



PrivatBank Group

ANNUAL REPORT

Translation from Ukrainian original



31 December
2023

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I. MANAGEMENT REPORT



1. Management report

Address to shareholders / participants and other stakeholders from the head of the entity.



**Chairman of the Supervisory Board,
Nils Melngailis**

Address of the Chairman of the Supervisory Board, Nils Melngailis

Despite the challenging external environment, in 2023 PrivatBank demonstrated resilience, responsibility and significant growth, establishing itself as a leader in the Ukrainian financial market.

As part of the critical infrastructure, PrivatBank is of unique importance to the Ukrainian economy. It is one of its most dynamic lenders and one of the largest tax and dividend payers to the state budget. Since nationalization and recapitalization in the amount of UAH 155 billion in 2016, the bank has paid UAH 168.3 billion to the state in dividends and income tax, including advance payments of part of the dividends and income tax based on the results of 2023.

In 2023, compared to 2022, the bank more than doubled the pre-tax profit, which was made possible by customer confidence and business growth. PrivatBank's strong financial results demonstrate its commitment to long-term sustainable development and management efficiency. The bank remains profitable and improves its operations during the extremely difficult years of war. PrivatBank continues to lend to businesses, making a significant contribution to food security and economic recovery.

By offering reliable services, both digitally and through physical infrastructure, PrivatBank plays an important role in ensuring the financial stability of Ukraine. Servicing payment transactions of businesses and individuals is a diversified source of income for the bank and a pillar of the Ukrainian economy. Moreover, the Bank continues the path of innovations. Thanks to the innovative services, the number of payments via smartphones is growing rapidly in Ukraine.

Stable profits and dividend flow have become possible thanks to the significant transformation the bank has undergone. Today, it is an efficient organization with an independent supervisory board and best corporate governance practices that adheres to the principles of transparency, accountability, and responsibility. The work continues: within the framework of the Transformation Committee, the Management Board and Supervisory Board are considering value creation initiatives aimed at combining advanced technologies with the bank's strong business reputation.

PrivatBank will continue to be a reliable partner for Ukrainian businesses and individuals. We will continue to lend to small and medium-sized businesses, stimulate investment activity and introduce innovative products and services that meet current market needs.

On behalf of the Supervisory Board of PrivatBank, I would like to express my sincere gratitude to our clients, partners and shareholder for their trust and support. Special thanks to the bank's team for their dedicated work and high professionalism.

Address to shareholders / participants and other stakeholders from the chairman of the board of the entity.



**Chairman of the Management Board,
Gerhard Boesch**

Address of the Chairman of the Management Board, Gerhard Boesch

Last year was a year of trials, adaptation to the challenges of war and new achievements. Despite the ongoing war, PrivatBank continues to demonstrate strong financial results. The bank's pre-tax profit reached UAH 72.8 billion, which is more than double the result of 2022.

We managed not only to maintain but also to significantly strengthen our positions. In 2023, the bank continued to support the Ukrainian economy, increasing its net retail loan portfolio by 39% to over UAH 60 billion and its net business loan portfolio (not including loans to Corporate loans - REPO) by 23% to over UAH 30 billion. The bank's total assets increased by more than 25% to UAH 680 billion. PrivatBank remains the undisputed leader in the financial services market, serving more than 18 million Ukrainians both in the country and abroad.

The high confidence of individuals and businesses in the bank and the stabilization of the economic situation in the country allowed us to increase deposits by UAH 83 billion (18%) to almost UAH 555 billion.

This growth in business resulted in an increase in net interest income by UAH 16.7 billion. Another UAH 3 billion of net interest income growth was due to the interest rate policy implemented by the National Bank of Ukraine in 2023. Net fee and commission income increased by 20% to UAH 24.4 billion. In the context of business growth, operating expenses remaining under close management control.

The quality of the loan portfolio is gradually improving, resulting in significant savings in provisioning costs.

The above achievements are the result of the dedicated and effective work of the bank's team. Thanks to these achievements, the bank generated a net profit of UAH 37.8 billion and made a significant contribution to the state budget: UAH 26 billion in income tax in advance and the first tranche of dividends (80% of net profit will be allocated to the state).

We fully recognize our responsibility and are proud to have become a reliable pillar of the Ukrainian economy. We will continue to work to ensure that our services are accessible, convenient and uninterrupted. We will continue to provide loans to Ukrainian small and medium-sized businesses and individuals, and implement innovative solutions to meet the needs of our customers.

Information about the development and probable prospects of further development of the entity

Further development of the Group will focus on achieving strategic goals, considering the current development of the situation in the country and the world. Thus, in 2024, the group aims to retain and attract new customers based on the revision and optimization of the value proposition and service model. This will make it possible to maintain and consolidate the leadership positions already achieved in the markets of various customer segments and banking products. The Group also plans to continue improving the product line and services for the client, including with the use of artificial intelligence, based on the study and implementation of UI/UX. The Group plans to develop technologies and innovative products, adapt and improve traditional products to customer needs, optimize the group's internal processes, corporate management systems, risk management and Compliance, etc.

At the same time, the priorities of the Bank, as the state bank of Ukraine, remain the provision of financial stability of Ukraine, the support and stability of the functioning of the banking sector, the provision of financing of priority sectors of the economy and the uninterrupted functioning of enterprises (objects) of critical infrastructure, including those that are in state ownership.

The further development of the Group, including the legal entities under its control, is closely related to the risks inherent in the economy of Ukraine and the development of the banking market of Ukraine as a whole, defined in the inflation report of the NBU (January 2024), namely:

1. Longer duration of the war, escalation, eco-terrorism of the occupiers.
2. Decrease in the volume or loss of rhythmicity of the receipt of international aid.
3. Damage to energy and port infrastructure.
4. Continuation of partial blocking of borders with individual EU countries for cargo transportation.
5. Emergence of additional budgetary needs and significant quasi-fiscal deficits, in particular in the energy sector.
6. Increased emigration.

At the same time, the opportunities for the country may be increasing the capacity of sea export routes and the rapid implementation of the large-scale reconstruction plan of Ukraine ("Marshall Plan").

Nature of business

Group «PrivatBank» (hereinafter referred to as "the Group") is a universal Group with a focus on the retail segment, which actively promotes services for small and medium-sized businesses and selectively works in the corporate sector.

The Bank has been operating in accordance with the license of the National Bank of Ukraine (NBU) since March 1992. The total number of separate units of the Bank registered in the State Register of Banks is 1,209 units, including 9 branches, 1 representative office and 1,199 branches of various classification groups (77 of which have temporarily ceased operations).

Environment

The war remains the main factor that determines the development and functioning of the economy of Ukraine in general and the banking system in particular in 2023. At the same time, despite the unprecedented current challenges, the banking system demonstrates strength and stability, which is confirmed by three key trends in 2023:

- growth in lending, primarily loans supported by government programs;
- stable inflow of funds to banks - balances on bank accounts are growing both for private individuals and businesses;
- high efficiency and profitability due to operational efficiency with moderate provisioning costs. Despite a significant increase in the tax rate, the sector has remained highly profitable, which ensures its sustainability.

The 2023 is characterized by a significant decrease in inflationary pressure. In November 2023, inflation slowed to 5.1% in annual terms and remained at this level in December. The easing of price pressure was largely facilitated by high harvests and a decrease in global energy prices. The moratorium on raising tariffs for certain housing and communal services played an important role. At the same time, the NBU's set of measures to maintain the stability of the foreign exchange market and the attractiveness of hryvnia assets contributed to the improvement of exchange rate and inflation expectations.

In 2023, the key rate decreased by 10 percentage points to 15% per annum - the NBU's key rate changed 4 times: July 27 – reduced from 25% to 22% (effective from July 28); September 14 - reduced from 22% to 20% (effective from September 15); October 26 - reduced from 20% to 16% (effective from October 27); December 14 – reduced from 16% to 15% (effective from December 15). The easing of interest rate policy in the second half of 2023 was balanced to maintain the attractiveness of hryvnia instruments while supporting lending.

The key event of the second half of 2023 was the transition to a managed floating exchange rate regime starting from October 10, 2023. At the same time, the foreign exchange market remained stable, with increased demand for currency observed only in the

initial days of the managed floating exchange rate regime. Subsequently, the balance between currency demand and supply improved. This was reflected in a decrease in the net sale of currency by the NBU - starting from November, the NBU's intervention balance became smaller compared to previous months. High international reserves, which increased to USD 40.5 billion by the end of 2023, despite the lower-than-expected volume of external financing in the IV quarter of 2023, make it possible to maintain exchange rate stability.

Under current conditions, managed exchange rate flexibility plays a key role in ensuring price and financial stability, while the accounting rate serves as an auxiliary tool. The policy of maintaining the attractiveness of hryvnia assets contributes to minimizing risks for the foreign exchange market by restraining demand for foreign currency. As the preconditions are formed, the NBU will allow greater exchange rate flexibility, but it will continue to take steps to ensure the attractiveness of hryvnia assets. This will allow maintaining exchange rate stability and keeping moderate inflation, fueling interest in government securities, the role of which in financing the budget deficit will gradually increase. At the same time, under such conditions, the potential for softening the interest rate policy until the end of 2024 will be quite limited.

In recent months of 2023, the risks of irregularities in the receipt of international aid and a decrease in its volumes have intensified – currently, this is one of the main threats to macro stability, and in the future, along with security risks, including the duration, nature, and intensity of hostilities.

International rating agencies continue to more closely and frequently monitor Ukraine's development trends and periodically revise the country's sovereign ratings and, accordingly, the ratings of the banking system. The last rating review by the Moody's rating agency was in February 2023. The Moody's rating agency changed the creditworthiness assessment ratings of five Ukrainian banks, including PrivatBank, to "Ca" from "Caa3" due to the downgrade of Ukraine's unsecured debt rating to "Ca" from "Caa3". Moody's notes that the downgrade is due to the consequences of the war with Russia, which are likely to create long-term problems for the economy and public finances of Ukraine.

In 2023, the international rating agency Fitch Ratings confirmed the rating of PrivatBank. Fitch Ratings maintained PrivatBank ratings: the issuer's long-term default rating in foreign currency (IDR) is at the level of "CCC-", and the long-term default rating in the national currency remains at the level of "CCC". The Bank viability rating also remains at the "ccc-" level.

According to Fitch Rating specialists, the primary ratings of the Bank remain at levels higher than the sovereign ones. This reflects the consistently high level of creditworthiness and profitability of PrivatBank, setting it apart from other banking institutions of Ukraine. The Government Support Rating (GSR) has been downgraded to "No Support" (ns) from "ccc-". The downgrade of the GSR rating reflects the Agency's opinion that in the event of a significant lack of capital, PrivatBank will most likely operate under the conditions of a ban on the use of regulatory capital in the near term, and will not receive operational emergency capital support from the state.

The further development of the Group is closely related to the risks inherent in the economy of Ukraine and the development of the banking market of Ukraine as a whole, defined in the inflation report of the NBU (January 2024), namely:

1. Longer term of war, escalation, eco-terrorism of the occupiers.
2. Decrease in volume or the loss of regularity in the receipt of international aid.
3. Damage to energy and port infrastructure.
4. Continuation of partial blocking of borders with individual EU countries for cargo transportation.
5. Additional budgetary needs and significant quasi-fiscal deficits, in particular in the energy sector.
6. Increased emigration.

At the same time, the opportunities for the country may be increasing the capacity of sea export routes and the rapid implementation of the large-scale reconstruction plan of Ukraine ("Marshall plan").

So, the situation in Ukraine in 2023 remains quite complex and tense, but controlled. Continuation of hostilities on the territory of Ukraine, further destruction of production facilities, infrastructure and residential buildings, as well as uncertainty regarding the duration of such a situation restrains further development and postpones active reconstruction.

Management monitors the state of development of the current situation in the external environment and takes measures, if necessary, to minimize any negative consequences as much as possible. Further negative development of events and macroeconomic conditions may adversely affect the Group's financial condition and results of operations in a way that cannot be determined at this time.

Management and organizational structure

Corporate Governance Structure

The division of functions between the Groups management bodies ensures an effective system of management and internal control.

The management bodies of the Group are:

- Shareholder or Supreme Body
The Group promotes the implementation and ensures the protection of the shareholder's rights and legitimate interests;
- Supervisory Board of the Group
The Supervisory Board provides strategic management of the Groups activities, control over the activities of the Group 's Management Board and protection of shareholder rights. Effective management provides a system of reporting of the Supervisory Board to the Supreme Body;
- Management Board of the Group
The Management Board manages the current activities of the Group and is accountable to the Supervisory Board.

Shareholder of the Bank (Supreme Body)

The sole shareholder of the Bank, owning 100% of the shares, is the state represented by the Cabinet of Ministers of Ukraine (located at: 01008, Kyiv, Hrushevskoho street, bldg. 12/2).

The state, represented by the Ministry of Finance of Ukraine, acquired ownership rights to 100% of the Bank's shares on December 21, 2016, in accordance with Article 41.1 of the Law of Ukraine "On the system of guaranteeing deposits of individuals" and pursuant to the Resolution of the Cabinet of Ministers of Ukraine dated December 18, 2016, No. 961 "Certain issues of ensuring the stability of the financial system." As of April 30, 2019, the owner of the Bank is the state represented by the Cabinet of Ministers.

The state exercises its rights as the owner of the Bank, and the Groups management bodies act in accordance with the best global practices of corporate governance, in particular, the OECD Guidelines on Corporate Governance of State-Owned Enterprises, Corporate governance principles for groups by Basel Committee on Banking Supervision, Guidelines on Internal Governance by European Banking Authority, applied in full, which does not contradict the mandatory norms of the current legislation of Ukraine.

During 2023, there were no transactions involving the purchase or sale of the Banks shares.

All transactions with the Shareholder are carried out under standard conditions. When making decisions regarding transactions with the Shareholder, the Bank considers their economic feasibility.

The Group promotes the implementation and ensures the protection of the rights and legitimate interests of the Shareholder, provided for by the Charter and the current legislation of Ukraine.

The Supreme Body manages the corporate rights of the state.

The exclusive competence of the Supreme Body is to resolve the issues provided for by the current legislation and the Charter. The Supreme Body does not participate in the current management of the Group.

The Supreme Body determines the main (strategic) directions of the Group 's activity and approves reports on their implementation.

The rights, duties and responsibilities of the Supreme Body are determined by the current legislation of Ukraine and the Charter.

The Supreme Body has the right to receive any information about the Groups financial and economic activities necessary for the exercise of its powers, taking into account the provisions of the law regarding bank secrecy.

Decision-making powers that belong to the exclusive competence of the Supreme Body cannot be transferred to other management bodies of the Group.

Supervisory Board

The Supervisory Board is a collegial management body, which within its competence ensures strategic management of the Group, as well as controls and regulates the activities of the Management Board in order to implement the Groups Development Strategy. The Supervisory Board, acting in the interests of the Group in accordance with the Law of Ukraine "On Banks and Banking", protects the rights of depositors, creditors and the state as a shareholder.

The competence, structure, work procedure, rights, duties and responsibilities of the Supervisory Board, as well as the

requirements for its members are determined by the current legislation of Ukraine, the Bank's Charter and Regulation on the Supervisory Board of the Bank.

The Chairperson of the Supervisory Board heads and organizes the work of the Supervisory Board and is responsible for its effective work. The Chairperson of the Supervisory Board ensures a clear division of responsibilities between the members of the Supervisory Board and effective exchange of information between them.

Members of the Supervisory Board fulfill their duties conscientiously, honestly, and solely in the interests of the Group. They undertake not to disclose banking secrecy, confidential information, and information with restricted access that became known to them in connection with the performance of their functions as a member of the Supervisory Board, and also not to use it for their own benefit or for the benefit of third parties.

For the purpose of exercising effective overall management and control over the financial and economic activities of the Group, as well as ensuring the proper performance of its duties by the Supervisory Board, its members must have appropriate professional aptitude, qualifications, education, experience, and business reputation. The requirements for members of the Supervisory Board are stipulated by the current legislation of Ukraine, the Charter and the Regulation on the Supervisory Board.

The verification of the professional and qualification compliance of the members of the Supervisory Board, as well as compliance with the requirements of Ukrainian legislation and banking legislation regarding business reputation and professional aptitude, is carried out in each case when necessary, in accordance with the requirements of Ukrainian legislation.

The main functions of the Supervisory Board include:

- approval of the Groups strategy, main action plans, risk management strategy and policy, approval of the Groups annual budget, business plans and monitoring of their implementation;
- ensuring the conduct of competitive selection to determine candidates for the positions of Chairperson and members of the Management Board, in accordance with the procedure established by the Supervisory Board, appointment of members of the Management Board, approval of the terms of contracts concluded with the Chairperson and members of the Management Board, determination of the amount of their remuneration, and establishment of forms of control over the activities of the Management Board.
- control over the Groups financial and economic activities;
- determination of the work order and plans of the internal audit unit and control over its activities;
- ensuring the functioning of the Groups internal control system and control over its effectiveness, in particular control over the effectiveness of the risk management system and compliance control;
- monitoring the effectiveness of group management;
- monitoring the prevention, detection and settlement of conflicts of interest in the Group and facilitating their settlement;
- other functions defined by the current legislation of Ukraine, the Charter and the Regulation on the Supervisory Board.

The Supervisory Board supervises the activities of the Management Board, structural units that are directly subordinated to the Supervisory Board, and also ensures the protection of shareholder rights.

The procedure for convening and holding meetings of the Supervisory Board is determined by the Charter and the Regulation on the Supervisory Board.

The Supervisory Board annually evaluates the effectiveness of its own activities as a whole, its committees and each member of the Supervisory Board in accordance with the procedure determined by it. The results of the assessment of the Supervisory Board's activities, its members, and committees conducted by the Supervisory Board itself or with the involvement of independent experts are presented by the Chairperson of the Supervisory Board at the Supervisory Board meeting for discussion and approval in the form of a report on the assessment of the Supervisory Board's activities and a plan of action for improving the Supervisory Board's activities.

The Supervisory Board is responsible for:

- security and financial stability of the Group;
- compliance of the Groups activities with legislation, standards of professional associations, the effect of which applies to the Group;
- implementation of the Groups development strategy in accordance with the main areas of activity determined by the Supreme Body and the Group's business development plan;
- ensuring effective organization of corporate governance;
- operation and control of the effectiveness of the internal control system, risk management system and monitoring of compliance with the Groups norms;

- appointment of the Chairperson and members of the Management Board, as well as heads of the risk management unit, the compliance control unit and internal audit.

The Supervisory Board consists of nine members, where six members are independent and three members are representatives of the state.

At the end of the year, the Supervisory Board reports to the Supreme Body on its activities.

Committees of the Supervisory Board

The Supervisory Board may establish permanent or temporary committees from among its members to conduct preliminary studies and prepare for consideration at meetings issues within the competence of the Supervisory Board.

Standing committees of the Supervisory Board in 2023:

- Audit Committee;
- Risk Committee;
- Corporate Governance, Remuneration and Nomination Committee;
- Technology, Data and Innovation Committee;
- Strategy and Transformation Committee.

The creation and operation of the committees of the Supervisory Board, the requirements for their members, as well as the list of issues to be considered by the committees of the Supervisory Board, are determined by the Charter, the Regulation on the Supervisory Board, and the Regulations on the respective committees of the Supervisory Board.

Management Board

The executive body of the Group, which carries out the current management of its activities, is the Management Board. The Management Board is reported to the Supervisory Board and acts on behalf of the Bank within the limits established by the legislation, the Statute and Regulations on the Management Board, as well as other internal documents of the and the decisions of the Supervisory Board

The competence of the Management Board includes the resolution of all issues related to the management of the current activities of the Group, except for issues that belong to the exclusive competence of the Supreme Body and the Supervisory Board of the Group.

The Management Board consists of the Chairman of the Management Board and other members of the Management Board. The Board is headed by the Chairman of the Board. The Chairman of the Management Board is responsible for the effective operation of the Management Board and the Group as a whole, coordination of the activities of the Management Board with the Supervisory Board and other collegial bodies.

The Management Board ensures the independence of the performance of duties by internal control units by not interfering in their work processes.

The Management Board submits a report on its activities to the Supervisory Board in accordance with the procedure and terms determined by the Supervisory Board.

The Chairperson and members of the Management Board are responsible for the activities of the Group within the limits of their powers.

The verification of the professional and qualification compliance of the members of the Management Board, as well as compliance with the requirements of Ukrainian legislation and banking legislation regarding business reputation and professional aptitude, is carried out in each case when necessary, in accordance with the requirements of Ukrainian legislation.

With the aim of ensuring greater efficiency in the work of the Management Board, the following committees have been established:

- Budget Committee
- Compliance and Financial Security Committee
- Assets and Liabilities Management Committee
- Banking Products and Tariffs Committee
- Transformation Committee
- Operational Risk and Information Security Committee
- Credit Committee

- Marketing and PR committee
- Tender committee
- Technological and Architectural Committee (until 02.05.2023 - Technological Committee)
- Non-performing Assets Management Committee
- Data Governance Committee (created on 31.05.2023)

The Management Board may create other committees taking into account the size of the assets, the specifics of the Groups activities, the nature and scope of banking and other financial services, the Groups risk profile, and the Groups systemic importance.

The competence, structure, work procedure, rights, duties and responsibilities of the committees are determined by the Regulations on the relevant committee, which are approved by the Management Board.

Corporate secretary

The corporate secretary is an official who is responsible for effective current interaction of the Bank with the shareholder, other investors, coordination of the Bank's actions to protect the rights and interests of the shareholder, maintaining the effective work of the Supervisory Board, and also performs other functions defined by the Charter and Regulation on the Corporate Secretary of the Bank.

The Corporate Secretary must comply with the requirements established by law and cannot simultaneously hold any other position within the Bank, including being a member of any of its management bodies. The corporate secretary reports to the Supervisory Board at least once a quarter.

The legal status, procedure for the election and activities of the Corporate Secretary are determined by the Charter, the Regulation on the Supervisory Board and the Regulation on the Corporate Secretary of the Bank.

Audit

The Group has a permanent internal audit unit, which conducts an independent assessment of the effectiveness of the first and second lines of defense and a general assessment of the effectiveness of the internal control system in the Group.

