(474)	443,413	(443,719)	97	(403)
Total derivative financial assets/ (liabilities)			29,340	(564)			15,069	(737)

12. Investment property

Movements in investment property items were as follows:

	31 March 2023	31 December 2022
Carrying amount as at 1 January	156,366	153,955
Additions	–	1,497
Fair value adjustment	–	914
Carrying amount as at 31 March / 31 December	156,366	156,366

Income from investment property includes rental income in the amount of UAH 3,092 thousand (2022: UAH 12,664 thousand).

To determine the fair value of investment property as at 31 December 2022, the Bank engaged independent appraisers. Comparative and income approaches to valuation were mainly used to determine the fair value of the real property items.

13. Taxation

Income tax expenses comprise:

	31 March 2023	31 March 2022
Current income tax expenses	–	–
Changes in deferred taxes — origination and reversal of temporary differences	(19,558)	(232)
Income tax Reimbursement / (expenses)	(19,558)	(232)

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The difference between the total expected tax expense computed by applying the statutory income tax rate to the reported income tax expense is summarized below:

	31 March 2023	31 March 2022
Profit / (loss) before tax	1,414,001	(1,409,116)
Statutory tax rate	18%	18%
Income tax expense / (Reimbursement) at the statutory rate	254,520	(253,641)
Non-deductible expense for taxation	3,896	5,497
Changes in recognized deferred tax assets / (liabilities)	(19,191)	-
Changes in unrecognized deferred tax assets	(258,783)	247,912
Income tax expense / (Reimbursement)	(19,558)	(232)

As at 31 March 2023 and 2022, deferred tax assets and liabilities and their movements for the respective periods were as follows:

	<i>Origination and reversal of temporary differences</i>		<i>31 March 2023</i>	<i>Origination and reversal of temporary differences</i>		<i>31 March 2022</i>
	<i>In profit or loss</i>	<i>In equity</i>		<i>In profit or loss</i>	<i>In equity</i>	
Tax effect of non-taxable temporary differences						
Assessment of investments at fair value through other comprehensive income	19 720	(19 720)	-	-	-	-
Property, equipment and intangible assets	(162)	-	29 976	232	-	32 486
Deferred tax assets/ (liabilities), net amount	19 558	(19 720)	29 976	232	-	32 486
Deductible temporary differences for which no deferred tax assets is recognized						
Tax losses carried forward	(258 783)	-	426 212	247 911	-	247 911
Assessment of investments at fair value through other comprehensive income	-	31 869	339 896	-	57 126	97 600
Deferred tax assets, unrecognized	(258 783)	31 869	766 108	247 911	57 126	345 511

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 accordance with the norms of the current tax legislation, the object of taxation with income tax is the financial result before taxation, defined in the financial statements of the Bank in accordance with IFRS, adjusted for differences, which are defined by the norms of the Tax Code of Ukraine. Thus, tax accounting is carried out on the basis of accounting with subsequent tax adjustments for the purpose of timely and reliable tax reporting.

Deferred tax assets related to revaluation of securities are not recognized by the Bank, as realization of the deferred tax assets is improbable.

The Bank does not recognize deferred tax assets in relation to tax losses (the negative value of the taxable item of previous tax (reporting) years) due to the existence of significant uncertainty regarding the receipt of sufficient taxable profit in the following reporting periods.

The unrecognized deferred tax assets has no expiration date.

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***14. Property, equipment and intangible assets**

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

Note	Buildings and land plots	Furniture and equipment	Leasehold improvements	Motor vehicles	Construction in progress and items not yet available to use	Intangible assets	Total
Cost or revalued amount							
As at 1 January 2023	839,734	1,081,349	32,288	72,135	31,350	729,903	2,786,759
Additions	1,608	19,498	-	-	9,271	1,237	31,614
Disposals	-	(4,752)	-	-	-	-	(4,752)
Transfers	101	3,891	31	-	(3,220)	(803)	-
Recovery of utility	-	2,386	-	-	-	11	2,397
As at 31 March 2023	841,443	1,102,372	32,319	72,135	37,401	730,348	2,816,018
Accumulated depreciation							
As at 1 January 2023	-	860,848	29,027	61,184	-	601,675	1,552,734
Depreciation charges	5,625	38,397	734	2,166	-	31,920	78,842
Disposals	-	(4,704)	-	-	-	-	(4,704)
Recovery of utility	-	2,386	-	-	-	11	2,397
As at 31 March 2023	5,625	896,927	29,761	63,350	-	633,606	1,629,269
Net book value							
As at 1 January 2023	839,734	220,501	3,261	10,951	31,350	128,228	1,234,025
As at 31 March 2023	835,818	205,445	2,558	8,785	37,401	96,742	1,186,749

Note	Buildings and land plots	Furniture and equipment	Leasehold improvements	Motor vehicles	Construction in progress and items not yet available to use	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	-	120,114	-	-	76,852	117,578	314,544
Disposals	(16,344)	(40,627)	(7,122)	(6,616)	-	(49,227)	(119,936)
Transfers	1,892	43,459	407	3,103	(48,861)	-	-
Revaluation	732	-	-	-	-	-	732
Impairment	-	(15)	-	-	-	-	(15)
Reclassification from Right-of-use assets	14	-	-	29,096	-	-	29,096
Reclassification to Assets held for sale	15	-	(116)	-	-	-	(116)
As at 31 December 2022	839,734	1,081,349	32,288	72,135	31,350	729,903	2,786,759
Accumulated depreciation							
As at 1 January 2022	-	765,212	30,192	40,790	-	539,119	1,375,313
Depreciation charges	21,999	130,054	4,712	6,662	-	111,783	275,210
Disposals	(349)	(40,271)	(6,079)	(6,003)	-	(49,227)	(101,929)
Revaluation	(21,651)	-	-	-	-	-	(21,651)
Impairment	1	5,935	202	151	-	-	6,289
Reclassification from Right-of-use assets	14	-	-	19,584	-	-	19,584
Reclassification to Assets held for sale	15	-	(82)	-	-	-	(82)
As at 31 December 2022	-	860,848	29,027	61,184	-	601,675	1,552,734
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 December 2022	839,734	220,501	3,261	10,951	31,350	128,228	1,234,025

To determine the fair value of buildings and land plots as at 31 December 2022, the Bank engaged independent appraisers. Comparative and income approaches to valuation were mainly used to determine the fair value of buildings. 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 2023 would amount to UAH 813,293 thousand (2022: UAH 835,105 thousand).

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***15. Right-of-use assets and lease liabilities**

Right-of-use assets and lease liabilities comprise:

	Right-of-use assets					Lease liability
	Note	Buildings	Furniture and equipment	Motor vehicles	Total	
As at 1 January 2023		165,801	76	236	166,113	163,506
Additions		45,926	1	-	45,927	45,927
Early termination		(7,816)	-	-	(7,816)	(7,947)
Depreciation expense		(21,102)	(77)	(59)	(21,238)	-
Interest expense		-	-	-	-	3,415
Payments		-	-	-	-	(24,141)
As at 31 March 2023		182,809	-	177	182,986	180,760

	Right-of-use assets					Lease liability
	Note	Buildings	Furniture and equipment	Motor vehicles	Total	
As at 1 January 2022		194,973	74	60,617	255,664	230,772
Additions		66,473	339	494	67,306	67,306
Early termination		(10,750)	-	(45,685)	(56,435)	(44,315)
Depreciation expense		(84,895)	(337)	(5,338)	(90,570)	-
Interest expense		-	-	-	-	12,642
Payments		-	-	-	-	(102,899)
Impairment		-	-	(340)	(340)	-
Reclassification to Property, equipment and intangible assets	14	-	-	(9,512)	(9,512)	-
As at 31 December 2022		165,801	76	236	166,113	163,506

For the three months ended 31 March 2023, the Bank recognized expenses on short-term leases, leases of low-value assets and variable lease payments in the amount of UAH 21,280 thousand (31 March 2022: UAH 9,219 thousand).

For the three months ended 31 March 2023, the total lease-related cash outflow amounted to UAH 45,121 thousand (31 March 2022: UAH 31,551 thousand).

16. Other assets and liabilities

Other assets comprise:

	31 March 2023	31 December 2022
Other financial assets		
Receivables for securities	400 040	400,040
Clearing payments for payment cards	301 795	580,135
Other accrued income	129 359	143,540
Other receivables due to banks	101 408	190,928
Other	28 359	19,551
	960 961	1,334,194
Less: expected credit losses on other financial assets	(446 457)	(433,439)
Total other financial assets	514 504	900,755

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	31 March 2023	31 December 2022
Other non-financial assets		
Other property	340,167	337,064
Prepayments	196,301	313,641
Receivables for property rights	110,887	110,887
Cash and precious metals located in the temporarily occupied territory	65,677	63,428
Inventories	18,871	14,466
Receivables from employees	11,319	9,548
Prepayments for the assets to be provided under finance leases	2,612	2,612
Precious metals	1,563	1,349
Taxes recoverable, other than income tax	1,210	946
Other	41,762	52,804
	790,369	906,745
Less: allowance for impairment on other non-financial assets	(210,291)	(197,318)
Total other non-financial assets	580,078	709,427

As at 31 March 2023, the carrying value of other property was UAH 340,168 thousand (2022: UAH 337,064 thousand).

