

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

Interim Condensed Financial statements

*for the six month ended 30 June 2023
(unaudited)*

Translation from Ukrainian

Contents

Interim condensed statement of financial position	1
Interim condensed statement of profit or loss and other comprehensive income	2
Interim condensed statement of changes in equity.....	4
Interim condensed statement of cash flows (direct method)	5

Notes to the financial statements

1. General information	6
2. Operating environment	6
3. Basis of preparation.....	7
4. Summary of accounting policies	11
5. Significant accounting judgments and estimates	24
6. Segment information	25
7. Cash and cash equivalents	27
8. Loans and advances to banks	28
9. Loans and advances to customers.....	30
10. Investments in securities	37
11. Derivative financial assets and liabilities.....	38
12. Investment property	39
13. Taxation.....	39
14. Property, equipment and intangible assets.....	40
15. Right-of-use assets and lease liabilities.....	41
16. Other assets and liabilities.....	42
17. Due to banks	45
18. Due to customers	45
19. Other borrowed funds.....	46
20. Equity	47
21. Commitments and contingencies.....	48
22. Net fee and commission income.....	53
23. Net gains / (losses) on foreign exchange operations and precious metals	53
24. Other income	53
25. Changes in expected credit losses	54
26. Staff costs and other operating expense	54
27. Risk management.....	55
28. Fair value measurements	67
29. Analysis of assets and liabilities by maturities	72
30. Related party transactions.....	72
31. Capital adequacy.....	74
32. Changes in liabilities arising from financing activities	75
33. Subsequent events.....	75

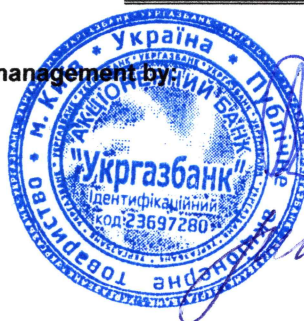
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**as at 30 June 2023***(UAH thousands)*

	Notes	30 June 2023	31 December 2022 (reclassified)	31 December 2021 (reclassified)
Assets				
Cash and cash equivalents	7	44,124,381	35,346,787	30,188,103
Loans and advances to banks	8	2,367,150	2,420,569	5,081,150
Loans and advances to customers	9	59,573,840	64,759,128	55,889,683
Investments in securities	10	42,590,156	23,217,149	29,458,919
Derivative financial assets	11	14,067	15,069	509
Investment property	12	156,366	156,366	153,955
Current tax assets		2,537,775	2,690,423	-
Deferred tax assets	13	30,387	30,138	32,254
Property, equipment and intangible assets	14	1,196,167	1,234,025	1,187,141
Right-of-use assets	15	190,870	166,113	255,664
Other financial assets	16	545,677	900,755	334,523
Other non-financial assets	16	546,885	709,427	689,615
Total assets		153,873,721	131,645,949	123,271,516
Liabilities				
Due to banks	17	4,511,444	6,567,526	9,499,926
Due to customers	18	133,395,403	112,778,613	96,736,381
Derivative financial liabilities	11	2,280	737	72,346
Other borrowed funds	19	3,924,758	3,385,858	2,505,737
Provisions	21			
Provisions for loan commitments and financial guarantee contracts		172,621	302,743	369,357
Other provisions		260,461	396,062	266,105
<i>Total provisions</i>		<i>433,082</i>	<i>698,805</i>	<i>635,462</i>
Other financial liabilities		597,492	771,373	1,343,870
Other non-financial liabilities		535,953	526,915	402,119
Current tax liabilities		-	-	444,773
Total liabilities		143,400,412	124,729,827	111,640,614
Equity				
Issued capital	20	13,837,000	13,837,000	13,837,000
Retained earnings		(2,942,960)	(5,539,413)	(1,309,788)
Share premium		135,942	135,942	135,942
Result from transactions with the shareholder		(1,102,304)	(1,102,304)	(1,102,304)
Treasury shares		(518,439)	(518,439)	(518,439)
Reserve and other funds of a bank		967,777	967,777	590,676
Other reserves	20	96,293	(864,441)	(2,185)
Total equity attributable to owners of parent		10,473,309	6,916,122	11,630,902
Total equity		10,473,309	6,916,122	11,630,902
Total equity and liabilities		153,873,721	131,645,949	123,271,516

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

Acting Chairman of the Management Board

Chief Accountant

28 July 2023V. Usenko
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The accompanying notes on pages 6 to 75 are an integral part of these financial statements.

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME****for the six months ended 30 June 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	1,942,007	3,854,937	1,587,390	2,755,037
Investments at fair value through other comprehensive income	1,208,232	2,190,873	827,424	1,614,552
Deposit certificates of the National Bank of Ukraine	1,178,073	1,490,244	95,919	199,807
Due from credit institutions	134,096	269,170	18,286	40,520
	4,462,408	7,805,224	2,529,019	4,609,916
Other interest income				
Loans to customers at fair value through profit or loss	2,812	4,634	2,382	5,145
Finance lease	20,755	37,146	38,427	101,868
	23,567	41,780	40,809	107,013
	4,485,975	7,847,004	2,569,828	4,716,929
Interest expense				
Due to the National Bank of Ukraine	(62,281)	(124,580)	(347,871)	(440,357)
Due to customers	(2,756,337)	(4,925,654)	(748,752)	(1,359,819)
Due to credit institutions	(68,985)	(129,565)	(27,692)	(58,536)
	(2,887,603)	(5,179,799)	(1,124,315)	(1,858,712)
Other interest expense				
Lease liabilities	(3,804)	(7,219)	(5,489)	(11,237)
	(3,804)	(7,219)	(5,489)	(11,237)
	(2,891,407)	(5,187,018)	(1,129,804)	(1,869,949)
Net interest income, before credit loss expense	1,594,568	2,659,986	1,440,024	2,846,980
Credit loss recovery/(expense)	157,146	856,506	(2,860,979)	(4,770,305)
	1,751,714	3,516,492	(1,420,955)	(1,923,325)
Net interest income/(expense), after credit loss expense				
Changes in fair value of loans to customers at fair value through profit or loss	(1,487)	209	7,530	5,625
Commission income	521,060	1,149,608	509,809	1,068,384
Commission expense	(235,696)	(504,427)	(205,742)	(445,197)
Net (losses)/gains on derecognition of financial assets at amortized cost	(2,284)	(801)	1,909	3,082
Net (losses)/gains on investments at fair value through other comprehensive income	(11,787)	6,369	2,676	27,796
Net gain on derecognition of financial liabilities	128	295	91	291

The accompanying notes on pages 6 to 45 are an integral part of these financial statements.

**INTERIM CONDENSED 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	88,756	227,875	108,168	575,364
Result on operations with derivative financial instruments		98,701	281,389	9,187	(343,821)
Net gains on investment property		3,256	6,348	1,959	6,180
Other income	24	84,520	134,608	51,078	129,120
Non-interest income		545,167	1,301,473	486,665	1,026,824
Staff costs	26	(714,225)	(1,473,729)	(646,772)	(1,322,736)
Other operating expense	26	(266,413)	(537,879)	(198,957)	(860,499)
Depreciation and amortization	14	(74,465)	(153,307)	(63,106)	(124,201)
Depreciation of right-of-use assets		(21,315)	(42,553)	(21,199)	(44,294)
Change in allowance for impairment of assets and other provisions	25	80,379	104,346	70,475	45,266
Non-interest expense		(996,039)	(2,103,122)	(859,559)	(2,306,464)
Profit/(loss) before income tax		1,300,842	2,714,843	(1,793,849)	(3,202,965)
Income tax expense	13	(138,334)	(118,776)	3,886	4,118
Net profit/(loss)		1,162,508	2,596,067	(1,789,963)	(3,198,847)
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 and equity instruments		973,206	814,315	107,264	(385,836)
Reclassification of cumulative gain/(loss) on disposal of debt instruments at fair value through other comprehensive income to profit or loss	20	11,787	(6,369)	(2,676)	(27,796)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	20	77,243	186,798	74,197	275,050
Income taxes related to revaluation of investments at fair value through other comprehensive income	20	(13,904)	(33,624)	-	-
		1,048,332	961,120	178,785	(138,582)
Other comprehensive income/(loss), after income tax		1,048,332	961,120	178,785	(138,582)
Total comprehensive income/(loss)		2,210,840	3,557,187	(1,611,178)	(3,337,429)
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)		0.08	0.19	(0.13)	(0.23)

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Acting Chairman of the Management Board

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28 July 2023

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**for the six months ended 30 June 2023***(UAH thousands)*

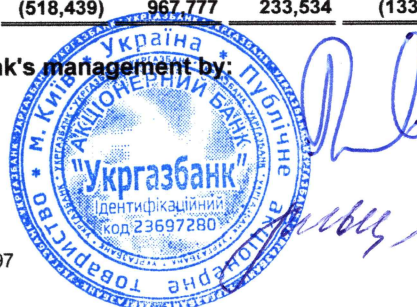
	Not es	Issued capital	Share premium	Result from transac- tions with the sharehold- er	Treasury shares	Reserve and other funds of a bank	Revaluatio n surplus	Reserve of gains and losses on financial assets measured at fair value through other comprehen- sive income	Reserve of gains and losses from investmen- ts in equity instrumen- ts	Retained earnings	Total equity
As at 1 January 2022 (reclassified)		13,837,000	135,942	(1,102,304)	(518,439)	590,676	224,594	(224,854)	(1,925)	(1,309,788)	11,630,902
Loss		-	-	-	-	-	-	-	-	(3,198,847)	(3,198,847)
Other comprehensive income		-	-	-	-	-	-	(138,583)	-	-	(138,583)
As at 30 June 2022 (reclassified)		13,837,000	135,942	(1,102,304)	(518,439)	590,676	224,594	(363,437)	(1,925)	(4,508,635)	8,293,472
As at 1 January 2022 (reclassified)		13,837,000	135,942	(1,102,304)	(518,439)	590,676	224,594	(224,854)	(1,925)	(1,309,788)	11,630,902
Loss		-	-	-	-	-	-	-	-	(3,861,513)	(3,861,513)
Other comprehensive income	20	-	-	-	-	-	18,315	(871,582)	-	-	(853,267)
Comprehensive income		-	-	-	-	-	18,315	(871,582)	-	(3,861,513)	(4,714,780)
Increase (decrease) through other changes, equity	20	-	-	-	-	-	(8,989)	-	-	8,989	-
Distribution of previous year's profit		-	-	-	-	377,101	-	-	-	(377,101)	-
As at 31 December 2022 (reclassified)		13,837,000	135,942	(1,102,304)	(518,439)	967,777	233,920	(1,096,436)	(1,925)	(5,539,413)	6,916,122
Profit		-	-	-	-	-	-	-	-	2,596,067	2,596,067
Other comprehensive income	20	-	-	-	-	-	-	962,602	(1,482)	-	961,120
Comprehensive income		-	-	-	-	-	-	962,602	(1,482)	2,596,067	3,557,187
Increase (decrease) through other changes, equity	20	-	-	-	-	-	(386)	-	-	386	-
As at 30 June 2023		13,837,000	135,942	(1,102,304)	(518,439)	967,777	233,534	(133,834)	(3,407)	(2,942,960)	10,473,309

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INTERIM CONDENSED STATEMENT OF CASH FLOWS (direct method)

for the six months ended 30 June 2023

(UAH thousands)