The internal audit unit is subordinate to the Groups Supervisory Board and reports to it. The Supervisory Board monitors and checks the effectiveness of the internal audit service in the Group.

The internal audit unit performs the following functions:

- checks and evaluates the processes that ensure the Groups activities, including those that carry a potential risk and the implementation of which is ensured by the involvement of legal entities and individuals on a contractual basis (outsourcing);
- verifies the availability, evaluates the effectiveness and adequacy of risk management systems, internal control, group management processes, the compliance of these systems and processes with the types and volumes of operations carried out by the Group, including the prevention of the use of the banking system for money laundering/terrorism financing;
- checks the process of assessing capital adequacy, liquidity levels, asset preservation resources, taking into account the Groups risks;
- verifies the correctness and reliability of accounting, information, financial and other reports compiled by the Group, their completeness and timeliness of submission, including to the National Bank, state authorities and management bodies that supervise the Groups activities within their competence;
- carries out an independent assessment of the control system implemented by the Groups management;
- independently evaluates the reliability, efficiency and integrity of the management of the banking information systems and processes;
- checks the Groups financial and economic activity;
- assesses the effectiveness and adequacy of the Groups recovery plan;
- assesses the activities of the risk management and compliance risk units, the committees established by the Bank, and the quality of risk reports provided to the Banks Supervisory Board and Management Board;
- detects and verifies cases of exceeding authority by bank officials, as well as instances of conflicts of interest within the Bank;
- other functions provided for by the legislation of Ukraine.

Based on the results of the audits, the internal audit unit prepares and submits reports and proposals to the Supervisory Board to eliminate the identified violations.

In order to check and confirm the reliability of annual financial statements, consolidated financial statements and other information on financial and economic activity, the Group annually engages an independent auditing firm licensed and registered in the Registry of Auditors and Audit Entities, maintained in accordance with the Law of Ukraine "On Audit of Financial Statements and Audit Activities," regarding audit entities authorized to conduct mandatory audits of enterprises of public interest.

Changes in the organizational structure

In 2023, despite the war, the Groups organizational structure continued to be improved in accordance with the approved Group Development Strategy: there were changes in the regional network (changed subordination of Macro-Regional Divisions); there were changes in the structure of the Head Office (a number of units were created/liquidated, internal structures and subordination of individual units were changed).

Business model

The Group provides universal service for a wide range of customers and is the leader of the Ukrainian market in the retail segment, actively promoting services for small and medium-sized businesses and selectively working in the corporate sector. The basis of the Groups resource base is the funds of private individuals and legal entities in the national currency with a significant share of current accounts.

Management goals and strategies for achieving them

The priority areas of the Groups activity are improving the quality of customer service processes with mandatory compliance with legal requirements, developing lending while maintaining a high quality loan portfolio, improving and developing banking products/services, and optimizing infrastructure. As a result of our efforts - making a profit, paying taxes and paying dividends to our shareholder - the State.

First of all - the customers and their needs are the focus of the groups attention - it is about both digital accessibility (including the use of advanced artificial intelligence tools, accessibility to information, education, products and services for all categories of the population), and physical - modernization of the branch network with an emphasis on creating barrier-free spaces.

The Groups strategic directions, taking into account the current situation, the impact of the war and changes in the external environment, are the following:

- Preparation for privatization remains a key priority, in line with the recently published financial sector strategy. The timelines are currently undefined.
- SME and retail banking remain strategic areas, requiring appropriate alignment of operational, product and infrastructure strategies.
- A sustainable business model and stable profitability play an even bigger role.
- Corporate Banking: financial support to the economy to meet ongoing wartime demand and finance post-war reconstruction.
- Launching initiatives aimed at combining advanced technologies with our significant business experience.

In addition, the Group takes into account the general requirements for state-owned banks outlined in the Basic (Strategic) Directions for the Activities of State-Owned Banks during the Period of Martial Law and Post-War Economic Recovery (approved by the Cabinet of Ministers of Ukraine on May 7, 2022). These requirements are aimed at:

- providing financial support to priority sectors of the economy and enterprises (objects) of critical infrastructure;
- the availability of banking services to ensure the protection of consumer rights, in particular within the framework of social protection of the population, provided there is no physical threat to bank employees;
- creation of conditions for the rapid restoration of the provision of banking services in full and ensuring the functionality and continuity of the work of public sector banks;
- creating, setting up and maintaining the functioning of an effective system of physical security (Head office and separate units of such a bank, including security of bank employees), security of operating systems, in particular with the use of cloud solutions, and cyber security;
- implementation of measures aimed at reducing risks, including implementation of possible threats, implementation of bank security measures, in particular control over security risks (including physical, financial, cyber security and security of operating systems), elimination and/or minimization of the consequences of implemented threats and crisis situations;
- smooth and effective work of a groups managers to ensure the adoption of the necessary management decisions;
- preservation of a groups financial stability, detection of possible threats to such stability, as well as prompt response to threats to financial stability and/or their avoidance.

New products and services

The Group pays considerable attention to the field of research and development, stimulating the development of innovations in the organization. The Group's efforts in this area during the full-scale invasion were aimed at creating new products and services for customers that correspond to wartime conditions. In addition, the Group took an active part in the creation of the legislative field regarding the protection of the rights of borrowers who lost their property due to full-scale military aggression.

In 2023, to support the population and business during the war, the Group implemented a number of the following measures and programs:

- extended the program of automatic renewal of card validity for 1 year, including business cards, so that customers do not need to visit the Bank's branch for card reissuance, which is particularly important for customers in temporarily occupied territories;
- introduced the digital card "yeVidnovlennia" (together with the Ministry of Digital Policy and the Ministry of Reintegration) under the program of rebuilding damaged housing as a result of Russian aggression. The share of payments by means of PrivatBank is 70.27%, the volume of payments in 2023 reached over UAH 2.6 billion;
- introduced the "yeOzdrovenlynya" card (together with the Ministry of Social Policy). This is a card with a special mode of use for improving the health of children of low-income and large families, as well as children with disabilities;
- made payments to the "yePidtrymka" card, namely payments to internally displaced persons; military bonds payments. The "yePidtrymka" card is a convenient service where customers make only a few clicks to receive payments without visiting the Bank;
- developed and implemented premium digital cards of all levels (without plastic), to ensure card payments, opening of additional and new accounts, reissuance without visiting a branch;
- for depositors, the option to obtain a deposit agreement based on their existing deposit with updated parameters such as account balance, interest rate, maturity date, etc. has been introduced through a convenient customer service channel (branches, mobile, and web versions of Privat24);
- implemented and restarted current credit products: Overdraft, Agroseason, Credit Line and Leasing were introduced and relaunched, and the General Agreements tool was introduced. Over 24,000 new loans were issued during the year. This made it possible to increase the net loan portfolio of business clients (not including loans to Corporate loans - REPO) to UAH 30 billion (+23%). As a result, PrivatBank increased its market share in lending to business clients by more than 1.6% and rose to 6th place in the market share of business lending.
- an important milestone in the development of financial support for Ukrainian business was the beginning of cooperation with international financial institutions in terms of risk distribution and the introduction of new business grant support mechanisms (mini-grants, agricultural risk insurance and other projects). In August and December 2023, agreements were signed with the European Bank for Reconstruction and Development on risk sharing for new loans in the amount of EUR 240 million.
- 2023 was a year of active changes and innovations in the area of electronic business and services to business clients. Among the main results stand out: the redesign of the Privat24 For Business system and the launch of the beta version of the updated application; increase to 65% (+31 p.p.) in the number of business clients using the mobile application; launch of the Business Reputation Dossier service; implementation of a cloud-based qualified SmartID electronic signature without a mobile application, which significantly improved the customer experience; debt verification and tax payment service in the Privat24 For Business; new services in a single application: selling currency, working with proxies, payment templates and transaction log; updating the process of customer onboarding and opening an account on the website, which made it possible to reduce the time of opening an account to 5 minutes; implementation of the transition to the new work standard ISO 20022 (SEP 4.0 NBU); the "Trading Platform" service was launched to improve the customer experience when buying and selling currency, which resulted in a significant increase in the number and amount of transactions; the introduced the "Terminal" app for IOS (the seventh in the world and the first in Ukraine).

The Bank remains the leader in the market of pension payments. The share of PrivatBank among the banks that have the right to make payments is 56.1%, the total number of customers receiving pensions via PrivatBank by the end of 2023 is more than 4.7 million. In addition, changes in legislation allowed all banks to make military pension payments, which allowed PrivatBank to start paying pensions to more than 46 thousand military pensioners in 2023.

The Group occupies 51.3% of the payments market. Payments of the population in 2023 reached 807 million pcs. and exceeded the pre-war indicators. At the same time, the volume of transfers is also increasing - during 2023, with the help of Group «PrivatBank» services, 3.1 million Ukrainians made more than 24 million international money transfers from abroad, more than 1 billion p2p transfers in the amount of more than 2.4 billion UAH.

Over 95% of payments and transfers are made by customers via self-service channels, so the Group regularly develops and improves remote banking services. In 2023, the following options were implemented:

- zeroing of Internet traffic when using Privat24: Vodafone subscribers can already use online banking without using packet Internet volumes;
- use of new Apple Pay and G-Pay payment methods for the "Quick Pay" service;
- automatic payments menu in Privat24;
- the possibility of connecting automatic payments on the recipient's website.

Due to the unique technological platform of the PrivatMoney system, PrivatBank serves as a reliable partner for international organizations, including: United Nations agencies for refugees in Ukraine, the International Committee of the Red Cross, the Red Cross Society, "People in Need," and others) in disbursing charitable assistance, ensuring transparency and promptness in providing aid to Ukrainians during these times of hardship. PrivatMoney has become one of the market leaders in Ukraine, due to the implementation of global digital and payment trends, providing our customers with the best services and customer experience, supporting the uninterrupted availability of transfers around the clock since the beginning of a full-scale war.

During 2023, the Group actively developed the "yeOselia" state mortgage lending program, which is implemented together with JSC "Ukrfinzhytlo" and the Ministry of Digital Transformation. The Group granted 1,900 loans in the amount of more than UAH 2.5 billion, which accounted for more than 30% of the total number of loans granted within the framework of the specified state program.

In 2023, the number of active PrivatBank business clients increased by 110,000 to 875,000, or +14.4%. According to the CBR company, PrivatBank continues to hold the leading position as the main bank for business with a share among legal entities of 45% and entrepreneurs - 61%. During the year, 215.3 thousand new customers were attracted, or +44.7% compared to the same period in 2022, while every fourth customer opened an account remotely - without visiting a branch. Thanks to convenient and accessible services, the number of active business cards was increased from 374 to 421 thousand (+13% y/y), which made it possible to maintain the leading position in terms of market share.

In the acquiring market, the Bank continues to strengthen its position, increasing its market share due to the increase of active terminals from 221 to 289 thousand, in particular, more than 7% of them are terminal applications. A special recognition and achievement of the team was the inclusion of PrivatBank in the TOP-50 list of the largest acquirers in the world, with position #40 (+20 positions per year) according to the Nielsen Report. The bank pays considerable attention to sales support of its merchant customers. In 2023, the "Cashier" application was put into commercial operation to provide fiscalization services at POS terminals: over 39,000 entrepreneurs were connected to the service during the year.

The quality of service and innovation in delivering business products are highly appreciated by customers and society. PrivatBank won first place in the "PaySpace Magazine Awards 2023" nominations: "The best bank for PE", "The best business solution for accepting offline payments ("Terminal" app), The best business partner for accepting online payments (LiqPay)", "The best acquiring bank", "The best service for international transfers - PrivatMoney".

Environmental and social aspects of activity

First of all, the social position of the Group is its status as an employer on the Ukrainian labor market. The Group provides its employees with competitive employment conditions, provides a full social package and additional benefits: voluntary health insurance, voluntary life insurance, legal advice, material and psychological assistance.

In 2023, Group «PrivatBank» identified the development of barrier-free accessibility as a priority area of corporate social responsibility. The Group has created a barrier-free strategy and has begun the path to its implementation.

In accordance with this strategy, as of December 2023, Group «PrivatBank» is working in the following areas: review of the customers' journey, physical accessibility of branches, digital accessibility of products, mental health support, employment of people with disabilities and candidates with military experience, reintegration of bank veterans, strengthening the internal culture of acceptance and tolerant communication with people with disabilities.

As a responsible corporate citizen, PrivatBank consistently and systematically works to ensure equal access to branches for all categories of the population. In accordance with the NBU Resolution No. 149 as of December 22, 2018 (as amended No. 155 dated July 21, 2022), PrivatBank fulfills all requirements and even goes ahead.

As of December 2023, PrivatBank has 98% of its branches available in regional centers and cities with a population of 300,000 people, and 78% in other settlements. This information is confirmed by reports from certified experts who conduct technical inspections of buildings and structures, confirming compliance with the requirements of the DBN V.2.2-40:2018 "Inclusiveness of buildings and structures." During 2023, received 156 expert reports. To ensure barrier-free access for branches, it is mandatory to install ramps and handrails on both sides of stairwells and along platforms, or another alternative entry method, such as a vertical or horizontal electric lift. The call button for an employee is mandatory, regardless of the type of accessibility arrangement from the main entrance to the premises. Installation and maintenance of electrical equipment is taken under the Groups personal control. To date, more than 200 lifts (inclined, vertical and crawler) have already been installed and are operating. In addition, the Group

employs people with disabilities: currently they make up about 4% of the total number of employees.

In 2023, Group «PrivatBank» conducted an audit of the Groups digital services for compliance with the WCAG 2.1 (Web Content Accessibility Guidelines) international accessibility standard - norms of universal (inclusive) design designed to ensure maximum access to web content for people with disabilities. The experts involved in this initiative included the CO 'International Charitable Foundation "Friends of Ukraine". According to the results of this audit, the Groups digital services (website <https://privatbank.ua/> and <https://next.privat24.ua/>, Privat24 mobile app) correspond to level A by 40% and level AA by 35%. As part of the implementation of the barrier-free strategy, Group «PrivatBank» plans to improve the percentage indicator in this area and move toward compliance with the AA level over the next year.

The charity activities of the Group, reformatted with the beginning of the full-scale invasion, have several vectors: this is the Groups charitable financial assistance, which is directed to the most urgent requests and needs of Ukrainian society, primarily to support the Armed Forces and to the humanitarian needs of Ukrainians, this is the work of the Group «PrivatBank» Charitable Fund "Helping is easy!", which implements the program "Financial assistance to hospitals and medical institutions of Ukraine", these are charitable projects aimed at supporting employees. The Group also provides its services (Privat24, ATM, SST, bank cash registers, website dobro.privatbank.ua), and provides communication support for the implementation of charitable fundraisings in partnership with reputable charitable and public organizations.

In 2023, Group «PrivatBank» allocated UAH 307.5 million of its own funds to charity, which were used to strengthen the country's defense capabilities and humanitarian support.

During 2023, the following charity fundraisings and programs were implemented:

- The "Financial Assistance to Hospitals and Medical Institutions of Ukraine" program, that was initiated by the Group and is implemented by Group «PrivatBank»'s CF "Helping is easy!" The program started in June 2022. UAH 48.7 million were collected in 2023. Thanks to the funds collected, medical equipment was purchased and delivered to 30 healthcare facilities in various regions of Ukraine. Fundraising efforts are ongoing.
- Partner programs:
 - "Financial assistance to the Armed Forces of Ukraine". Customers make transfers through the Groups services to a special account at the National Bank of Ukraine. The program was launched in February 2022. During 2023, more than UAH 1 billion was transferred to it. The fundraising continues as long as there is a need.
 - "Humanitarian aid to Ukrainians" directed customers' donations made through the Groups services to a special account of the Ministry of Social Policy. The program lasted from the beginning of February 2022 to December 2023. In 2023, UAH 37 million was transferred to the program.
 - The program "Army Competent Assistance Fund "Come Back Alive". The program started in April 2022. In 2023, more than UAH 1.1 billion was transferred to the accounts of the "Come Back Alive" charity fund. Also, in 2023, a charity fundraiser "Equipment for pilots from "Come Back Alive" was implemented, due to which UAH 31 million was collected in less than a month.
 - The "Fundraiser for Superhumans" program helped to collect UAH 30 million for the "Superhumans Center" modern prosthetics clinic, and the Group transferred another UAH 20 million for this purpose. The collection lasted from April to December 2023.
 - The "Gift Light to Children" program, in partnership with the PO 'Save Ukraine,' ran from the beginning of 2023 until May. Thanks to this initiative, over UAH 15 million was raised, which was used to purchase tablets for learning and development, as well as safety backpacks for children who lost their parents due to the war.
 - The Angry Birds Fundraising program in partnership with the Dignitas charity fund lasted from June to December 2023, thanks to which it was possible to collect over UAH 35 million for Ukrainian-made drones for the Armed Forces.
 - The program "Financial assistance to victims in Dnipro" collected over UAH 35 million, which was directed to help Ukrainians - victims of the attack on the city in January 2023, 15 million of which was contributed by Group «PrivatBank».
 - The "Our Children" program raises funds for extracurricular education for children who have been deprived of parental care due to the war. The program was launched in September 2023, collected more than 8 million UAH, the fundraising continues until the goal of UAH 20 million is reached. In November, the international payment company Mastercard supported the program, doubling donations during the month.
 - The support program for the "Christmas Courage" event, which was implemented in December 2023, helped to collect more than UAH 400,000.

Assistance from the Group to employees became an important component of social initiatives in 2023.

The Group has a charity program for employees called "Helping Hand", aimed at helping employees in medical treatment or in emergency situations. Employees can collect funds for their colleagues, or for themselves if necessary, through one-time or regular

contributions, and the Group additionally provides funds equal to the amount of contributions of employees.

Special programs and support for employees and society have been organized by the Group since the beginning of the war in Ukraine. These programs include both financial assistance and psychological support for employees, as well as various charitable programs, such as the "Supporting Hand for War Victims" program. According to the terms of the program, the Group provides financial assistance to employees affected by war (internally displaced persons, wounded, employees whose housing was damaged or destroyed).

Resources, risks and relationships

The Groups most precious asset is its staff, whose dedication and expertise are crucial for the Groups operational success, continued growth, and strategic objectives. As of January 1, 2024, the actual number of employees in the Group is about 20,500 people (including 2,100 employees on childcare leave for children up to 3/6 years old or on maternity leave) . Despite the military actions on the territory of Ukraine, the Group continues to recruit new employees - the average monthly recruitment is at the level of 165 candidates.

The Group has approved a Code of Conduct (Ethics) in order to develop corporate culture, define the ethics of team relations, respect of employees to customers, to each other, to managers and to their business. In accordance with the Code of Conduct (Ethics) in the field of personnel management and ensuring respect for human rights, the Group:

- Values its employees, creates conditions under which everyone can fully realize their professional potential.
- Actively and consistently recruits and recognizes the best employees, regardless of age, gender, religion, belief or nationality, and rewards them for their work success.
- Respects human dignity and personality and believes in the importance of an atmosphere of trust and cooperation.
- Creates conditions for open and timely communication, a healthy working microclimate, compliance with safety techniques, provides an opportunity for individual growth and self-affirmation of employees.
- Interested in proper compliance with labor legislation.

Recognizing that investments in qualified personnel form the basis of long-term success, the Group takes care of improving the qualifications of employees, their motivation, and social security. The Group conducts measures to improve the professional level of employees. The Group pays constant attention to the improvement and strengthening of corporate culture, issues of health protection of employees and safety of their working conditions. The Group continues to operate a voluntary health insurance program for employees and their family members, as well as a voluntary life insurance program.

At the same time, technological resources are key in the Groups activities. In this area, on the one hand, the Group develops technologies for customer service processes through the automation of a large part of business processes, builds a comprehensive system of face-to-face and remote training of salespeople, develops technologies for business support processes; on the other hand, it is developing its organizational structure, which will allow more effective implementation of changes and ongoing management of the Group. In addition, the Group supports the stability of its IT system, develops its target architecture, implements projects related to the development and support of critical systems.

Privat24, IT systems and processing, development of cashless and contactless payments, biometrics, improvement of the network and approaches to customer service, improvement of service quality - all these are the main areas of development of the Groups technological resources.

Risk management organization and internal control

The risk management function in the Group is carried out in relation to financial risks, as well as non-financial risks (operational, legal, compliance risks and reputational risk). Financial risks consist of market risk (which includes currency risk), credit risk, interest rate risk and liquidity risk. The main tools of financial risk management are the definition of risk limits and the supervision that these limits are not exceeded.

For the purpose of effective risk management, the Group has created and operates a risk management system, which provides for the distribution of rights, duties, and responsibilities between management bodies, structural units of the Group, separation of the processes of identifying and assessing risks, assessing the effectiveness of the risk management system from the process of accepting risks.

Subjects of the Groups risk management system are:

- The Supervisory Board and the committees of the Supervisory Board, in particular:
 - Risk Committee of the Supervisory Board;
- The Groups Management Board and committees (collegial bodies) of the Management Board, in particular:

- Operational Risk and Information Security Committee;
- Credit Committee;
- Assets and Liabilities Management Committee;
- Non-performing Assets Management Committee;
- Internal Audit Division;
- Block of units on risk management issues;
- Compliance Division;
- Capital Markets Department;
- Assets, Liabilities and Investments Analysis Department;
- Other support units (Back and Middle Office);
- Business units that directly accept risks.

Significant types of risks and the Groups approaches to their management (plans for mitigation of negative consequences and use of potential opportunities) are given below.

Credit risk. The Group is exposed to credit risk, which is defined as the probability of losses or additional losses, or failure to receive planned income due to failure to fulfill the obligations assumed in accordance with the agreed terms. Credit risk arises from all active banking operations, with the exception of debt securities and other financial instruments in the Groups trading book. The main goal of credit risk management in the conditions of military aggression was the development of a credit portfolio with an overview of the principles of prudence in lending, proper segmentation of borrowers according to the degree of risk, including geographic - for the territory of the location of the business, location of the borrower; cooperation with guarantors (CMU and EBRD) with the aim of distributing lending risks; systematic review and adaptation to current conditions of decision-making rules. The restructuring of credit debt was offered to a number of borrowers.