	<i>Land plots</i>	<i>Non-residential property</i>	<i>Residential property</i>	<i>Ownership rights to real estate</i>	<i>Movables, furniture and equipment</i>	<i>Total</i>
Cost						
As at 1 January 2023	20,458	224,295	66,759	6,561	18,991	337,064
Additions	–	3,104	–	–	–	3,104
As at 31 March 2023	20,458	227,399	66,759	6,561	18,991	340,168

	<i>Land plots</i>	<i>Non-residential property</i>	<i>Residential property</i>	<i>Ownership rights to real estate</i>	<i>Movables, furniture and equipment</i>	<i>Total</i>
Cost						
As at 1 January 2022	21,642	262,088	75,936	6,561	19,126	385,353
Additions	2,304	–	5,974	–	–	8,278
Sale	(2,960)	(33,707)	(8,623)	–	–	(45,290)
Impairment	(528)	(4,086)	(6,528)	–	(135)	(11,277)
As at 31 December 2022	20,458	224,295	66,759	6,561	18,991	337,064

To determine the fair value of other property as at 31 December 2022, the Bank engaged independent appraisers. Comparative and income approaches to valuation were mainly used to estimate the fair value of other property. Based on the analysis of the assessment, the value of other property was written down to its fair value.

The analysis of changes in the expected credit loss allowance for other financial assets for the three months ended 31 March 2023 is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2023	2,412	6,729	424,298	433,439
New assets originated or purchased	3,076	3,735	5	6,816
Assets repaid	(403)	(280)	(257)	(940)
Transfer to Stage 1	17	(11)	(6)	–
Transfer to Stage 2	(5)	64	(59)	–
Transfer to Stage 3	(9)	(6,366)	6,375	–
Changes in expected credit losses	4,182	62	2,854	7,098
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	6,858	(2,796)	8,912	12,974
Write-offs	–	–	(423)	(423)
Foreign exchange differences	2	–	465	467
As at 31 March 2023	9,272	3,933	433,252	446,457

(in thousands of Ukrainian 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 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 loss allowance expense before the effect of foreign exchange differences</i>	<i>2,752</i>	<i>2,168</i>	<i>984</i>	<i>5,904</i>
Write-offs	-	-	-	-
Foreign exchange differences	1	-	208	209
As at 31 March 2022	3,182	2,728	523,033	528,943

Analysis of changes in the impairment provision for other non-financial assets for the three months ended 31 March 2023 is as follows:

	Other assets
As at 1 January 2022	197,318
Accrual	11,528
<i>Total impairment provision-related expense before the effect of exchange differences</i>	<i>11,528</i>
Amounts written off	(139)
Foreign exchange differences	1,584
As at 31 December 2022	210,291

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
Reversal	(619)
<i>Total impairment provision-related expense before the effect of exchange differences</i>	<i>(619)</i>
Foreign exchange differences	4,964
As at 31 March 2022	186,672

Other liabilities comprise:

	31 March 2023	31 December 2022
Other financial liabilities		
Payables for operations with clients	189,259	106,678
Lease liabilities	180,760	163,506
Payables for operations with payment cards	51,805	267,411
Accrued expenses for cash and settlements	33,021	50,688
Accounts payable for professional services	30,030	29,402
Accounts payable for operations with banks	18,871	7,481
Accounts payable for acquiring assets	10,757	12,906
Maintenance of premises	10,544	4,915
Rent of premises	7,520	7,377
Communication services	6,331	7,247
Payables for the assets to be provided under finance leases	4,931	2,888
Payables for operations with clients on purchase and sale of foreign currency, bank and precious metals	4,370	38,500
Repair and maintenance of property, plant and equipment	3,623	1,150
Payables to payment cards transactions processing center	1,867	1,923
Other	48,250	69,301
Total other financial liabilities	601,939	771,373

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	31 March 2023	31 December 2022
Other non-financial liabilities		
Accruals for unused vacations	364,542	325,864
Payables for payments to the Individual Deposit Guarantee Fund	56,087	51,401
Deferred income	55,498	48,345
Payables on taxes and mandatory contributions, except for income tax	43,598	28,455
Accounts payable for payments to employees	3,541	2,775
Other	2,308	70,075
Total other non-financial liabilities	525,574	526,915
Total other liabilities	1,127,513	1,298,288

As at 31 March 2023, other financial liabilities include balances in the amount of UAH 2,371 thousand counterparties with geographic jurisdiction in the russian federation and the republic of belarus (2022: UAH 2,862 thousand).

17. Due to banks

Due to banks comprise:

	31 March 2023	31 December 2022
Current accounts	3,398,011	4,595,444
Due to the National Bank of Ukraine	999,611	998,956
Other amounts due to banks	973,125	973,126
Due to banks	5,370,747	6,567,526

Loans from the National Bank of Ukraine include:

	Maturity	Interest rate	31 March 2023	Interest rate	31 December 2022
Long-term loans obtained through refinancing	9 January 2026	25%	999,611	25%	998,956
Total due to the National Bank of Ukraine			999,611		998,956

As at 31 March 2023, the discount rate of the National Bank of Ukraine was 25% (2022: 25%).

As at 31 March 2023, the following assets were pledged as a collateral for loans received from the National Bank of Ukraine:

	Notes	31 March 2023	31 December 2022
UDGB and UDMB	11	11,188,500	16,566,069
Total		11,188,500	16,566,069

The loan agreement with the National Bank of Ukraine was concluded with a total restorative refinancing limit of UAH 41,112,415 thousand until October 2028.

As at 31 March 2023, the balances of due to banks amounted to UAH 3,397,125 thousand (63.25%) raised from three banks (2022: balances amounted to UAH 3,254,132 thousand (49.55%) raised from three banks).

As at 31 March 2023, current accounts due to banks included funds raised in precious metals, which are measured at fair value through profit or loss in the amount to UAH 89,140 thousand (2022: UAH 82,465 thousand).

As at 31 March 2023, the funds of credit institutions include balances in the amount of UAH 8,033 thousand borrowed from banks of the russian federation and the republic of belarus (2022: 8,033).

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***18. Due to customers**

Due to customers by operating segments comprise:

	31 March 2023	31 December 2022
Current accounts		
- Legal entities	54,671,347	41,472,462
- SME	10,715,528	12,800,410
- Individuals	14,838,934	16,718,093
	80,225,809	70,990,965
Time deposits		
- Legal entities	21,306,253	17,897,959
- SME	10,629,973	8,552,785
- Individuals	15,959,737	15,336,904
	47,895,963	41,787,648
Due to customers	128,121,772	112,778,613

As at 31 March 2023, balances due to customers of UAH 35,443,456 thousand (27.66%) included the amounts due to ten largest customers of the Bank (2022: UAH 17,909,400 thousand (15.88%).

As at 31 March 2023, balances due to budget organizations amounted to UAH 1,266,233 thousand and included the amounts due to customers: UAH 1,263,899 thousand - in the Legal entities segment (2022: UAH 998,160 thousand) and UAH 2,334 thousand - in the SME segment (2022: UAH 1,181 thousand).

As at 31 March 2023, balances due to customers included funds raised in precious metals, which are measured at fair value through profit or loss, in the amount of UAH 16,948 thousand in the Legal entities segment (2022: UAH 15,553 thousand), UAH 162,728 thousand - in the Individuals segment (2022: UAH 149,330 thousand). As at 31 March 2023, there was no change in the fair value of funds raised in precious metals due to changes in credit risk (2022: none).

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

	31 March 2023	31 December 2022
Individuals	30,884,667	32,138,432
Service sector	25,001,409	14,238,343
Power engineering	21,083,328	14,069,274
Transport	13,459,291	13,668,126
Production	10,880,166	11,021,968
Trade	8,867,812	8,258,425
Finance	4,460,383	5,143,687
Agriculture and food industry	3,912,474	3,643,022
Insurance	2,981,917	3,213,145
Metallurgy	2,243,991	2,736,019
Construction	1,157,338	1,464,692
Other	3,188,996	3,183,480
Due to customers	128,121,772	112,778,613

As at 31 March 2023, balances due to customers by industry in the Individuals segment in the amount of UAH 30,884,667 thousand (2022: UAH 32,138,432 thousand) included SME share of due to customers in the amount of UAH 85,996 thousand (2022: UAH 83,435 thousand).

As at 31 March 2023, items attributed to Other included the funds of non-resident legal entities of UAH 3,099,950 thousand (2022: UAH 3,099,941 thousand).

As at 31 March 2023, loans and advances to customers were secured by amounts due to customers of UAH 2,755,994 thousand (2022: UAH 3,291,081 thousand) (Note 9).

As at 31 March 2023, amounts due to customers were pledged to secure the commitments and contingencies in the amount of UAH 3,056,736 thousand (2022: UAH 4,832,300 thousand) (Note 21).

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***19. Other borrowed funds**

Other borrowed funds comprise:

	31 March 2023	31 December 2022
Term deposits and loans	3,537,947	3,385,858
Other borrowed funds	3,537,947	3,385,858

As at 31 March 2023, the balances of other borrowed funds amounted to UAH 2,779,865 thousand (78.57%) raised from three banks (2022: balances amounted to UAH 2,759,266 thousand 81.49%) raised from three banks).