	Notes	30 June 2023	30 June 2022 (reclassified)
Cash flows from (used in) operating activities			
Classes of cash receipts from operating activities			
Commission income received		1,179,430	1,106,464
Net increase from operations with foreign currencies	23	130,019	209,584
Classes of cash payments from operating activities			
Commission expenses paid		(504,426)	(407,196)
Payments to and on behalf of employees		(1,411,703)	(1,207,032)
Other cash payments from operating activities		(696,688)	(787,519)
Net cash flows from (used in) operations		(1,303,368)	(1,085,699)
Net increase in loans and receivables of banks		61,879	5,058,949
Net increase / (decrease) in loans and receivables of customers		6,153,167	(13,682,222)
Net increase of derivative financial assets		333,045	1,011
Net increase in other assets		376,128	371,775
Net (decrease) in due to other banks		(2,065,508)	(138,024)
Net increase in customer accounts		19,893,213	1,271,089
Net (decrease) of derivative financial liabilities		(45,644)	(2,130)
Net (decrease) in other liabilities		(352,637)	(993,089)
Interest paid		(4,857,412)	(1,810,768)
Interest received		7,749,909	3,925,614
Income taxes refund (paid)		-	(3,005,227)
Other inflows (outflows) of cash		137,117	123,779
Net cash flows from (used in) operating activities		26,079,889	(9,964,942)
Cash flows from (used in) investing activities			
Acquisition of securities		(35,134,018)	(182,563,101)
Proceeds from sale of investments in securities		17,083,431	184,657,885
Proceeds from sales of property, plant and equipment		1,421	374
Purchase of property, plant and equipment		(95,898)	(55,262)
Proceeds from sales of other long-term assets	16	154	31,096
Other inflows (outflows) of cash		6,348	6,180
Net cash flows from (used in) investing activities		(18,138,562)	2,077,172
Proceeds from borrowings			
Proceeds of other borrowed funds		534,154	10,200,000
Repayments of borrowings			
Repayment of other borrowed funds		(109,905)	(4,072,390)
Payments of lease liabilities		(43,065)	(36,951)
Net cash flows from (used in) financing activities	32	381,184	6,090,659
Net increase / (decrease) in cash and cash equivalents before effect of exchange rate changes		8,322,511	(1,797,111)
Effect of exchange rate changes on cash and cash equivalents			
Effect of exchange rate changes on cash and cash equivalents		464,950	823,831
Effect of expected credit losses on cash and cash equivalents		(9,867)	(2,959)
Net increase/(decrease) in cash and cash equivalents after effect of exchange rate changes		8,777,594	(976,239)
Cash and cash equivalents at beginning of period		35,346,787	30,188,103
Cash and cash equivalents at end of period		44,124,381	29,211,864

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

Acting Chairman of the Management Board

Chief Accountant

28 July 2023

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(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 30 June 2023, the Bank's network consisted of 221 registered outlets (including 219 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 30 June 2023 and 31 December 2022, the Bank's issued shares were held by the following shareholders:

<i>Shareholder</i>	30 June 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 30 June 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 July 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 18 August 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 30 June 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. The longer duration of hostilities and their higher intensity continue to have a significant negative impact on Ukraine's economy.

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". On 06 April 2023, the Standard & Poor's rating agency updated the long-term sovereign credit rating of Ukraine in foreign currency to the level of "CCC " the forecast is "negative". On February 10, 2023, the rating agency Moody's Investors Service updated the long-term sovereign credit rating of Ukraine in foreign currency to the level of "Ca", the forecast is "stable".

According to the decisions of the National Bank of Ukraine, public sector banks, including JSC "UKRGASBANK", 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.

With the aim of continuous operation during the martial law period, the Bank implemented a number of measures to ensure uninterrupted operation of the IT infrastructure and improve information security, including expanding the use of cloud technologies, setting up sets of backup communication channels, and expanding the functionality of the mobile application.

As at 1 July 2023, in accordance with the requirements of the National Bank of Ukraine, in the Bank 121 main branches successfully operates, which is 55% of the total network of operational branches of the Bank. In addition to the main branches, other branches of the Bank are equipped with generators, backup communication channels, etc. In general, out of 219 operating branches, 194 branches are equipped with generators.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

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 30 June 2023, the total amount of cash and cash equivalents is UAH 44,124,381 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 3,364,589 thousand. The Bank has received all the necessary waiver letters from creditors until the end of 1 July 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 fore creditors with regard to covenants breached for 12 months of 2023 in the amount of UAH 2,370 million, and from one creditor with regard to covenants breached for 7 months of 2023 in the amount of UAH 949 million.

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 30 June 2023 and for the 6 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 thousands of Ukrainian hryvnias, unless otherwise indicated)

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

- (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";
- (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".
- (15) Changed the name of the article "Total equity" to "Total equity";
- (16) Changed the name of the article "Total equity and liabilities" to "Total equity and liabilities".

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of financial position as at 31 December 2022 and 2021:

		<i>31 December 2022 (Before reclassifications)</i>	<i>Reclassifications</i>	<i>31 December 2022 (After reclassifications)</i>	<i>31 December 2021 (Before reclassifications)</i>	<i>Reclassifications</i>	<i>31 December 2021 (After reclassifications)</i>
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	334,523
Other non-financial assets	(1)	-	709,427	709,427	-	689,615	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	9,499,926
Other borrowed funds	(8)	-	3,385,858	3,385,858	-	2,505,737	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	369,357
Other provisions	(9)	-	396,062	396,062	-	266,105	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	1,343,870
Other non-financial liabilities	(10)	-	526,915	526,915	-	402,119	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)	(1,309,788)
Reserve and other funds of a bank	(14)	-	967,777	967,777	-	590,676	590,676

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

When preparing the interim financial statements as at 30 June 2023 and for the 6 months ending on this date, the Bank made reclassifications in the statement of changes in equity 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 to bring it into line with the new data presentation format.

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

- (17) The article "Other reserves" is represented by separate articles "Revaluation surplus" and "Reserve of gains and losses on financial assets measured at fair value through other comprehensive income" and "Reserve of gains and losses from investments in equity instruments";
- (18) The article "Accumulated deficit" is represented by separate articles "Reserve and other funds of a bank" and "Retained earnings";
- (19) Changed the name of the article "Share capital" to "Issued capital";
- (20) Changed the name of the article "Additional paid-in capital" to "Share premium";
- (21) Changed the name of the article "Result from transactions with shareholders" to "Result from transactions with the shareholder";
- (22) Changed the name of the article "Acquired title of ownership to shares" to "Treasury shares".

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of changes in equity as at 31 December 2022:

	Notes	Revaluation surplus	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Reserve of gains and losses from investments in equity instruments	Other reserves	Reserve and other funds of a bank	Retained earnings	Accumulated deficit
As at 1 January 2022								
(Before reclassifications)	(17),(18)	-	-	-	(2,185)	-	-	(719,112)
Reclassifications	(17),(18)	(224,594)	224,854	1,925	2,185	(590,676)	1,309,788	719,112
As at 1 January 2022								
(After reclassifications)	(17),(18)	224,594	(224,854)	(1,925)	-	590,676	(1,309,788)	-
As at 31 December 2022								
(Before reclassifications)	(17),(18)	-	-	-	(864,441)	-	-	(4,571,636)
Reclassifications	(17),(18)	(233,920)	1,096,436	1,925	864,441	(967,777)	5,539,413	4,571,636
As at 31 December 2022								
(After reclassifications)	(17),(18)	233,920	(1,096,436)	(1,925)	-	967,777	(5,539,413)	-

When preparing the interim financial statements as at 30 June 2023 and for the 6 months ending on this date, the Bank made reclassifications in the statement of cash flows 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 as at 30 June 2022 and for the 6 months ending on this date, to bring it into line with the new data presentation format.

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

- (23) Articles "Precious metals", "Other income received" are combined into the article "Other inflows (outflows) of cash";
- (24) Articles "Proceeds of borrowed funds from credit institutions", "Proceeds of borrowed funds from the National Bank of Ukraine" are combined into the article "Proceeds of other borrowed funds";
- (25) Articles "Repayment of borrowed funds from credit institutions", "Repayment of borrowed funds from the National Bank of Ukraine" are combined into the article "Repayment of other borrowed funds";
- (26) The article "Proceeds on investment property" divided into articles "Proceeds from sale of investment property" and "Other inflows (outflows) of cash";
- (27) Changed the name of the article "Fees and commissions received" to "Commission income received";
- (28) Changed the name of the article "Net result on foreign exchange operations and operations with precious metals (realized)" to "Net increase / (decrease) from operations with foreign currencies";
- (29) Changed the name of the article "Fees and commissions paid" to "Commission expenses paid";
- (30) Changed the name of the article "Staff costs" to "Payments to and on behalf of employees";
- (31) Changed the name of the article "Other operating expense" to "Other cash payments from operating activities";
- (32) Changed the name of the article "Due from credit institutions" to "Net increase /(decrease) in loans and receivables of banks";

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

- (33) Changed the name of the article "Loans to customers and finance leases" to "Net increase / (decrease) in loans and receivables of customers";
- (34) Changed the name of the article "Result on operations with derivative financial instruments" to "Net increase / (decrease) of derivative financial assets" and "Net increase / (decrease) of derivative financial liabilities";
- (35) Changed the name of the article "Other assets" to "Net increase / (decrease) in other assets";
- (36) Changed the name of the article "Due to credit institutions" to "Net increase / (decrease) in due to other banks";
- (37) Changed the name of the article "Due to customers" to "Net increase / (decrease) in customer accounts";
- (38) Changed the name of the article "Other liabilities" to "Net increase / (decrease) in other liabilities";
- (39) Changed the name of the article "Acquisition of securities" to "Acquisition of securities";
- (40) Changed the name of the article "Proceeds on sale and repayment of securities" to "Proceeds from sale of investments in securities";
- (41) Changed the name of the article "Proceeds on disposal of other property" to "Proceeds from sales of other long-term assets";
- (42) Changed the name of the article "Repayment of lease liability principal amount" to "Payments of lease liabilities";
- (43) Changed the name of the article "Effect of exchange rate changes on cash and cash equivalents" to "Effect of exchange rate changes on cash and cash equivalents";
- (44) Changed the name of the article "Effect of expected credit losses on cash and cash equivalents" to "Effect of expected credit losses on cash and cash equivalents".

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of cash flows as at 30 June 2022 and for the 6 months ending on this date:

	Note	30 June 2022 (Before reclassifications)	Reclassifications	30 June 2022 (After reclassifications)
Other income received	(23)	121,982	(121,982)	-
Precious metals	(23)	1,797	(1,797)	-
Other inflows (outflows) of cash	(23)	-	123,779	123,779
Proceeds of borrowed funds from the National Bank of Ukraine	(24)	10,200,000	(10,200,000)	-
Proceeds of other borrowed funds	(24)	-	10,200,000	10,200,000
Repayment of borrowed funds from credit institutions	(25)	(372,390)	372,390	-
Repayment of borrowed funds from the National Bank of Ukraine	(25)	(3,700,000)	3,700,000	-
Repayment of other borrowed funds	(25)	-	(4,072,390)	(4,072,390)
Proceeds on investment property	(26)	6,180	(6,180)	-
Other inflows (outflows) of cash	(26)	-	6,180	6,180
Result on operations with derivative financial instruments	(34)	(1,119)	1,119	-
Net increase of derivative financial assets	(34)	-	1,011	1,011
Net (decrease) of derivative financial liabilities	(34)	-	(2,130)	(2,130)

(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").

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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	30 June 2023	31 December 2022
USD	36.5686	36.5686
EUR	40.0006	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;
- ▶ 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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 thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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 Juny 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 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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.

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)**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 six months ended 30 June of 2023, the Bank received revenue from transactions with one client in the amount of UAH 1,973,981 thousand (18.60%). During the six months ended 30 June of 2022, the Bank's revenue from transactions with one client amounted to UAH 1,421,396 thousand (21.61%).