The Groups credit policy defines general principles regarding the implementation of the credit process and credit risk management, establishes a general approach to accepting credit risks, principles and standards of credit activity, determines the powers and responsibilities of the Groups management bodies, employees and structural units at each stage of the credit process, provides a comprehensive approach to credit risk management.

Credit risk management is carried out on the basis of regular analysis of the ability of borrowers and potential borrowers to fulfill their obligations to repay loans and pay interest, regular analysis of the quality of the loan portfolio in order to monitor the level of credit risk, by changing, if necessary, lending limits, by obtaining collateral, its checks and revaluations of collateral with established periodicity, adjustment of decision-making rules and using other risk reduction tools.

Basic information on the level of credit risk is systematically updated and provided for analysis in the form of reports on the state of the credit portfolio.

In order to limit the risks to which the Group is exposed as a result of lending operations, the Group has a system of powers to make decisions on credit operations.

The Credit Committee makes decisions regarding the implementation of active operations by the Group within the limits of authority established by the Groups Management Board, approves limits for operations with counterparty groups, the purchase of securities, supervises significant credit projects, approves methods, instructions, procedures, forms, models and other regulatory or procedural documents regarding identification, measurement, monitoring, control, reporting and mitigation of credit risks at all organizational levels. Also, the Credit Committee approves the classification of credit operations by risk groups, reviews, makes adjustments and approves the assessment of credit risk in accordance with regulatory requirements and the assessment of expected credit losses in accordance with IFRS (loans and advances to customers, obligations related to lending, other financial assets).

The Groups information systems allow the management to carry out timely and regular monitoring of loans.

The Group regularly monitors the risk of each loan, calculating early warning indicators, namely signs of anomalous customer behavior/activity that could potentially lead to a worsening of the customer's risk profile.

For this purpose, the following measures are carried out: (I) Monitoring of terms (II) review of the borrower's financial condition and (II) monitoring of account turnover (iv) Monitoring of business and customer reputation (v) assessment of the adequacy of credit security and others.

Term monitoring is a process that involves monitoring interest and commission payment dates, timely repayment of debt in accordance with established schedules.

Monitoring of the financial condition of borrowers involves: 1) conducting timely submission of financial statements by borrowers,

2) analysis of key indicators calculated from the data of borrowers' financial statements, 3) determination of trends, assessment of financial status in accordance with regulatory requirements of the NBU and internal methods of the Group.

Monitoring of turnover by accounts - analysis of the turnover of cash transferred to accounts in the Group, compared to previous periods, as well as analysis of the structure of receipts and payments and information about counterparties (suppliers and buyers) of the borrower

Monitoring of business and reputation of customers involves collection and analysis of information about management and beneficial owners of a customer, business reputation, possible legal claims from counterparties or other financial institutions, monitoring of bankruptcies.

The Group regularly monitors the current market value of collateral in order to assess its sufficiency to secure a specific loan, the validity of the necessary registrations in the relevant registers of encumbrances, the validity of insurance coverage. Collateral evaluation is carried out by independent companies - subjects of evaluation activity, accredited by the Group or qualified internal evaluators. The frequency of such assessments depends on the type of collateral.

The Group keeps records of customers' credit histories. This allows the Group to control the level of credit risk by working with borrowers with a positive credit history.

The management of problem assets is carried out in accordance with the approved Strategy and operational plan for the management of problem assets, which define targets for reducing the level and volume of non-performing assets on a gross basis and after deducting reserves in accordance with the requirements of Resolution No. 97.

All functions, responsibilities, and powers regarding the management of problem assets are clearly divided between units.

For the purpose of prompt decision-making, the Groups Management Board established the Non-performing Assets Management Committee. All decisions are made in accordance with the limits of authority determined by the Groups Supervisory Board.

The Group determines measures for the settlement of problem assets based on the calculation of the net present value of expected cash flows, which ensure the receipt of economic benefits higher than the costs that may be incurred during the management of problem assets.

The Group carries out debt write-off at the expense of the formed reserve in accordance with the internal Regulation on debt write-off and the requirements of regulatory and legal acts of Ukraine.

The Group outsources functions for the settlement of problem debt, which is not economically expedient to process through internal procedures, and organizes the sale of debt for assets, in respect of which the application of any measures by the Group is not economically expedient.

The Groups Supervisory Board, the Groups Management Board, and the Non-Performing Assets Management Committee monitor and control the results of the implementation of the Strategy's target indicators and the effectiveness of the problem asset management processes on a regular basis.

The Group conducts operations with related parties on commercial terms. Each credit application received from a related party is treated in the same manner as an application received from an unrelated party.

Market risk. Market risk is the probability of losses or additional losses, or failure to receive planned income as a result of unfavorable changes in foreign exchange rates, interest rates, the value of financial instruments (market quotations, indices, etc.). The strategic goal of the Groups policy in terms of market risk management is to minimize and prevent possible losses that may occur in the event of a change in market conditions.

Currency risk. Currency risk is the risk of changes in the value of financial instruments owned by the Group due to exchange rate fluctuations. The main currency positions of the Group are in Ukrainian hryvnias, US dollars and euros. The Groups policy regarding open currency positions complies with Ukrainian legislation, which establishes regulatory limits for such positions.

Interest rate risk of the banking book. Interest rate risk of the banking book is the probability of losses or additional losses, or failure to receive planned income due to the impact of adverse changes in interest rates. Interest rate risk affects the economic value of the Groups capital and the Groups net interest income.

The strategic task of the Groups policy in terms of interest rate risk management of the banking book is to minimize and prevent possible losses that may occur in the event of interest rate changes. The Group is exposed to the risk of financial losses due to changes in interest rates on assets and liabilities, mainly as a result of granting loans with a fixed interest rate in amounts and for a term that differ from the amounts and terms of liabilities with a fixed interest rate.

The Group performs stress testing of the interest rate risk of the banking book in order to determine the conditions under which the Group is exposed to the risks of receiving losses, as well as to determine the extent of these losses and the impact on the Groups interest income. Stress testing is performed by analyzing the sensitivity of net interest income to changes in interest rates, based on the assumption that rates increase or decrease by a specified number of percentage points.

Liquidity risk. Liquidity risk is the probability of losses or additional losses, or failure to receive planned revenues as a result of the Groups inability to provide financing for the growth of assets and/or the fulfillment of its obligations in due time.

The strategic objectives of the Groups policy in terms of liquidity risk management are: maintaining liquidity indicators at a level above the regulatory level, minimizing liquidity risk by maintaining a sufficient amount of high-quality liquid assets as a possible source of security in case of stressful situations, limiting the concentration of funds involved by forming a diversified resource base, etc.

The Group strives to maintain a stable funding base, to develop sources of resources, primarily through the funds of legal entities and private individuals.

Liquidity risk control is implemented through compliance with regulatory norms in terms of LCR and NSFR indicators, as well as limits and requirements for indicators of liquidity gaps, the volume of high-quality liquid assets, concentrations of funding sources.

The Group developed the Recovery Plan that contains a list of possible causes leading to a crisis, signs of a crisis to manage liquidity during the crisis period, as well as a list of measures to contain and eliminate crisis phenomena. The plan establishes those responsible for the specified measures of the service and the order of their interaction. The Group also conducts liquidity stress testing under scenarios covering possible adverse conditions.

Compliance risk is the probability of damages/sanctions, additional losses or failure to receive planned income, or loss of reputation due to the Groups failure to comply with the requirements of legislation, regulatory acts, market standards, rules of fair competition, rules of corporate ethics, conflict of interests, as well as intra-bank documents of the Group.

The strategic tasks of the Groups policy in terms of compliance risk management are to ensure the functioning of the risk management system by timely detection, measurement, monitoring, control, reporting and providing recommendations for mitigating compliance risk; creation of a compliance risk management system at the stage of emergence of a negative trend, as well as a quick and adequate response system aimed at preventing the compliance risk from reaching critical levels for the Group (minimizing compliance risk).

The Group assesses compliance in three areas:

1) Risk of money laundering/terrorist financing:

- deficiencies in compliance with the requirements of AML/KYC procedures;
- violation of sanction requirements;
- risky activity of customers;

2) Behavioral risk:

- non-compliance with the principles of professional behavior (ethics) by group managers and staff;
- violation of requirements in the field of labor relations;
- conflict of interests;
- corruption.

3) Risk of non-compliance with legislation and regulatory requirements, IRD of the Group:

- violations in the field of the internal structure organization and/or decision-making process;
- violation of banking, currency legislation and legislation on payment services, international rules and standards;
- violations in the problem assets management processes;
- violation of restrictions in transactions with related parties;
- violation of antimonopoly legislation;
- violation of securities legislation;
- violation of legislation in the field of personal data protection (PD);
- violation of the regulator's requirements;
- violation of requirements regarding the timeliness and reliability of reporting;
- violations in the field of information security;
- violation of work with information with limited access;
- violation of legislation in other areas.

Reputational risk is the probability of losses or additional losses, or non-compliance with planned revenues as a result of unfavorable perception of the Groups image by customers, counterparties, shareholders, supervisory and control bodies.

The strategic tasks of the Groups policy in terms of reputation risk management are the implementation of an effective reputation risk management system by means of evaluation, monitoring and control of reputation risk; prevention of reputation risk, minimization of its consequences.

Risk assessment involves the analysis of the inherent and residual risk of events (taking into account the presence of control procedures). The reputation risk assessment is calculated taking into account the probability of reputation risk occurrence and its qualitative/quantitative impact, in accordance with the Groups internal documents on reputation risk management and assessment.

Operational risk. Operational risk is the probability of losses or additional losses, or failure to receive planned revenues due to deficiencies or errors in the organization of internal processes, intentional or unintentional actions of group employees or other persons, malfunctions in the operation of the Groups information systems, or due to the influence of external factors. Operational risk includes legal risk, but should exclude reputational risk and strategic risk.

The Group applies a balanced approach to operational risk management, which is aimed at: building a culture of operational risk management and internal control, minimizing the Group's losses from the implementation of operational risk, optimizing and improving the Groups processes and products, minimizing the impact of operational risk on the stable and sustainable development of the Groups business.

The following tools and methods of operational risk assessment and management have been implemented in the Group: a database of internal and external operational risk events, key risk indicators (KRI), self-assessment of operational risk, scenario analysis, analysis of the results of inspections carried out by the internal audit unit and the external auditor, analysis of significant operational risk events, analysis and assessment of risks of new products and significant changes in the Group's activities, analysis of outsourcing risks.

The Operational Risk and Information Security Committee was established with the aim of ensuring comprehensiveness and effectiveness in managing operational, legal, and informational risks, as well as implementing and functioning internal control systems and information security management, and managing risks arising from relationships with non-banking institutions and outsourcers.

The division of functions between the Groups management bodies ensures an effective system of management and internal control.

The main areas of internal control in the Group include:

- control over the achievement of the Groups activity goals;
- control over ensuring the effectiveness of the Groups financial and economic activities when carrying out banking and other operations;
- control over the effectiveness of asset and liability management;
- control over the preservation of the Groups assets;
- control over the effectiveness of the risk management system;
- control over compliance with the requirements of legislation, regulatory acts of the National Bank of Ukraine, internal documents of the Group;
- control over the reliability, completeness, objectivity and timeliness of accounting, preparation and publication of financial and other reports for external and internal users;
- management of information flows, including receiving and providing information, ensuring the functioning of the information security management system.

The Group has implemented a three-level system of internal control based on the division of responsibilities between the Groups units, except for the functions that are assigned to the exclusive competence of the Groups Supervisory Board/Management Board/committees in accordance with the provisions of the legislation of Ukraine, regulations of the National Bank of Ukraine:

- 1) the first line of defense – business units and support units that initiate, carry out or reflect operations, accept risks in the course of their activities and are responsible for the current management of these risks, carry out control procedures;
- 2) the second line of defense is a block of risk management units and the Compliance Division, which ensure the confidence of the Groups managers that the control procedures and risk management measures implemented by the first line of defense have been developed and are functioning properly;
- 3) the third line of defense - the Internal Audit Division, which carries out an independent assessment of the effectiveness of the first and second lines of defense and a general assessment of the effectiveness of the internal control system.

Subjects of the organizational structure of the Groups internal control system are:

- Supervisory Board of the Group;
- Risk Committee of the Supervisory Board;
- Audit Committee of the Supervisory Board;
- Internal Audit Division;
- Management Board of the Group;
- Operational Risk and Information Security Committee of the Management Board;
- Operational Risk Management Department;
- Block of units on risk management issues;
- Compliance Division;
- Accounting Service;
- Information Security Division;
- Business Process Improvement Sub-department;
- Personal Data Protection Sub-department;
- process owners;
- heads and employees of structural units.

The internal control system covers all stages of the Groups activity and includes:

- preliminary control, which is carried out before the actual implementation of the Groups operations and is ensured in terms of personnel selection, attraction and placement of funds, material resources, selection of suppliers of goods, works and services, development and introduction of new products;
- current control, which is carried out during the implementation of the Groups operations and includes control over compliance with legislative acts and acts of internal regulation of the Group regarding the implementation of these operations, the procedure for making decisions on their implementation, control over the complete, timely and reliable display of operations in accounting and reporting, control for the preservation of the Groups property;
- further control, which is carried out after the implementation of the Groups operations and consists in checking the validity and correctness of the operations, compliance of documents with established forms and requirements for their execution, compliance of the duties performed by employees with their job descriptions, identifying the causes of violations and deficiencies and determining measures to eliminate them, control over the implementation of planned activity indicators defined in the Groups development strategy, its business plans and budget, checking the completeness and reliability of financial, statistical, management, tax and other reporting data prepared by the Group.

The Group ensures the functioning of the internal control system by means of:

- control of the Group 's manager's compliance with the legislation of Ukraine and acts of internal regulation of the Group;
- distribution of responsibilities during the implementation of the Group 's activities;
- control over the functioning of the risk management system;
- control over information security and information exchange;
- implementation of internal control procedures;
- conducting monitoring of the internal control system;
- implementation of internal audit procedures.

Code of Conduct (Ethics)

All management bodies of the Group and employees act on the basis of the Code of Conduct (Ethics).

The corporate behavior at Group «PrivatBank» is built on the principles of legality, transparency, competence, respect for the rights and interests of the Group 's customers, creditors, shareholders, and employees. It is aimed at maintaining ethical standards, providing quality customer service, enhancing the Group 's efficiency, supporting its financial stability, and profitability.

The Code defines:

- values and principles of behavior (ethics);
- prohibition of illegal activities;
- the Group 's relations with customers, employees, suppliers and competitors;
- business ethics;
- conflict of interest;
- preservation of the Group 's property;

- gifts and rewards;
- liability for non-compliance with the Code, etc.

The Group 's corporate values are:

Customer relations: The Group strives for the highest standards of customer service, protects the interests of every customer.

The Group develops new operations, products and directions, adhering to the principle of reasonable conservatism. The Group strives for transparency in relations with customers and providing them with reliable information about its services.

The Group is interested in establishing long-term relationships with customers. *Relations with the Shareholder:* In its relations with shareholders, the Group intends to pursue a transparent policy and strictly adhere to the following principles of corporate governance: to respect and ensure the rights of the shareholder, to strictly adhere to his interests, the interests of investors, other customers and creditors of the Group, disclose information in a timely manner, conduct active communication policy, increase the visibility and availability of information on the basis of improvement of quality of reporting and accounting. *Relations with personnel:* The Group 's staff is the key to its successful operations. The Group actively and consistently recruits and recognizes the best employees regardless of age, race, gender, religion, belief or nationality and rewards them for success. The Group values its employees, creating conditions under which every employee can fully realize their professional potential. The Group respects human dignity and personality and believes in the importance of an atmosphere of trust and cooperation. *Relations with state authorities:* The Group adheres to the principle of neutrality regarding business groups, political parties and associations and carries out its activities in the interests of depositors, other customers, creditors of the Group and the Shareholder. Group employees should conduct affairs with government authorities without personal interest, refraining from resorting to unlawful means of influencing decision-making.

Business ethics

The Group 's managers strive to develop in subordinates a sense of involvement in the Group 's achievement of high results, creating a team of like-minded people aimed at achieving the set strategic goals.

The manager must pay close attention to the requests of the Group 's employees.

Managers are obliged to respect the personal dignity of subordinates.

Group employees must take measures to immediately eliminate the causes and conditions that complicate or prevent the normal performance of work and immediately report about such cases to the Group 's management and/or the Compliance Division, as well as not to take actions that result in harm to the Group.

Conflict of interest

Conflict of interest management in the Group is regulated by the Conflict of Interest Prevention Policy, the Anti-Corruption Program, the Code of Conduct (Ethics), the Group 's Charter, as well as the current legislation of Ukraine.

Managers and employees of the Group should not engage in activities whose interests may conflict with those of the Group or may be perceived as such a conflict. A conflict of interest is an existing and potential contradiction between a person's personal interests and official or professional duties, which may affect his conscientious performance of his powers, objectivity and impartiality of decision-making. Control over the timely identification, settlement and prevention of conflicts of interest related to actions or decisions taken by group employees in favor of related parties is defined by internal provisions regulating the processes of identifying related parties of the Group, conducting operations with them, as well as procedure for supervision of such operations.

If an entity holds a position in a collegial body and a conflict of interest arises during the performance of official duties (committees, the Management Board, etc.), he or she notifies the Management Board Member (CCO) and:

- in the case of subordination to the Management Board (Management Board committees, etc.), he or she informs the Chairperson of the Management Board,
- in the case of subordination to the Supervisory Board (Supervisory Board Committees, etc.), he or she informs the Chairperson of the Supervisory Board.

Members of the Group 's Supervisory Board must avoid conflicts of interest and must refrain from participating in decision-making if a conflict of interest prevents them from fully fulfilling their duties in the interests of the Group, its depositors and shareholders. All employees are responsible for identifying and managing conflicts of interest on an ongoing basis and are required to avoid, where possible, situations that lead to conflicts of interest.

All employees/managers are obliged to disclose all possible conflicts of interest, including those where they were inadvertently involved as a result of business or personal relationships with customers, suppliers, business partners or competitors of the Group.

In order to prevent and identify potential and real conflicts of interest, the Group has introduced an annual declaration of employees regarding the presence of circumstances that may cause a potential/real conflict of interests, and individual groups of employees - regarding the presence or absence of a conflict of interests during the exercise of powers / performance of official duties obligations related to the purchase of goods, works and services by the Group.

Anti-corruption program

Employees of the Group, officials, and managers in their internal activities, as well as in legal relations with business partners, government authorities, and local self-government bodies, adhere to the principle of "zero tolerance" for any manifestations of corruption and will take all measures provided by law to prevent, detect, and counteract corruption and related actions (practices).

The Group has implemented an Anti-Corruption Program, which is developed based on the principles of the United Nations Convention against Corruption (ratified by Ukraine by Law No. 251-V (251-16) dated October 18, 2006), in accordance with Article 62 of the Law of Ukraine "On Prevention of Corruption".

The anti-corruption program is a set of rules, standards and procedures for detecting, countering and preventing corruption in the Group's activities. The program establishes standards and requirements no lower than those stipulated by the Law of Ukraine "On Prevention of Corruption" and the Standard Anti-Corruption Program, approved by the decision of the National Agency for the Prevention of Corruption. The current edition of the Anti-corruption program was approved by the decision of the Group's Management Board dated May 13, 2020 (Minutes No. 27).

The text of the Anti-corruption program is in permanent public access for employees, officials of the Group, as well as for its business partners, it is posted on the Group's official website and internal information resources.

According to the Anti-Corruption Program, the Group has appointed an authorized entity responsible for its implementation. There are organized channels for reporting possible facts of corrupt or corruption-related offenses, as well as other violations of the Law of Ukraine "On Prevention of Corruption" or the Anti-Corruption Program. These channels include a link (button) on the Group's internal information resources to a special channel called "Stop Corruption," a telephone number for making reports, and a dedicated email address (available on the Group's official website and internal information resources).

In 2023, 12 applications regarding possible corruption or corruption-related offenses, as well as other violations of the Anti-Corruption Program, were received through the available communication channels.

The received applications, that are not related to corruption offenses and do not fall under the competence of the Authorized person for the implementation of the anti-corruption program, were sent to the relevant structural units for further consideration.

The analysis of the results of the corruption risks assessment in the activities of Group «PrivatBank» allows us to conclude that corruption risks are low in most areas of the Group's activities.

In 2023, the Group prepared 833 conclusions on the subject of the absence of corruption risks when the Group provided charitable assistance. The Group conducted 20,670 anti-corruption inspections of the Group's business partners. These measures minimize the risks of the Group's business relations with counterparties that may be involved in corrupt activities.

Results of activity and prospects for further development

In 2023, as the systemic and largest bank in Ukraine, the Group provided clients with high-quality banking services, contributed to the financial stability of the banking system, and supported the Ukrainian economy, fulfilling its social function towards clients and employees.

Customer orientation, understanding their needs and quality requirements, has been and remains a key factor in the Group's business strategy. More than 18 million customers entrusted their daily financial transactions to the Group in 2023, which led to a significant increase in customer account balances to an unprecedented UAH 555 billion.

In 2023, the Group continued to support the Ukrainian economy, increasing the net portfolio of retail loans by 39% and the net portfolio of business loans by 23%. As an important player on the Ukrainian financial market, Group «PrivatBank» provides Ukrainian business access to various state and international support programs, such as the EBRD credit risk sharing program, the state credit guarantee program for granting new business loans, the government program "5-7-9%" on partial compensation of interest rates on business loans. For private individuals, the group offers "yeOselia" loans (available mortgage loans secured by the state), as well as various types of consumer loans. At the same time, due to the balanced credit policy of the Group, the level of non-performing loans stabilized during 2023 and has a tendency to improve after a sharp increase in 2022.

According to the results of 2023, the Group has a sufficient level of capital, taking into account the current requirements of the National Bank of Ukraine. The Group's regulatory capital at the end of 2023 is UAH 64.8 billion, and the regulatory capital adequacy ratio is 21.75% (with a norm of >10%). All normative indicators of the Group's liquidity significantly exceed the norms established by the NBU. Thus, as of December 31, 2023, the liquidity coverage ratio was 462.8% for all currencies (LCRBB) and 266.1% in foreign currency (LCRIB) with the standard value set by the NBU not less than 100%.