As at 31 March 2023, a long-term loans received from credit institutions were secured by the Ukrainian domestic government bonds with a fair value of UAH 1,055,976 thousand (2022: UAH 1,084,684 thousand) (Note 10).

Note 27 provides information as at 31 March 2023 on breaches of covenants in relation to term loans obtained from credit institutions amounted to UAH 3,965,945 thousand. (2022: UAH 3,339,098 thousand).

20. Equity**Share capital**

As at 31 March 2023, the authorized issued share capital comprised 13,836,522,922 ordinary shares and 477,078 preferred shares (2022: 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 2021	13,836,523	477	13,836,523	477	13,837,000	13,837,000
Issued and registered shares	–	–	–	–	–	–
As at 31 December 2022	13,836,523	477	13,836,523	477	13,837,000	13,837,000
Issued and registered shares	–	–	–	–	–	–
As at 31 March 2023	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 percent of the Bank's profit until it reaches 25 percent of the Bank's regulatory capital. As at 31 March 2023, the Bank's reserve fund amounted to UAH 967,777 thousand (2022: UAH 967,777 thousand). The Reserve Fund is included in the line "Reserve and other funds of the Bank" of the Statement of Financial Position.

If as a result of the Bank'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 percent of the Bank's net profit until it reaches 35 percent of the Bank's share capital.

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***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 2022	224,594	(226,779)	(2,185)
Revaluation of property, plant and equipment	23,127	–	23,127
Income tax related to revaluation of property and equipment	(4,812)	–	(4,812)
Net change in fair value of debt instruments at fair value through other comprehensive income	–	(1,449,078)	(1,449,078)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	–	(37,331)	(37,331)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	–	749,789	749,789
Income tax associated with revaluation of securities	–	(134,962)	(134,962)
Transfer as a result of disposal of assets	(8,989)	–	(8,989)
As at 31 December 2022	233,920	(1,098,361)	(864,441)
Net change in fair value of debt instruments at fair value through other comprehensive income	–	(158,891)	(158,891)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	–	(18,156)	(18,156)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	–	109,555	109,555
Income tax associated with revaluation of securities	–	(19,720)	(19,720)
Transfer as a result of disposal of assets	–	–	–
As at 31 March 2023	233,920	(1,185,573)	(951,653)

21. Commitments and contingencies**Legal**

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

Taxation

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

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

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***Commitments and contingencies**

As at 31 March 2023 and 31 December 2022, contractual commitments and contingencies were as follows:

	31 March 2023	31 December 2022
Credit-related commitments		
Financial guarantees	6,984,130	8,009,244
Loan commitments	10,615,665	10,875,864
Letters of credit:	4,915,695	5,226,349
- including secured letters of credit	383,675	568,059
- including unsecured letters of credit	4,532,020	4,658,290
Aval	6,666	19,133
	22,522,156	24,130,590
Performance guarantees	655,124	856,764
	655,124	856,764
Commitments and contingencies	23,177,280	24,987,354

As at 31 March 2023, loan commitments amounted to UAH 10,615,665 thousand (2022: UAH 10,875,864 thousand), including

- ▶ loan commitments to strategic customers of the Bank (clients to whom the Bank will fulfill its lending obligations in conditions of crisis and limited liquidity) in the amount of UAH 2,312,073 thousand (2022: UAH 2,569,681 thousand)
- ▶ loan commitments to other customers of the Bank in the amount of UAH 8,303,592 thousand (2022: UAH 8,306,183 thousand).

As at 31 March 2023 and 31 December 2022, the loan commitments are revocable commitments.

As at 31 March 2023, the estimated allowances for ECLs in respect of credit-related commitments amounted to UAH 236,689 thousand (2022: UAH 302,744 thousand).

As at 31 March 2023, the estimated allowances for performance guarantees amounted to UAH 18,144 thousand (2022: UAH 143 thousand).

As at 31 March 2023, the commitments and contingencies were secured by cash collateral for UAH 3,056,736 thousand (2022: UAH 4,832,300 thousand) (Note 18) .

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

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	23,934	203,193	42,399	269,526
New guarantees	17,931	-	-	17,931
Expired guarantees	(3,363)	(2,268)	-	(5,631)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(17,674)	17,674	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(16,220)	(51,503)	-	(67,723)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(19,326)</i>	<i>(36,097)</i>	<i>-</i>	<i>(55,423)</i>
Foreign exchange differences	(14)	-	-	(14)
As at 31 March 2023	4,594	167,096	42,399	214,089

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	37	156	-	193
New guarantees	5	-	-	5
Expired guarantees	(14)	(7)	-	(21)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(24)	(151)	-	(175)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(33)</i>	<i>(158)</i>	<i>-</i>	<i>(191)</i>
Foreign exchange differences	-	2	-	2
As at 31 March 2023	4	-	-	4

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 in allowance	100,305	3,466	-	103,771
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(6,879)</i>	<i>114,195</i>	<i>-</i>	<i>107,316</i>
Foreign 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 in allowance	70,891	-	-	70,891
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(119)</i>	<i>-</i>	<i>71,332</i>	<i>71,213</i>
Foreign exchange differences	5	-	-	5
As at 31 March 2022	5	-	71,333	71,338

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

Legal entities	Total
As at 1 January 2023	126
Accrual/(reversal)	17,991
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>17,991</i>
Foreign exchange differences	-
As at 31 March 2023	18,117

SME	Total
As at 1 January 2023	17
Accrual/(reversal)	10
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>10</i>
Foreign exchange differences	-
As at 31 March 2023	27

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

Legal entities	Total
As at 1 January 2022	805
Accrual/(reversal)	(173)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(173)
Foreign exchange differences	44
As at 31 March 2022	676

SME	Total
As at 1 January 2022	3
Accrual/(reversal)	1
<i>Total allowance expense before the effect of foreign exchange differences</i>	1
Foreign exchange differences	-
As at 31 March 2022	4

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

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	2,629	219	-	2,848
New loan commitments	813	-	-	813
Expired loan commitments	(66)	(412)	-	(478)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(395)	395	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(1,765)	1,897	-	132
<i>Total allowance expense before the effect of foreign exchange differences</i>	(1,413)	1,880	-	467
Foreign exchange differences	-	-	-	-
As at 31 March 2023	1,216	2,099	-	3,315

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	212	38	-	250
New loan commitments	10	-	-	10
Expired loan commitments	(4)	(35)	-	(39)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(83)	(19)	-	(102)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(94)	(37)	-	(131)
Foreign exchange differences	-	-	-	-
As at 31 March 2023	118	1	-	119

Individuals	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	23,544	8	6,371	29,923
New loan commitments	1,357	-	57	1,414
Expired loan commitments	(332)	-	(854)	(1,186)
Transfer to Stage 1	2,153	(7)	(2,146)	-
Transfer to Stage 2	(122)	1,380	(1,258)	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(8,887)	(1,376)	(726)	(10,989)
<i>Total allowance expense before the effect of foreign exchange differences</i>	(5,831)	(3)	(4,927)	(10,761)
Foreign exchange differences	-	-	-	-
As at 31 March 2023	17,713	5	1,444	19,162

(in thousands of Ukrainian 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 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 in allowance	(2,364)	(160,433)	7,024	(155,773)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(2,294)</i>	<i>(160,433)</i>	<i>7,024</i>	<i>(155,703)</i>
Foreign exchange differences	3	213	-	216
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 in allowance	2,429	(36)	(1,987)	406
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(76)</i>	<i>(31)</i>	<i>495</i>	<i>388</i>
Foreign 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 in allowance	685	2,282	(5,620)	(2,653)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>106</i>	<i>-</i>	<i>(3,224)</i>	<i>(3,118)</i>
Foreign exchange differences	-	-	239	239
As at 31 March 2022	2,361	1	5,464	7,826

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

Assets pledged as collateral

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

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

Liability type	Liability amount	Asset type	Asset carrying amount
Long-term loans obtained through refinancing from NBU	999,611	UDGB and UDMB	11,188,500
Long-term loan from a financial institution	791,399	UDGB	1,055,976
Total	1,791,010		12,244,476

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

As at 31 December 2022, the assets pledged by the Bank as collateral include:

<i>Liability type</i>	<i>Liability amount</i>	<i>Asset type</i>	<i>Asset carrying amount</i>
Long-term loans obtained through refinancing from NBU	998,956	UDGB	16,566,069
Long-term loan from a financial institution	664,241	UDGB	1,084,684
Total	1,663,197		17,650,753

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

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

	<i>Provision for legal and other risks</i>
As at 1 January 2023	395,920
Accrual	(431)
Write-off	(135,206)
As at 31 March 2023	260,283
	<i>Provision for legal and other risks</i>
As at 1 January 2022	265,297
Write-off	(21)
As at 31 March 2022	265,276

22. Net fee and commission income

Net fee and commission income comprised:

	<i>For the three months, ended 31 March 2023</i>	<i>For the three months, ended 31 March 2022</i>
Settlements	420,811	356,369
Agent operations in the foreign exchange market	103,238	43,254
Guarantees and letters of credit	90,177	97,515
Loan servicing to customers	7,355	49,788
Transactions with securities	1,348	3,174
Other	5,619	8,475
Fee and commission income	628,548	558,575
Settlements	(211,271)	(176,913)
Guarantees and letters of credit	(46,702)	(54,586)
Agent operations in the foreign exchange market	(10,604)	(5,278)
Other	(154)	(2,678)
Fee and commission expense	(268,731)	(239,455)
Net fee and commission income	359,817	319,120

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***23. Net gains / (losses) on foreign exchange operations and precious metals**

Net gains on operations with foreign currencies and precious metals comprise:

	<i>For the three months, ended 31 March 2023</i>	<i>For the three months, ended 31 March 2022</i>
Dealing	91,868	78,532
Foreign exchange differences	47,251	388,664
Net gains / (losses) on foreign exchange operations and precious metals	139,119	467,196

24. Other income

Other income comprised:

	<i>For the three months, ended 31 March 2023</i>	<i>For the three months, ended 31 March 2022</i>
Fees from insurance companies and banks	16,116	15,597
Recovery of expenses on finance lease agreements	6,835	16,703
Recovery of previously written-off assets	5,600	4,970
Recognition of the fair value of buildings	3,104	-
Gain on marketing support services	2,925	1,042
Compensation costs for utilities of premises leased	2,817	2,688
Penalties received and other fees for overdue payments under loan agreements	2,735	21,741
Gain from sale of investment and commemorative coins	2,730	734
Gain from sale of hardware devices (USB token)	832	565
Recovery of litigation expenses	715	1,410
Surplus cash collection at ATMs	629	593
Gain from acquired ownership of the amounts due to customers	412	256
Recovery of registration costs	98	252
Proceeds from sale of property, equipment and intangible assets	46	412
Positive result from sale of written-off assets	-	5,815
Other	4,494	5,264
Total other income	50,088	78,042

There are cases in the Bank 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.

25. 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 2023:

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	Notes	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	12,451	-	-	-	12,451
Loans and advances to banks	8	(672)	-	-	-	(672)
Loans and advances to customers	9	(69,461)	129,569	(874,976)	(5,826)	(820,694)
Investments in securities at fair value through other comprehensive income	10	238,254	(129,005)	306	-	109,555
Return of loans to customers written-off in the current year		-	-	-	-	-
Other financial assets	16	6,858	(2,796)	8,912	-	12,974
Financial guarantees	21	(19,359)	(36,255)	-	-	(55,614)
Undrawn loan commitments	21	(7,338)	1,840	(4,927)	-	(10,425)
Total credit loss expense		160,733	(36,647)	(870,685)	(5,826)	(752,425)

The statement of profit or loss and other comprehensive income for the three months ended 31 March 2023 also includes changes in the following other provisions:

- ▶ provisioning-related expenses for other non-financial assets in the amount of UAH 11,528 thousand (Note 16);
- ▶ reversal of provisions for legal risks in the amount of UAH (431) thousand (Note 21);
- ▶ provisioning-related expenses for performance guarantees in the amount of UAH 18,001 thousand (Note 21).

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:

	Notes	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	(2,474)	-	-	-	(2,474)
Loans and advances to banks	8	(3,896)	-	-	-	(3,896)
Loans and advances to customers	9	(151,831)	438,022	1,403,964	24,688	1,714,843
Investments in securities at fair value through other comprehensive income	10	2,453	-	198,400	-	200,853
Other financial assets	16	2,752	2,168	984	-	5,904
Financial guarantees	21	(6,998)	114,195	71,332	-	178,529
Undrawn loan commitments	21	(2,264)	(160,464)	4,295	-	(158,433)
Total credit loss expense		(162,258)	393,921	1,678,975	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 16);
- ▶ reversal of provisions for performance guarantees in the amount of UAH (172) thousand (Note 21).

26. Staff costs and other operating expense

Staff costs and other operating expense comprise:

	For the three months, ended 31 March 2023	For the three months, ended 31 March 2022
Salaries and bonuses	609,449	464,155
Employment taxes	112,570	109,357
Other staff costs	37,485	102,452
Staff costs	759,504	675,964
Payments to the Individual Deposit Guarantee Fund	56,088	46,129
Repair and maintenance of property, plant and equipment	46,165	55,716
Taxes, other than income tax	32,295	22,617
Office supplies	31,915	27,024
Communication services	25,947	47,935
Lease and maintenance of premises	23,083	17,773
Software support	12,098	15,875
Professional services	9,320	14,898
Security	8,978	10,339

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	<i>For the three months, ended 31 March 2023</i>	<i>For the three months, ended 31 March 2022</i>
Expenses for the accumulation of values	6,215	7,485
Charity	1,403	377,578
Business trips	383	111
Fines and penalties	303	–
Marketing and advertising	44	2,161
Other	17,229	15,901
Other operating expense	271,466	661,542

27. Risk management

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

The risk management system is based on the segregation of duties among the Bank departments with using a model incorporating a concept of three security lines:

- ▶ first line – at the level of business departments and the Bank operation support departments;
- ▶ second line – at the level of risk management departments, including the department of risk management, social and environmental risk management, and the compliance department;
- ▶ third line – at the level of the internal audit department to review and evaluate the effectiveness of the risk management system.

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 financing, considers reporting on the Bank's risk profile, reviews the results of stress-testing, approves the CRO appointment and dismissal, identifies cases of the prohibition (veto) by the CRO, 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 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.

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 customers, 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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

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 methodology, risk assessment tools and models, ensure coordination of risk management related work with other structural units of the Bank, calculate the Bank 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 shall 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 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 activities until the moment of their implementation in order to make appropriate management decisions, ensure the organization of control over the Bank 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 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 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

To manage credit risk, the Bank applies the following practical measures:

- ▶ setting a limit on the share of non-performing assets in the loan portfolio;
- ▶ setting limits on the growth of new non-performing assets during the reporting year;
- ▶ setting limits on the cost of risk (accumulated amount of provision expenses to the average value of the loan portfolio for the relevant period);
- ▶ setting restrictions on credit transactions that may violate the maximum credit risk exposure per counterparty (N7);
- ▶ setting limits on the concentration of the loan portfolio by industry;
- ▶ setting limits on the share of debt of the largest counterparty and the 20 largest counterparties in the loan portfolio.

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.

Derivative financial assets and liabilities

Credit risk arising from derivative financial assets and liabilities 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 details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Classification of the Bank's financial assets according to external credit ratings

As at 31 March 2023, the credit rating of Ukraine, according to the international rating agencies, was CC (2022: CCC-). The Bank uses the following approach to determining the rating based on the ratings of several international rating agencies:

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

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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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

	AAA – A	BBB – BB	B	CCC	Below CCC	Not rated	31 March 2023
Cash and cash equivalents (other than cash on hand)	19,543,827	7,072,378	–	359,752	19,889,351	–	46,865,308
Loans and advances to banks	1,254,801	92,499	–	9,392	611	511,801	1,869,104
Derivative financial assets	241	1,418	–	95	797	26,789	29,340
Investments in securities at fair value through other comprehensive income	–	–	–	–	24,311,545	3,134,433	27,445,978

As at 31 December 2022, the classification of the Bank financial assets by credit ratings is as follows:

	AAA – A	BBB – BB	B	CCC	Below CCC	Not rated	31 December 2022
Cash and cash equivalents (other than cash on hand)	16,909,150	3,420,064	–	173,970	11,783,336	–	32,286,520
Loans and advances to banks	1,026,540	985,699	–	9,162	–	399,168	2,420,569
Derivative financial assets	–	97	–	229	–	14,743	15,069
Investments in securities at fair value through other comprehensive income	20	–	–	–	23,121,584	95,545	23,217,149

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

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)	Probability of Default is an estimate of the likelihood that counterparties fail to discharge their Default (PD) contractual obligations.
Exposure at Default (EAD)	The Exposure at Default 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)	<i>The Loss Given Default is an estimate of the loss arising in the case where a default by the counterparty occurs.</i> 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

For the purposes of the assessment of ECL, the Bank recognizes the occurrence of an event of default on a financial instrument and, accordingly, assigns this asset to Stage 3 (credit-impaired assets) in the case of overdue payments under the contract for a period of more than 90 days, or in the following cases, regardless of the number of days of overdue debt:

- ▶ the borrower's internal rating indicates default or close to default;
- ▶ a bankruptcy case has been initiated against the customer or the debtor has reported bankruptcy;
- ▶ the process of liquidation of the customer has been started;

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

- ▶ the terms of the contract were changed for the financial instrument, without which the customer would not be able to perform further debt service;

Due to the military operations, the Bank has expanded the definition of default and classifies assets as Stage 3 in the following cases:

- ▶ the production assets of the legal entity - customer are located in the temporarily occupied territory, have been lost or severely damaged, and the customer business has been suspended and further debt service is impossible;
- ▶ mortgaged real estate on the loan of the customer-individual is located in regions where active hostilities are taking place, or in territories not controlled by the Armed Forces of Ukraine and/or have suffered significant damage during hostilities.