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

30 June 2023	Legal entities	SME	Individuals	Financial institutions	Asset management and other segments	Total
Income						
Interest income	2,973,185	633,619	289,913	1,759,414	2,190,873	7,847,004
Fee and commission income, including:						
-Settlements	409,129	245,055	362,342	48,113	84,969	1,149,608
-Guarantees and letters of credit	86,231	197,082	337,431	48,113	76,920	745,777
-Agent operations in the foreign exchange market	178,763	3,993	-	-	5,357	188,113
-Loan servicing to customers	124,052	42,855	15,208	-	-	182,115
-Transactions with securities	18,940	334	11	-	-	19,285
-Other	173	245	85	-	2,692	3,195
Credit loss recovery/(expense)	970	546	9,607	-	-	11,123
	950,245	84,361	17,286	(8,588)	(186,798)	856,506

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

30 June 2023	Legal entities	SME	Individuals	Financial institutions	Asset management and other segments	Total
Result on operations with derivative financial instruments	-	-	-	-	281,389	281,389
Net gains on foreign exchange operations and precious metals	236,646	4,717	83,898	-	(97,386)	227,875
Change in allowance for impairment of assets and other provisions	115,588	(161)	21,730	31	(32,842)	104,346
Net gains on investments at fair value through other comprehensive income	-	-	-	-	6,369	6,369
Net gains on investment property	-	-	-	-	6,348	6,348
Net gains/ (losses) on derecognition of financial liabilities	238	34	23	-	-	295
Result from operations with loans to customers at fair value through profit or loss	-	209	-	-	-	209
Other income	13,519	15,894	57,560	-	47,635	134,608
Total income	4,698,550	983,728	832,752	1,798,970	2,300,557	10,614,557
Expenses						
Interest expense	(3,169,975)	(1,022,472)	(733,207)	(254,145)	(7,219)	(5,187,018)
Fee and commission expense	(91,915)	(16,221)	(275,204)	(51,313)	(69,774)	(504,427)
Staff costs	(415,859)	(292,918)	(634,513)	(29,026)	(101,413)	(1,473,729)
Depreciation and amortisation	(48,565)	(21,388)	(76,791)	(2,129)	(4,434)	(153,307)
Depreciation of right-of-use assets	(12,077)	(5,374)	(22,928)	(614)	(1,560)	(42,553)
Net gains on derecognition of financial assets at amortized cost	(2,126)	635	690	-	-	(801)
Other operating expense	(86,633)	(64,256)	(335,514)	(3,821)	(47,655)	(537,879)
Total expenses	(3,827,150)	(1,421,994)	(2,077,467)	(341,048)	(232,055)	(7,899,714)
Segment results	871,400	(438,266)	(1,244,715)	1,457,922	2,068,502	2,714,843
Income tax expense					(118,776)	(118,776)
Profit for the period					1,949,726	2,596,067
Segment assets	47,882,160	8,666,935	4,333,503	42,008,978	50,982,145	153,873,721
Segment liabilities	(80,031,801)	(22,669,716)	(30,989,290)	(8,436,202)	(1,273,403)	(143,400,412)
Other segment information						
Capital expenditures	31,690	14,314	45,933	1,375	2,586	95,898

30 June 2022/ 31 December 2022	Legal entities	SME	Individuals	Financial institutions	Asset management and other segments	Total
Income						
Interest income	2,048,136	533,528	280,386	40,520	1,814,359	4,716,929
Fee and commission income, including:	352,501	200,623	295,832	103,210	116,218	1,068,384
-Settlements	49,551	136,647	278,592	103,210	100,039	668,039
-Guarantees and letters of credit	168,052	5,506	-	-	12,155	185,713
-Loan servicing to customers	74,558	31,086	58	-	-	105,702
-Agent operations in the foreign exchange market	58,502	26,433	3,355	-	39	88,329
-Transactions with securities	538	185	316	-	3,984	5,023
-Other	1,300	766	13,511	-	1	15,578
Net gains/ (losses) on foreign exchange operations and precious metals	51,190	8,614	136,815	-	378,745	575,364
Change in allowance for impairment of assets and other provisions	92,646	(16,156)	(7,655)	30	(23,599)	45,266
Net gains on investments at fair value through other comprehensive income	-	-	-	-	27,796	27,796

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

30 June 2022/ 31 December 2022	Legal entities	SME	Individuals	Financial institutions	Asset management and other segments	Total
Net gains on investment property	-	-	-	-	6,180	6,180
Result from operations with loans to customers at fair value through profit or loss	-	5,625	-	-	-	5,625
Net gains on derecognition of financial assets at amortized cost	329	229	2,524	-	-	3,082
Net gains on derecognition of financial liabilities	159	87	45	-	-	291
Other income	30,006	19,605	50,326	-	29,183	129,120
Total income	2,574,967	752,155	758,273	143,760	2,348,882	6,578,037
Expenses						
Interest expense	(959,996)	(117,250)	(282,574)	(498,892)	(11,237)	(1,869,949)
Fee and commission expense	(84,630)	(11,420)	(199,979)	(108,498)	(40,670)	(445,197)
Credit loss recovery/(expense)	(3,208,765)	(828,203)	(459,784)	1,497	(275,050)	(4,770,305)
Staff costs	(366,541)	(256,078)	(572,519)	(23,279)	(104,319)	(1,322,736)
Result on operations with derivative financial instruments	-	-	-	-	(343,821)	(343,821)
Depreciation and amortisation	(38,116)	(16,170)	(63,918)	(1,559)	(4,438)	(124,201)
Depreciation of right-of-use assets	(11,479)	(5,010)	(24,551)	(457)	(2,797)	(44,294)
Other operating expense	(206,461)	(110,634)	(482,111)	(8,956)	(52,337)	(860,499)
Total expenses	(4,875,988)	(1,344,765)	(2,085,436)	(640,144)	(834,669)	(9,781,002)
Segment results	(2,301,021)	(592,610)	(1,327,163)	(496,384)	1,514,213	(3,202,965)
Income tax expense					4,118	4,118
Profit for the period					1,518,331	(3,198,847)
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	17,619	6,836	28,736	637	1,434	55,262

7. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2023	31 December 2022
Current accounts with other credit institutions	21,155,170	20,508,440
Deposit certificates of the National Bank of Ukraine (overnight)	9,340,148	4,770,104
Current accounts with the National Bank of Ukraine	9,014,795	7,013,233
Cash on hand	4,629,392	3,060,267
	44,139,505	35,352,044
Less: expected credit losses	(15,124)	(5,257)
Cash and cash equivalents	44,124,381	35,346,787

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 30 June 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Changes in expected credit losses during the six months ended 30 June 2023 and 30 June 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	9,130
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	<i>9,130</i>
Exchange differences	737
As at 30 June 2023	15,124

	Stage 1
As at 1 January 2022	5,442
New assets originated or purchased	206
Assets repaid	(18)
Changes in expected credit losses	2,325
<i>Total credit loss expense before the effect of exchange differences</i>	<i>2,513</i>
Exchange differences	446
As at 30 June 2022	8,401

8. Loans and advances to banks

Loans and advances to banks comprise:

	30 June 2023	31 December 2022
Reverse REPO agreements	634,874	399,168
Current accounts in banks in precious metals	284,659	276,538
Term deposits with maturities over 90 days or overdue	-	14,521
Other amounts in banks	1,448,929	1,746,694
	2,368,462	2,436,921
Less: expected credit losses	(1,312)	(16,352)
Due from credit institutions	2,367,150	2,420,569

As at 30 June 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 284,659 thousand, which are carried at fair value through profit or loss (2022: UAH 276,538 thousand).

As at 30 June 2023, there are no overdue balances of loans and advances to banks (2022: UAH 14,521 thousand).

As at 30 June 2023, loans and advances to banks in the amount of UAH 2,029,564 thousand (or 85.69% 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 30 June 2023, reverse REPO agreements were secured by UDGB with the fair value of UAH 703,795 thousand (2022: UAH 421,235 thousand).

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 six months ended 30 June 2023 is as follows:

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	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	1,489,675	-	-	1,489,675
Assets repaid	(1,552,809)	-	-	(1,552,809)
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	1,075	-	-	1,075
At 30 June 2023	2,083,803	-	-	2,083,803

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 six months ended 30 June 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	864	-	-	864
Assets repaid	(177)	-	-	(177)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in expected credit losses	(1,229)	-	-	(1,229)
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	<i>(542)</i>	<i>-</i>	<i>-</i>	<i>(542)</i>
Write-offs	-	-	(14,522)	(14,522)
Foreign exchange differences	24	-	-	24
As at 30 June 2023	1,312	-	-	1,312

Changes in expected credit losses for the six months ended 30 June 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	48	-	-	48
Assets repaid	(3,287)	-	-	(3,287)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in expected credit losses	(200)	-	(571)	(771)
<i>Total credit loss expense before the effect of exchange differences</i>	<i>(3,439)</i>	<i>-</i>	<i>(571)</i>	<i>(4,010)</i>
Write-off	-	-	-	-
Exchange differences	121	-	1,356	1,477
As at 30 June 2022	69	-	11,617	11,686

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***9. Loans and advances to customers**

Loans and advances to customers comprise:

	30 June 2023	31 December 2022
Legal entities	56,233,705	61,201,988
SME	10,019,868	10,781,717
Individuals	5,503,129	5,709,448
Gross loans and advances to customers	71,756,702	77,693,153
Less: expected credit losses	(12,182,862)	(12,934,025)
Loans and advances to customers	59,573,840	64,759,128

As at 30 June 2023, loans and advances to customers included loans to customers of UAH 45,343 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 30 June 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 30 June 2023, the total amount of restructured loans not overdue was UAH 1,450,597 thousand (2022: UAH 1,964,393 thousand).

During the six months ended 30 June 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 30 June 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 2,465,585 thousand, for which a provision of UAH 2,325,035 thousand was created (2022: UAH 2,491,580 thousand, for which a provision of UAH 2,054,354 thousand, in accordance).

As at 30 June 2023, the amount of loans to individuals located in the territories occupied as a result of military operations amounted to UAH 119,591 thousand, for which a provision of UAH 62,686 thousand was created (2022: UAH 172,584 thousand, for which a provision of UAH 64,009 thousand, in accordance).

The analysis of changes in the gross carrying value for the six months ended 30 June 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	14,533,693	567,325	61,201,988
New assets and other changes					
in existing assets	7,660,402	1,194,961	344,015	16,373	9,215,751
Repaid assets	(9,940,662)	(3,554,810)	(949,954)	(5,311)	(14,450,737)
Transfer to Stage 1	2,337,017	(2,337,017)	-	-	-
Transfer to Stage 2	(2,713,786)	4,298,287	(1,584,501)	-	-
Transfer to Stage 3	(71,507)	(340,104)	411,611	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(60,511)	-	(60,511)
Foreign exchange differences	39,950	214,536	72,728	-	327,214
As at 30 June 2023	14,627,135	28,261,102	12,767,081	578,387	56,233,705

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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	2,388,594	372,872	83,199	-	2,844,665
Repaid assets	(2,074,088)	(1,309,297)	(242,837)	-	(3,626,222)
Transfer to Stage 1	824,050	(747,502)	(76,548)	-	-
Transfer to Stage 2	(2,321,137)	2,362,909	(41,772)	-	-
Transfer to Stage 3	(5,923)	(213,186)	219,109	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(3,849)	-	(3,849)
Foreign exchange differences	2,256	28,367	8,245	-	38,868
As at 30 June 2023	4,044,717	3,550,851	2,378,957	-	9,974,525

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	833,816	6,598	32,299	1,585	874,298
Repaid assets	(905,275)	(13,391)	(97,039)	(2,742)	(1,018,447)
Transfer to Stage 1	212,705	(166,750)	(45,955)	-	-
Transfer to Stage 2	(276,333)	310,629	(34,296)	-	-
Transfer to Stage 3	(7,312)	(203,844)	211,156	-	-
Amounts written off or derecognised as a result of a significant modification	-	-	(62,099)	(231)	(62,330)
Foreign exchange differences	2	-	158	-	160
As at 30 June 2023	3,420,167	36,785	2,030,954	15,223	5,503,129

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 six months ended 30 June of 2023.

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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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 126,690 thousand (2022: UAH 1,235,665 thousand of write-off of bad debts).