Further development of the Group will focus on achieving strategic goals, taking into account the current development of the situation in the country and the world. Thus, in 2024, the Group aims to retain and attract new customers based on the revision and optimization of the value proposition and service model. This will make it possible to maintain and consolidate the leadership positions already achieved in the markets of various customer segments and banking products. The Group also plans to continue improving the product line and services for customers, including with the use of artificial intelligence, based on the study and implementation of UI/UX. The Group plans to develop technologies and innovative products, adapt and improve traditional products according to customer needs, optimize the Group's internal processes, corporate management systems, risk management and Compliance, etc.

At the same time, the priorities of the Group, as the state bank of Ukraine, remain ensuring the financial stability of Ukraine, supporting and stabilizing the functioning of the banking sector, providing financing to priority sectors of the economy, and ensuring the uninterrupted operation of critical infrastructure enterprises (objects), including those in state ownership.

Management monitors the state of development of the current situation in the external environment and takes measures, if necessary, to minimize any negative consequences as much as possible. Further negative development of events and macroeconomic conditions may adversely affect the Group's financial condition and results of operations in a way that cannot be determined at this time.

Key profitability indicators

The Group's profit before taxation in 2023 reached UAH 72.9 billion, which is more than double the result of 2022 and is 46% of the total profit of the banking sector of Ukraine in 2023. After adjusting for the increased tax rate of 50% in 2023, the Group received UAH 37.9 billion in net profit, most of which will be directed in the form of dividends to the state budget of Ukraine. In February 2024, the Group transferred to the budget the advance payment of dividends and income tax based on the results of 2023 in the amount of UAH 44.9 billion.

The main factors shaping the financial result of the Group in 2023 are:

- growth of the scale of the Group's activities both in the credit market and in customers' deposits;
- changing the structure of customer transactions, including growth of the general level of non-cash payments in the country as a faster and safer way of payments;
- macroeconomic conditions that have developed in the banking market of Ukraine, including the trend of the NBU discount rate and the official exchange rate;
- improving the quality of the loan portfolio, which provides significant savings in the costs of forming reserves;
- keeping operating costs under control in the conditions of the accumulated effect of inflation in 2022 and 2023.

The Group's result was also significantly affected by the result of revaluations. Thus, the change in the official exchange rate of the Ukrainian hryvnia to the US dollar at the end of the year, following the partial liberalization of the currency market, led to losses from the revaluation of the currency position, partially compensated by the positive revaluation of indexed government securities in the Group's portfolio. At the same time, the revaluation of indexed government securities is driven by both changes in the exchange rate of the Ukrainian hryvnia to the US dollar and inflation expectations, leading to an increase in interest rates both in the Ukrainian market and globally.

Therefore, the Group's results indicate its efficiency, resilience, flexibility, and adaptability. The trust of customers, along with the Group's timely response to new challenges in the external environment and the evolving needs of customers, have ensured the Group's leadership position in the overall performance of the banking system. At the same time, the state-owned Group «PrivatBank» is a systemically important group that is the basis of the financial system of Ukraine.

Information about the conclusion of derivative contracts or the execution of transactions regarding derivative securities by the issuer, if this affects the assessment of its assets, liabilities, financial condition and income or expenses

During 2023, the Group did not enter into derivative contracts and did not perform transactions related to derivative securities.

In particular, information on the task and policy of the entity regarding financial risk management, including the policy regarding insurance of each main type of forecasted operation for which hedging operations are used

The Group does not apply hedge accounting.

In particular, information about a person's susceptibility to price risks, credit risk, liquidity risk and/or cash flow risk

Detailed disclosure regarding the issuer's risks is disclosed in the Group's Annual Report for 2023 in Note 27 "Financial risk management".

1) Report on corporate governance

Part 1. Information about the code of corporate governance, which is managed by the entity, and/or the practice of corporate governance of the entity, applied in addition to the requirements defined by the law

Information about the code of corporate governance that the entity is governed by.

The name of the management body that made the decision to approve the application of another code: Supervisory Board.

Date of decision on approving the application of another code: 30.06.2023.

URL with code text: <https://static.privatbank.ua/files/0000003375349068.1.0.pdf>.

Information on the corporate management practice of a person, applied beyond the requirements defined by law

1. Whole persons

The charter and/or internal documents of the entity define the goal of creating long-term sustainable value in the interests of the entity and its stakeholders: compliance of practice – Yes.

2. Shareholders and stakeholders

Rights of shareholders: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

Rights of minority shareholders: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

1) general meeting of shareholders

Persons who have the right to participate in the general meeting have the opportunity to receive additional information sufficient to form an informed opinion on all matters to be considered during the general meeting no less than 30 days before the date of its holding: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

Biographical data on candidates for management bodies, including education and professional experience, are disclosed simultaneously with the notification of the general meeting: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

Persons who have the right to participate in the general meeting have the opportunity to vote, as well as receive materials related to the general meeting remotely (using electronic means, etc.): compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

The CEO, the CFO, the majority of the board members (the majority of the non-executive directors of the board of directors) and the external auditor participate in the annual general meeting: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

Persons who have the opportunity to participate in the general meeting have the opportunity to ask oral questions regarding the issues on the agenda and receive answers to them: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

The detailed regulations for conducting general meetings are determined by the statute and/or internal documents: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

Minutes and decisions of the general meeting (including the number of votes cast "for" and "against" each decision), as well as answers to key questions raised during the general meeting, are disclosed within 5 working days from the date of the general meeting: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

Website address of the entity ensures the provision of all the information necessary for shareholders to facilitate their participation in the general meeting and inform about the decisions made during the general meeting: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

2) interaction with shareholders

The board approved and disclosed the policy of interaction with shareholders, which defines the parameters of the relationship between a entity and his shareholders: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

A department (function) on issues of interaction with investors / shareholders has been created, which responds to the requests of investors and promotes the participation of shareholders in the management of the person, and also provides an opportunity for minority shareholders to bring their views to the attention of the board: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

3) absorption

The Board has defined the principles of how it will act in the event of a takeover offer, in particular:

- a. not to take actions to counter takeover without a corresponding decision of the general meeting: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.
- b. provide shareholders with a balanced analysis of the advantages and disadvantages of any takeover proposal: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.
- c. the general meeting makes the final decision on approval or rejection of takeover proposals: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

4) other stakeholders

The board approved and disclosed the policy of interaction with stakeholders, which defines the parameters of the relationship between a entity and his stakeholders: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

The entity has defined the list of his stakeholders, in particular those with whom it is necessary to establish direct interaction: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

A entity discloses a report on aspects of interaction with stakeholders: compliance of practice - No; description of existing practice / rationale for deviation The only shareholder of the Bank is the state.

3. Supervisory Board

Members of the supervisory board are not part of the supervisory boards of more than 3 other legal entities: compliance of practice - No; description of existing practice / rationale for deviation In addition to participating in the Supervisory Board of JSC CB "PrivatBank", Nils Melngailis and Zbigniew Jagiello, are members of the Supervisory Boards of more than three foreign companies.

A entity keeps records of attendance at meetings of the supervisory board and its committees: compliance of practice – Yes.

The charter of the entity and/or its internal documents define and explain the duty of the members of the supervisory board to faithfully perform their functions and adhere to the principle of loyalty in relation to the person: compliance of practice – Yes.

The Supervisory Board and its members are provided with the possibility of access to any information necessary for the effective performance of their duties: compliance of practice – Yes.

The Supervisory Board regularly evaluates the performance of the individual and the executive body in accordance with the individual's goals: compliance of practice – Yes.

The charter of the entity and/or its internal documents determine that the supervisory board has no right to interfere in the current management of the person, including in matters that belong to the sphere of responsibility of the executive body, except in cases of extraordinary circumstances, which are properly defined: compliance of practice – Yes.

The size and skills of the members of the supervisory board correspond to the needs of the person, his size and the degree of complexity of his activity: compliance of practice – Yes.

The supervisory board defines and regularly revises the qualification requirements for candidates for supervisory board members: compliance of practice – Yes.

The selection and appointment of members of the supervisory board is based on professional qualities, achievements and compliance of candidates with specific criteria, as well as considering the need for periodic renewal of the composition: compliance of practice – Yes.

The entity has a formalized procedure for checking candidates for members of the supervisory board, which in particular includes checking the integrity, presence of conflict of interests, competence, skills and experience of the candidate: compliance of practice – Yes.

The selection procedure involves the possibility of involving external advisors and/or an open search process: compliance of practice – Yes.

The Supervisory Board develops succession plans for members of the Supervisory Board and the executive body: compliance of practice – Yes.

The Supervisory Board has approved a policy regarding the diversity of the composition of the Supervisory Board and the executive body: compliance of practice - No; description of existing practice / rationale for deviation A separate policy has not been approved. The Code of Corporate Governance discloses relevant issues.

Representatives of one of the categories make up at least 40% of the composition of the supervisory board: compliance of practice – Yes.

Independent members of the supervisory board make up at least half of its total composition: compliance of practice – Yes.

Members of the supervisory board undergo induction training after their election, which covers, among other things:

- a) duties, functions and spheres of responsibility of members of the supervisory board: compliance of practice – Yes;
- b) independence, including independence of thinking: compliance of practice – Yes;
- c) procedure of work of the supervisory board: compliance of practice – Yes;
- d) issues of responsibility: compliance of practice – Yes;
- e) issues of personal strategy: compliance of practice – Yes;
- f) personal policies, including issues of ethics, conflict of interest and prevention of corruption; compliance of practice – Yes;
- g) issues of reporting and control systems, including internal and external audit: compliance of practice – Yes;
- h) the role of supervisory board committees: compliance of practice – Yes.

The Supervisory Board develops a training plan, which determines which issues require additional training for its members: compliance of practice – Yes.

The chairman of the supervisory board is elected from among independent members: compliance of practice – Yes.

The chairman of the supervisory board is provided with an opportunity to communicate with shareholders, including majority shareholders: compliance of practice – Yes.

The functions of the chairman of the supervisory board are defined in the internal documents of the person: compliance of practice – Yes.

A position was created and a corporate secretary was appointed: compliance of practice – Yes.

1) committees of the supervisory board

The Supervisory Board created committees and approved internal documents that regulate their activities: compliance of practice – Yes.

The Audit Committee consists of independent members of the Supervisory Board who have knowledge in the field of finance, industry experience and experience in accounting, auditing, control and risk management: compliance of practice – Yes.

Members of the audit committee are not part of other committees of the supervisory board: compliance of practice - No; description of existing practice / rationale for deviation Members of the Audit Committee are also members of other committees, namely: Federico Russo - a member of the Transformation Committee; Zbigniew Jagiello - a member of the Committee on Corporate Governance, Remuneration and Appointments; Mihai Ionescu is a member of the Risk Committee.

The appointment committee consists of independent members of the supervisory board who have knowledge in the field of human resources management and skills in finding professionals for the supervisory board and executive body: compliance of practice – Yes.

The Remuneration Committee consists of independent members of the Supervisory Board who have knowledge of remuneration practices and incentives for effective performance.: compliance of practice – Yes.

The majority of the risk committee consists of independent members: compliance of practice – Yes.

4. Executive body

The executive body develops the person's strategy, which is approved by the decision of the Supervisory Board: compliance of practice – Yes.

The Supervisory Board determines key performance indicators for the Executive Body to track progress in achieving the individual's goals: compliance of practice – Yes.

The executive body regularly reports to the Supervisory Board on progress in implementing the entity's strategy: compliance of practice – Yes.

The executive body informs the chairman of the Supervisory Board about any significant events that occurred between meetings of the Supervisory Board: compliance of practice – Yes.

6. Reward

The remuneration of members of the board and the executive body is determined based on and corresponds to market indicators in the industry for this type of person: compliance of practice – Yes.

The size of the remuneration for the executive body is related to the results of the individual's activity: compliance of practice – Yes.

The remuneration of board members (non-executive directors) is fixed and does not depend on the person's achievement of financial indicators: compliance of practice – Yes.

7. Information disclosure and transparency

The entity has an approved and published policy on disclosure of information, which defines the information that the entity must disclose: compliance of practice - No; description of existing practice / rationale for deviation Information on disclosure of information by the Bank in accordance with the requirements of current legislation is contained in the Code of Corporate Governance and other internal documents of the Bank.

The board (non-executive directors of the board of directors) supervises the executive body (executive directors of the board of directors) in the preparation of financial statements and ensures the preparation of financial statements of the entity in accordance with current legislation and international financial reporting standards: compliance of practice – Yes.

Website address contains a separate section dedicated exclusively to corporate governance issues: compliance of practice – Yes.

8. Control system and ethical standards

The entity has an internal control system that corresponds to the model of the concept of "three lines of defense": compliance of practice – Yes.

The board (non-executive directors of the board of directors) has mechanisms of internal control of the person, being able to involve an internal auditor and an external auditor: compliance of practice – Yes.

The compliance and risk management function are accountable to the board (non-executive directors of the board of directors): compliance of practice – Yes.

A risk management policy has been approved in person: compliance of practice – Yes.

The entity has an approved declaration of susceptibility to risks: compliance of practice – Yes.

The board (non-executive directors of the board of directors) reviews the risk management report: compliance of practice – Yes.

A code of ethics has been approved and published in person: compliance of practice – Yes.

The entity is provided with the opportunity to anonymously and safely report illegal or unethical behavior: compliance of practice – Yes.

The policy on prevention of corruption has been approved and made public in person: compliance of practice – Yes.

The entity has approved and published a policy on conflict of interest, which covers the following issues:

- a) conflict of interest, prevention and management of conflict of interest: compliance of practice - Yes;
- b) interested party transactions: compliance of practice - Yes;
- c) insider trading; and: compliance of practice - Yes;
- d) abuse of official position: compliance of practice - Yes.

9. Assessment of corporate governance

The entity has a formalized procedure for the annual self-evaluation of council members: compliance of practice – Yes.

Based on the results of the annual self-assessment of the board members, an action plan is developed to improve the efficiency of the board members' work and corporate governance practices: compliance of practice – Yes.

Every three years, a comprehensive assessment of the corporate governance system is conducted with the involvement of an independent external expert: compliance of practice - No; description of existing practice / rationale for deviation An independent assessment of the Supervisory Board and the Bank's Management Board with the involvement of an independent external expert was conducted in 2023.

Part 2. Information on general meetings of shareholders (participants) and a general description of the decisions made at such meetings

The sole shareholder is the State represented by the Cabinet of Ministers of Ukraine.

Date of holding: 13.01.2023

Subject of convocation: The state is the sole shareholder of JSC CB "PRIVATBANK".

Issues on the agenda and adopted decisions: Question 1: Some issues of the activities of the joint-stock company commercial bank "PrivatBank"; Decree of the CMU No. 31 adopted decision: the Cabinet of Ministers of Ukraine decrees:

1. Approve the Regulations on remuneration of the members of the supervisory board of the joint-stock company commercial bank "PrivatBank", which is attached.

2. To include in the resolution of the Cabinet of Ministers of Ukraine dated June 5, 2019 No. 594 "Some issues of the activity of the joint-stock company commercial bank "PrivatBank" (Official Gazette of Ukraine, 2019, No. 57, Article 1964; 2019, No. 66, Article 2273) the following changes: The charter of the commercial bank "PrivatBank" joint-stock company, approved by the said resolution, shall be published in the attached version; The regulation on the supervisory board of the joint-stock company commercial bank "PrivatBank", approved by the said resolution, should be set out in the attached version.

URL of the minutes of the general meeting: <https://www.kmu.gov.ua/npas/deiaki-pytannia-diialnosti-aktsionernoho-tovarystva-a31>.

Date of holding: 03.03.2023

Subject of convocation: The state is the sole shareholder of JSC CB "PRIVATBANK".

Issues on the agenda and adopted decisions: Question 1: Some issues of the activities of the joint-stock company commercial bank "PrivatBank"; Decree of the CMU No. 186-r adopted decision:

The Cabinet of Ministers of Ukraine decrees:

1. Appoint for the second term as members of the supervisory board of the commercial bank "PrivatBank" Metsher Yuliia Yuriivna — as a state representative from the President of Ukraine, Artem Valentynovych Shevalov — as a state representative from the Cabinet of Ministers of Ukraine.

2. To authorize the chairman of the board of the joint-stock company commercial bank "PrivatBank" Gerhard Boesch to sign civil law contracts with the members of the supervisory board of the joint-stock company commercial bank "PrivatBank" in accordance

with the conditions approved by the order of the Cabinet of Ministers of Ukraine dated December 27, 2022 No. 1206 "Some issues of activity of joint-stock company commercial bank "PrivatBank" (Official Gazette of Ukraine, 2023, No. 3, Article 264).

URL of the minutes of the general meeting: <https://www.kmu.gov.ua/npas/deiaki-pytannia-diialnosti-aktsionernoho-tovarystva-komertsiiyi-bank-s186-30323>

Date of holding: 28.04.2023

Subject of convocation: The state is the sole shareholder of JSC CB "PRIVATBANK".

Issues on the agenda and adopted decisions: Question 1: Some issues of the activities of the joint-stock company commercial bank "PrivatBank"; Resolution of the CMU No. 388-r adopted decision:

1. In accordance with Article 7 of the Law of Ukraine "On Banks and Banking Activities" and the Charter of the joint-stock company commercial bank "PrivatBank", approved by the Resolution of the Cabinet of Ministers of Ukraine dated June 5, 2019 No. 594 "Some issues of the activity of the joint-stock company commercial bank "PrivatBank", approve the following attached to the original:

- the annual report of the joint-stock company commercial bank "PrivatBank" (hereinafter - the Bank) for 2022, which includes the report of the Bank's supervisory board;
- report on remuneration of members of the Bank's supervisory board for 2022;
- measures based on the results of the review of the report of the Bank's supervisory board for 2022.

2. To approve the following distribution of the Bank's net profit for 2022 and the number of annual dividends directed to:

- 80 percent of the net profit in the amount of UAH 24,158.37 million — for the payment of dividends to the state budget;
- 5 percent of net profit in the amount of UAH 1,509.9 million — to the reserve fund;
- 15 percent of net profit in the amount of UAH 4,529.7 million — to cover the accumulated losses of previous years.

URL of the minutes of the general meeting: <https://www.kmu.gov.ua/npas/deiaki-pytannia-diialnosti-aktsionernoho-tovarystva-komertsiiyi-bank-pryvatbank-388r-280423>

Part 4. Council

Personal composition of the council and its committees

Name of the board member, term of office in the reporting period	Chairman / deputy heads advice ¹	Chairman / member of the board committee ²			
		Committee on issues audit	Committee on issues risks	Committee on corporate governance, remuneration and appointments	Committee on issues transformation
Melngailis Nils, 03.03.2023-31.12.2023	X				
Jagiello Zbigniew Stefan, 03.03.2023-31.12.2023		V		V	
Lytvyn Volodymyr Mykolayovych, 03.03.2023-31.12.2023			V	X	V
Russo Federico, 03.03.2023-31.12.2023		V	X		V
Ionescu Mihai-Andrei, 03.03.2023-31.12.2023		V	V		X
Shaikh Nadir, 03.03.2023-31.12.2023		X	V	V	
Metsher Yuliia Yuriivna, 03.03.2023-31.12.2023			V	V	V
Shevalov Artem Valentynovych, 03.03.2023-31.12.2023	Y				V
Oleksiyenko Sergiy Oleksandrovych, 01.01.2023-31.12.2023			V	V	V

¹ X - to indicate the chairman of the council; Y - to indicate the deputy chairman of the council

² X - to indicate the head of the committee; V - to indicate committee member

Information about the board meetings held and a general description of the decisions made

The number of council meetings in the reporting period: 46.

Of them ocular: 13.

Of them extramural: 33.

Description of the key decisions of the council:

In 2023 they were accepted by the supervisory board decision regarding:

- personnel issues, changes in composition and structure executive body: appointment of a Member of the Board (on issues reorganization and problematic assets);
- approval of the Bank's budget;
- approval new organizational structures of the Bank;
- purchases services cloudy infrastructure for 2023 (provision continuity banking operations);
- write-off debts due to non-performing and toxic loans;
- provision functioning proper systems internal and external control of the Bank;
- monitoring of functioning systems management risks;
- monitoring systems internal control;
- detection shortcomings control systems, development proposals and recommendations of their improvement;
- the previous one consideration questions that are submitted for consideration shareholder;
- review management reporting.

Information about the held meetings of the council's committees and a general description of the decisions made*Committee on issues audit.*

The number of board committee meetings in the reporting period: 24; Of them ocular: 14; Of them extramural: 10; Description of key decisions of the board committee: Decisions were made regarding: personnel changes in the Internal Audit, development and training of its employees; analysis and approval of reports on conducted inspections, improvement of the internal audit process; approval of the audit of the Bank's financial statements and approval of the results of the selection of an external auditor; approval of the list of appraisers for the evaluation of the Bank's property; monitoring of the implementation of the external auditor's recommendations; approval of the audit plan, changes to the internal audit methodology and audit process management system; approval of the Regulations on the Audit Committee of the Supervisory Board in the new edition; other. Assessment of the independence of audit entities that provide statutory audit services. The Group verified the independence of PJSC KPMG Audit as part of the competitive selection process. In addition to the documents provided by the company, the Group also conducted its own analysis. No restrictions were found regarding the lack of independence of PJSC KPMG Audit.

Committee on issues risks.

The number of board committee meetings in the reporting period: 26; Of them ocular: 20; Of them extramural: 6; Description of key decisions of the board committee: Decisions were made regarding: developing and updating policies on risk management and monitoring their implementation; monitoring of the bank's compliance with the aggregate level of risk-appetite and the level of risk-appetite for each type of risk; monitoring the implementation of risk management strategy and policy; control over performance by the chief risk manager, chief compliance manager, risk management units and control over compliance with the norms (compliance) assigned to them; control of the state of implementation of measures for the prompt elimination of deficiencies in the functioning of the risk management system; monitoring that the pricing/setting of tariffs for banking products considers the bank's business model and risk management strategy; measures to ensure business continuity and plans to restore the Bank's activities; control over compliance with the procedure for carrying out transactions with related parties of the Bank; dividend policy and the amount of dividend payments with their further approval by the highest authority; other.