Significant increase in credit risk

To determine whether there has been a significant increase in credit risk since the initial recognition of a financial instrument, the Bank uses a list of events that may indicate an increase in credit risk. A delay in the discharge of the monetary obligations exceeding 30 days is considered to be the evidence of a significant increase in credit risk from the date of the financial instrument initial recognition, as well as the occurrence of the subsequent events, no matter how many days the debt is overdue:

- ▶ for corporate- and medium-sized business customers: the DEBT/EBITDA ratio is greater than 5, provided that the indicator value did not exceed 5 at the date of the asset initial recognition;
- ▶ for corporate- and medium-sized business customers: the customer internal rating decreased by over 3 p.p. in comparison with the rating effective at the date of the asset initial recognition.

Due to the military operations, the Bank broadened the criteria used for a significant increase in credit risk to:

- ▶ the business of the customer-legal entity is suspended/ partly suspended, but production assets have not suffered significant destruction;
- ▶ the customer operates in the renewable energy sources segment (due to the suspension of "green tariff" payments during the martial law);
- ▶ the customer underwent repeated short restructuring (for a period of no more than 12 months).

Impairment assessment on individual and collective basis

Depending 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 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 a collective basis in homogeneous groups depending on the internal features of loans, for example, payment days past due, type of product, etc.

Initial identification of the location of customers in the occupied territories is carried out at the branch level. When communicating with the customers (oral /written), the Bank collects information about the actual location of the retail borrowers and the location of the main production facilities of the borrowers-legal entities. All available information from open sources is used as well. The received data are additionally analyzed by risk management units, including using information on the status of territorial units, following the instructions of the Ministry of Reintegration of the Temporarily Occupied Territory of Ukraine.

Forward-looking information and economic scenarios

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

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

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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

The table below gives the forecast values of the economic indicators used in economic scenario for calculation of the ECL.

Key drivers	ECL scenario	Probability, %	2023	2024 and subsequent years
Nominal GDP growth, %	Upside	25	7,8	10,0
	Base case	50	4,0	4,9
	Downside	25	0,2	0,4
NBU discount rate	Upside	25	21,7	15,8
	Base case	50	25,0	19,2
	Downside	25	31,6	26,0
UIRD 12m UAH	Upside	25	12,87	18,81
	Base case	50	13,18	19,44
	Downside	25	13,50	20,07

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

Thus, the improvement of the indicator of macro factors by 10% will lead to a decrease of the ECLs by UAH 59,608 thousand. (by the corporate and medium business segment by UAH 55,900 thousand, by the small and micro business segment by UAH 1,971 thousand, by the retail business segment by UAH 1,737 thousand).

A 10% deterioration of the indicator of macro factors will lead to an increase of the ECLs by UAH 60,157 thousand. (for the corporate and medium business segment by UAH 56,537 thousand, by the small and micro business segment by UAH 1,051 thousand, by the retail business segment by UAH 2,569 thousand).

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

31 March 2023	Notes		High grade	Standard grade	Belowstandard grade	Impaired	Total	
Cash and cash equivalents (other than cash on hand)	7	Stage 1	46,512,977	47,363	323,235	-	46,883,575	
Loans and advances to banks measured at amortised cost	8	Stage 1	1,038,357	531,293	-	-	1,569,650	
		Stage 2	-	-	-	-	-	
		Stage 3	-	-	-	-	-	
Loans and advances to customers at amortized cost:	9	- Legal entities	Stage 1	4,378,978	4,224,664	6,552,845	-	15,156,487
			Stage 2	63,807	8,911,448	20,371,776	-	29,347,031
			Stage 3	17,090	335,731	10,405,586	2,579,137	13,337,544
		- SME	POCI	-	-	415,690	158,330	574,020
			Stage 1	2,438,337	1,262,223	611,753	-	4,312,313
			Stage 2	337,203	833,454	2,308,806	-	3,479,463
		- Individuals	Stage 3	-	121,470	1,713,870	539,038	2,374,378
			Stage 1	3,087,077	212,993	218	23	3,300,311
			Stage 2	1,944	27,077	20,393	-	49,414
			Stage 3	-	166,060	1,105	1,924,535	2,091,700
		POCI	548	23	3,134	11,392	15,097	
		Investments in securities at fair value through other comprehensive income	10	Stage 1	11,766,103	-	-	-
Stage 2	12,111,389			3,712,996	-	-	15,824,385	
Stage 3	2,067,783			-	-	-	2,067,783	
Undrawn loan commitments:		Stage 1	507,471	2,121,600	1,826,069	-	4,455,140	
		Stage 2	-	1,680,029	556,427	-	2,236,456	
		Stage 3	330,031	-	122,848	200	453,079	

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

31 March 2023		Notes	High grade	Standard grade	Belowstandard grade	Impaired	Total
-	SME		Stage 1 321,129	172,273	66,874	-	560,276
			Stage 2 9,404	5,755	23,983	-	39,142
			Stage 3 -	2,017	4,430	3,241	9,688
-	Individuals		Stage 1 2,789,190	42,980	224	180	2,832,574
			Stage 2 21	3,889	2,681	-	6,591
			Stage 3 -	5,353	362	17,004	22,719
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):		21					
-	Legal entities		Stage 1 942,445	3,298,998	952,412	-	5,193,855
			Stage 2 -	2,030,086	4,165,253	-	6,195,339
			Stage 3 -	-	55,083	-	55,083
-	SME		Stage 1 33,374	600	7,135	-	41,109
			Stage 2 -	36,001	1,429	-	37,430
			Stage 3 -	-	-	-	-
Total			88,754,658	29,786,376	50,513,621	5,233,080	174,287,735
31 December 2022		Notes	High grade	Standard grade	Belowstandard grade	Impaired	Total
Cash and cash equivalents (other than cash on hand)		7	Stage 1 32,115,278	20,386	156,113	-	32,291,777
Loans and advances to banks measured at amortised cost			Stage 1 1,746,694	399,168	-	-	2,145,862
			Stage 2 -	-	-	-	-
		8	Stage 3 -	-	-	14,521	14,521
Loans and advances to customers at amortized cost:		9					
-	Legal entities		Stage 1 4,859,726	5,340,201	7,115,794	-	17,315,721
			Stage 2 -	9,224,322	19,560,927	-	28,785,249
			Stage 3 1,325	331,528	11,765,530	2,367,407	14,465,790
			POCI -	-	410,375	156,950	567,325
-	SME		Stage 1 3,006,848	1,456,526	767,591	-	5,230,965
			Stage 2 260,453	725,397	2,070,838	-	3,056,688
			Stage 3 -	255,636	1,798,433	379,341	2,433,410
-	Individuals		Stage 1 3,129,780	431,958	791	35	3,562,564
			Stage 2 1,786	75,271	26,486	-	103,543
			Stage 3 -	288,475	4,877	1,726,460	2,019,812
			POCI 4,921	299	-	11,390	16,610
Investments in securities at fair value through other comprehensive income		10	Stage 1 5,895,024	-	-	-	5,895,024
			Stage 2 17,253,807	100,784	-	-	17,354,591
			Stage 3 -	-	-	2,015,955	2,015,955
Undrawn loan commitments:							
-	Legal entities		Stage 1 515,633	3,100,809	779,797	-	4,396,239
			Stage 2 -	1,647,491	671,848	-	2,319,339
			Stage 3 4,891	-	312,267	333,372	650,530
-	SME		Stage 1 277,452	143,074	109,333	-	529,859
			Stage 2 11,915	50,350	30,488	-	92,753
			Stage 3 -	24,815	5,648	3,317	33,780
-	Individuals		Stage 1 2,763,006	57,257	227	218	2,820,708
			Stage 2 20	5,423	2,744	-	8,187
			Stage 3 -	12,326	622	11,522	24,470
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):		21					
-	Legal entities		Stage 1 968,197	2,873,770	2,195,840	-	6,037,807
			Stage 2 -	2,017,380	4,366,630	-	6,384,010
			Stage 3 -	-	55,072	-	55,072
-	SME		Stage 1 48,508	4,240	7,134	-	59,882
			Stage 2 -	148,467	1,429	-	149,896
			Stage 3 -	-	-	-	-
Total			72,865,264	28,735,353	52,216,834	7,020,488	160,837,939

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

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

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

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

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

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

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

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

Geographical concentration

The information on geographical concentration of monetary assets and liabilities is summarized in the table below:

	31 March 2023				Total
	Ukraine	OECD countries	CIS and other foreign banks	including the russian federation and the republic of belarus	
Assets					
Cash and cash equivalents	23,731,049	26,610,689	4,291	-	50,346,029
Loans and advances to banks	521,803	1,347,301	-	-	1,869,104
Loans and advances to customers	61,904,595	-	-	-	61,904,595
Investments in securities at fair value through other comprehensive income	27,445,957	21	-	-	27,445,978
Derivative financial assets	29,099	241	-	-	29,340
Other financial assets	509,628	3,287	1,589	-	514,504
	114,142,131	27,961,539	5,880	-	142,109,550