Expected credit losses on loans to customers and finance leases for the six months ended 30 June 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	68,844	-	-	-	68,844
Repaid assets	(17,944)	(2,024)	(23,612)	-	(43,580)
Transfer to Stage 1	14,540	(14,540)	-	-	-
Transfer to Stage 2	(32,153)	1,174,643	(1,142,490)	-	-
Transfer to Stage 3	(25,771)	(7,244)	33,015	-	-
Changes in expected credit losses	(50,260)	(1,128,492)	19,480	183,763	(975,509)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>(42,744)</i>	<i>22,343</i>	<i>(1,113,607)</i>	<i>183,763</i>	<i>(950,245)</i>
Changes in impaired interest	-	-	263,756	5,615	269,371
Amounts written off	-	-	(60,511)	-	(60,511)
Foreign exchange differences	(67)	4,538	55,881	-	60,352
As at 30 June 2023	30,571	792,814	7,625,195	390,842	8,839,422

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	9,303	-	13	-	9,316
Repaid assets	(644)	(522)	(4,321)	-	(5,487)
Transfer to Stage 1	23,387	(20,619)	(2,768)	-	-
Transfer to Stage 2	(24,736)	32,198	(7,462)	-	-
Transfer to Stage 3	(45)	(12,392)	12,437	-	-
Changes in expected credit losses	(39,203)	(44,359)	(4,628)	-	(88,190)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>(31,938)</i>	<i>(45,694)</i>	<i>(6,729)</i>	<i>-</i>	<i>(84,361)</i>
Changes in impaired interest	-	-	70,089	-	70,089
Amounts written off	-	-	(3,849)	-	(3,849)
Foreign exchange differences	(13)	1,023	5,540	-	6,550
As at 30 June 2023	17,624	45,641	1,537,986	-	1,601,251

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2023	77,463	30,680	1,685,648	6,956	1,800,747
New assets	12,152	-	2,058	1,282	15,492
Repaid assets	(2,096)	(2,795)	(18,364)	(7)	(23,262)
Transfer to Stage 1	47,548	(33,513)	(14,035)	-	-
Transfer to Stage 2	(37,347)	52,003	(14,656)	-	-
Transfer to Stage 3	(2,617)	(59,946)	62,563	-	-
Changes in expected credit losses	(46,942)	22,597	17,470	(2,851)	(9,726)
<i>Total allowance expense before the effect of foreign exchange difference</i>	<i>(29,302)</i>	<i>(21,654)</i>	<i>35,036</i>	<i>(1,576)</i>	<i>(17,496)</i>
Changes in impaired interest	-	-	20,571	553	21,124
Amounts written off	-	-	(62,099)	(231)	(62,330)
Foreign exchange differences	2	-	142	-	144
As at 30 June 2023	48,163	9,026	1,679,298	5,702	1,742,189

Expected credit losses on loans to customers and finance leases for the six months ended 30 June 2022 were as follows:

<i>Legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2022	406,403	1,354,074	2,283,053	31,035	4,074,565
New assets	606,096	56,174	30,083	16,750	709,103
Repaid assets	(18,464)	(137,792)	-	-	(156,256)
Transfer to stage 1	19,994	(19,994)	-	-	-
Transfer to stage 2	(1,659,302)	1,659,302	-	-	-
Transfer to stage 3	(212,353)	(452,492)	664,845	-	-
Change of reserve	1,575,518	1,066,194	(14,717)	28,923	2,655,918
<i>Total credit loss expense before the effect of exchange differences</i>	<i>311,489</i>	<i>2,171,392</i>	<i>680,211</i>	<i>45,673</i>	<i>3,208,765</i>
Changes in impaired interest	-	-	41,824	-	41,824
Amounts written off	-	-	(416,693)	-	(416,693)
Exchange differences	16,582	35,052	41,654	2,122	95,410
As at 30 June 2022	734,474	3,560,518	2,630,049	78,830	7,003,871

<i>SME</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2022	25,298	76,931	272,065	-	374,294
New assets	31,586	-	1,726	-	33,312
Repaid assets	(746)	(18)	(2,388)	-	(3,152)
Transfer to stage 1	2,005	(1,977)	(28)	-	-
Transfer to stage 2	(112,481)	155,623	(43,142)	-	-
Transfer to stage 3	(497,568)	(120,017)	617,585	-	-
Change of reserve	629,210	215,675	(46,842)	-	798,043
<i>Total credit loss expense before the effect of exchange differences</i>	<i>52,006</i>	<i>249,286</i>	<i>526,911</i>	-	<i>828,203</i>
Changes in impaired interest	-	-	17,267	-	17,267
Amounts written off	-	-	(11,665)	-	(11,665)
Exchange differences	11	4,718	(1,123)	-	3,606
As at 30 June 2022	77,315	330,935	803,455	-	1,211,705

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
As at 1 January 2022	10,405	7,016	1,407,404	9,688	1,434,513
New assets	710	-	1,008	491	2,209
Repaid assets	(220)	(321)	(6,730)	-	(7,271)
Transfer to stage 1	2,755	(2,160)	(595)	-	-
Transfer to stage 2	(34,755)	35,046	(291)	-	-
Transfer to stage 3	(427,611)	(93,825)	521,436	-	-
Change of reserve	493,104	58,216	(84,953)	(1,495)	464,872
<i>Total credit loss expense before the effect of exchange differences</i>	<i>33,983</i>	<i>(3,044)</i>	<i>429,875</i>	<i>(1,004)</i>	459,810
Changes in impaired interest	-	-	24,839	72	24,911
Amounts written off	-	-	(108,164)	-	(108,164)
Exchange differences	-	1	81,427	-	81,428
As at 30 June 2022	44,388	3,973	1,835,381	8,756	1,892,498

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 six months ended 30 June of 2023 and in 2022:

	<i>30 June 2023</i>	<i>31 December 2022</i>
Legal entities	-	350,494
SME	-	-
Individuals	6,003	9,775
Total undiscounted ECLs at initial recognition of POCI	6,003	360,269

Collateral

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

<i>Type of collateral</i>	<i>30 June 2023</i>				<i>Of them in Stage 3 and POCI</i>
	<i>Legal entities</i>	<i>SME</i>	<i>Individuals</i>	<i>Total</i>	
Deposits	2,135,254	378,760	337	2,514,351	97,311
Real estate	23,652,908	3,315,478	2,608,605	29,576,991	8,930,009
Other assets	20,476,392	4,882,038	1,058,611	26,417,041	4,408,442
Unsecured	9,969,151	1,443,592	1,835,576	13,248,319	4,336,387
Total loans	56,233,705	10,019,868	5,503,129	71,756,702	17,772,149
<i>Type of collateral</i>	<i>31 December 2022</i>				<i>Of them in Stage 3 and POCI</i>
	<i>Legal entities</i>	<i>SME</i>	<i>Individuals</i>	<i>Total</i>	
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 30 June 2023 and 31 December 2022, other assets include movable property, goods in turnover, etc.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

In the absence of collateral the expected credit losses on loans to customers at Stage 3 as at 30 June 2023 and 31 December 2022 would be higher by:

	30 June 2023	31 December 2022
Legal entities	3,504,875	4,483,111
SME	420,183	706,209
Individuals	88,086	125,045
	4,013,144	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	30 June 2023				31 December 2022			
	<i>In foreign currency</i>	<i>In national currency</i>	Total	Impaired	<i>In foreign currency</i>	<i>In national currency</i>	Total	Impaired
State-owned entities and municipalities	6,911,140	9,099,331	16,010,471	2,402,269	7,411,800	10,577,284	17,989,084	2,668,621
Corporate customers	22,835,488	17,387,746	40,223,234	10,943,200	22,670,968	20,541,936	43,212,904	12,432,397
SME	2,074,722	7,945,147	10,019,868	2,380,501	2,168,012	8,613,705	10,781,717	2,435,377
Individuals	1,310,620	4,192,508	5,503,129	2,046,178	1,366,349	4,343,099	5,709,448	2,043,341
Total	33,131,970	38,624,732	71,756,702	17,772,148	33,617,129	44,076,024	77,693,153	19,579,736

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

Types of customers	30 June 2023			31 December 2022		
	<i>Within one year</i>	<i>More than one year</i>	Total	<i>Within one year</i>	<i>More than one year</i>	Total
State-owned entities and municipalities	8,532,627	7,477,844	16,010,471	14,155,950	3,833,134	17,989,084
Corporate customers	23,149,777	17,073,457	40,223,234	27,865,485	15,347,419	43,212,904
SME	5,305,320	4,714,548	10,019,868	7,374,835	3,406,882	10,781,717
Individuals	1,079,368	4,423,761	5,503,129	2,593,447	3,116,001	5,709,448
Total	38,067,092	33,689,610	71,756,702	51,989,717	25,703,436	77,693,153

As at 30 June 2023, loans to customers and finance leases in the amount of UAH 25,119,377 thousand were granted to the ten largest borrowers/groups of Bank's related counterparties (35.01% of the total loans to customers); allowance for expected credit losses of UAH 2,303,249 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:

	30 June 2023	31 December 2022
Extraction, trade in gas and fuel	12,880,800	13,415,120
Electric power industry	10,784,332	10,966,784
Trade	10,622,999	10,334,202
Agriculture and food industry	9,607,819	11,555,348
Real estate	5,800,773	6,030,442
Individuals	5,503,128	5,709,448
Transport	3,385,405	4,440,555
Manufacturing	3,070,439	4,063,849
Construction	2,089,644	2,051,572
Metallurgy	1,826,615	1,821,325
Service sector	1,758,146	1,941,336
Finance	674,298	208,207
Municipality	613,594	1,795,762
Telecommunications	28,026	29,958
Other	3,110,684	3,329,245
Total	71,756,702	77,693,153

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

	30 June 2023			31 December 2022		
	Legal entities	SME	Total	Legal entities	SME	Total
Within one year						
Finance lease	1,109	20,711	21,820	–	464,719	464,719
Less: expected credit losses	–	(518)	(518)	–	(2,560)	(2,560)
Short-term finance lease agreements	1,109	20,193	21,302	–	462,159	462,159
More than one year						
Finance lease	24,672	773,058	797,730	28,687	827,384	856,071
Less: expected credit losses	(5,042)	(469,319)	(474,361)	(7,011)	(492,879)	(499,890)
Long-term finance lease agreements	19,630	303,739	323,369	21,676	334,505	356,181
Total finance lease agreements	20,739	323,932	344,671	21,676	796,664	818,340

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

	30 June 2023		31 December 2022	
	Legal entities	SME	Legal entities	SME
Transport	–	752,718	–	1,158,650
Agriculture and food industry	25,781	–	28,687	–
Service sector	–	24,032	–	39,891
Manufacturing	–	9,087	–	32,841
Unsecured	–	5,148	–	55,975
Real estate	–	2,784	–	4,747
Total	25,781	793,769	28,687	1,292,104

The analysis of finance lease receivables in the legal entity and SME loan portfolio as at 30 June 2023 is presented in the table below:

						Total
	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	
Gross investments in finance leases	334,979	395,754	193,385	25,541	–	949,659
Unearned finance income from future finance leases	(22,982)	(64,072)	(37,459)	(5,596)	–	(130,109)
Investments in finance leases	311,997	331,682	155,926	19,945	–	819,550

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:

						Total
	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	
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

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***10. Investments in securities**

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

	30 June 2023	31 December 2022
Ukrainian domestic government bonds (UDGB)	28,987,250	20,630,471
Deposit certificates issued by the National Bank of Ukraine	10,700,036	–
State Mortgage Institution bonds	1,650,305	1,353,913
Municipal bonds	1,147,754	1,130,540
Corporate bonds	94,960	90,893
Corporate shares	9,851	11,332
Investments in securities at fair value through other comprehensive income	42,590,156	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:

<i>Investments in securities at fair value through other comprehensive income</i>	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	35,057,201	–	–	35,057,201
Assets repaid	(2,204,340)	(2,086,854)	(43,879)	(4,335,073)
Assets sold	(11,841,539)	(2,941,139)	–	(14,782,678)
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Accrued income (expenses)	1,594,482	926,304	105,124	2,625,910
Write-offs	–	–	–	–
Foreign exchange differences	(3)	–	–	(3)
Gross carrying amount as at 30 June 2023	28,500,825	13,252,902	2,077,200	43,830,927

<i>Investments in securities at fair value through other comprehensive income</i>	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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Changes in expected credit losses for the six months ended 30 June 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 2023	139,009	854,204	105,352	1,098,565
New created and purchased assets	466,081	-	-	466,081
Assets repaid	(2,651)	(3,389)	-	(6,040)
Assets sold	(49,306)	(11,205)	-	(60,511)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in expected credit losses	15,151	(228,017)	134	(212,732)
Write-offs	-	-	-	-
Exchange differences	101	-	-	101
Expected credit losses as at 30 June 2023	568,385	611,593	105,486	1,285,464

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 30 June 2023.

Changes in expected credit losses for the six months ended 30 June 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	20,882	-	-	20,882
Assets repaid	(1,251)	-	-	(1,251)
Assets sold	(1,080)	-	-	(1,080)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(189,658)	-	189,658	-
Changes in expected credit losses	232,587	-	21,581	254,168
Write-off	-	-	-	-
Exchange differences	167	-	-	167
Expected credit losses as at 30 June 2022	113,027	-	518,072	631,099

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 30 June 2023, UDGB with fair value of UAH 1,690,530 thousand (2022: UAH 1,084,684 thousand) were pledged for a long-term loans received from a credit institution (Note 19).