Committee on corporate governance, remuneration and appointments.

The number of board committee meetings in the reporting period: 25; Of them ocular: 16; Of them extramural: 9; Description of key decisions of the board committee: Decisions were made regarding: changes in the organizational structure of individual divisions and directions of the Bank (on operational issues, retail business; the direction of collection of problem debts, etc.); updating the composition of the Bank's Management Board (election of a Member of the Management Board (on matters of reorganization and problem assets); dismissal of the Deputy Chairman of the Management Board (on matters of finance); conduct of a competitive selection procedure for the position of a member of the Management Board (on matters of finance)); consideration of reports for 2021 (on assessment of the effectiveness of the Management Board, compliance of members of the Management Board with qualification requirements, assessment of the collective suitability of the Management Board; Report on assessment of

the effectiveness of the activities of control units, compliance of the heads of these units with qualification requirements from the point of view of corporate governance); review of reports for 2022 (Supervisory Board, Management Board, etc.); consideration of the report for 2023 (on the assessment of compliance of the Bank's managers, the head of the Bank's internal audit unit and the employee responsible for the Bank's financial monitoring with the requirements of the law); updating the Bank's internal documents (job instructions for the Board Members (on risk management, compliance issues); Regulation on the remuneration of the Board members and influential persons of the Bank, Regulation on the Committee on Corporate Governance, Remuneration and Appointments, Regulation on the Management Board, etc.); consideration of reports and personnel issues of the corporate secretary service; other.

Committee on issues transformation.

The number of board committee meetings in the reporting period: 22; Of them ocular: 13; Of them extramural: 9; Description of key decisions of the board committee: Decisions were made regarding: strategies for working with toxic assets; strategic programs and projects (project " Spring Leaf ", corporate project); carrying out strategic purchases (for example, the purchase of Amazon infrastructure and services Cloud for 2024-2026); conducting tenders for the purchase of electricity, etc.; monitoring the conduct of court cases.

Board report

1) Assessment of the composition, structure and activity of the board as a collegial body (collective suitability of the board)

1.1. Composition of the Supervisory Board

In 2023, the Supervisory Board performed its duties in the following composition:

(1) in the period from January 1 to March 3, 2023: Artem Valentynovych Shevalov – state representative from the Cabinet of Ministers of Ukraine; Yuliia Yuriivna Metsher - state representative from the President of Ukraine Verkhovna; Sergiy Oleksandrovych Oleksiyenko is a state representative from the Committee of the Rada of Ukraine on Finance, Tax and Customs Policy.

(2) in the period from March 3 to the end of 2023: Artem Valentynovych Shevalov – state representative from the Cabinet of Ministers of Ukraine; Yuliia Yuriivna Metsher - state representative from the President of Ukraine; Sergiy Oleksandrovych Oleksiyenko – state representative from the Committee of the Verkhovna Rada of Ukraine on Finance, Tax and Customs Policy; independent members – Nils Melngailis, Mihai Ionescu, Zbigniew Jagiello, Volodymyr Mykolayovych Lytvyn, Federico Russo and Nadir Shaikh.

The specified composition of the Supervisory Board was appointed as follows.

Regarding state representatives in the Supervisory Board - from June 14, 2019, in accordance with the order of the Cabinet of Ministers of Ukraine "On the appointment of members of the Supervisory Board of the Joint Stock Company Commercial Bank "PrivatBank" No. 331 of May 22, 2019, Artem Valentynovych Shevalov was elected to the Supervisory Board and Sergiy Oleksandrovych Oleksiyenko. From July 5, 2019, in accordance with the order of the Cabinet of Ministers of Ukraine "On Amendments to the Order of the Cabinet of Ministers of Ukraine dated May 22, 2019 No. 331-p", Yuliia Yuriivna Metsher was also elected to the Supervisory Board. Subsequently, in accordance with the Decree of the Cabinet of Ministers of Ukraine "Some issues of the activities of the Joint Stock Company Commercial Bank "PrivatBank" dated March 3, 2023 No. 186-r, Artem Valentynovych Shevalov and Yuliia Yuriivna Metsher were appointed to the Supervisory Board for a second term. At the same time, the powers of Sergiy Oleksandrovych Oleksiyenko as a member of the Supervisory Board were not terminated.

Regarding the independent members of the Supervisory Board - in accordance with the order of the Cabinet of Ministers of Ukraine "Some issues of the activity of the joint-stock company commercial bank "PrivatBank" dated December 27, 2022 No. 1206-p, the following were terminated: (1) the powers of the members of the Supervisory Board Easky Sharon, Eran Klein, Nadir Shaikh were terminated.

Thus, in the period from January 1 to March 3, 2023, the Supervisory Board consisted of only 3 (three) members, each of whom was a representative of the state (accordingly, during this period, the Supervisory Board was not authorized to make decisions due to the lack of a quorum), and starting from March 3 and until the end of 2023, the Supervisory Board included 9 (nine) members, of which 6 (six) are independent and 3 (three) are state representatives.

The term of office of the members of the Supervisory Board, appointed by the orders of the Cabinet of Ministers of Ukraine No. 1206-r dated December 27, 2022 and No. 186-r dated March 3, 2023, is 3 (three) years, calculated starting from March 3, 2023.

Members of the Supervisory Board perform their duties on the basis of civil law contracts concluded with them, the terms of which are approved by the shareholder.

1.2. Structure of the Supervisory Board

On March 23, 2023, the Supervisory Board decided on:

1. Election of independent member Nils Melngailis as Chairman of the Supervisory Board;
2. Confirmation of the continuation of the powers of Artem Valentynovych Shevalov, the state representative from the Cabinet of Ministers of Ukraine, as the Deputy Chairman of the Supervisory Board (for the second term of his powers as a member of the Supervisory Board);
3. Review of the current number of committees, as well as their functions and composition:
 - 3.1. termination of: (i) Strategy and Transformation Committee, and (ii) Technology, Data and Innovation Committee;
 - 3.2. establishment of the Committee on Transformation;
 - 3.3. election of heads and members of Supervisory Board committees:
 - 3.3.1. Committee on Corporate Governance, Remuneration and Appointments: the committee consists of 5 (five) members, 3 (three) of whom are independent.
 - 3.3.2. Audit Committee: the committee consists of 4 (four) members, all of whom are independent.
 - 3.3.3. Risk Committee: the committee consists of 6 (six) members, 4 (four) of whom are independent.
 - 3.3.4. Transformation Committee: the committee consists of 6 (six) members, 3 (three) of whom are independent.

1.3. Collective suitability of the Supervisory Board

In September 2023, the Supervisory Board updated the Supervisory Board profile matrix (protocol No. 27/23 dated September 26, 2023), which was prepared in order to properly document the relevant range of knowledge and confirm that the current composition of the Supervisory Board had the necessary experience, knowledge and skills. The updated profile matrix of the Supervisory Board was sent to the Ministry of Finance of Ukraine (letter No. 20.1.0.0/7 – 86400 dated October 3, 2023). Based on the assessment of the education and experience of each member of the Supervisory Board, as well as the information received from the members of the Supervisory Board during the preparation of the Supervisory Board profile matrix, the Supervisory Board, as a collegial body, has sufficient expertise in all areas of the Bank's activity in accordance with the requirements of the law. Competencies of members of the Supervisory Board:

- 9 members of the Supervisory Board have experience and skills in the field of corporate management;
- 9 members of the Supervisory Board have experience and skills in the field of corporate business and SMB;
- 7 members of the Supervisory Board have experience and skills in the field of retail business;
- 9 members of the Supervisory Board have experience and skills in the field of treasury;
- 9 members of the Supervisory Board have experience and skills in the field of risk management;
- 7 members of the Supervisory Board have experience and skills in the field of compliance;
- 6 members of the Supervisory Board have experience and skills in the field of internal audit;
- 8 members of the Supervisory Board have experience and skills in the field of finance;
- 7 members of the Supervisory Board have experience and skills in the field of IT and security;
- 9 members of the Supervisory Board have experience and skills in working with problem assets;
- 9 members of the Supervisory Board have experience and skills in the field of strategic planning;
- 9 members of the Supervisory Board have experience and skills in the field of investment activities.

The Supervisory Board, as a collegial body, has a collective suitability that corresponds to the Bank's size, complexity, volumes, types, nature of operations carried out by the Bank, the Bank's organizational structure and risk profile, and also considers the characteristics of the Bank's activities as systemically important.

2) Assessment of competence and efficiency of each board member

2.1. Competence and effectiveness of the composition of the Supervisory Board

1) Chairman of the Supervisory Board Nils Melngailis, born in 1965, higher education, more than 30 (thirty) years of work experience.

Names of companies and positions held during the specified period: Printful Inc, USA, non-executive director; Qualco Ltd, UK, non-executive director; PQH, Greece, Vice President; Luminor, Estonia, Chairman of the Supervisory Board.

Mr. Melngailis has the appropriate level of competence for the position he holds, which is confirmed by more than 15 (fifteen) years of work experience in the financial/banking spheres, in particular, as Vice President of PQH, Chairman of the Supervisory Board of Luminor Bank, Executive Director at Centerbridge Partners, senior partner at Alvarez & Marsal, Chairman of the Board at Parex

Bank, etc.

Mr. Melngailis main expertise: NPL management; restructuring and management of legal proceedings; finance and audit; compliance and risk management; strategic management and change management; corporate management and people management, including in the public sector; resolution of problem banks, including the division into good / bad banks; privatization of banks, including mergers and acquisitions.

Mr. Melngailis devoted enough time to the performance of the duties assigned to the head of the Supervisory Board, personally participated in the meetings of the Supervisory Board and consideration of the issues presented to them, managed the work of the collegial body.

2) Deputy Chairman of the Supervisory Board - representative of the shareholder, Artem Valentynovych Shevalov, born in 1975, higher education, more than 29 (twenty-nine) years.

Names of enterprises and positions held during the specified period: European Bank for Reconstruction and Development, Great Britain, Deputy Executive Director from Ukraine (EBRD (UK)).

Mr. Shevalov has the appropriate level of competence for the position he holds, which is confirmed by more than 21 (twenty-one) years of work experience in the banking system of Ukraine and the European Bank for Reconstruction and Development, of which more than 12 (twelve) years in management positions, including in the positions of chairman of the supervisory board / deputy chairman of the supervisory board of banks for more than 6 (six) years. Mr. Shevalov held the post of Deputy Minister of Finance of Ukraine.

Mr. Shevalov main expertise: strategic management and change management; operational efficiency; privatization; corporate management and personnel management; relations with stakeholders / management; corporate social responsibility.

Mr. Shevalov devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them, performed the duties of the Chairman of the Supervisory Board during his absence.

3) Member of the Supervisory Board Mihai Ionescu, born in 1967, higher education, more than 24 (twenty-four) years of work experience.

Mr. Ionescu did not hold other positions during the specified period.

Mr. Ionescu has the appropriate level of competence for the position he holds, which is confirmed by more than 23 (twenty-three) years of work experience in the banking/financial spheres. Mihai Ionescu held the positions of director at Raiffeisen Bank (Romania), Credit Suisse Group AG, and was also the head of the representative office of Deutsche Bank AG (Romania).

Mr. Ionescu main expertise: corporate governance – managing the work of the board; bank management - top management; corporate and investment banking; strategic consulting of the bank; risk management; compliance; treasury and markets; technologies.

Mr. Ionescu devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, he personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them.

4) Member of the Supervisory Board Zbigniew Jagiello, born in 1964, higher education, more than 34 (thirty-four) years of work experience.

Names of enterprises and positions held during the specified period: Polski Standard Platnosci, Poland, member of the Supervisory Board; Asseco Data Systems, Poland, member of the Supervisory Board; Asseco Cloud, Poland, member of the Supervisory Board; Asseco International, Slovakia, member of the Supervisory Board; EkoEnergetyka SA, Poland, member of the Supervisory Board; MCI Capital SA, Poland, Chairman of the Supervisory Board.

Mr. Jagiello has the appropriate level of competence for the position he holds, which is confirmed by his experience in the banking/financial sphere for more than 33 (thirty-three) years in Poland (he worked as the Chairman of the Board of PKO Bank Polski and Pioneer Pekao Investment Fund, a member of the Board of PKO/Credit Suisse Investment Fund Company, etc.).

Mr. Jagiello main expertise: relations with investors; corporative management; modern payments; digital banking; corporate culture and human resources management; retail banking; SME banking; strategy; mobile banking.

Mr. Jagiello devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, he personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them.

5) Member of the Supervisory Board Volodymyr Mykolayovych Lytvyn, born in 1973, higher education, more than 27 (twenty-seven) years of work experience.

Names of enterprises and positions held during the specified period: Polish-Ukrainian Chamber of Commerce, Poland, Ukraine, President.

Mr. Lytvyn has the appropriate level of competence for the position he holds, which is confirmed by his more than 27 (twenty-seven) years of work experience in financial/banking systems, in particular, as a member of the Supervisory Board and, in the future, Deputy Chairman of the Management Board of JSC "Oschadbank", an independent member Supervisory Board of JSC "UkrGasbank", etc.

Mr. Lytvyn main expertise: corporate management; corporate banking and SMB; treasury; risk management; finances; NPL management; restructuring / repurposing; strategic planning; investment activity.

Mr. Lytvyn devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, he personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them.

6) Member of the Supervisory Board - representative of the state from the President of Ukraine Yuliia Yuriivna Metsher, born in 1977, higher education, more than 25 (twenty-five) years of work experience.

Names of enterprises and positions held during the specified period: individuals - entrepreneur.

Ms. Metsher has the appropriate level of competence for the position he holds, which is confirmed by more than 21 (twenty-one) years of work experience in the banking/financial spheres, in particular in JSC "Ukreximbank", including in management positions, as well as in the position of head of the corporate law department in the legal company LegAlto.

The main expertise of Ms. Metsher: legal expertise; management of NPL and non-operating assets; corporative management; compliance; risk management; privatization; experience of dividing a joint-stock company.

Ms. Metsher devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them.

7) Member of the Supervisory Board - representative of the shareholder Oleksiyenko Sergiy Oleksandrovykh, born in 1976, higher education, more than 25 (twenty-five) years of work experience.

He did not hold other positions during the specified period.

Mr. Oleksiyenko has the appropriate level of competence for the position he holds, which is confirmed by more than 23 (twenty-three) years of work experience in the financial system of Ukraine, investment management and the oil production sector, of which he has worked in managerial positions for more than 8 (eight) years.

Mr. Oleksiyenko main expertise: corporate restructuring; mergers and acquisitions (M&A); finance and audit.

Mr. Oleksiyenko devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, he personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them.

8) Member of the Supervisory Board Federico Russo, born in 1955, higher education, more than 40 (forty) years of work experience.

Names of enterprises and positions held during the specified period: CESVI. Participation fund and public organization, Italy, strategic advisor for Ukraine.

Mr. Russo has the appropriate level of competence for the position he holds, which is confirmed by more than 40 (forty) years of work experience in the banking systems of the European Union, in particular Austria, Italy and Great Britain. He was the Chairman of the Board of UniCredit Bank in Ukraine and the first deputy Chairman of the Board of Pekao Bank in Ukraine.

Mr. Russo main expertise: risk management; NPL management; people management; corporate business and SMB; retail business; bank privatization; transformation and change management; capital markets; corporate social responsibility.

Mr. Russo devoted enough time to the performance of the tasks assigned to a member of the Supervisory Board, he personally participated in the meetings of the Supervisory Board and considered the issues brought to them.

9) Member of the Supervisory Board Nadir Shaikh, born in 1955, higher education, more than 43 (forty-three) years of work

experience.

Names of companies and positions held during the specified period: Bank ABC Islamic (Bahrain), independent member of the supervisory board, Chairman of the Audit Committee and Chairman of the Committee on Remuneration and Corporate Governance (Bank ABC Islamic, Bahrain).

Mr. Shaikh has the appropriate level of competence for the position, which is confirmed by more than 42 (forty-two) years of experience in the banking/financial spheres, in particular, in Citibank / Citigroup in 7 (seven) countries (mainly in complex developing markets), including 6 (six) years of work experience in Ukraine.

Mr. Shaikh main expertise: strategic management and change management; corporative management; personnel Management; finance and audit; corporate business; liquidity and capital management (in several developing countries); credit risk and country risk management; experience in selling retail / card business; investments; capital investment activity.

Mr. Shaikh devoted enough time to the performance of the tasks assigned to the member of the Supervisory Board, he personally participated in the meetings of the Supervisory Board and consideration of the issues brought to them.

2.2. Participation of members of the Supervisory Board in its meetings

Below is information on the participation of members of the Supervisory Board in its meetings during 2023:

- Nils Melngailis (chairman of the Supervisory Board) - number of meetings attended 42 out of 46, as a percentage of the total number of meetings during the term of office 91.3%;
- Artem Shevalov (Deputy Chairman of the Supervisory Board) - number of meetings attended 45 out of 46, as a percentage of the total number of meetings during the term of office 97.8%;
- Mihai Ionescu - number of meetings attended 46 out of 46, as a percentage of the total number of meetings during the term of office 100%;
- Zbigniew Jagiello - number of meetings attended 45 out of 46, as a percentage of the total number of meetings during the term of office 97.8%;
- Volodymyr Mykolayovych Lytvyn - number of meetings attended 46 out of 46, as a percentage of the total number of meetings during the term of office 100%;
- Yuliia Metsher - number of meetings attended 45 out of 46, as a percentage of the total number of meetings during the term of office 97.8%;
- Sergiy Oleksiyenko - the number of meetings attended 46 out of 46, as a percentage of the total number of meetings during the term of office 100%;
- Federico Russo - number of meetings attended 46 out of 46, as a percentage of the total number of meetings during the term of office 100%;
- Nadir Shaikh - the number of attended meetings is 45 out of 46, as a percentage of the total number of meetings during the term of office 97.8%.

According to the results of the analysis of the participation of members of the Supervisory Board in the meetings, their work in the committees of the Supervisory Board, the competence and efficiency of each member of the Supervisory Board is sufficient and appropriate.

2.3. Professional suitability of members of the Supervisory Board

According to the results of the analysis of the questionnaires of the bank managers and other information received from the members of the Supervisory Board in 2023, the professional suitability of the members of the Supervisory Board throughout 2023 was at a sufficient level and met the requirements of current legislation, including regulations of the National Bank of Ukraine. All members of the Supervisory Board, whose powers were valid during 2023, had a higher education, their experience testifies to the presence of the necessary set of knowledge, professional and managerial experience (in particular, all members of the Supervisory Board had work experience in the banking and/or financial sector, and also possessed knowledge in the fields of corporate governance and banking activities and their regulation to the extent necessary for the effective performance of their duties), according to the above analysis of participation in meetings, the members of the Supervisory Board devoted enough time to the performance of their duties, circumstances that would cause non-compliance no limitations or requirements for independence were identified above.

The professional suitability of the members of the Supervisory Board is also confirmed by the Report on the assessment of the compliance of the managers of JSC CB "PrivatBank" with the requirements of the law, which was compiled based on the results of the work carried out by the Bank in December 2023. According to the results of the inspection carried out by the Bank:

- all members of the Supervisory Board during 2023 did not have a conflict of interest with the Bank that affected / could

- affect their proper performance of their duties;
- during 2023, none of the members of the Supervisory Board violated the requirements of the applicable legislation.

2.4. Business reputation of members of the Supervisory Board

The assessment of the business reputation was carried out on the basis of the analysis of questionnaires of bank managers, which are periodically filled out by the members of the Supervisory Board and provided to the Bank in accordance with the requirements of the legislation, and other information received from the members of the Supervisory Board.

During 2023, members of the Supervisory Board complied with the requirements of the law, including regulations of the National Bank of Ukraine regarding business reputation, which is confirmed, in particular, by the Report on the assessment of the compliance of the managers of JSC CB "PrivatBank" with the requirements of the legislation, which was prepared based on the results of the work carried out by the Bank in December 2023, and which was approved by the Supervisory Board (Protocol No. 45/23 of December 22, 2023).

In view of the above, the state of the business reputation of the members of the Supervisory Board in 2023 was at a sufficient level.

3) Assessment of the independence of each of the independent members of the board

The independent members of the Supervisory Board, who exercised their powers in 2023, complied with the legal requirements for independence. The relevant information was provided by them when filling out questionnaires for bank managers, which are submitted in accordance with the law, when preparing an updated edition of the Supervisory Board Profile Matrix in September 2023, and was also the subject of an inspection by the Bank's internal services, in particular, compliance, security, personnel management, etc. divisions. The corresponding Report on the assessment of the compliance of the managers of JSC CB "PrivatBank" with the requirements of the law was approved by the Supervisory Board of the Bank (Protocol No. 45/23 of December 22, 2023) and was sent to the shareholder and to the National Bank of Ukraine for information.

All independent members of the Supervisory Board during 2023, in particular:

- (1) were not, including during the last five years, a manager (except for an independent member of the Supervisory Board) of the Bank and/or its branch, representative office and/or other separate unit or legal entity in which the Bank has a significant stake;
- (2) were not, including during the last 3 (three) years, by employees of the Bank and/or its branch, representative office and/or other separate subdivision or legal entity in which the Bank has a significant stake;
- (3) were not a related person (except an independent member of the Supervisory Board) of the Bank;
- (4) did not receive, including during the last 3 (three) years, from the Bank or legal entities in which the Bank has a significant share, significant income, except income in the form of remuneration for performing the functions of a member of the Supervisory Board;
- (5) were not the owner of a significant share, manager, official and/or member of the board or other management body, an employee of another bank registered in Ukraine, or a entity who has the ability to influence decision-making in the main areas of activity and/or exercises significant influence on the management and activity of another bank registered in Ukraine;
- (6) were not persons authorized to perform the functions of the state or local self-government in accordance with the legislation on the prevention of corruption;
- (7) were not, including during the last 2 (two) years, by officials who hold a responsible and especially responsible position in accordance with the legislation on the prevention of corruption;
- (8) were not external auditors of the Bank and/or its branch, representative office and/or other separate subdivision or legal entity in which the Bank has a significant stake, including were not during any period in the last 3 (three) years;
- (9) did not participate in the external audit of the Bank and/or its branch, representative office and/or other separate subdivision or legal entity in which the Bank has a significant stake, as an auditor working as part of an auditing organization, including have not participated in such an audit during any period in the last 3 (three) years;
- (10) did not have, including within the last year, significant economic and/or civil legal relations with the Bank or a legal entity in which the Bank has a significant share, or is the ultimate (beneficial) owner or official of a legal entity that has or had such relations;
- (11) were not members of the executive body of a legal entity whose supervisory board is a member of any head of the Bank;

(12) were not close persons (in the meaning according to the legislation on the prevention of corruption) with the persons specified in points (1) - (11) and (13) above, if the appointment and tenure of a member of the Supervisory Board could lead to a conflict of interests in accordance with legislation;

(13) have not been a member of the Supervisory Board of the Bank for a total of more than 12 (twelve) years.