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31 March 2023					
	Ukraine	OECD countries	CIS and other foreign banks	including the russian federation and the republic of belarus	Total
Liabilities					
Due to banks	5,362,714	-	8,033	8,033	5,370,747
Due to customers	128,121,772	-	-	-	128,121,772
Derivative financial liabilities	416	148	-	-	564
Other borrowed funds	791,399	2,746,548	-	-	3,537,947
Provisions for loan commitments and financial guarantee contracts	236,691	-	-	-	236,691
Other provisions	278,425	-	-	-	278,425
Other financial liabilities	555,870	41,787	4,282	2,371	601,939
	135,347,287	2,788,483	12,315	10,404	138,148,085
Difference between assets and liabilities	(21,205,156)	25,173,056	(6,435)	(10,404)	3,961,465

31 December 2022					
	Ukraine	OECD countries	CIS and other foreign banks	including the russian federation and the republic of belarus	Total
Assets					
Cash and cash equivalents	15,020,143	20,326,029	615	-	35,346,787
Loans and advances to banks	408,330	1,253,618	758,621	-	2,420,569
Derivative financial assets	14,973	96	-	-	15,069
Loans and advances to customers	64,759,128	-	-	-	64,759,128
Investments in securities at fair value through other comprehensive income	23,217,129	20	-	-	23,217,149
Other financial assets	900,754	-	-	-	900,754
	104,320,457	21,579,763	759,236	-	126,659,456
Liabilities					
Due to banks	6,559,493	-	8,033	8,033	6,567,526
Due to customers	112,778,613	-	-	-	112,778,613
Derivative financial liabilities	346	391	-	-	737
Other borrowed funds	664,241	2,721,617	-	-	3,385,858
Provisions for loan commitments and financial guarantee contracts	302,743	-	-	-	302,743
Other provisions	396,062	-	-	-	396,062
Other financial liabilities	731,679	34,887	4,807	2,862	771,373
	121,433,177	2,756,895	12,840	10,895	124,202,912
Difference between assets and liabilities	(17,112,720)	18,822,868	746,396	(10,895)	2,456,544

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations as they fall due without incurring unacceptable losses, or as a result of its inability to manage unplanned cash outflows, changes in funding sources and/or to honor its off-balance sheet liabilities. To mitigate this risk, management uses different sources of funding in addition to the main base of deposits. Management also performs the Bank'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 duration of periods from the reporting date to the maturity date is carried out in accordance with the applicable agreement.

As at 31 March 2023 and 31 December 2022, the Bank complied with the regulatory requirements of the National Bank of Ukraine regarding the minimum level of liquidity coverage ratio in all currencies and separately in individual foreign currencies (regulatory ratios as at 31 March 2023 and 31 December 2022 were not less than 100%) and regarding the minimum value of the net stable financing ratio (the statutory ratio is at least 90% as at 31 March 2023 and 31 December 2022). The values of liquidity coverage ratios in all currencies and separately in foreign currencies, and the ratio of net stable funding are as follows:

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	31 March 2023	31 December 2022
All-currency LCR, liquidity coverage ratio for all currencies	206.53%	142.73%
Foreign currency LCR, liquidity coverage ratio in foreign currency	137.53%	167.15%
Net Stable Funding Ratio	129.97%	113.89%

Analysis of assets and liabilities of the Bank by the estimated dates of their recovery or repayment is presented in Note 29.

Analysis of financial liabilities by remaining contractual maturities

The information on future undiscounted cash flows of financial liabilities as at 31 March 2023 and 31 December 2022 based on the remaining contractual maturities is presented in the table below. Gross settled derivative instruments that are presented in terms of amounts receivable and payable as per maturities. Liabilities that are subject to repayment on demand are believed to be the instruments repayable on the earliest possible date. However, the Bank expects that most customers will not demand repayment on the earliest possible date.

Financial liabilities as at 31 March 2023	On demand and 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	62,329	188,186	1,443,321	-	1,693,836
Due to other banks	4,371,136	-	-	-	4,371,136
Other borrowed funds	3,966,842	7,347	47,367	148,388	4,169,944
Derivative financial instruments:					
- contractual amounts receivable	(1,362,072)	-	-	-	(1,362,072)
- contractual amounts payable	1,362,636	-	-	-	1,362,636
Due to customers	117,153,160	10,854,405	900,082	534,108	129,441,755
Other financial liabilities	379,457	72,313	150,169	-	601,939
Total undiscounted financial liabilities	125,933,488	11,122,251	2,540,939	682,496	140,279,174

Financial liabilities as at 31 December 2022	On demand and 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	61,644	188,356	1,505,479	-	1,755,479
Due to other banks	5,568,569	-	-	-	5,568,569
Other borrowed funds	3,853,144	1,638	14,332	45,536	3,914,650
Derivative financial instruments:					
- contractual amounts receivable	(292,305)	-	-	-	(292,305)
- contractual amounts payable	293,042	-	-	-	293,042
Due to customers	102,883,214	9,518,688	887,375	1,557	113,290,834
Other financial liabilities	584,832	62,555	123,986	-	771,373
Total undiscounted financial liabilities	112,952,140	9,771,237	2,531,172	47,093	125,301,642

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

	On demand
As at 31 March 2023	22,522,156
As at 31 December 2022	24,130,590

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Operational risk management is the responsibility of the Bank's Management Board, who are authorized to establish the principles to ensure a 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.

Information on how the Bank carried out operational activities in wartime conditions is given in Note 2.

Interest rate risk

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

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 2023						
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets	62,816,406	11,794,343	23,346,718	34,728,749	2,300,552	134,986,768
Liabilities	115,136,608	9,693,776	11,192,353	863,347	120,582	137,006,666
Difference between assets and liabilities	(52,320,202)	2,100,567	12,154,365	33,865,402	2,179,970	(2,019,898)
1%	(501,701)	17,495	45,620			(438,585)
-1%	501,701	(17,495)	(45,620)			438,585

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

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 exchange rates 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 unfavorable 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The major foreign currency denominated positions of assets and liabilities as at 31 March 2023 are as follows:

	UAH	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	22,179,567	10,185,672	17,861,655	119,135	50,346,029
Loans and advances to banks	120,442	1,378,320	69,722	300,620	1,869,104
Loans and advances to customers	35,758,241	15,109,288	11,037,066	-	61,904,595
Investments in securities at fair value through other comprehensive income	27,181,774	248,808	15,396	-	27,445,978
Investment property	156,366	-	-	-	156,366
Current tax assets	2,690,423	-	-	-	2,690,423
Deferred tax assets	29,976	-	-	-	29,976
Property and equipment and intangible assets	1,186,749	-	-	-	1,186,749
Right-of-use assets	182,986	-	-	-	182,986
Other financial assets	480,976	23,666	9,862	-	514,504
Other non-financial assets	516,446	811	19,095	43,726	580,078
Total assets	90,483,946	26,946,565	29,012,796	463,481	146,906,788
Liabilities					
Due to banks	1,130,586	3,503,623	623,149	113,388	5,370,747
Due to customers	85,944,276	19,991,899	21,927,853	257,744	128,121,772
Other borrowed funds	443,418	-	3,094,529	-	3,537,947
Provisions for loan commitments and financial guarantee contracts	232,939	525	3,227	-	236,691
Other provisions	260,501	17,924	-	-	278,425
Other financial liabilities	428,097	42,998	111,565	19,279	601,939
Other non-financial liabilities	521,179	4,395	-	-	525,574
Total liabilities	88,960,996	23,561,364	25,760,324	390,411	138,673,095
Net long/(short) recognized position	1,522,950	3,385,201	3,252,472	73,070	
Assets receivable	7,769,262	1,334,812	1,243,721	9,969	10,357,764
Assets payable	-	(5,543,575)	(4,731,246)	(54,167)	(10,328,988)
Net long/(short) unrecognized position	7,769,262	(4,208,763)	(3,487,525)	(44,198)	
Total long/(short) recognized and unrecognized position	9,292,212	(823,562)	(235,053)	28,872	

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

	UAH	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	13,864,043	15,031,176	6,371,311	80,257	35,346,787
Loans and advances to banks	543	2,117,697	25,792	276,537	2,420,569
Loans and advances to customers	38,771,373	14,775,687	11,212,068	-	64,759,128
Investments in securities at fair value through other comprehensive income	22,770,125	446,669	355	-	23,217,149
Investment property	156,366	-	-	-	156,366
Current tax assets	2,690,423	-	-	-	2,690,423
Deferred tax assets	30,138	-	-	-	30,138
Property and equipment and intangible assets	1,234,025	-	-	-	1,234,025
Right-of-use assets	166,113	-	-	-	166,113
Other financial assets	833,148	58,946	8,661	-	900,755
Other non-financial assets	572,265	55,116	35,578	46,468	709,427
Total assets	81,088,562	32,485,291	17,653,765	403,262	131,630,880
Liabilities					
Due to banks	1,468,066	4,849,559	140,053	109,848	6,567,526
Due to customers	72,579,652	25,940,206	14,041,727	217,028	112,778,613
Other borrowed funds	327,391	-	3,058,467	-	3,385,858
Provisions for loan commitments and financial guarantee contracts	295,935	5,359	1,449	-	302,743
Other provisions	396,047	-	15	-	396,062
Other financial liabilities	635,772	44,745	65,391	25,465	771,373
Other non-financial liabilities	454,583	20,219	44,683	7,430	526,915
Total liabilities	76,157,446	30,860,088	17,351,785	359,771	124,729,090
Net long/(short) recognized position	4,931,116	1,625,203	301,980	43,491	
Assets receivable	2,941,048	401,418	31,161	10,834	3,384,461
Assets payable	-	(2,829,876)	(524,899)	(15,354)	(3,370,129)
Net long/(short) unrecognized position	2,941,048	(2,428,458)	(493,738)	(4,520)	
Total long/(short) recognized and unrecognized position	7,872,164	(803,255)	(191,758)	38,971	