As at 30 June 2023, UDGB with the fair value of UAH 11,333,228 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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

	30 June 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	287,331	(279,005)	8,449	(123)	2,941,048	(2,926,410)	14,972	(334)
Spots	1,493,185	(1,489,724)	5,618	(2,157)	443,413	(443,719)	97	(403)
Total derivative financial assets/ (liabilities)			14,067	(2,280)			15,069	(737)

12. Investment property

Movements in investment property items were as follows:

	30 June 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 30 June / 31 December	156,366	156,366

Income from investment property includes rental income in the amount of UAH 6,348 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:

	30 June 2023	30 June 2022
Current income tax expenses	152,649	–
Changes in deferred taxes — origination and reversal of temporary differences	(33,873)	(4,118)
Income tax Reimbursement / (expenses)	118,776	(4,118)

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:

	30 June 2023	30 June 2022
Profit / (loss) before tax	2,714,843	(3,202,965)
Statutory tax rate	18%	18%
Income tax expense / (Reimbursement) at the statutory rate	488,672	(576,534)
Non-deductible expense for taxation	6,245	(6,983)
Changes in recognized deferred tax assets / (liabilities)	(33,659)	–
Changes in unrecognized deferred tax assets	(342,482)	579,399
Income tax expense / (Reimbursement)	118,776	(4,118)

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

As at 30 June 2023 and 2022, deferred tax assets and liabilities and their movements for the respective periods were as follows:

	Origination and reversal of temporary differences			Origination and reversal of temporary differences		
	In profit or loss	In equity	30 June 2023	In profit or loss	In equity	30 June 2022
Tax effect of non-taxable temporary differences						
Assessment of investments at fair value through other comprehensive income	33,624	(33,624)	-	-	-	-
Property, equipment and intangible assets	249	-	30,387	4,118	-	36,371
Deferred tax assets/ (liabilities), net amount	33,873	(33,624)	30,387	4,118	-	36,371
Deductible temporary differences for which no deferred tax assets is recognized						
Tax losses carried forward	(342,482)	-	342,513	579,400	-	579,400
Assessment of investments at fair value through other comprehensive income	-	(145,697)	162,330	-	24,944	65,418
Deferred tax assets, unrecognized	(342,482)	(145,697)	504,843	579,400	24,944	644,818

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.

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	21,387	-	-	28,729	44,174	95,898
Disposals	(1,362)	(6,767)	(286)	(1,274)	-	-	(9,689)
Transfers	10,976	32,968	627	-	(43,768)	(803)	-
Recovery of utility	-	2,645	-	-	-	11	2,656
Acquisition of ownership	20,959	-	-	-	-	-	20,959
As at 30 June 2023	871,915	1,131,582	32,629	70,861	16,311	773,285	2,896,583
Accumulated depreciation							
As at 1 January 2023	-	860,848	29,027	61,184	-	601,675	1,552,734
Depreciation charges	11,283	73,094	1,148	4,010	-	63,772	153,307
Disposals	(13)	(6,708)	(286)	(1,274)	-	-	(8,281)
Recovery of utility	-	2,645	-	-	-	11	2,656
As at 30 June 2023	11,270	929,879	29,889	63,920	-	665,458	1,700,416
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 30 June 2023	860,645	201,703	2,740	6,941	16,311	107,827	1,196,167

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

		Buildings and land plots	Furniture and equipment	Leasehold improvements	Motor vehicles	Construction in progress and items not yet available to use	Intangible assets	Total
	Note							
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	15	-	-	-	29,096	-	-	29,096
Reclassification to Assets held for sale	16	-	(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 30 June 2023 would amount to UAH 843,765 thousand (2022: UAH 835,105 thousand).

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		77,197	269	-	77,466	77,466
Early termination		(10,156)	-	-	(10,156)	(10,580)
Depreciation expense		(42,290)	(145)	(118)	(42,553)	-
Interest expense		-	-	-	-	7,219
Payments		-	-	-	-	(49,096)
As at 30 June 2023		190,552	200	118	190,870	188,515

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	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 six months ended 30 June 2023, the Bank recognized expenses on short-term leases, leases of low-value assets and variable lease payments in the amount of UAH 28,216 thousand (30 June 2022: UAH 23,751 thousand).

For the six months ended 30 June 2023, the total lease-related cash outflow amounted to UAH 77,312 thousand (30 June 2022: UAH 71,804 thousand).

16. Other assets and liabilities

Other assets comprise:

	30 June 2023	31 December 2022
Other financial assets		
Receivables for securities	400,052	400,040
Clearing payments for payment cards	339,665	580,135
Other accrued income	124,931	143,540
Other receivables due to banks	101,700	190,928
Other	17,384	19,551
	983,732	1,334,194
Less: expected credit losses on other financial assets	(438,055)	(433,439)
Total other financial assets	545,677	900,755
Other non-financial assets		
Other property	334,307	337,064
Prepayments	192,180	313,641
Receivables for property rights	83,361	110,887
Inventories	14,756	14,466
Receivables from employees	10,745	9,548
Precious metals	1,475	1,349
Taxes recoverable, other than income tax	1,146	946
Prepayments for the assets to be provided under finance leases	648	2,612
Cash and precious metals located in the temporarily occupied territory	29	63,428
Other	36,208	52,804
	674,855	906,745
Less: allowance for impairment on other non-financial assets	(127,970)	(197,318)
Total other non-financial assets	546,885	709,427

As at 30 June 2023, the carrying value of other property was UAH 334,307 thousand (2022: UAH 337,064 thousand).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	<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
Sale	(256)	(3,104)	(1,878)	–	–	(5,238)
Decrease in utility	–	(623)	–	–	–	(623)
As at 30 June 2023	20,202	223,672	64,881	6,561	18,991	334,307

	<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 six months ended 30 June 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	3,204	3,786	12	7,002
Assets repaid	(3,241)	(3,469)	(2,416)	(9,126)
Transfer to Stage 1	304	(143)	(161)	–
Transfer to Stage 2	(68)	169	(101)	–
Transfer to Stage 3	(240)	(6,928)	7,168	–
Changes in expected credit losses	(243)	341	5,294	5,392
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	<i>(284)</i>	<i>(6,244)</i>	<i>9,796</i>	<i>3,268</i>
Write-offs	–	–	(489)	(489)
Foreign exchange differences	1	–	1,836	1,837
As at 30 June 2023	2,129	485	435,441	438,055

Analysis of changes in the expected credit loss (ECL) allowance for other financial assets for the six month ended 30 June 2022 is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2022	429	560	521,841	522,830
New assets originated or purchased	13,427	3,331	1,423	18,181
Assets repaid	(259)	(908)	(523)	(1,690)
Transfer to Stage 1	767	(41)	(726)	–
Transfer to Stage 2	(203)	203	–	–
Transfer to Stage 3	(830)	(1,421)	2,251	–
Changes in expected credit losses	(1,283)	1,871	7,161	7,749
<i>Total loss allowance expense before the effect of foreign exchange differences</i>	<i>11,619</i>	<i>3,035</i>	<i>9,586</i>	<i>24,240</i>
Write-offs	(8)	–	(107,537)	(107,545)
Foreign exchange differences	(7)	–	161	154
As at 30 June 2022	12,033	3,595	424,051	439,679

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Analysis of changes in the impairment provision for other non-financial assets for the six months ended 30 June 2023 is as follows:

	Other assets
As at 1 January 2022	197,318
Accrual	22,566
<i>Total impairment provision-related expense before the effect of exchange differences</i>	22,566
Recovery	(27,526)
Amounts written off	(65,368)
Foreign exchange differences	980
As at 30 June 2023	127,970

Analysis of changes in the impairment provision for other non-financial assets for the six months ended 30 June 2022 is as follows:

	Other assets
As at 1 January 2022	182,327
Accrual	5,955
<i>Total impairment provision-related expense before the effect of exchange differences</i>	5,955
Amounts written off	(2,577)
Foreign exchange differences	3,444
As at 30 June 2022	189,149

Other liabilities comprise:

	30 June 2023	31 December 2022
Other financial liabilities		
Lease liabilities	188,515	163,506
Payables for operations with clients	156,665	106,678
Accrued expenses for cash and settlements	43,363	50,688
Payables for operations with payment cards	41,783	267,411
Accounts payable for professional services	20,327	33,063
Accounts payable for operations with banks	18,060	7,481
Accounts payable for acquiring assets	14,316	12,906
Rent of premises	12,261	7,377
Payables for operations with clients on purchase and sale of foreign currency, bank and precious metals	11,146	38,500
Software support	10,794	1,920
Communication services	8,244	7,247
Maintenance of premises	7,262	4,915
Repair and maintenance of property, plant and equipment	4,214	1,150
Payables to payment cards transactions processing center	1,808	1,923
Security services	1,193	1,153
Payables for the assets to be provided under finance leases	933	2,888
Other	56,608	62,567
Total other financial liabilities	597,492	771,373
Other non-financial liabilities		
Accruals for unused vacations	386,889	325,864
Payables for payments to the Individual Deposit Guarantee Fund	54,254	51,401
Deferred income	53,221	48,345
Payables on taxes and mandatory contributions, except for income tax	35,621	28,455
Accounts payable for payments to employees	3,776	2,775
Other	2,192	70,075
Total other non-financial liabilities	535,953	526,915

As at 30 June 2023, other financial liabilities include balances in the amount of UAH 3,110 thousand counterparties with geographic jurisdiction in the Russian Federation and the Republic of Belarus (2022: UAH 2,862 thousand).

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***17. Due to banks**

Due to banks comprise:

	30 June 2023	31 December 2022
Current accounts	2,538,755	4,595,444
Due to the National Bank of Ukraine	999,564	998,956
Other amounts due to banks	973,125	973,126
Due to banks	4,511,444	6,567,526

Loans from the National Bank of Ukraine include:

	Maturity	Interest rate	30 June 2023	Interest rate	31 December 2022
Long-term loans obtained through refinancing	9 January 2026	25%	999,564	25%	998,956
Total due to the National Bank of Ukraine			999,564		998,956

As at 30 June 2023, the discount rate of the National Bank of Ukraine was 25% (2022: 25%).

As at 30 June 2023, the following assets were pledged as a collateral for loans received from the National Bank of Ukraine:

	Notes	30 June 2023	31 December 2022
UDGB and UDMB	11	11,333,228	16,566,069
Total		11,333,228	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 30 June 2023, the balances of due to banks amounted to UAH 2,539,086 thousand (56.28%) raised from three banks (2022: balances amounted to UAH 3,254,132 thousand (49.55%) raised from three banks).

As at 30 June 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 79,493 thousand (2022: UAH 82,465 thousand).

As at 30 June 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).

18. Due to customers

Due to customers by operating segments comprise:

	30 June 2023	31 December 2022
Current accounts		
- Legal entities	60,335,818	41,472,462
- SME	10,429,718	12,800,410
- Individuals	15,973,708	16,718,093
	86,739,244	70,990,965
Time deposits		
- Legal entities	19,509,655	17,897,959
- SME	12,255,546	8,552,785
- Individuals	14,890,958	15,336,904
	46,656,159	41,787,648
Due to customers	133,395,403	112,778,613

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

As at 30 June 2023, balances due to customers of UAH 41,744,538 thousand (31.29%) included the amounts due to ten largest customers of the Bank (2022: UAH 17,909,400 thousand (15.88%).

As at 30 June 2023, balances due to budget organizations amounted to UAH 1,716,100 thousand and included the amounts due to customers: UAH 1,699,691 thousand - in the Legal entities segment (2022: UAH 998,160 thousand) and UAH 16,409 thousand - in the SME segment (2022: UAH 1,181 thousand).

As at 30 June 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 16,442 thousand in the Legal entities segment (2022: UAH 15,553 thousand), UAH 157,810 thousand - in the Individuals segment (2022: UAH 149,330 thousand). As at 30 June 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:

	30 June 2023	31 December 2022
Service sector	34,301,116	14,238,343
Individuals	30,938,811	32,138,432
Power engineering	15,228,966	14,069,274
Transport	12,432,029	13,668,126
Production	9,519,105	11,021,968
Trade	8,759,291	8,258,425
Agriculture and food industry	5,318,138	3,643,022
Metallurgy	5,258,637	2,736,019
Finance	4,213,884	5,143,687
Insurance	2,674,803	3,213,145
Construction	1,327,632	1,464,692
Other	3,422,991	3,183,480
Due to customers	133,395,403	112,778,613

As at 30 June 2023, balances due to customers by industry in the Individuals segment in the amount of UAH 30,938,811 thousand (2022: UAH 32,138,432 thousand) included SME share of due to customers in the amount of UAH 74,145 thousand (2022: UAH 83,435 thousand).

As at 30 June 2023, items attributed to Other included the funds of non-resident legal entities of UAH 3,168,410 thousand (2022: UAH 3,099,941 thousand).

As at 30 June 2023, loans and advances to customers were secured by amounts due to customers of UAH 2,514,351 thousand (2022: UAH 3,291,081 thousand) (Note 9).

As at 30 June 2023, amounts due to customers were pledged to secure the commitments and contingencies in the amount of UAH 2,971,090 thousand (2022: UAH 4,832,300 thousand) (Note 21).