Thus, during the entire term of office, all independent members of the Supervisory Board met the independence requirements established by the legislation of Ukraine.

4) Assessment of the competence and efficiency of each of the council's committees, their functional powers.

4.1. Organization of work

During 2023, the Bank operated 4 (four) permanent committees of the Supervisory Board, namely: The Risk Committee, the Audit Committee, the Committee on Corporate Governance, Remuneration and Appointments, and the Transformation Committee.

During 2023, a total of 97 (ninety-seven) meetings of the Supervisory Board committees were held, at which a total of 461 (four hundred and sixty-one) issues were considered. Minutes of face-to-face meetings (in the form of joint presence) of both the Supervisory Board and its committees contain information on the main opinions of members of the Supervisory Board / committees expressed by them on the issues under consideration. All protocols must contain information on the identification of the entity responsible for the implementation of the decisions made, the terms of their implementation, the terms of reporting on the implementation of decisions and the form of such a report.

4.2. Performance of the functions assigned to the committees of the Supervisory Board

During 2023, the committees of the Supervisory Board performed the functions provided for by the current legislation of Ukraine, the Bank's Charter, the Regulations on the Bank's Supervisory Board and relevant regulations on committees. In May - July 2023, the Supervisory Board approved updated regulations on the committees of the Supervisory Board: Regulations on the Committee on Transformation (Minutes No. 10/23 of May 19, 2023), Regulations on the Committee on Corporate Governance, Remuneration and Appointments (Minutes No. 13/23 dated June 2, 2023), Regulations on the Audit Committee (Minutes No. 15/23 dated June 15, 2023) and Regulations on the Risk Committee (Minutes No. 18/23 dated July 13, 2023). In 2023, the Supervisory Board revised the distribution of powers between its committees, and approved an updated map of the Supervisory Board's functions (minutes No. 45/23 dated April 24, 2023), with the aim of improving the relevant procedures, as well as ensuring the passage of the maximum number of issues submitted to The Supervisory Board, through its committees, for more effective and detailed processing.

Based on the information contained in the reports of the relevant committees for 2023 and the quarterly reports of the Audit Committee, the committees of the Supervisory Board properly performed their functions in 2023.

4.3. Assessment of competence and effectiveness of the Audit Committee of the Supervisory Board

In the period from March 23, 2023 to December 31, 2023 inclusive, the Audit Committee consisted of 4 (four) members of the Supervisory Board (elected in accordance with the decision of the Supervisory Board dated March 23, 2023, protocol No. 2/23): Chairman of the committee - Nadir Shaikh; Committee members: Federico Russo, Zbigniew Jagiello and Mihai Ionescu.

The powers of the Audit Committee include aiding the Supervisory Board in the implementation of its powers to supervise the completeness and reliability of financial reporting, the effectiveness of the functioning of the internal control system and the internal audit function in the Bank. The Audit Committee also assists the Supervisory Board in supervising the qualification, efficiency and independence of the Bank's external auditor (audit firm).

In 2023, the Audit Committee met 24 (twenty-four) times, 152 (one hundred and fifty-two) issues were considered at the meetings and appropriate recommendations were made to the Supervisory Board, Management Board, control units, other units and officials of the Bank.

Outside the official meetings, the chairman and members of the committee remained in constant contact with the relevant members of the Management Board, the Head of the "Internal Audit" Department and other key managers of the Bank, both through personal meetings and by means of remote communication, discussed various issues that are in the committee's field of activity, provided relevant recommendations and other support.

The competence and effectiveness of the Audit Committee are considered appropriate and acceptable.

4.4. Conclusions regarding the independence of the conducted external audit of the Group, in particular the independence of the auditor (auditing firm)

PJSC "KPMG Audit" was elected by the Supervisory Board in 2023 as the Group's independent external auditor for 2023-2025, with a possible extension of cooperation for another two years (Minutes No. 6/23 of April 27, 2023). The Group verified the independence of PJSC KPMG Audit as part of the competitive selection process. In addition to the documents provided by the company, the Group also conducted its own analysis. No restrictions were found regarding the lack of independence of PJSC KPMG Audit.

4.5. Assessment of competence and effectiveness of the Risk Committee of the Supervisory Board

In the period from March 23, 2023 to December 31, 2023, inclusive, the Risk Committee consisted of 6 (six) members of the Supervisory Board (elected in accordance with the decision of the Supervisory Board dated March 23, 2023, protocol No. 2/23): Chairman of the committee - Federico Rousso; The members of the committee are Yuliia Yuriivna Metsher, Mihai Ionescu, Nadir Shaikh, Oleksiyenko Sergiy Oleksandrovych and Volodymyr Mykolayovych Lytvyn.

The powers of the Risk Committee include aiding the Supervisory Board in the implementation of its powers to supervise the adequacy and effectiveness of the functioning of the risk management system in the Bank.

In 2023, the Risk Committee met 26 (twenty-six) times, 137 (one hundred and thirty-seven) issues were considered at the meetings and appropriate recommendations were made to the Supervisory Board, Management Board and control units, other units and officials of the Bank.

Outside of official meetings, the chairman and members of the committee remained in constant contact with the relevant members of the Board, including the chief risk manager and other key managers of the Bank, both through personal meetings and through remote communication, discussed various issues within the scope of the committee's activities, provided relevant recommendations and other support.

The competence and effectiveness of the Risk Committee are considered appropriate and acceptable.

4.6. Evaluation of the competence and effectiveness of the Committee on Corporate Governance, Remuneration and Appointments of the Supervisory Board

In the period from March 23, 2023 to December 31, 2023, inclusive, the Committee on Corporate Governance, Remuneration and Appointments consisted of 5 (five) members of the Supervisory Board (elected in accordance with the decision of the Supervisory Board dated March 23, 2023, protocol No. 2/ 23): Chairman of the committee - Volodymyr Mykolayovych Lytvyn; Deputy Chairman of the committee - Yuliia Yuriivna Metsher; The members of the committee are Zbigniew Jagiello, Sergiy Oleksandrovych Oleksiyenko and Nadir Shaikh.

The powers of the Committee on Corporate Governance, Remuneration and Appointments include aiding the Supervisory Board in the implementation of its powers to supervise the effectiveness of the functioning of the corporate governance system, management of appointments and remuneration in the Bank.

In 2023, the Committee on Corporate Governance, Remuneration and Appointments met 25 (twenty-five) times, 76 (seventy-six) issues were considered at the meetings and relevant recommendations were made to the Supervisory Board, the Board, the HR and Corporate Governance Directorate, and other departments and Bank officials.

Outside of official meetings, the chairman and members of the committee remained in constant contact with the relevant members of the Board, the Head of the HR and Corporate Management Directorate and other key managers of the Bank, both through personal meetings and through remote communication, and discussed various issues that are in the field of the committee's activities, provided relevant recommendations and other support.

The competence and effectiveness of the Committee on Corporate Governance, Remuneration and Appointments are considered appropriate and acceptable.

4.7. Assessment of the competence and efficiency of the Transformation Committee of the Supervisory Board

In the period from March 23, 2023 to December 31, 2023, inclusive, the Transformation Committee consisted of 6 (six) members of the Supervisory Board (elected in accordance with the decision of the Supervisory Board dated March 23, 2023, protocol No. 2/23): Chairman of the committee - Mihai Ionescu; The members of the committee are Yuliia Yuriivna Metsher, Sergiy Oleksandrovych Oleksiyenko, Artem Valentynovych Shevalov, Volodymyr Mykolayovych Lytvyn and Federico Russo.

The powers of the Transformation Committee include aiding the Supervisory Board in the implementation of its powers regarding

the transformation of the Bank, including issues of working with a toxic portfolio, and preparing the Bank for the next privatization.

In 2023, the Transformation Committee met 22 (twenty-two) times, 96 (ninety-six) issues were considered at the meetings and appropriate recommendations were made to the Supervisory Board, the Management Board, the Head of the Toxic Assets Directorate, other divisions and officials of the Bank.

Outside of official meetings, the chairman and members of the committee remained in constant contact with the relevant members of the Management Board, the Head of the Directorate for Toxic Assets and other key managers of the Bank, both through personal meetings and through remote communication, and discussed various issues in the field activities of the committee, provided appropriate recommendations and other support.

The competence and effectiveness of the Transformation Committee are considered appropriate and acceptable.

5) Assessment of the council's fulfillment of the individual's goals

Assessment of the achievement of the goals set by the Supervisory Board, the implementation of the Bank's development strategy and/or the Bank's business development plan, and the achievement of indicators (results) of the Bank's activity determined by the higher authority.

The war remains the main factor that determines the development and functioning of the Bank and the economy of Ukraine as a whole in 2023. At the same time, despite the unprecedented current challenges, the banking system of Ukraine demonstrates strength and stability, which is confirmed by three key trends in 2023:

- growth in lending, primarily loans with the support of state programs;
- stable inflow of funds to banks - balances on bank accounts are growing both for citizens and businesses;
- high efficiency and profitability due to operational efficiency with moderate reservation costs. Despite a significant increase in the tax rate, the sector has remained highly profitable, which ensures its sustainability.

The priority directions of the Bank's activities in 2023 remained the observance of high-quality standards of customer service considering the requirements of legislation, the development of the domestic economy through lending to business customers and individuals with the maintenance of a high-quality loan portfolio, improvement and development of banking products/services using modern technological solutions. As a result of our efforts - making a profit, paying taxes and paying dividends to our shareholder - the state.

In 2023, the Bank continued to implement various measures and programs to support the population and business during the war. Yes, the Bank, among other things:

- continued the program of automatic extension of the period of validity of cards for 1 year, including a business card, for which customers do not need to contact the department for reissuing the card, which is especially important for customers in the temporarily occupied territories;
- introduced the digital card "eVidnovnennya" (together with the Ministry of Digital Policy and the Ministry of Reintegration) under the program of rebuilding damaged housing as a result of Russian aggression. The share of payments through the Bank is 70.27%, the volume of payments in 2023 reached over UAH 2.6 billion;
- introduced the "eOzdorovlennya" card (together with the Ministry of Social Policy). This is a card with a special mode of use for improving the health of children of low-income and large families, as well as children with disabilities;
- made payments to the "ePydtrymka" card, namely payments to internally displaced persons; payments on military bonds. The "ePydtrymka" card is a convenient service where the client makes only a few clicks to receive payments without visiting the Bank;
- developed and implemented premium digital cards of all levels (without plastic), to ensure card payments, opening of additional and new accounts, reissuance without a visit to the branch;
- for depositors, it is possible to obtain a deposit agreement for an active deposit with current deposit parameters: amount on the account, % rate, deposit end date, etc. through a service channel convenient for the client (except for the branch, this is the mobile and web versions of Privat24);
- implemented and restarted current credit products: Overdraft, Agroseason, Credit Line and Leasing were introduced and relaunched, and the General Agreements tool was introduced. Over 24,000 new loans were issued during the year. This made it possible to increase the net loan portfolio of business clients (not including loans to Corporate loans - REPO) to UAH 30 billion (+23%). As a result, PrivatBank increased its market share in lending to business clients by more than 1.6% and rose to 6th place in the market share of business lending;
- an important milestone in the development of financial support for Ukrainian business was the start of cooperation with international financial institutions in terms of risk distribution and the introduction of new business grant support mechanisms (mini-grants, agricultural risk insurance and other projects). In August and December 2023, agreements were signed with the European Bank for Reconstruction and Development on risk sharing for new loans in the amount

- of EUR 240 million;
- for business clients, 2023 was a year of active changes and innovations in the area of electronic business and services to business clients. Among the main results stand out: the redesign of the Privat24 system for business and the launch of the beta version of the updated application; increase to 65% (+31 p.p.) in the number of business clients using the mobile application; launch of the Business Reputation Dossier service; introduction of a cloud-based qualified SmartID electronic signature without a mobile application, which significantly improved the customer experience, and a service for checking debts and paying taxes in the Privat24 system for business; new services in a single application: selling currency, working with proxies, payment templates and transaction log; updating the process of customer onboarding and opening an account on the website, which made it possible to reduce the time of opening an account to 5 minutes; implementation of the transition to the new work standard ISO 20022 (SEP 4.0 NBU); the "Trading Platform" service was launched to improve the customer experience when buying and selling currency, which resulted in a significant increase in the number and amount of transactions; the Terminal mobile application for the iOS platform was introduced (the first in Ukraine and the seventh in the world);
 - more than 95% of payments and transfers are made by clients through self-service channels, so the Bank regularly develops and improves remote banking services. Thus, in 2023, the following was implemented: zeroing of Internet traffic when using Privat24: Vodafone subscribers can already use online banking without using packet Internet volumes; the use of new Apple Pay and G-Pay payment methods for the "Quick Pay" service, as well as the auto-payments menu in Privat24, have been implemented; the possibility of connecting auto-payments on the recipient's website has been implemented.

In 2023, the Bank identified the development of barrier-free accessibility as a priority area of corporate social responsibility. A barrier-free strategy has been created at the Bank and the path to its implementation has begun.

According to this strategy, as of December 2023, the Bank is working in the following areas: reviewing the customer journey, physical accessibility of branches, digital accessibility of products, mental health support, employment of people with disabilities and candidates with military experience, reintegration of veterans, strengthening internal culture regarding acceptance and tolerant communication with people with disabilities.

As a responsible corporate citizen, the Bank consistently and systematically works to ensure equal access to branches for all categories of the population. In accordance with the Resolution of the Board of the National Bank of Ukraine from December 22, 2018 No. 149 Bank fulfills all requirements and even goes ahead. As of December 2023, the Bank has available 98% of branches in regional centers and cities with a population of 300,000 or more and 78% in other settlements (the list excludes 79 branches that are temporarily closed and located in the occupied territories or in the immediate vicinity the proximity of hostilities), which is confirmed by the reports of certified experts on the technical inspection of buildings and structures, which confirm the fulfillment of the requirements of state building regulations B.2.2-40:2018 "Inclusiveness of buildings and structures".

In 2023, the Bank conducted an audit of the bank's digital services for compliance with the WCAG 2.1 (Web Content Accessibility Guidelines) international accessibility standard - universal (inclusive) design standards designed to ensure maximum access to web content for people with disabilities. The experts involved in this initiative became the "Friends of Ukraine Foundation". According to the results of this audit, the bank's digital services (website <https://privatbank.ua/> and <https://next.privat24.ua/>, mobile application Privat24) correspond to level A by 40% and level AA by 35%. As part of the implementation of the barrier-free strategy, PrivatBank plans to improve the percentage indicator in this area and move towards compliance with the AA level during the next year.

Therefore, focusing on the client, his needs and quality requirements, was and remains a key factor of the Bank's business strategy in 2023. In 2023, more than 18 million customers trusted the Bank with their daily financial transactions, which led to a significant increase in customer account balances to an unprecedented UAH 555 billion.

In 2023, the Bank continued to support the Ukrainian economy, increasing the net portfolio of retail loans by 39% and the net portfolio of business loans by 23%. As an important player on the Ukrainian financial market, the Bank provides access to Ukrainian businesses to various state and international support programs, such as the EBRD credit risk distribution program, the state credit guarantee program for granting new business loans, the government program "5-7-9%" on partial compensation of interest rates on business loans. For individuals, the Bank offers "eOselya" loans (available mortgage loans secured by the state), as well as various types of consumer loans. At the same time, thanks to the balanced credit policy of the Bank, the level of non-performing loans stabilized during 2023 and tends to improve after a sharp increase in 2022.

According to the results of 2023, the Bank has a sufficient level of capital, considering the current requirements of the National Bank of Ukraine. The Bank's regulatory capital at the end of 2023 is UAH 64.8 billion, and the regulatory capital adequacy ratio is 21.75% (with a norm of >10%). All normative indicators of the Bank's liquidity significantly exceed the norms established by the NBU. Thus, as of December 31, 2023, the liquidity coverage ratio was 462.8% for all currencies (LCRBB) and 266.1% in foreign currency (LCRIB) with the standard value set by the NBU not less than 100%.

The Bank's profit before taxation in 2023 reached UAH 72.8 billion, which is more than double the result of 2022 and is 46% of the total profit of the banking sector of Ukraine for 2023. After adjusting for the increased tax rate of 50% in 2023, the Bank received UAH 37.8 billion net profit. Already in February 2024, the Bank transferred to the budget the advance payment of dividends and income tax based on the results of 2023 in the amount of UAH 44.9 billion.

The main factors shaping the financial result of the bank in 2023 are:

- growth of the scale of the Bank's activities both in the credit market and in receipts to clients' accounts;
- changing the structure of customer transaction operations, including growth of the general level of non-cash payments in the country as a faster and safer way of payments;
- macroeconomic conditions that have developed in the banking market of Ukraine, including the trend of the NBU discount rate and the official exchange rate;
- improvement of the quality of the loan portfolio, which provides significant savings in the costs of forming reserves;
- keeping operating costs under control in the conditions of the accumulated effect of inflation in 2022 and 2023.

The Bank's result was also significantly affected by the result of revaluations. Thus, the change in the official exchange rate of the UAH to the US at the end of the year after the partial liberalization of the foreign exchange market caused losses from the revaluation of the currency position, which were partially compensated by the positive revaluation of indexed government bonds in the Bank's portfolio. At the same time, the revaluation of indexed government bonds is derived both from exchange rate changes and from inflationary expectations and the resulting increase in interest rates both on the market of Ukraine and in the world.

Further development of the Bank will focus on achieving strategic goals, considering the current development of the situation in the country and the world.

The result of the Bank's work in 2023 testifies to its efficiency, stress resistance, flexibility and adaptability. Clients' trust in the Bank, prompt response to new challenges of the external environment and new needs of clients provided the Bank with a leadership position in the overall result of the banking system. The Supervisory Board monitors the state of development of the current situation in the external environment and takes measures, if necessary, to minimize any negative consequences as much as possible.

6) Information about the internal structure of the board, the procedures used in its decision-making, including an indication of how the board's activities led to changes in the financial and economic activity of the person.

The activity of the Supervisory Board as a collegial body and the effectiveness of its activity

In accordance with the requirements of Clause 92 of the Bank's Charter, meetings of the Supervisory Board are held when necessary, but at least once a quarter. During 2023, 46 meetings of the Supervisory Board were held (13 meetings - in the form of joint presence and 33 - by absentee voting), at which 322 issues were considered (115 issues were considered at meetings in the form of joint presence and 207 by absentee voting).

On all issues on the agenda of the Supervisory Board meetings, its members voted in person, and the decisions made by the Supervisory Board were recorded in the minutes of the respective meetings. According to the results of the analysis of the minutes of the meetings of the Supervisory Board and its committees, the interaction of the members of the Supervisory Board during the meetings was acceptable and effective, detailed discussions were held regarding each issue brought up for consideration and there was an opportunity to freely express one's opinion. The discussion of each issue was quite deep, broad and allowed to hear everyone's opinion. The members of the Supervisory Board voted on each of the issues exclusively from their own point of view and from their own convictions, considering the interests of the Bank, its depositors, creditors and the state as a shareholder.

The composition, structure and activity of the Supervisory Board fully met the requirements of the legislation of Ukraine, the Supervisory Board took all acceptable and necessary measures for the efficient operation of the Bank.

The organization of the work of the Supervisory Board is effective and allows the Supervisory Board to properly perform its assigned functions, achieve the set goals and make the necessary decisions.

The Supervisory Board and its committees considered all the necessary issues and made the necessary decisions in a timely manner, receiving appropriate information and conducting effective discussions and consultations. Among other things, this allowed the Supervisory Board to exercise effective control over the budget and planned indicators, the functioning of the risk management system, conflict of interests, ensure the independence and effectiveness of control functions, etc. Regarding the interaction of the Supervisory Board with the Management Board and counter units, the members of the Management Board and heads of the relevant units were invited to the meetings of the Supervisory Board and its committees when considering relevant issues, were involved in discussions, meetings and discussions of these issues before they were submitted for consideration by the Supervisory Board and its committees. Communication between the members of the Supervisory Board and the Management Board is carried out on a daily basis by means of e-mail, audio and video communication.

Considering the above, the effectiveness of the methods and procedures of the work of the Supervisory Board and its committees, as well as their interaction with control units and the Bank's Management Board as a whole, was organized at a sufficient level, was transparent, acceptable and effective in 2023.

During the reporting period, members of the Supervisory Board, while performing their duties, acted exclusively in the interests of the Bank, its depositors, creditors and the state as a shareholder.