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The currencies in which the Bank has significant positions for monetary assets and liabilities as at 31 March 2023 and 31 March 2022 are presented in the table below. 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, %	Effect on profit before tax	Increase in foreign currency exchange rate, %	Effect on profit before tax
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
USD	25.00%	(205,890)	14.00%	182,873
EUR	25.00%	(58,763)	15.00%	65,795

Currency	Decrease in foreign currency exchange rate, %	Effect on profit before tax	Decrease in foreign currency exchange rate, %	Effect on profit before tax
	31 March 2023	31 March 2023	31 March 2022	31 March 2022
USD	-25.00%	205,890	-11.00%	(143,686)
EUR	-25.00%	58,763	-13.00%	(57,022)

28. 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 assessed using a different valuation technique.

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

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

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

Fair value of the Bank'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 information about how the fair value of these financial assets and financial liabilities is determined (in particular, the valuation techniques and inputs used) is presented in the table below:

Assets/liabilities	Fair value hierarchy level	Valuation techniques and key inputs
Investments in securities at fair value through other comprehensive income	2	Discounted cash flows: future cash flows are estimated based on the inputs that are observable either directly or indirectly. The estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Assets/liabilities	Fair value hierarchy level	Valuation techniques and key inputs
Investments in securities at fair value through other comprehensive income	3	Discounted cash flows: future cash flows are estimated based on both observable and unobservable market data. Unobservable inputs include assumptions regarding future financial performance of the issuer, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the issuer operates.
Loans and advances to customers at fair value through profit or loss and Loans and advances to customers at fair value through other comprehensive income	3	Discounted cash flows: future cash flows are estimated based on both observable and unobservable market data. Unobservable data include assumptions about the borrower's future financial performance, risk profile, and economic assumptions about the industry and geographical jurisdiction in which the borrower operates.
Derivative financial instruments	2	Discounted cash flows: future cash flows are estimated based on forward exchange rates (represented by observable foreign exchange rates at the end of the reporting period) and contractual forward exchange rates discounted at a rate reflecting credit risk from different counterparties.
Buildings and land plots, investment property	3	The Bank engages professional independent appraisers to determine the fair values of its buildings and land plots and investment property using comparative approach and income approach for the items for which there are no market comparatives. In a comparative approach to evaluation, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of a property item). The main parameter used in this valuation technique is the price per square meter of a property item.
Loans and advances to banks at fair value through profit or loss	2	Financial assets in precious metals are recognized at fair value through profit or loss. The value of assets changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to banks at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to customers at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

	31 March 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Loans and advances to banks at fair value through profit or loss	-	300,620	-	300,620
Derivative financial assets	-	29,340	-	29,340
Loans and advances to customers at fair value through profit or loss	-	-	55,973	55,973
Loans and advances to customers at fair value through other comprehensive income	-	-	-	-
Investments in securities at fair value through other comprehensive income	21	25,934,333	1,511,624	27,445,978
Investment property	-	-	156,366	156,366
Buildings and land plots	-	-	835,818	835,818
Total	21	26,264,293	2,559,781	28,824,095
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	-	89,140	-	89,140
Derivative financial liabilities	-	564	-	564
Due to customers at fair value through profit or loss	-	179,676	-	179,676
Total	-	269,380	-	269,380
31 December 2022				
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Loans and advances to banks at fair value through profit or loss	-	276,538	-	276,538
Derivative financial assets	-	15,069	-	15,069
Loans and advances to customers at fair value through profit or loss	-	-	60,654	60,654
Loans and advances to customers at fair value through other comprehensive income	-	-	2,244	2,244
Investments in securities at fair value through other comprehensive income	20	21,851,904	1,365,225	23,217,149
Investment property	-	-	156,366	156,366
Buildings and land plots	-	-	839,734	839,734
Total	20	22,143,511	2,424,223	24,567,754
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	-	82,465	-	82,465
Derivative financial liabilities	-	737	-	737
Due to customers at fair value through profit or loss	-	164,883	-	164,883
Total	-	248,085	-	248,085

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)**Movements in Level 3 financial instruments measured at fair value*

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

Financial assets	As at 1 January 2023	Transfer to Level 3	Unrealized income (revaluation)	Acquisition / new assets	Sale	Repayment	Write-down recognized in equity	Accrued interest as part of interest income	As at 31 March 2023
Investments in securities at fair value through other comprehensive income	1,365,225	-	-	-	-	-	94,876	51,523	1,511,624
Loans and advances to customers at fair value through profit or loss	60,654	-	3,344	-	-	(8,124)	-	99	55,973

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

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

	31 March 2023		31 December 2022	
	Carrying amount	Impact of possible alternative assumptions	Carrying amount	Impact of possible alternative assumptions
Financial assets				
Investments in securities at fair value through other comprehensive income	1,511,624	35,520 / (34,259)	1,365,225	102,083/(90,079)
Loans and advances to customers at fair value through profit or loss	55,973	1,062/(1,020)	60,654	1,258/ (1,205)

To analyze the impact on the value of investments that are measured at fair value through other comprehensive income, assumptions about changes in the value of the interest rate were used. An increase in the interest rate by 10% will lead to an increase in the fair value by UAH 35,520 thousand (2022: UAH 102,083 thousand). A decrease in the interest rate by 10% will lead to a decrease in the fair value by UAH 34,259 thousand (2022: UAH 90,079 thousand).

To analyze the sensitivity of the loans to customers at fair value through profit or loss, the assumption regarding changes in the discount rate of future cash flows was applied. A decrease in the discount rate by 10% will lead to a decrease in the value by UAH 1,062 thousand (2022: UAH 1,258 thousand). An increase in the discount rate by 10% will lead to a decrease in the value by UAH 1,020 thousand (2022: UAH 1,205 thousand).

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

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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

Fair value	31 March 2023			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Loans and advances to banks	-	1,568,484	-	1,568,484
Loans and advances to customers	-	-	59,783,948	59,783,948
Total	-	1,568,484	59,783,948	61,352,432
Liabilities for which fair values are disclosed				
Due to the National Bank of Ukraine	-	999,611	-	999,611
Due to other banks	-	4,281,996	-	4,281,996
Other borrowed funds	-	3,537,947	-	3,537,947
Due to customers	-	-	127,989,146	127,989,146
Total	-	8,819,554	127,989,146	136,808,700

Fair value	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Loans and advances to banks	-	2,144,031	-	2,144,031
Loans and advances to customers	-	-	63,338,814	63,338,814
Total	-	2,144,031	63,338,814	65,482,845
Liabilities for which fair values are disclosed				
Due to the National Bank of Ukraine	-	998,956	-	998,956
Due to other banks	-	5,486,105	-	5,486,105
Other borrowed funds	-	3,385,858	-	3,385,858
Due to customers	-	-	112,607,571	112,607,571
Total	-	9,870,919	112,607,571	122,478,490

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 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to banks	1,568,484	1,568,484	2,144,031	2,144,031
Loans and advances to customers	61,846,378	59,783,948	64,696,230	63,338,814
Total assets	63,414,862	61,352,432	66,840,261	65,482,845
Financial liabilities				
Due to the National Bank of Ukraine	999,611	999,611	998,956	998,956
Due to other banks	4,281,996	4,281,996	5,486,105	5,486,105
Other borrowed funds	3,537,947	3,537,947	3,385,858	3,385,858
Due to customers	127,942,096	127,989,146	112,613,730	112,607,571
Total liabilities	136,761,650	136,808,700	122,484,649	122,478,490

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***29. Analysis of assets and liabilities by maturities**

Analysis of assets and liabilities by maturities are presented in the table below. See Note 27 for the Bank's contractual undiscounted repayment liabilities.