19. Other borrowed funds

Other borrowed funds comprise:

	30 June 2023	31 December 2022
Term deposits and loans	3,924,758	3,385,858
Other borrowed funds	3,924,758	3,385,858

As at 30 June 2023, the balances of other borrowed funds amounted to UAH 2,834,536 thousand (72.22%) raised from three banks (2022: balances amounted to UAH 2,759,266 thousand 81.49% raised from three banks).

As at 30 June 2023, a long-term loans received from credit institutions were secured by the Ukrainian domestic government bonds with a fair value of UAH 1,690,530 thousand (2022: UAH 1,084,684 thousand) (Note 10).

Note 27 provides information as at 30 June 2023 on breaches of covenants in relation to term loans obtained from credit institutions amounted to UAH 3,364,589 thousand. (2022: UAH 3,339,098 thousand).

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***20. Equity****Share capital**

As at 30 June 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 30 June 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 30 June 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.

Movements in other reserves

Movements in other reserves were as follows:

	<i>Revaluation surplus</i>	<i>Reserve of gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve of gains and losses from investments in equity instruments</i>	<i>Total</i>
As at 1 January 2022	224,594	(224,854)	(1,925)	(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)

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	Revaluation surplus	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Reserve of gains and losses from investments in equity instruments	Total
As at 31 December 2022	233,920	(1,096,436)	(1,925)	(864,441)
Net change in fair value of debt instruments at fair value through other comprehensive income	-	815,797	-	815,797
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	-	(6,369)	-	(6,369)
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	-	-	(1,482)	(1,482)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	-	186,798	-	186,798
Income tax associated with revaluation of securities	-	(33,624)	-	(33,624)
Transfer as a result of disposal of assets	(386)	-	-	(386)
As at 30 June 2023	233,534	(133,834)	(3,407)	96,293

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.

Commitments and contingencies

As at 30 June 2023 and 31 December 2022, contractual commitments and contingencies were as follows:

	30 June 2023	31 December 2022
Credit-related commitments		
Financial guarantees	6,633,913	8,009,244
Loan commitments	11,355,270	10,875,864
Letters of credit:	4,078,322	5,226,349
- including secured letters of credit	213,392	568,059
- including unsecured letters of credit	3,864,930	4,658,290
Aval	6,666	19,133
	22,074,171	24,130,590
Performance guarantees	637,822	856,764
	637,822	856,764
Commitments and contingencies	22,711,993	24,987,354

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

As at 30 June 2023, loan commitments amounted to UAH 11,355,270 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 3,035,826 thousand (2022: UAH 2,569,681 thousand)
- ▶ loan commitments to other customers of the Bank in the amount of UAH 8,319,444 thousand (2022: UAH 8,306,183 thousand).

As at 30 June 2023 and 31 December 2022, the loan commitments are revocable commitments.

As at 30 June 2023, the estimated allowances for ECLs in respect of credit-related commitments amounted to UAH 172,621 thousand (2022: UAH 302,744 thousand).

As at 30 June 2023, the estimated allowances for performance guarantees amounted to UAH 248 thousand (2022: UAH 143 thousand).

As at 30 June 2023, the commitments and contingencies were secured by cash collateral for UAH 2,971,090 thousand (2022: UAH 4,832,300 thousand) (Note 18) .

Changes in the expected credit loss allowance for financial guarantees for the six months ended 30 June 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	39,252	-	-	39,252
Expired guarantees	(4,221)	(4,004)	(8,399)	(16,624)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(18,162)	18,162	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(25,166)	(108,996)	-	(134,162)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(8,297)</i>	<i>(94,838)</i>	<i>(8,399)</i>	<i>(111,534)</i>
Foreign exchange differences	154	(3)	-	151
As at 30 June 2023	15,791	108,352	34,000	158,143
SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	37	156	-	193
New guarantees	186	-	-	186
Expired guarantees	(38)	(7)	-	(45)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(96)	(152)	-	(248)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>52</i>	<i>(159)</i>	<i>-</i>	<i>(107)</i>
Foreign exchange differences	-	3	-	3
As at 30 June 2023	89	-	-	89

Changes in the expected credit loss allowance for financial guarantees for the six months ended 30 June 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	18,198	-	-	18,198
Expired guarantees	(5,236)	(207,785)	-	(213,021)
Transfer to Stage 1	1,368	(1,368)	-	-
Transfer to Stage 2	(253,886)	253,886	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	291,416	(38,619)	-	252,797
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>51,860</i>	<i>6,114</i>	<i>-</i>	<i>57,974</i>
Foreign exchange differences	3,976	(3,183)	-	793
As at 30 June 2022	188,376	59,466	-	247,842

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	119	-	1	120
New guarantees	7,665	-	-	7,665
Expired guarantees	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(3,288)	12,334	(9,046)	-
Transfer to Stage 3	(71,332)	-	71,332	-
Change in allowance	70,540	(2,221)	(59,880)	8,439
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>3,585</i>	<i>10,113</i>	<i>2,406</i>	16,104
Foreign exchange differences	(74)	(208)	(2,406)	(2,688)
As at 30 June 2022	3,630	9,905	1	13,536

Changes in allowances for performance guarantees for the six months ended 30 June 2023 were as follows:

Legal entities	Total
As at 1 January 2023	126
Accrual/(reversal)	(58)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(58)</i>
Foreign exchange differences	-
As at 30 June 2023	68

SME	Total
As at 1 January 2023	17
Accrual/(reversal)	163
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>163</i>
Foreign exchange differences	-
As at 30 June 2023	180

Changes in allowances for performance guarantees for the six months ended 30 June 2022 were as follows:

Legal entities	Total
As at 1 January 2022	805
Accrual/(reversal)	1,067
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>1,067</i>
Foreign exchange differences	6
As at 30 June 2022	1,878

SME	Total
As at 1 January 2022	3
Accrual/(reversal)	37
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>37</i>
Foreign exchange differences	-
As at 30 June 2022	40

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the six months ended 30 June 2023:

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	2,629	219	-	2,848
New loan commitments	8,118	-	-	8,118
Expired loan commitments	(66)	(412)	-	(478)
Transfer to Stage 1	264	(264)	-	-
Transfer to Stage 2	(7,701)	7,701	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(2,679)	(6,609)	-	(9,288)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(2,064)</i>	<i>416</i>	<i>-</i>	(1,648)
Foreign exchange differences	-	-	-	-
As at 30 June 2023	565	635	-	1,200

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	212	38	-	250
New loan commitments	39	-	-	39
Expired loan commitments	(4)	(35)	-	(39)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(26)	26	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(179)	(15)	-	(194)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(170)</i>	<i>(24)</i>	<i>-</i>	<i>(194)</i>
Foreign exchange differences	-	-	-	-
As at 30 June 2023	42	14	-	56

Individuals	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	23,544	8	6,371	29,923
New loan commitments	2,932	-	57	2,989
Expired loan commitments	(623)	-	(1,232)	(1,855)
Transfer to Stage 1	2,887	(12)	(2,875)	-
Transfer to Stage 2	(174)	1,502	(1,328)	-
Transfer to Stage 3	(41)	-	41	-
Change in allowance	(16,060)	(1,495)	(369)	(17,924)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(11,079)</i>	<i>(5)</i>	<i>(5,706)</i>	<i>(16,790)</i>
Foreign exchange differences	-	-	-	-
As at 30 June 2023	12,465	3	665	13,133

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the six months ended 30 June 2022:

Legal entities	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	2,490	160,221	-	162,711
New loan commitments	373	-	-	373
Expired loan commitments	(304)	-	(3)	(307)
Transfer to Stage 1	18	(18)	-	-
Transfer to Stage 2	(38)	38	-	-
Transfer to Stage 3	-	-	-	-
Change in allowance	(2,103)	(159,833)	3,694	(158,242)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(2,054)</i>	<i>(159,813)</i>	<i>3,691</i>	<i>(158,176)</i>
Foreign exchange differences	3	1 399	-	1,402
As at 30 June 2022	439	1,807	3,691	5,937

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	100	31	6,615	6,746
New loan commitments	14	-	-	14
Expired loan commitments	(17)	-	(239)	(256)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(7)	211	(204)	-
Transfer to Stage 3	(2,574)	-	2,574	-
Change in allowance	2,505	520	(8,645)	(5,620)
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>(79)</i>	<i>731</i>	<i>(6,514)</i>	<i>(5,862)</i>
Foreign exchange differences	-	-	-	-
As at 30 June 2022	21	762	101	884

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Individuals	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	2,255	1	8,449	10,705
New loan commitments	244	–	16	260
Expired loan commitments	(80)	–	(1,099)	(1,179)
Transfer to Stage 1	16	(15)	(1)	–
Transfer to Stage 2	(1)	1	–	–
Transfer to Stage 3	(3,273)	(12,230)	15,503	–
Change in allowance	5,979	12,244	(5,073)	13,150
<i>Total allowance expense before the effect of foreign exchange differences</i>	<i>2,885</i>	<i>–</i>	<i>9,346</i>	12,231
Foreign exchange differences	–	–	241	241
As at 30 June 2022	5,140	1	18,036	23,177

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 30 June 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	999,564	UDGB and UDMB	11,333,228
Long-term loan from a financial institution	1,199,949	UDGB	1,690,530
Total	2,199,513		13,023,758

As at 31 December 2022, 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	998,956	UDGB and UDMB	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:

	Provision for legal and other risks
As at 1 January 2023	395,920
Accrual	(12)
Write-off	(135,695)
As at 30 June 2023	260,213

	Provision for legal and other risks
As at 1 January 2022	265,297
Accrual	1,164
Write-off	(21)
As at 30 June 2022	266,440

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***22. Net fee and commission income**

Net fee and commission income comprised:

	<i>For the six months, ended 30 June 2023</i>	<i>For the six months, ended 30 June 2022</i>
Settlements	745,362	667,519
Guarantees and letters of credit	188,356	185,717
Agent operations in the foreign exchange market	182,397	89,664
Loan servicing to customers	19,285	105,702
Transactions with securities	2,955	5,022
Other	11,253	14,760
Fee and commission income	1,149,608	1,068,384
Settlements	(379,190)	(340,869)
Guarantees and letters of credit	(102,932)	(94,282)
Agent operations in the foreign exchange market	(22,060)	(5,431)
Other	(245)	(4,615)
Fee and commission expense	(504,427)	(445,197)
Net fee and commission income	645,181	623,187

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 six months, ended 30 June 2023</i>	<i>For the six months, ended 30 June 2022</i>
Dealing	130,019	209,584
Foreign exchange differences	97,856	365,780
Net gains / (losses) on foreign exchange operations and precious metals	227,875	575,364

24. Other income

Other income comprised:

	<i>For the six months, ended 30 June 2023</i>	<i>For the six months, ended 30 June 2022</i>
Gain on marketing support services	43,834	22,840
Obtaining income from the acquisition of ownership of real estate	20,959	-
Recovery of expenses on finance lease agreements	12,786	21,978
Recovery of previously written-off assets	11,531	6,216
Penalties received and other fees for overdue payments under loan agreements	7,457	22,860
Fees from insurance companies and banks	6,739	30,053
Gain from sale of investment and commemorative coins	6,386	1,335
Compensation costs for utilities of premises leased	4,975	4,408
Recognition of the fair value of buildings	3,104	-
Recovery of litigation expenses	2,093	2,079
Surplus cash collection at ATMs	1,497	1,236
Gain from acquired ownership of the amounts due to customers	493	347
Recovery of registration costs	198	405
Proceeds from sale of property, equipment and intangible assets	186	412
Positive result from sale of assets held for sale and other property	154	5,815
Other	12,216	9,136
Total other income	134,608	129,120

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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 six months ended 30 June 2023:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	9,130	-	-	-	9,130
Loans and advances to banks	8	(542)	-	-	-	(542)
Loans and advances to customers	9	(103,984)	(45,005)	(1,085,300)	182,187	(1,052,102)
Investments in securities at fair value through other comprehensive income	10	429,275	(242,611)	134	-	186,798
Return of loans to customers written-off in the current year		-	-	210	-	210
Other financial assets	16	(284)	(6,244)	9,796	-	3,268
Financial guarantees	21	(8,245)	(94,997)	(8,399)	-	(111,641)
Undrawn loan commitments	21	(13,313)	387	(5,706)	-	(18,632)
Total credit loss expense		312,037	(388,470)	(1,089,265)	182,187	(983,511)

The statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 also includes changes in the following other provisions:

- ▶ provisioning-related expenses for other non-financial assets in the amount of UAH 22,566 thousand (Note 16);
- ▶ reversal of provisions for legal risks in the amount of UAH (12) thousand (Note 21);
- ▶ provisioning-related expenses for performance guarantees in the amount of UAH 105 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 six months ended 30 June 2022:

	<i>Notes</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	7	2,513	-	-	-	2,513
Loans and advances to banks	8	(3,439)	-	(571)	-	(4,010)
Loans and advances to customers	9	397,478	2,417,634	1,636,997	44,669	4,496,778
Investments in securities at fair value through other comprehensive income	10	253,469	-	21,581	-	275,050
Recovery of previously written-off customer loans		-	-	(26)	-	(26)
Other financial assets	16	11,619	3,035	9,586	-	24,240
Financial guarantees	21	55,445	16,227	2,406	-	74,078
Undrawn loan commitments	21	752	(159,082)	6,523	-	(151,807)
Total credit loss expense		717,837	2,277,814	1,676,496	44,669	4,716,816

The statement of profit or loss and other comprehensive income for the six months ended 30 June 2022 also includes changes in the following other provisions:

- ▶ provisioning-related expenses for other non-financial assets in the amount of UAH 5,955 thousand (Note 16);
- ▶ provisioning-related expenses for legal risks in the amount of UAH 1,164 thousand (Note 21);
- ▶ provisioning-related expenses for performance guarantees in the amount of UAH 1,106 thousand (Note 21).