During 2023, the Supervisory Board, within the limits of its competence, performed the functions and tasks assigned to it, as a result of which, among other things, the following results were obtained:

- the Strategy and Operational Plan of the Bank's Problem Asset Management for 2023-2024 were prepared, and the Bank's business plan and budget for 2024 were approved;
- the Bank's Business Recovery Plan was reviewed and updated;
- in connection with the migration of critical infrastructure to the cloud environment after the start of hostilities, in 2023 it was agreed to purchase Amazon Web Services cloud infrastructure services for 2024-2026;
- measures were taken to ensure business continuity;
- despite the general difficulties caused by the Russian full-scale invasion of Ukraine, as of the 1st quarter of 2023, only three indicators of the Bank's recovery plan, namely two macro indicators (credit default swap and GDP), as well as an asset quality indicator (NPL growth per month) fell into the red zone of risks, while other indicators remain at a relatively safe level;
- thanks to the balanced credit policy of the Bank, the level of non-performing loans stabilized during 2023 and tends to improve after a sharp increase in 2022;
- continued work on the settlement of non-performing assets;
- further transformation of the Bank's organizational structure was carried out in order to increase its efficiency;
- coordinated work of external advisers on bringing the former owners and officials of the Bank to justice, seizing their assets in order to compensate for the corresponding losses was carried out, legal strategies were reviewed and the necessary decisions were made regarding the most important legal proceedings involving the Bank, optimized related to hereby expenses of the Bank;
- the Bank's claim-lawsuit work has been improved;
- competitive selection: (i) successfully completed - for the position of Member of the Management Board (on issues of reorganization and problem assets); (ii) started - for the position of Deputy Chairman of the Board (for finance);
- considerable attention is paid to issues related to personnel, their protection and encouragement, including health insurance for employees and managers of the Bank;
- a number of important internal documents were developed, revised and updated, such as: Code of Conduct (Ethics); Regulations on the remuneration of members of the Management Board and influential persons; provisions on the committees of the Supervisory Board; Regulations on the Board; Corporate Governance Code; Regulations on the Corporate Secretary; The procedure for the competitive selection and appointment of the chairman, members of the Board and key managers; etc.;
- an external auditor was selected to conduct an annual audit of financial statements, consolidated financial statements and other information on the Bank's financial and economic activities for 2023-2025;
- developed and improved remote banking services;
- the barrier-free Strategy was created and the path to its implementation started;
- in February 2024, an advance deduction of dividends and income tax based on the results of 2023 was made in the total amount of UAH 44.9 billion;
- the Bank's net profit for 12 months of 2023 amounted to UAH 37.8 billion.

Part 5. Executive body

Personal composition of the collegial executive body and its committees

Name of the member of the executive body, term of office in the reporting period	Head/deputy head of the executive body ³	Chairman / member of the committee of the executive body ⁴											
		Budget Committee	Committee on Compliance and Financial Security	Asset and Liability Management Committee	Data Governance Committee	Transformation Committee	Committee for operational risk management and information security	Credit Committee	Marketing and PR committee	Committee on Products and Tariffs	Tender committee	Technological and Architectural Committee	Committee on issues of management of non - performing assets
Boesch Gerhard, 01.01.2023-31.12.2023	X	V	X	V		X			V	V (until 12.09.2023)			
Samarina Ganna Yuriivna, 01.01.2023-31.12.2023	Y	X	V	X	X (until 19.12.2023)	V	V			X	V (until 22.12.2023)		
Kaczmarek Maryus, 01.01.2023-31.12.2023	Y	V	V		V	V	V		V	V	X	X	
Larisa Petrivna Chernyshova, 01.01.2023-31.12.2023	Y	V	Constantly invited member	V	V	V	X	V		V			X
Musienko Dmytro Anatoliyovych, 01.01.2023-31.12.2023		V	V	V	V	V	V			V		V	
Zaigraev Evgeny Oleksandrovyich, 01.01.2023-31.12.2023		V	V	V	V	V	V	X	V	V			
Razumny Anton Anatoliyovych, 01.01.2023-31.12.2023		V	V		X (from 19.12.2023)	V	V			V			
Deglava Solvita, 31.10.2023-31.12.2023											V (from 22.12.2023)		V (from 22.12.2023)

³ X - to indicate the executive body; Y - to indicate the deputy of the executive body

⁴ X - to indicate the head of the committee; V - to indicate committee member

Information about the held meetings of the collegial executive body and a general description of the decisions made

The number of council meetings in the reporting period: 100.

Of them ocular: 61.

Of them extramural: 39.

Description of the key decisions of the board:

In 2023, the Board made decisions regarding:

- changes in organizational structure and communications with primary trade union organizations;
- approval of the Business Recovery Plan: monitoring of the condition of indexers;
- approval/observance of the Declaration of Risk Propensity;
- approval of the Strategy and Operational Plan for the management of problem assets for 2023-2024;
- annual training and development plan for the Board, Key and Influential persons;
- approval of the Report on the assessment of management efficiency, the activities of the Board in general and each member of the Bank's Board in particular, Board committees, assessment of the compliance of the collective suitability of the Board of JSC CB "PrivatBank" for the year;
- approval of the Report of the Management Board of JSC CB "PrivatBank" for the year;
- feasibility of procurement of goods, works, services and initiation of the tender procedure, approval of the winners of the procurement procedure (within the powers of the Board);
- lease of immovable and movable property of the Bank, approval of the amount of rent;
- use/realization of the Bank's property, write-off of non-current assets from the bank's balance sheet, approval of the procedure for alienation (sale) of the Bank's property;
- approval of the Bank's internal documents;
- approval of the quantitative and personal composition of the Board Committees and the Regulations regulating their activities;
- management of subsidiary companies and shares of the Bank in other enterprises, resolution of issues and realization of rights arising from ownership of corporate rights in other legal entities, including regarding voting at the general meeting of participants/shareholders, regarding the activities of the Cyprus branch;
- determination of subjects of appraisal activity and approval of terms of contracts concluded with appraisers and establishment of the amount of payment for their services, approval of the market (fair) value of the Bank's property determined by subjects of appraisal activity;
- audit of financial statements, competitive selection of an independent auditor;
- approval of the Issuer's Annual Report and the Bank's financial statements;
- payment of dividends, provision of proposals on the distribution of profits based on the results of JSC CB "PrivatBank", establishing the date of drawing up the list of persons entitled to receive dividends, the order and terms of their payment;
- provision of charitable assistance, transfer of goods under donation contracts, financing of charitable programs: "Hand of support for victims of war" and "Helping hand", allocation of assistance to overcome the consequences of the tragedy at the Kakhovskaya HPS;
- approval of the Bank's Budget and Business Plan, adjustment of the budgets of the bank's structural subdivisions;
- approval of the list of related persons of JSC CB "PrivatBank", incl. according to IFRS;
- ensuring the proper functioning of the Bank's internal and external control system;
- control over the functioning of the risk management system;
- control over information security and information exchange;
- monitoring of the internal control system;
- identification of deficiencies in the control system, development of proposals and recommendations for their improvement;
- a review of the NBU's recommendations on managing the NPL portfolio;
- participation in the program of the Entrepreneurship Development Fund "Mini-grants";
- implementation of control over the elimination of deficiencies that were discovered during inspections by the internal audit unit, the external auditor, and the National Bank of Ukraine;
- consideration of management reporting, including reports on risks (operational risk, liquidity risk, interest rate risk of the banking book and market risk, credit risk), performance results, assessment of the functioning of the internal control system, implementation of the Bank's Problem Asset Management Strategy and Operational Plan, performance recovery plan indicators, toxic asset management results, stress testing, compliance risk assessments, indicators of the Business Recovery Plan, significant events, project implementation, court cases and other reports of the Bank's structural units;
- approval of the results of the inventory, mapping and identification of significant risks;
- provision/change of terms of credit lines/overdraft, debt settlement, sale of credit portfolio;

- write-off at the expense of the reserve for compensation of possible losses due to active banking operations of debt, as well as other receivables, which according to the legislation of Ukraine are hopeless;
- reserve formation;
- court cases, granting permission to file lawsuits, representation of the interests of JSC CB "PrivatBank" in courts by lawyers, execution of court decisions;
- State program of mortgage lending "eOselya";
- changes to the conditions of the "5-7-9%" and "state guarantees" programs in accordance with changes in the Resolutions of the Cabinet of Ministers;
- investment, redistribution of the limit and establishment of limits for operations with banks;
- relocation of bank branches;
- KPI indicators;
- provision of rehabilitation/treatment assistance to employees affected by military operations;
- Succession planning 2023;
- a plan of measures to promote the development of the culture of inclusion in JSC CB "PrivatBank";
- preliminary consideration of issues submitted for consideration by the Supervisory Board and the shareholder;
- other issues assigned to the competence of the Board.

Information on the held meetings of the committees of the collegial executive body and a general description of the decisions made

Budgetary committee

The number of board committee meetings in the reporting period: 14.

Of them eye: 2.

Of them extramural: 12.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- Defining and approving the regulations of the Bank's budgeting process.
- Consideration and approval of the Bank's budget indicators, including of the Bank's consolidated budget.
- Approval of budget management and control procedures.
- Control over compliance with budget discipline and implementation of budget indicators.
- Consideration and approval of adjustments to the planned budget indicators within the defined limits powers.

Committee on Compliance and Financial Security

The number of board committee meetings in the reporting period: 15.

Of them eye: 14.

Of them extramural: 1.

Description of key decisions of the board committee:

The main task of the Committee is to develop and ensure the implementation of a set of measures aimed at:

- organization of compliance with the requirements of the AML/FT Policy approved by the Bank's Supervisory Board;
- introduction of the AML/FT culture in the Bank and ensuring the direct participation of units of all lines of protection in the area of AML/FT in the process of implementing AML/FT procedures;
- consideration of problematic issues and identified ML/FT risks, organization of taking timely and adequate measures to minimize identified ML/FT risks to an acceptable level;
- formation of the Bank's professional judgment regarding the practical implementation of the Policy on AML/FT issues, other internal documents of the Bank on AML/FT issues; application of a risk-oriented approach and ensuring detection, identification, assessment of all existing and potential ML/FT risks inherent in the Bank's profile risk and the risk of customer profiles;
- analysis of the effectiveness of AML/FT measures, as well as control over the timely development of risk management measures in order to minimize them.

Asset and Liability Management Committee

The number of board committee meetings in the reporting period: 30.

Of them eye: 13.

Of them extramural: 17.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- analysis and monitoring of structural indicators of the Bank's assets and liabilities, decision-making regarding optimization of the structure of assets and liabilities from the standpoint of liquidity;
- consideration of issues regarding actions in the event of a liquidity crisis;
- consideration of reports on liquidity risk, market risk and interest rate risk of the banking book;
- monthly review and approval of the minimum volume and structure of high-quality liquid assets (liquidity buffer) to comply with regulatory indicators, mandatory reserves of the National Bank of Ukraine, fulfillment of payments and obligations to counterparties (under conditions of normal business activity, as well as during a stressful situation with liquidity short-term - from 2 to 4 weeks);
- approval of the volume of the buffer and the schedule of accumulation of liquidity (if necessary) for the payment of dividends to the shareholder;
- approval of internal limits;
- review of the report on compliance with the bank's regulatory indicators. If necessary, the Committee approves measures to ensure compliance with indicators at the regulatory level;
- analysis of the structure of assets and liabilities, the limit value of individual items of assets and liabilities;
- analysis of the concentration of individual groups of assets and liabilities;
- analysis of the currency position in terms of currencies and types of position, decision-making regarding the optimization of the currency structure of the balance sheet;
- approval of resource policy efficiency indicators and their calculation algorithm;
- analysis of sensitivity to interest rate risk, decision-making regarding the optimization of the structure of assets and liabilities sensitive to interest rate changes, in terms of timeliness before interest rate revisions;
- approval of the values of transfer rates, values of individual transfer rates, decisions on the application of transfer pricing, including for non-interest-bearing assets and liabilities, values of the margin that stimulates / where it stimulates and other parameters of transfer pricing in accordance with the requirements of the current Regulation on the transfer pricing system in the Bank;
- consideration of issues related to assessment of market availability of resources, market forecasts and bank financing options, as well as forecasts of implementation of regulations;
- approval of models, methods, procedures and other documents of the bank regarding the management of liquidity risk, interest rate risk of the banking book and market risk (with the exception of those documents that must be approved by the Board or the supervisory board of the bank in accordance with the requirements of the National Bank of Ukraine);
- approval of the monthly plan for the purchase of government bonds on the secondary (exchange and over-the-counter) market in order to replenish the Bank's portfolio;
- consideration of general issues of placement of temporarily free funds, depending on the state of liquidity, the actual and forecast level of regulatory indicators;
- in accordance with the limits of authority delegated by the Board of approval of issues of purchase/sale of government bonds (investment currency, number of government bonds, terms of placement, expected yield), and also distributes limits between divisions that invest in government bonds;
- approval of the volumes, term and marginal rates of yield of securities;
- review of the securities market and the Bank's macroeconomic environment;
- taking part in the development of strategies and policies of the Bank in the direction of asset and liability management to achieve the established strategic and business goals of the Bank;
- approval of other methods and procedures regarding issues related to the competence and functions of the Committee.

Data Governance Committee

The number of board committee meetings in the reporting period: 5.

Of them eye: 5.

Of them extramural: 0.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- Coordination of the data strategy (including the development of AI/ML) and roadmaps for the implementation of data management processes.
- Agreeing on issues of building and maintaining the effective functioning of the bank's data management system (processes, roles, information systems and software complexes).
- Approval of profile data domains of the Bank (Data Domain) and designation of Data Owners (Data Owner) for domains;
- Agreeing on measures and listening to the results of regular monitoring of the dynamics of indicators of the level of data quality, the level of occupancy of the data catalog, the quality of filling the catalog.
- Agreeing on measures and listening to the results of regular monitoring of the implementation of the roadmap for the implementation of Data and Data Quality Management processes, implementation of the target architecture of the Data Platform and AI/ML functions.
- Coordination of measures and listening to the results of monitoring the dynamics and effectiveness of projects, coordination of new initiatives related to Data Management processes and data quality.
- Review of reports and implementation of regular control over the implementation of projects of implementation/improvement of Corporate DWH.
- Approval of normative documents on processes in the field of data management and data quality, within the limits of authority.
- Coordination of key performance indicators for Data Management and Data Quality processes, for the Head of the Data Directorate, for data owners and for DG/DQ teams.
- Coordination of target indicators regarding data quality in Data Domains and control over the dynamics of achieving target indicators.
- Arbitration of disputed situations on data management issues submitted to the Committee for consideration, between representatives of various structural units of data participants of DG/DQ processes: regarding joint work within the framework of data domain, questions on prioritization of tasks/works and allocation of resources.
- Informing the Bank's employees and management about decisions made by the Committee (including standards, policies, data management initiatives, etc.).
- Coordination of measures to solve critical problems with data and their prioritization.
- Consideration of proposals to improve the quality of the data management system in the bank, including optimization of processes, implementation of control procedures, new software solutions, within the limits of the committee's powers.
- Consideration and resolution of issues related to personal data protection measures, which are processed in accordance with the requirements of the Data Management.

Transformation Committee

The number of board committee meetings in the reporting period: 24.

Of them eye: 12.

Of them extramural: 12.

Description of key decisions of the board committee:

Main tasks:

- Making decisions regarding changes to internal transformation projects.
- The Bank in terms of project implementation terms and schedule, project implementation methodology and stages, as well as resources, participants and project budgets.
- Making decisions regarding changes to the Bank's projects with the involvement of external consultants in terms of project implementation terms and schedule, project implementation methodology and stages, as well as resources, participants and project budget proposals.
- Making decisions regarding the appointment or removal of powers from the project manager.

Committee for operational risk management and information security

The number of board committee meetings in the reporting period: 43.

Of them eye: 18.

Of them extramural: 25.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- Coordinate the preparation, review and approval of the Bank's internal documents on assessment and management of operational, legal, ICT risks, information security risks, and internal control issues.
- Review reports on operational, legal, ICT risks, information security risks, reports on events, including reports on significant events.
- Review reports based on the results of operational risk self-assessment and risk mapping.
- Review product monitoring reports.
- Review reports on the status of implementation of action plans to minimize the Bank's operational, legal and information risks, to eliminate deficiencies in internal control.
- To consider the results of checks of control procedures in the bank's processes and the results of checking the execution of points of fundamental supervision.
- Coordinate the preparation, consideration and approval and revision of the information security policy, provisions on applicability and strategy for the development of the bank's information security.
- Review quarterly reports on the state of implementation of the information security management system, monitoring of the achievement of information security goals, analysis of changes in external and internal environmental factors that are important for the operation of the ISMS, on opportunities for continuous improvement and the need for changes to the information security management system, reports with the state of the processes of ensuring the continuity of the bank's activities and managing information security risks.
- Consider the implementation of new projects, directions, strategic tasks on the bank's information security and information security measures.
- To consider and monitor the implementation of projects related to the development, implementation, functioning, monitoring, revision, maintenance and improvement of the bank's ISMS.
- Determine the necessary optimal resources for the implementation of information security measures and organize practical measures to increase awareness/training of the bank's staff on information security issues.
- Provide timely monitoring of the state of implementation and effectiveness of the bank's ISMS with further assessment of improvement opportunities and the need for corrective actions.
- To review the status of the Bank's continuity of operations and reports on the testing of continuity and disaster recovery plans.
- To ensure the organization of an effective system of interaction, to define and implement risk control mechanisms when interacting with non-banking institutions.
- To consider the results of cooperation with non-banking institutions, monitoring of risks and effectiveness of implementation by the Bank's divisions of cooperation tools with non-banking institutions.
- Consider the issue of outsourcing the Bank's functions and accreditation of outsourcers.
- To ensure the organization of an effective system of interaction, to define and implement risk control mechanisms when interacting with outsourcers.
- To interact with other collegial bodies of the Bank on the management of operational, legal, ICT risks, information security risks, internal control, as well as on the Bank's information security and information security measures.
- Consider other issues related to the formation and implementation of a set of tools and methods for the Bank to implement effective management of operational, legal, IT risks, information security risks, improvement of internal control, effective interaction with non-banking institutions, outsourcers, as well as on the Bank's information security issues and information security measures, provide recommendations, consultations, proposals to the Bank's Management Board on third-party operational risk management issues.

Credit Committee

The number of board committee meetings in the reporting period: 327.

Of them eye: 141.

Of them extramural: 186.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- Decides (including a preliminary decision for further consideration by the Management Board/Supervisory Board) regarding the implementation of active operations by the Bank (including changes to the conditions of such operations, application or refusal to apply fines for non-fulfillment of the established conditions of an active operation) within the limits of the powers established the Board of the Bank.
- Decides (including a preliminary decision for further consideration by the Management Board/Supervisory Board) regarding the restructuring (except forgiveness) of assets, including potentially problematic and non-performing debtors, for which debtors have not been transferred to the non-performing assets units for recovery of problematic debt.
- Decides on the establishment of individual price parameters (interest rates, including the size of the floating interest rate margin and commissions/rewards) for all active transactions, including changes in terms and restructuring, for medium and corporate business clients within the limits of maximum deviations from standard interest rates / amount of commissions (remuneration) determined by the Committee on Products and Tariffs.
- Makes decisions regarding the cancellation and disposal of already paid fines, with their direction exclusively for repayment of debt under the credit agreement or return to the debtor/guarantor (payer) within the limits of authority established by the Bank's Management Board.
- Approves/determines limits for operations with counterparty banks.
- Approves/determines limits for operations with securities, except for limits for operations with government bonds.
- Makes decisions regarding the approval of agreed individual drafts of contracts related to the implementation of active operations (lending, including interbank), issuance of guarantees, opening of letters of credit, including those different from the standard forms approved by the relevant products.
- Ensures development, review, approval or approval of internal bank regulatory documents, namely methods (including decision-making), instructions, procedures, forms, models and other regulatory/procedural documents regarding detection, measurement, monitoring, control, reporting and support improvement of credit risks at all organizational levels.
- Makes decisions on the implementation of pilot projects for active operations, if the need for implementation is caused by the market situation, changes in legislation, regulatory acts of the National Bank of Ukraine and other factors that affect the conduct of operations.
- Makes decisions on the creation of working groups, commissions (including credit portfolio quality control), determines their tasks, functions and work order, develops internal documents of the Bank regulating their work.
- Periodically listens to the results of revaluation of the value of the Bank's collateral.
- Approves the classification of clients, the strategy of working with them and the plan of necessary measures according to the rules of credit monitoring.
- Approves the classification of credit operations by risk groups, reviews, adjusts and approves the assessment of credit risk and the calculated/adjusted amount of the reserve for compensation of possible losses on active operations (loans, off-balance sheet liabilities, receivables, securities, etc.).

Marketing and PR committee

The number of board committee meetings in the reporting period: 57.

Of them eye: 6.

Of them extramural: 51.

Description of key decisions of the board committee:

Main tasks:

- Determining the strategic directions of the bank's communication policy and marketing activities in accordance with the Bank's Mission and the Bank's General Purpose.
- Approval of communication and marketing plans, comprehensive PR and advertising campaigns for the bank's products and services.
- Approval of PR and advertising budgets for bank-wide advertising campaigns within the existing budget of the Bank for relevant advertising articles.
- Approval of motivational programs to stimulate bank employees in the framework of sales of products and services and/or contests for employees, trainings, master classes, seminars, conferences and courses.
- Approval of reputation audit reports.
- Adherence, within the defined competence, to implement measures aimed at managing the Bank's reputational risks in accordance with the Reputational Risk Management Policy.

Committee on Products and Tariffs

The number of board committee meetings in the reporting period: 85.

Of them eye: 34.

Of them extramural: 51.

Description of key decisions of the board committee:

Main tasks:

- making decisions regarding the introduction of new products, making significant changes to the conditions of product provision and updating;
- pricing of banking products (services), ensuring profitability of sales of banking products (services) through adequate pricing and correct application of approved tariffs;
- ensuring, with the help of tariff tools, the implementation of priority strategic and tactical tasks of the Bank (increasing the client base, price promotion of sales of priority banking products and/or groups of products (services), etc.).

Tender committee

The number of board committee meetings in the reporting period: 61.

Of them eye: 61.

Of them extramural: 0.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- Management of the activities of the Bank's subdivisions in terms of the duties assigned to them for the preparation and conduct of tenders.
- Approval of tender conditions.
- Approval of criteria for identifying tender winners using a set of weighted indicators considering the Bank's long-term interests.
- Approval of the winners of tenders and the main conditions of the agreements concluded with them (contracts, agreements).
- Rejecting or approving the proposals of the Bank's divisions of Procurement Initiators regarding the determination of the terms of this or that agreement, which is concluded in the absence of an alternative choice under the negotiation procedure.
- Approval of procurement conditions (conclusion of contracts) according to the negotiated procurement procedure.
- Consideration of the results of the performance of previously adopted procurement decisions.

Technological and Architectural Committee

The number of board committee meetings in the reporting period: 22.

Of them eye: 16.

Of them extramural: 6.