	31 December 2022				31 December 2021			
	On demand/ Within one year		More than one year		On demand/ Within one year		More than one year	
	year	No maturity	Total	No maturity	Total	No maturity	Total	
Cash and cash equivalents	50,346,029	-	50,346,029	35,346,787	-	35,346,787		
Loans and advances to banks	1,869,104	-	1,869,104	2,420,569	-	2,420,569		
Loans and advances to customers	33,063,038	28,841,557	61,904,595	39,625,091	25,134,037	64,759,128		
Investments in securities at fair value through other comprehensive income	5,760,190	21,685,788	27,445,978	7,675,568	15,541,581	23,217,149		
Derivative financial assets	29,340	-	29,340	15,069	-	15,069		
Investment property	-	156,366	156,366	-	156,366	156,366		
Current tax assets	-	2,690,423	2,690,423	-	2,690,423	2,690,423		
Deferred tax assets	-	29,976	29,976	-	30,138	30,138		
Property and equipment and intangible assets	-	1,186,749	1,186,749	-	1,234,025	1,234,025		
Right-of-use assets	-	182,986	182,986	-	166,113	166,113		
Other financial assets	504,674	9,830	514,504	889,087	11,668	900,755		
Other non-financial assets	192,825	47,085	580,078	330,205	42,158	709,427		
Total	91,765,200	53,304,659	146,936,128	86,302,376	43,450,005	1,893,568	131,645,949	
Due to banks	4,371,136	999,611	5,370,747	5,568,570	998,956	6,567,526		
Due to customers	127,274,570	847,202	128,121,772	111,896,149	882,464	112,778,613		
Derivative financial liabilities	564	-	564	737	-	737		
Other borrowed funds	3,386,726	151,221	3,537,947	3,339,743	46,115	3,385,858		
Provisions for loan commitments and financial guarantee contracts	232,720	3,971	236,691	298,185	4,558	302,743		
Other provisions	278,228	197	278,425	395,995	68	396,063		
Other financial liabilities	417,598	184,341	601,939	609,112	162,261	771,373		
Other non-financial liabilities	508,895	16,679	525,574	520,663	6,252	526,915		
Total	136,470,437	2,203,222	138,673,659	122,629,154	2,100,674	124,729,828		
Net amount	(44,705,237)	51,101,437	8,262,469	(36,326,778)	41,349,331	1,893,568	6,916,121	

The Bank presented term loans from credit institutions in the amount of UAH 3,965,945 thousand (2022: UAH 3,339,098 thousand) as funds on demand due to covenant breach. Refer to Note 27 for information on covenant breaches.

The Bank's management believes that the negative liquidity gap (liquidity gap between financial assets and financial liabilities maturing within one year amounted to UAH (44,110,939) thousand as at 31 March 2023). The gap is under control and does not threaten the Bank's ability to settle its liabilities in full and in a timely manner. As such, the Bank has access to secondary reserve of liquid funds represented by:

- ▶ unencumbered securities including Ukrainian domestic government bonds in the amount of UAH 10,326,107 thousand, municipal bonds in the amount of UAH 224,717 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 loan from the National Bank of Ukraine with the securities used as a collateral. As at 31 March 2023, 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 10,550,824 thousand;
- ▶ stable balances on current and other customer accounts determined based on the Bank's own methods, which are based on statistical analysis of fluctuations in current customer account balances. As at 31 March 2023, the stable balances on current and other accounts were estimated to be equal to UAH 51,194,991 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 2023 in the amount of UAH (44,110,939) 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 17,634,875 thousand.

30. 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

As at 31 March 2023, the Bank was 94.94% state-owned bank under the control of the Ministry of Finance of Ukraine (2022: 94.94%). Correspondingly, transactions and balances with related parties comprise transactions with government, government-related entities (both directly and indirectly), key management personnel and entities that are controlled, are under common control or are significantly influenced by them.

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

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

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

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

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

	31 March 2023			31 December 2022/ 31 March 2022		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
Assets						
Cash and cash equivalents	12,223,063	-	-	7,013,233	-	-
Current accounts with the National Bank of Ukraine	7,666,288	-	-	4,770,104	-	-
Current accounts and overnight placements with other credit institutions	320,369	-	-	171,902	-	-
Due from credit institutions	10,003	-	-	9,162	-	-
Loans and advances to customers, gross	16,201,643	93	64	17,867,123	2,934	285
Less: expected credit losses/allowance for impairment	(1,143,488)	-	(1)	(948,828)	(31)	(10)
Investments in securities at fair value through other comprehensive income	27,350,940	-	-	23,123,068	-	-
Right-of-use assets	4,680	-	-	4,038	-	-
Liabilities						
Due to the National Bank of Ukraine	999,611	-	-	998,957	-	-
Due to credit institutions						
- current accounts	3,663	-	-	12	-	-
- time deposits	791,399	-	-	664,241	-	-
- other amounts	1,183	-	-	1,183	-	-
Due to customers:						
- current accounts	34,662,417	11,729	23,998	19,857,268	151,512	30,624
- time deposits	4,896,334	2,282	5,234	3,524,219	67,589	7,600
Lease liabilities	6,078	-	-	5,277	-	-
Commitments and contingencies						
Financial guarantees	3,252,747	-	-	4,154,416	-	-
Credit-related commitments	3,176,191	3,053	1,036	3,511,023	103	1,315
Letters of credit	383,675	-	-	567,598	-	-
Performance guarantees	295,905	-	-	305,817	-	-

	31 March 2023			31 December 2022/ 31 March 2022		
	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	525,355	69	-	353,167	190	399
- investments at fair value through other comprehensive income	979,493	-	-	783,956	-	-
- deposit certificates of the National Bank of Ukraine	312,171	-	-	103,888	-	-
Interest expense:						
- due to the National Bank of Ukraine	62,299	-	-	92,486	-	-
- due to credit institutions	12,134	-	-	6,026	-	-
- due to customers	653,947	243	27	248,902	1 253	323
- lease liability	249	-	-	306	39	-
Credit loss recovery/(expense)	(194,660)	51	474	(104,059)	(10)	(724)
Net gains on investments at fair value through other comprehensive income	17,871	-	-	25,092	-	-
Other income	362	-	-	341	72	468
Other operating expenses	67,139	-	-	60,561	241	215

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

For loans and advances to customers granted to related parties, the rate range is as follows (%):

Currency	31 March 2023		31 December 2022	
	Legal entities	Individuals	Legal entities	Individuals
UAH	10.4 – 33.5	42 - 42	10.4 – 33.5	42 - 42
USD	3.5 - 7.5	-	3.5 - 7.5	-
EUR	4.5 - 4.5	-	4.5 - 4.5	-

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

Currency	31 March 2023		31 December 2022	
	Legal entities	Individuals	Legal entities	Individuals
UAH	0 – 19.8	0 – 10.0	0 – 19.8	0 – 10.0
USD	0 – 1.25	0 – 0.1	0 – 0.8	0 – 0.1
EUR	0 – 0.25	-	0 – 0.25	-

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

Currency	31 March 2023		31 December 2022	
	Legal entities	Individuals	Legal entities	Individuals
UAH	10.0 – 19.99	5.0 – 14.2	6.0 – 19.95	6 – 14.5
USD	0.4 – 0.5	0.01 – 1.2	2.5 – 3.7	0.05 – 1.2
EUR	1	0.01	-	0.01

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

As at 31 March 2023, 43% of assets and 30% of liabilities were concentrated in operations with state-owned companies, the National Bank of Ukraine, state banks and government authorities (2022: 40% of assets and 19% of liabilities).

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

Remuneration to key management personnel comprises the following items:

	31 March 2023	31 December 2022
Salaries and bonuses	18,006	19,983
Total remuneration to key management personnel	18,006	19,983

31. 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 2023 and 31 December 2022 the minimum level was 10%. The Bank complied with the statutory capital ratios during the periods ended 31 March 2023 and 31 December 2022.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The Bank analyzes its activities as regards its compliance with the minimum capital requirements, including the capital adequacy requirements in accordance with the Basel Accord of 1988, as defined in the *International Convergence: of Capital Measurement and Capital Standards* of Basel Committee on Banking Supervision (updated April 1998) and Amendment to the Basel Accord to incorporate market risks (updated November 2005), commonly known as Basel I. As at 31 March 2023 and 31 December 2022, the minimum capital adequacy ratio required by Basel I was 8% and the minimum Tier 1 capital adequacy ratio was 4%.

The structure of the Bank's capital position calculated in accordance with the requirements of Basel I as at 31 March 2023 and 31 December 2022 is presented in the table below:

	31 March 2023	31 December 2022
Tier 1 capital	10,286,450	8,852,729
Tier 2 capital	(2,053,957)	(1,966,745)
Total capital	8,232,493	6,885,984
Risk weighted assets	77,615,906	79,034,713
Tier 1 capital ratio	13.25%	11.20%
Total capital ratio	10.61%	8.71%

The Bank was in compliance with the capital adequacy ratio calculated in accordance with the Basel Accord as at 31 March 2023 and 31 December 2022.

32. Changes in liabilities arising from financing activities

	<i>Due to the National Bank of Ukraine</i>	<i>Other borrowed funds (long-term)</i>	<i>Lease liability</i>	<i>Total</i>
Carrying amount at 1 January 2022	4,699,967	2,505,737	230,772	7,436,476
Additions	7,200,000	999,718	67,306	8,267,024
Repayment	(10,900,000)	(648,443)	(90,871)	(11,639,314)
Exchange differences	-	521,944	-	521,944
Other	(1,011)	6,903	(43,701)	(37,809)
Carrying amount at 31 January 2022	998,956	3,385,859	163,506	4,548,321
Additions	-	119,648	45,927	165,575
Repayment	-	(43,103)	(21,324)	(64,427)
Exchange differences	-	64,656	-	64,656
Other	655	10,887	(7,349)	4,193
Carrying amount at 31 March 2023	999,611	3,537,947	180,760	4,718,318

33. Subsequent events

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