26. Staff costs and other operating expense

Staff costs and other operating expense comprise:

	<i>For the six months, ended 30 June 2023</i>	<i>For the six months, ended 30 June 2022</i>
Salaries and bonuses	1,182,245	987,967
Employment taxes	219,325	197,623
Other staff costs	72,159	137,146
Staff costs	1,473,729	1,322,736

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	<i>For the six months, ended 30 June 2023</i>	<i>For the six months, ended 30 June 2022</i>
Repair and maintenance of property, plant and equipment	114,468	86,860
Payments to the Individual Deposit Guarantee Fund	110,341	86,786
Taxes, other than income tax	62,662	48,656
Communication services	57,268	48,929
Office supplies	50,044	37,777
Lease and maintenance of premises	43,168	36,332
Professional services	28,297	19,293
Security	18,010	22,551
Encashment	13,094	17,562
Charity	3,416	384,944
Business trips	3,107	153
Marketing and advertising	1,042	5,083
The result of impairment of other property	623	–
Fines and penalties	303	–
Software support	182	28,007
Other	31,854	37,566
Other operating expense	537,879	860,499

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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;
- ▶ ML/TF risk (prevention and countermeasures against the legalization (laundering) of criminal proceeds, the financing of terrorism and the financing of the proliferation of weapons of mass destruction);
- ▶ Social and environmental 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The aggregate risk appetite includes the requirements to comply with capital ratios, 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, duration of the period of full and timely performance by the Bank of its payment (settlement) obligations during a stressful situation, a net stable funding ratio (NSFR), and the limit of risk concentration in liabilities.

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

Risk appetite for market risks for instruments of the banking book includes compliance with the limits of open long and short currency positions, and for instruments of the trading book 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, and also as the limit of the fair value of financial instruments of the trading book.

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 30 June 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;

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

- ▶ 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.

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.

The classification of the Bank financial assets by credit ratings is as follows:

	AAA – A	BBB – BB	B	CCC	Below CCC	Not rated	30 June 2023
Cash and cash equivalents (other than cash on hand)	19,825,762	905,977	–	408,308	18,354,942	–	39,494,989
Loans and advances to banks	1,629,838	92,628	–	9,112	699	634,873	2,367,150
Derivative financial assets	3,774	957	–	887	–	8,449	14,067
Investments in securities at fair value through other comprehensive income	23	–	–	–	42,492,005	98,128	42,590,156

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;

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

- ▶ 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;
- ▶ 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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

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.

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 48,718 thousand. (by the corporate and medium business segment by UAH 45,558 thousand, by the small and micro business segment by UAH 1,298 thousand, by the retail business segment by UAH 1,862 thousand).

A 10% deterioration of the indicator of macro factors will lead to an increase of the ECLs by UAH 49,901 thousand. (for the corporate and medium business segment by UAH 46,077 thousand, by the small and micro business segment by UAH 692 thousand, by the retail business segment by UAH 3,132 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.

30 June 2023	Notes	High grade	Standard grade	Belowstandard grade	Impaired	Total		
Cash and cash equivalents (other than cash on hand)	7	Stage 1	39,091,938	39,321	378,854	-	39,510,113	
Loans and advances to banks measured at amortised cost	8	Stage 1	1,429,329	654,474	-	-	2,083,803	
		Stage 2	-	-	-	-	-	
		Stage 3	-	-	-	-	-	
Loans and advances to customers at amortized cost:	9	- Legal entities	Stage 1	1,902,467	6,686,085	6,038,583	-	14,627,135
			Stage 2	68,779	12,028,163	16,164,160	-	28,261,102
			Stage 3	-	55,441	8,606,815	4,036,922	12,699,178
		- SME	POCI	-	-	420,057	158,330	578,387
			Stage 1	2,553,288	929,616	561,813	-	4,044,717
			Stage 2	688,400	839,255	2,023,196	-	3,550,851
		- Individuals	Stage 3	-	137,383	1,596,137	645,437	2,378,957
			Stage 1	3,246,838	173,276	40	13	3,420,167
			Stage 2	2,965	23,619	10,201	-	36,785
			Stage 3	-	175,134	2,493	1,846,409	2,024,036
		POCI	3,497	335	-	11,392	15,224	
		Investments in securities at fair value through other comprehensive income	10	Stage 1	28,500,825	-	-	-
Stage 2	13,252,902			-	-	-	13,252,902	
Stage 3	-			-	-	2,077,200	2,077,200	

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

30 June 2023		Notes	High grade	Standard grade	Belowstandard grade	Impaired	Total	
Undrawn loan commitments:								
-	Legal entities	Stage 1	370,853	785,963	2,358,858	-	3,515,674	
		Stage 2	-	3,443,778	276,706	-	3,720,484	
		Stage 3	284,428	-	129,450	24,335	438,213	
-	SME	Stage 1	325,079	87,484	94,432	-	506,995	
		Stage 2	31,540	141,058	27,305	-	199,903	
		Stage 3	-	1,687	4,429	3,149	9,265	
-	Individuals	Stage 1	2,899,962	39,635	159	63	2,939,819	
		Stage 2	34	2,873	1,670	-	4,577	
		Stage 3	-	5,046	376	14,918	20,340	
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):								
-	Legal entities	21	Stage 1	1,114,508	1,364,606	2,493,861	-	4,972,975
			Stage 2	-	2,267,223	3,070,645	-	5,337,868
			Stage 3	-	-	40,000	-	40,000
-	SME	Stage 1	59,028	500	79,071	-	138,599	
		Stage 2	-	-	16,067	-	16,067	
		Stage 3	-	-	-	-	-	
Total			95,826,660	29,881,955	44,395,378	8,818,168	178,922,161	
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								
		8	Stage 1	1,746,694	399,168	-	-	2,145,862
			Stage 2	-	-	-	-	-
			Stage 3	-	-	-	14,521	14,521
Loans and advances to customers at amortized cost:								
-	Legal entities	9	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):								
-	Legal entities	21	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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

31 December 2022	Notes	High grade	Standard grade	Belowstandard grade	Impaired	Total
-	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

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 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 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:

	30 June 2023				Total
	Ukraine	OECD countries	CIS and other foreign banks	including the russian federation and the republic of belarus	
Assets					
Cash and cash equivalents	23,393,406	20,725,222	5,753	-	44,124,381
Loans and advances to banks	644,684	1,722,466	-	-	2,367,150
Loans and advances to customers	59,573,840	-	-	-	59,573,840
Investments in securities at fair value through other comprehensive income	42,590,133	23	-	-	42,590,156
Derivative financial assets	10,293	3,774	-	-	14,067
Other financial assets	540,509	4,432	736	-	545,677
	126,752,865	22,455,917	6,489	-	149,215,271

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

30 June 2023					
	Ukraine	OECD countries	CIS and other foreign banks	including the russian federation and the republic of belarus	Total
Liabilities					
Due to banks	4,503,411	–	8,033	8,033	4,511,444
Due to customers	133,395,403	–	–	–	133,395,403
Derivative financial liabilities	1,916	364	–	–	2,280
Other borrowed funds	1,199,949	2,724,809	–	–	3,924,758
Provisions for loan commitments and financial guarantee contracts	172,621	–	–	–	172,621
Other provisions	260,461	–	–	–	260,461
Other financial liabilities	555,169	37,311	5,012	3,110	597,492
	140,088,930	2,762,484	13,045	11,143	142,864,459
Difference between assets and liabilities	(13,336,065)	19,693,433	(6,556)	(11,143)	6,350,812

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 30 June 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 30 June 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 100% as at 30 June 2023 and 90% as at 31 December 2022).

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

The values of liquidity coverage ratios in all currencies and separately in foreign currencies, and the ratio of net stable funding are as follows:

	30 June 2023	31 December 2022
All-currency LCR, liquidity coverage ratio for all currencies	193.11%	142.73%
Foreign currency LCR, liquidity coverage ratio in foreign currency	247.76%	167.15%
Net Stable Funding Ratio	143.66%	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 30 June 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.

The Bank breached non-financial covenants on other borrowed funds received from credit institutions that provide for the event of default and cross-default under the loan agreements. Creditors, in accordance with the current contracts, have the right to demand early repayment of long-term liabilities, the amount of long-term liabilities is UAH 3,364,589 thousand. (2022: UAH 3,339,098 thousand) is classified on demand. Information on the letters of waivers received by the Bank from the requirements of fulfilling the relevant covenants from creditors is provided in Note 3.

Financial liabilities as at 30 June 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	63,014	187,331	1,381,274	–	1,631,619
Due to other banks	3,511,880	–	–	–	3,511,880
Other borrowed funds	3,923,769	33,342	169,904	524,660	4,651,675
Derivative financial instruments:					
- contractual amounts receivable	(446,098)	–	–	–	(446,098)
- contractual amounts payable	448,378	–	–	–	448,378
Due to customers	122,620,150	10,681,763	996,626	2,136	134,300,675
Other financial liabilities	435,804	71,295	149,774	–	656,873
Total undiscounted financial liabilities	130,556,897	10,973,731	2,697,578	526,796	144,755,002

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	On demand
As at 30 June 2023	22,074,171
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.

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)

	30 June 2023					Total
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Assets	43,966,870	15,794,870	28,637,739	30,571,201	2,192,294	121,162,974
Liabilities	101,982,143	9,772,402	10,090,855	826,184	37,204	122,708,788
Difference between assets and liabilities	(58,015,273)	6,022,468	18,546,884	29,745,017	2,155,090	(1,545,814)
1%	(556,311)	50,160	69,614	-	-	(436,537)
-1%	556,311	(50,160)	(69,614)	-	-	436,537

	30 June 2022					Total
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	
Assets	39,311,424	9,973,958	37,264,122	29,166,878	2,811,053	118,527,435
Liabilities	97,142,193	9,714,409	8,449,671	2,338,761	293	117,645,327
Difference between assets and liabilities	(57,830,769)	259,549	28,814,451	26,828,117	2,810,760	882,108
1%	(554,542)	2,162	108,153	-	-	(444,227)
-1%	554,542	(2,162)	(108,153)	-	-	444,227

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

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign 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.

The major foreign currency denominated positions of assets and liabilities as at 30 June 2023 are as follows:

	UAH	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	20,704,213	13,700,282	9,620,763	99,123	44,124,381
Loans and advances to banks	237,046	1,750,415	95,030	284,659	2,367,150
Loans and advances to customers	34,220,360	14,141,589	11,211,891	-	59,573,840
Investments in securities at fair value through other comprehensive income	42,422,422	144,450	23,284	-	42,590,156
Investment property	156,366	-	-	-	156,366
Current tax assets	2,537,775	-	-	-	2,537,775
Deferred tax assets	30,387	-	-	-	30,387
Property and equipment and intangible assets	1,196,167	-	-	-	1,196,167
Right-of-use assets	190,870	-	-	-	190,870
Other financial assets	516,747	21,427	7,503	-	545,677
Other non-financial assets	482,400	20,842	6,192	37,451	546,885
Total assets	102,694,753	29,779,005	20,964,663	421,233	153,859,654
Liabilities					
Due to banks	1,125,429	2,323,941	962,747	99,327	4,511,444
Due to customers	88,159,321	27,513,111	17,500,102	222,869	133,395,403
Other borrowed funds	849,294	-	3,075,464	-	3,924,758
Provisions for loan commitments and financial guarantee contracts	156,319	1,195	15,107	-	172,621
Other provisions	260,460	-	1	-	260,461
Other financial liabilities	403,222	69,487	108,086	16,697	597,492
Other non-financial liabilities	532,207	3,746	-	-	535,953
Total liabilities	91,486,252	29,911,480	21,661,507	338,893	143,398,132
Net long/(short) recognized position	11,208,501	(132,475)	(696,844)	82,340	
Assets receivable	266,835	433,183	1,065,216	15,281	1,780,515
Assets payable	-	(1,209,999)	(501,282)	(57,447)	(1,768,728)
Net long/(short) unrecognized position	266,835	(776,816)	563,934	(42,166)	
Total long/(short) recognized and unrecognized position	11,475,336	(909,291)	(132,910)	40,174	

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

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

	UAH	USD	EUR	Other currencies	Total
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	

The currencies in which the Bank has significant positions for monetary assets and liabilities as at 30 June 2023 and 30 June 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, % 30 June 2023	Effect on profit before tax 30 June 2023	Increase in foreign currency exchange rate, % 30 June 2022	Effect on profit before tax 30 June 2022
USD	25.00%	(227,323)	14.00%	(2,664)
EUR	25.00%	(33,228)	15.00%	(14,541)

Currency	Decrease in foreign currency exchange rate, % 30 June 2023	Effect on profit before tax 30 June 2023	Decrease in foreign currency exchange rate, % 30 June 2022	Effect on profit before tax 30 June 2022
USD	-25.00%	227,323	-11.00%	2,093
EUR	-25.00%	33,228	-13.00%	12,602

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.

*(in thousands of Ukrainian hryvnias, unless otherwise indicated)***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.
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:

	30 June 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	-	284,659	-	284,659
Derivative financial assets	-	14,067	-	14,067
Loans and advances to customers at fair value through profit or loss	-	-	45,343	45,343
Loans and advances to customers at fair value through other comprehensive income	-	-	2,245	2,245
Investments in securities at fair value through other comprehensive income	23	40,930,000	1,660,133	42,590,156
Investment property	-	-	156,366	156,366
Buildings and land plots	-	-	860,645	860,645
Total	23	41,228,726	2,724,732	43,953,481
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	-	79,493	-	79,493
Derivative financial liabilities	-	2,280	-	2,280
Due to customers at fair value through profit or loss	-	174,252	-	174,252
Total	-	256,025	-	256,025
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

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 30 June 2023
Investments in securities at fair value through other comprehensive income	1,365,225	-	-	-	-	(43,879)	233,797	104,990	1,660,133
Loans and advances to customers at fair value through profit or loss	60,654	-	237	-	-	(19,510)	-	3,962	45,343

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

	30 June 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	1,660,133	2,948 / (2,948)	1,365,225	102,083/(90,079)
Loans and advances to customers at fair value through profit or loss	45,343	842 / (806)	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. A decrease in the interest rate by 10% will lead to an increase in the fair value by UAH 2,948 thousand (2022: UAH 102,083 thousand). An increase in the interest rate by 10% will lead to a decrease in the fair value by UAH 2,949 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 842 thousand (2022: UAH 1,258 thousand). An increase in the discount rate by 10% will lead to a decrease in the value by UAH 806 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.

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.

(in thousands of Ukrainian hryvnias, unless otherwise indicated)

Fair value	30 June 2023			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Loans and advances to banks	-	2,082,491	-	2,082,491
Loans and advances to customers	-	-	56,729,029	56,729,029
Total	-	2,082,491	56,729,029	58,811,520

Liabilities for which fair values are disclosed				
Due to the National Bank of Ukraine	-	999,564	-	999,564
Due to other banks	-	3,432,387	-	3,432,387
Other borrowed funds	-	3,924,758	-	3,924,758
Due to customers	-	-	133,342,379	133,342,379
Total	-	8,356,709	133,342,379	141,699,088

	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.

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to banks	2,082,491	2,082,491	2,144,031	2,144,031
Loans and advances to customers	59,526,252	56,729,029	64,696,230	63,338,814
Total assets	61,608,743	58,811,520	66,840,261	65,482,845
Financial liabilities				
Due to the National Bank of Ukraine	999,564	999,564	998,956	998,956
Due to other banks	3,432,387	3,432,387	5,486,105	5,486,105
Other borrowed funds	3,924,758	3,924,758	3,385,858	3,385,858
Due to customers	133,221,151	133,342,379	112,613,730	112,607,571
Total liabilities	141,577,860	141,699,088	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.

	30 June 2023				31 December 2022			
	On demand/ Within one year		More than one year		On demand/ Within one year		More than one year	
	year	No maturity	Total	year	No maturity	Total	year	No maturity
Cash and cash equivalents	44,124,381	-	44,124,381	35,346,787	-	35,346,787	-	-
Loans and advances to banks	2,367,150	-	2,367,150	2,420,569	-	2,420,569	-	-
Loans and advances to customers	33,420,874	26,152,966	59,573,840	39,625,091	25,134,037	64,759,128	-	-
Investments in securities at fair value through other comprehensive income	15,589,367	27,000,789	42,590,156	7,675,568	15,541,581	23,217,149	-	-
Derivative financial assets	14,067	-	14,067	15,069	-	15,069	-	-
Investment property	-	-	156,366	-	-	156,366	156,366	-
Current tax assets	-	2,537,775	2,537,775	-	2,690,423	2,690,423	-	-
Deferred tax assets	-	30,387	30,387	-	30,138	30,138	-	-
Property and equipment and intangible assets	-	-	1,196,167	-	-	1,234,025	1,234,025	-
Right-of-use assets	-	-	190,870	-	-	166,113	166,113	-
Other financial assets	540,316	5,361	545,677	889,087	11,668	900,755	-	-
Other non-financial assets	204,618	342,267	546,885	330,205	42,158	709,427	337,064	-
Total	96,260,773	56,069,545	1,543,403	153,873,721	86,302,376	43,450,005	1,893,568	131,645,949
Due to banks	3,511,880	999,564	4,511,444	5,568,570	998,956	6,567,526	-	-
Due to customers	132,424,337	971,066	133,395,403	111,896,149	882,464	112,778,613	-	-
Derivative financial liabilities	2,280	-	2,280	737	-	737	-	-
Other borrowed funds	3,386,629	538,129	3,924,758	3,339,743	46,115	3,385,858	-	-
Provisions for loan commitments and financial guarantee contracts	169,292	3,329	172,621	298,185	4,558	302,743	-	-
Other provisions	260,461	-	260,461	395,995	68	396,063	-	-
Other financial liabilities	405,083	192,409	597,492	609,112	162,261	771,373	-	-
Other non-financial liabilities	530,483	5,470	535,953	520,663	6,252	526,915	-	-
Total	140,690,445	2,709,967	143,400,412	122,629,154	2,100,674	124,729,828	1,893,568	6,916,121
Net amount	(44,429,672)	53,359,578	1,543,403	10,473,309	(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 3,364,589 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 (43,843,346) thousand as at 30 June 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 16,574,287 thousand, municipal bonds in the amount of UAH 230,960 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 30 June 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 16,805,247 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 30 June 2023, the stable balances on current and other accounts were estimated to be equal to UAH 50,406,497 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 30 June 2023 in the amount of UAH (43,843,346) 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 23,368,398 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 30 June 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:

	30 June 2023			31 December 2022/ 30 June 2022		
	State controlled entities	Other related parties	Key management personnel	State controlled entities	Other related parties	Key management personnel
Assets						
Cash and cash equivalents	9,014,795	-	-	7,013,233	-	-
Current accounts with the National Bank of Ukraine	9,340,148	-	-	4,770,104	-	-
Current accounts and overnight placements with other credit institutions	383,707	-	-	171,902	-	-
Due from credit institutions	9,810	-	-	9,162	-	-
Loans and advances to customers, gross	15,888,182	-	304	17,867,123	2,934	285
Less: expected credit losses/allowance for impairment	(891,291)	-	(14)	(948,828)	(31)	(10)
Investments in securities at fair value through other comprehensive income	42,492,005	-	-	23,123,068	-	-
Right-of-use assets	3,997	-	-	4,038	-	-
Liabilities						
Due to the National Bank of Ukraine	999,564	-	-	998,957	-	-
Due to credit institutions						
- current accounts	6,136	-	-	12	-	-
- time deposits	1,199,949	-	-	664,241	-	-
- other amounts	1,183	-	-	1,183	-	-
Due to customers:						
- current accounts	40,802,364	9,630	19,320	19,857,268	151,512	30,624
- time deposits	4,503,444	2,141	4,444	3,524,219	67,589	7,600
Lease liabilities	5,350	-	-	5,277	-	-
Commitments and contingencies						
Financial guarantees	3,692,108	-	-	4,154,416	-	-
Credit-related commitments	3,853,401	3,050	800	3,511,023	103	1,315
Letters of credit	213,392	-	-	567,598	-	-
Performance guarantees	295,153	-	-	305,817	-	-
Statement of profit or loss and other comprehensive income						
Interest income calculated using effective interest rate:						
- loans to customers	1,101,422	71	69	830,981	255	966
- investments at fair value through other comprehensive income	2,184,541	-	-	1,608,197	-	-
- deposit certificates of the National Bank of Ukraine	1,490,244	-	-	199,807	-	-
Interest expense:						
- due to the National Bank of Ukraine	124,580	-	-	440,357	-	-
- due to credit institutions	27,434	-	-	10,604	-	-
- due to customers	1,638,838	25	41	597,988	2,525	532
- lease liability	489	-	-	587	73	-
Credit loss recovery/(expense)	57,537	51	461	(106,194)	59	(255)
Net gains on investments at fair value through other comprehensive income	6,066	-	-	25,670	-	-
Other income	3,075	-	-	354	107	469
Other operating expenses	133,331	-	71	113,799	340	608

(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	30 June 2023		31 December 2022	
	Legal entities	Individuals	Legal entities	Individuals
UAH	10.4 – 33.5	42.0 – 42.0	10.4 – 33.5	42.0 – 42.0
USD	5.0 - 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	30 June 2023		31 December 2022	
	Legal entities	Individuals	Legal entities	Individuals
UAH	0 – 17.5	0 – 10.0	0 – 19.8	0 – 10.0
USD	0 – 0.1	0 – 0.1	0 – 0.8	0 – 0.1
EUR	-	0 – 0.0001	0 – 0.25	-

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

Currency	30 June 2023		31 December 2022	
	Legal entities	Individuals	Legal entities	Individuals
UAH	10.0 – 18.75	5.0 – 16.2	6.0 – 19.95	6.0 – 14.5
USD	0.1	0.01 – 1.2	2.5 – 3.7	0.05 – 1.2
EUR	0.01	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 30 June 2023, 50% of assets and 33% 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:

	30 June 2023	30 June 2022
Salaries and bonuses	35,113	40,969
Total remuneration to key management personnel	35,113	40,969

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 30 June 2023 and 31 December 2022 the minimum level was 10%. The Bank complied with the statutory capital ratios during the periods ended 30 June 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 30 June 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 as at 30 June 2023 and 31 December 2022 is presented in the table below:

	30 June 2023	31 December 2022
Tier 1 capital	11,448,933	8,852,729
Tier 2 capital	(1,006,011)	(1,966,745)
Total capital	10,442,922	6,885,984
Risk weighted assets	74,291,613	79,034,713
Tier 1 capital ratio	15.41%	11.20%
Total capital ratio	14.06%	8.71%

The Bank was in compliance with the capital adequacy ratio calculated in accordance with the Basel Accord as at 30 June 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 as 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 as at 31 January 2022	998,956	3,385,859	163,506	4,548,321
Additions	-	534,154	77,466	611,620
Repayment	-	(109,905)	(43,065)	(152,970)
Exchange differences	-	82,214	-	82,214
Other	608	32,436	(9,392)	23,652
Carrying amount as at 30 June 2023	999,564	3,924,758	188,515	5,112,837

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.

The Board of the National Bank of Ukraine decided to decrease the discount rate from 25% per annum to 22% per annum since 28 July 2023.

Quarantine, which was established to prevent the spread of the acute respiratory disease COVID-19, has been canceled on the entire territory of Ukraine since 01 July 2023.