Description of key decisions of the board committee:

Decisions were made within the main functions:

- Ensuring the implementation of the Bank's information technology development strategy.
- Coordination of the Bank's divisions during the implementation of new and improvement of existing information systems.
- Approval, if necessary, of acts of internal regulation that regulate the implementation/support of information systems, etc.
- Approval of the technical task for the purchase/development of information services and technologies.
- Making decisions about the necessity and expediency of automating processes and carrying out operations using the Bank's information technologies and systems.
- Making decisions regarding the selection, application or modernization of hardware, software (software) and other IT services in the Bank.
- Agreeing and approving functional and technical requirements in the field of information systems and technologies of the Bank, standards, models, methods and schemes for automation facilities.
- Making decisions about the expediency of commissioning and decommissioning the Bank's information systems.
- Approval of the Bank's internal documents relating to the technical, technological and operational aspects of information technologies, determining their functioning and interaction.
- Approval of architectural requirements and recommendations for the design, development, improvement, application and integration of new or existing IT solutions.
- Approving the results of audits regarding compliance of IT systems with architectural standards, requirements, recommendations and best practices, as well as approving exceptions to architectural standards and project plans to bring them into compliance.
- Approval of architectural solutions and approaches regarding cloud and on-prem IT-infrastructure (in particular, approaches to the organization of computing and network resources, to the collection and storage of logs, data caching, traffic balancing, etc.).
- Resolution of other issues determined by this Regulation or those arising from the purpose of its creation and based on the principles laid down for it.

Non-performing asset management committee

The number of board committee meetings in the reporting period: 80.

Of them eye: 51.

Of them extramural: 29.

Description of key decisions of the board committee:

Decisions were made within the main functions:

1. Decides within the established limits of authority on the application of the following instruments for the settlement of problem debt:

- 1) debt restructuring, which is implemented by NPA units or does not belong to the Credit Committee's sphere of activity;
- 2) voluntary debt repayment by the debtor and/or guarantor/third parties;
- 3) voluntary realization of the pledged property in agreement with the Bank with subsequent repayment of the debt;
- 4) debt forgiveness and/or non-application of fines for breach of contract terms;
- 5) acquisition by the bank of the pledged and other property of the debtor, guarantor in order to repay the debt;
- 6) claim and return of the leased item;
- 7) execution of an executive inscription by a notary and its enforcement within the framework of executive proceedings;
- 8) acquisition by the Bank of ownership of other property, both on the basis of the contract and within the framework of executive proceedings;
- 9) judicial recovery of debt / enforcement of collateral by obtaining an executive document in court and its enforcement within the framework of executive proceedings;

- 10) debt settlement in the bankruptcy (insolvency) procedure / termination (by decision of the participants) of the debtor;
 - 11) sale of debt/asset - transfer by the Bank of claim rights against the debtor to a new creditor (assignment of claim rights or factoring);
 - 12) cancellation of debt;
 - 13) involvement of collection companies on the terms of outsourcing.
2. Makes decisions within the established limits of authority on the management of seized property and non-operational real estate, which includes:
- 1) transfer of real estate for use under lease terms;
 - 2) acquisition of ownership of property (relative to the amount of the contract), with the exception of acquisition of ownership of pledged and other property of the debtor;
 - 3) approval of the sale (relative to the value of the item, which is determined based on the evaluation of the subject of evaluation activity);
3. Makes decisions within the established limits of authority during opening and accompanying executive proceedings, namely:
- 1) approval of criteria for submitting executive documents to the state executive service;
 - 2) transfer of executive documents to private executors without the use of a random selection generator;
 - 3) involvement of a private contractor on the terms of additional remuneration, on the conditions and amount of additional remuneration;
 - 4) advance payment/additional advance payment of the costs of executive proceedings/setting limits for the advance payment of costs.
4. Considers the results of the review of loans (review) of toxic assets.
5. Considers management reporting:
- 1) about the current results of the management of problem assets, seized property and non-operating real estate;
 - 2) regarding the results of the work of collection companies.
6. Decides on the implementation of measures for the creation (purchase or internal development of a new information system) and/or modernization (replacement of the existing information system or its update, which significantly changes its functionality) of the Bank's information systems for managing problem assets.
7. Decides to change the Rules for the distribution of problematic assets between the working-out processes (changing the existing rules, removing them or creating new ones).
8. Decides to update the List of persons related to former shareholders and managers of the bank (code 007) in accordance with the "Regulations on identification and accounting of persons related to former shareholders and managers of the Bank".
9. Approves standardized restructuring programs before approval by the Bank's Management Board.
10. Approves the form of a loan offer for debt restructuring.
11. Approves the form and data for calculating the NPV of the cash flow from the use of problem assets settlement tools.
12. Decides on postponing the term of approval and the start of application of debt settlement instruments for problem assets.

Executive body report:

1) Assessment of the composition, structure and activity of the executive body

The executive body of JSC CB "PrivatBank" (hereinafter - the Bank), which carries out current management, is the Bank's Management Board. The effectiveness of the Board's work is defined as the successful performance by the Board of all functions and duties as a collegial body in accordance with the current legislation, the requirements of the National Bank of Ukraine, the Bank's Charter and the Regulations on the Board. According to the Charter of the Bank, meetings of the Management Board are held when necessary, but at least once a month and are considered valid if at least half of the quantitative composition of the Management Board is present.

In the period from 01.01.2023 to 31.12.2023, the Management Board included:

- 1) Boesch Gerhard – Chairman of the Board;
- 2) Samarina Ganna Yuriivna – Deputy Chairman of the Board (for finance) until 4.01.2024;
- 3) Larysa Petrivna Chernyshova – Deputy Chairman of the Board (for risk management);
- 4) Kaczmarek Mariusz – Deputy Chairman of the Board (for operational issues);
- 5) Musienko Dmytro Anatoliyovych – Member of the Board (regarding retail business);
- 6) Yevgen Oleksandrovych Zaigraev - Member of the Board (for small and medium-sized businesses);
- 7) Razumny Anton Anatoliyovych – Member of the Management Board (on compliance issues) with the simultaneous performance of the functions of the responsible employee of the Bank for conducting financial monitoring in the Bank under the conditions of combination;
- 8) Solvita Deglava – Member of the Management Board (on issues of reorganization and problem assets) since 31.10.2023.

The Bank's Management Board is headed by the Chairman of the Management Board, who manages the work of the Bank's Management Board and has the right to represent the Bank without a power of attorney. The Deputy Chairman of the Bank's Management Board is part of the Bank's Management Board ex officio. According to the Bank's Charter, the quantitative composition of the Management Board (the total number of positions in the Management Board according to the Bank's organizational structure) is determined by the decision of the Supervisory Board on approval of the Bank's organizational structure and cannot be less than five people. The Chairman of the Management Board and other members of the Management Board are appointed and dismissed by the Supervisory Board at the proposal of the Supervisory Board's Committee on Appointments and Remuneration of Officials.

The Chairman of the Management Board is responsible for the effective operation of the Management Board and the Bank as a whole, coordination of the activities of the Management Board with the Supervisory Board and other collegial bodies.

During 2023, the quantitative composition, terms of appointment and powers of the personal members of the Management Board met the requirements defined by the current legislation.

2) Assessment of the competence and efficiency of the manager and deputy managers/chairmen and members of the collegial executive body

In accordance with current legislation, the Bank's managers must meet the qualification requirements established by the National Bank of Ukraine during the entire period of holding the relevant positions, the Bank must independently check the compliance of the Bank's managers with the qualification requirements and ensure the control of such compliance on an ongoing basis. The Supervisory Board of the Bank constantly monitors the compliance of the Bank's managers with the requirements of Ukrainian legislation. At least once a year, the Bank checks the Bank's managers regarding their compliance with the qualification requirements and notifies the NBU in writing of the results of such checks.

Thus, at the end of 2023, the Bank carried out an assessment of the compliance of the Bank's managers, the head of the Bank's internal audit unit and the responsible employee of the Bank with the requirements of the law. As of 29.11.2023, the Bank's managers, including members of the Management Board, the head of the Bank's internal audit department and the responsible employee of the Bank, were assessed for compliance with the requirements of the laws of Ukraine "On Joint Stock Companies", "On Prevention of Corruption", "On Banks" and banking activities", Regulations on bank licensing, approved by the NBU Board of Directors' Resolution No. 149 dated 22.12.2018, Methodical recommendations on the organization of corporate governance in banks of Ukraine, approved by the NBU Board's decision No. 814-rsh dated 12.03.2018, the Bank's Charter and other regulatory legal acts.

According to the results of the assessment carried out by the Bank, it was established that the managers of the Bank, the head of the internal audit division of the Bank and the responsible employee of the Bank meet the requirements of the legislation of Ukraine, and the Bank did not find any facts that would call into question their compliance with the qualification requirements, impeccable business reputation, and regarding the independent members of the Supervisory Board Bank - to the requirements of the law regarding their independence.

In order to determine the state of corporate governance at the level of the Bank's Management Board in accordance with the requirements of the Laws of Ukraine "On Banks and Banking", "On Joint-Stock Companies", "On Prevention of Corruption", as well as the Regulations on Bank Licensing, approved by the resolution of the NBU Board dated 22.12. 2018 No. 149, Methodological recommendations on the organization of corporate governance in banks of Ukraine, approved by the decision of the Board of the NBU dated 03.12.2018 No. 814-rsh, the Bank's Charter, Regulations on the Bank's Board and other regulatory legal acts The Bank's Supervisory Board annually evaluates the effectiveness of the Bank's Board of Directors in general, the members of the Bank's Management Board and the committees of the Management Board, about which a corresponding report is drawn up and a plan of measures to improve operations is developed. The report and action plan are submitted to the Bank's Supervisory Board for review and approval.

As of the writing of this report of the executive body, the evaluation of the effectiveness of the management, the activities of the Management Board in general and each member of the Management Board of the Bank in particular, the committees of the Management Board, the assessment of the compliance of the collective suitability of the Management Board of the Bank for the year 2023 has not yet been carried out.

3) Evaluation of the fulfillment of the set goals of the entity by the executive body

In accordance with the decision of the Supervisory Board of the Bank dated 27.04.2023 (protocol No. 6/23), for 2023 key performance indicators (performance evaluation criteria) (hereinafter - KPI) were set for the members of the Management Board, which consisted of general KPI, individual KPI and behavioral KPI. Evaluation of the implementation (achievement) of the established KPI by the members of the Management Board for 2023 was not carried out as of the date of this report.

4) Information on how the activity of the executive body caused changes in the financial and economic activity of the person

Since the beginning of the war and until today, the management of the Bank has implemented a number of measures aimed at the daily organization of the work of the Bank as a whole and the network of its branches, the payment infrastructure of the Bank, depending on the situation in one or another region, as well as at the support of activities at the level of the Head Office and regional centers.

In 2023, the Bank continued to implement various measures and programs to support the population and business during the war, in particular, the Bank continued the program of automatic extension of the period of validity of cards for 1 year, including business cards; implemented various target cards together with the state to support Ukrainians; existing credit products were restarted for business clients, cooperation with international institutions in terms of risk distribution and introduction of new mechanisms for business support began.

Focusing on the client, his needs and quality requirements, was and remains a key factor of the Bank's business strategy in 2023. More than 18 million customers trusted the bank with their daily financial transactions in 2023, which led to a significant increase in customer account balances to an unprecedented 555 billion hryvnias. In 2023, the Bank continued to support the Ukrainian economy, increasing the net portfolio of retail loans by 39% and the net portfolio of business loans by 23%. As an important player on the Ukrainian financial market, PrivatBank provides Ukrainian business access to various state and international support programs, such as the EBRD credit risk sharing program, the state credit guarantee program for granting new business loans, the government program "5-7-9%" on partial compensation of interest rates on business loans. For individuals, the bank offers "eOselya" loans (available mortgage loans secured by the government), as well as various types of consumer loans. At the same time, thanks to the balanced credit policy of the bank, the level of non-performing loans stabilized during 2023 and tends to improve after a sharp increase in 2022.

As a result, the Bank's pre-tax profit in 2023 reached UAH 72.8 billion, which is more than double the result of 2022 and accounts for 46% of the total profit of the banking sector of Ukraine for 2023. After adjusting for the increased tax rate of 50% in 2023, the bank received UAH 37.8 billion in net profit, most of which will be directed in the form of dividends to the state budget of Ukraine. Already in February 2024, the Bank transferred to the budget the advance payment of dividends and income tax based on the results of 2023 in the amount of UAH 44.9 billion.

Part 6. Information about the corporate secretary, as well as a report on the results of his activities

Name: Panchenko Viktor Serhiyovych

Documents regulating the activities of the corporate secretary: Regulations on the Corporate Secretary, approved decision of the Supervisory Board of JOINT STOCK COMPANY COMMERCIAL BANK "PRIVATBANK" (new version) (Minutes No. 45/23 dated December 22, 2023).

The governing body that made the decision to appoint the corporate secretary: Supervisory Board of JSC CB "PrivatBank".

Date and number of the decision on the appointment of the corporate secretary: On the basis of Protocol No. 8/20 of the meeting The Supervisory Board of JSC CB "PrivatBank", held on February 20, 2020, adopted decision of appointment of Viktor Panchenko Serhiyovych corporate secretary of JSC CB "PrivatBank" since February 20, 2020.

Date and number of the decision on approval of the report of the corporate secretary for the reporting period: Report of the Corporate Secretary for the year 2022 and the 1st quarter of 2023, approved by the decision of the Supervisory Board of JSC CB "PrivatBank" dated May 5, 2023 (Minutes No. 7/23); Report of the Corporate Secretary for the 2nd quarter of 2023, approved by the decision of the Supervisory Board of JSC CB "PrivatBank" dated July 31, 2023 (Minutes No. 21/23); The report of the Corporate Secretary for the 3rd quarter of 2023 was approved by the decision of the Supervisory Board of JSC CB "PrivatBank" dated

November 3, 2023 (Minutes No. 35/23); The report of the Corporate Secretary for 2023 and the self-assessment of KPE implementation was approved by the decision of the Supervisory Board of JSC CB "PrivatBank" dated March 6, 2024 (Minutes 11/24).

The main provisions of the report on the results of the activities of the corporate secretary for the reporting period: The Corporate Secretary's report contains the following main provisions regarding the results of activity: the number of attended meetings / absentee voting of the Supervisory Board and its committees and the number of issues considered; description of other work on corporate governance, methodology and legal issues.

Part 7. Description of the main characteristics of the internal control systems of the person, as well as the list of structural divisions of the person, which perform key duties to ensure the operation of the internal control systems

The internal control system provides a model of three lines of protection Yes/No: Yes.

Description of the functions of the units of the first line of defense and a list of key units:

The first line of defense is business units and support units (key units - Accounting and Tax Department, Operational Service Department, Information Security Department, Business Process Improvement Department, etc.). Role in SIC - initiation, execution and display of operations in accounting, ongoing risk management and implementation of control procedures.

Functions:

- implementation of functional control within the processes of the 1st line of protection;
- execution of control procedures in current activities;
- analysis of the effectiveness of control procedures;
- development of measures to improve control procedures;
- control by the heads of divisions over the observance of controls and the elimination of detected violations;
- informing the units of the 2nd line of protection regarding detected violations;
- development of measures to eliminate detected violations according to the recommendations of subdivisions 2 and 3 of the line of defense.

List of units and description of functions of units of the second line of defense:

The second line of defense is the Block of risk management units and the Compliance Department. The role in the SIC is to ensure the identification, measurement, monitoring, control, mitigation and reporting of risks.

Functions:

- development of the Internal Control Policy and coordination of the SIC;
- implementation of functional control within the processes of the 2nd line of protection;
- monitoring of the effectiveness of the bank's SIC on 1 line of protection, testing of control procedures;
- providing recommendations to units of the 1st line of protection based on monitoring results;
- consolidation of information about the shortcomings of the SIC, received from divisions 1 and 3 of the lines of defense, inspections by external auditors and the NBU;
- reporting to the Supervisory Board and the Bank's Management Board regarding the assessment of the functioning of the SIC.

List of units and description of functions of units of the third line of defense:

The third line of defense is the "Internal Audit" Department. The role of the SIC is to assess the effectiveness of the SIC based on the criteria approved by the Bank's Supervisory Board.

Functions:

- implementation of functional control within the processes of the 3rd line of protection;
- conducting audits of the activities of the bank's divisions, evaluating the effectiveness of controls on the 1st and 2nd lines of protection;
- reporting to the Supervisory Board of the bank regarding detected control violations/deficiencies, analysis of their causes, regarding evaluation of the effectiveness of the SIC;
- providing recommendations/proposals to the Supervisory Board of the bank regarding measures to improve the efficiency of the SIC.

Availability of an approved document(s) that(s) determine(s) the policy of the internal control system (including regarding the compliance system and internal audit): Yes.

List of main internal documents regarding the internal control system (including regarding the compliance and internal audit system):

1. Documents regarding the internal control system:

- Internal control policy,
- Regulations on control activities,
- Rules for the implementation and verification of the implementation of points of fundamental supervision,
- Procedure for checking control procedures in processes,
- Methodology for assessing operational risks and control procedures,
- Methodology for preparing reports on the evaluation of the functioning of the internal control system.

2. Documents regarding risk management (excluding compliance):

- Declaration of risk appetite for 2023,
- Methodology of inventory, mapping and identification of significant risks,
- Operational risk management policy,
- Operational risk management procedure,
- Credit policy,
- Market risk management policy,
- Market risk management procedure,
- Liquidity risk management policy,
- Liquidity risk management procedure,
- Bank book interest rate risk management policy,
- Procedure for managing the interest rate risk of the banking book,
- The policy of introducing new products, significant changes in the Bank's activities,
- Third party risk management policy,
- The policy of outsourcing the Bank's functions,
- The procedure for self-assessment of operational risk.

3. Documents regarding the compliance system:

- Compliance risk management policy,
- Reputation risk management policy,
- Conflict of interest prevention policy,
- Code of conduct (ethics) of the Bank,
- Compliance risk management procedure,
- Regulation "On the Direction of Compliance" of the HO,
- Methodology for assessing the Bank's compliance risk profile and reputation risk profile.

4. Documents regarding internal audit:

- Regulations on the Direction "Internal Audit",
- Methodology of the Annual Assessment of the Internal Control System by the "Internal Audit" Direction.

Date and number of the decision to approve the report on the internal control system (including compliance risks):

1. Report on the assessment of the functioning of the internal control system for the 1st quarter of 2023 - Minutes of the Supervisory Board No. 6/23 dated April 27, 2023

Report on the evaluation of the functioning of the internal control system for the 2nd quarter of 2023 - Minutes of the Supervisory Board No. 26/23 dated September 8, 2023

Report on the assessment of the functioning of the internal control system for the 3rd quarter of 2023 - Minutes of the Supervisory Board No. 35/23 dated November 3, 2023

Report on the assessment of the functioning of the internal control system for 2023 - Minutes of the Supervisory Board No. 9/24 of February 28, 2024

2. Report on operational risk for the 1st quarter of 2023 - Minutes of the Supervisory Board No. 6/23 dated April 27, 2023

Report on operational risk for the 2nd quarter of 2023 - Minutes of the Supervisory Board No. 20/23 dated July 27, 2023

Operational risk report for the 3rd quarter of 2023 - Minutes of the Supervisory Board No. 35/23 dated November 3, 2023

Operational risk report for 2023 - Minutes of the Supervisory Board No. 9/24 of February 28, 2024

3. Report on credit risk for the 1st quarter of 2023 - Minutes of the Supervisory Board No. 6/23 dated April 27, 2023

Report on credit risk for the 2nd quarter of 2023 - Minutes of the Supervisory Board No. 20/23 dated July 27, 2023

Report on credit risk for the 3rd quarter of 2023 - Minutes of the Supervisory Board No. 35/23 dated November 3, 2023

Report on credit risk for 2023 - Minutes of the Supervisory Board No. 9/24 of February 28, 2024

4. Report on liquidity risk, bank book interest rate risk and market risk for the 1st quarter of 2023 - Minutes of the Supervisory Board No. 6/23 dated April 27, 2023

Report on liquidity risk, bank book interest rate risk and market risk for the 2nd quarter of 2023 - Minutes of the Supervisory Board No. 20/23 dated July 27, 2023

Report on liquidity risk, interest rate risk of the banking book and market risk for the 3rd quarter of 2023 - Minutes of the Supervisory Board No. 35/23 dated November 3, 2023

Report on liquidity risk, interest rate risk of the banking book and market risk for 2023 - Minutes of the Supervisory Board No. 9/24 of February 28, 2024

5. Compliance risk assessment report for the 1st quarter of 2023 - Minutes of the Supervisory Board No. 11/23 dated May 25, 2023

Compliance risk assessment report for the 2nd quarter of 2023 - Minutes of the Supervisory Board No. 26/23 dated September 8, 2023

Compliance risk assessment report for the 3rd quarter of 2023 - Minutes of the Supervisory Board No. 40/23 dated November 29, 2023

Compliance risk assessment report for the 4th quarter of 2023 - Minutes of the Supervisory Board No. 9/24 of February 28, 2024

Basic provisions of the internal control system report (including compliance risks):

1. The main provisions of the Report on the assessment of the functioning of the internal control system:

- general evaluation of the functioning of the SIC,
- monitoring results of key control indicators,
- a summary of the main activities and results for the reporting quarter/year,
- results of checks of control procedures in processes (if available),
- the results of checking the execution of points of fundamental supervision,
- information on identified deficiencies of the SIC (if available), analysis of the causes of their occurrence, probable consequences to which these deficiencies may lead (if available).

2. The main provisions of the report on operational risk:

- general assessment of operational risk,
- monitoring of compliance with indicators of risk-appetite for operational risk,
- summarization of data on operational incidents, analysis of their dynamics in comparison with previous periods,
- significant operational incidents and the results of their study,
- monitoring of key operational risk indicators,
- information on the introduction of new products/significant changes in the bank's activities, identified risks of new products/significant changes,
- status of significant events,
- the results of using other operational risk assessment tools, if they are used,
- information about open proceedings in cases in which the bank and/or the head of the bank, and/or the owner of a significant share in the bank is the defendant, as well as about the decisions made by the courts not in their favor, which may lead to significant consequences for the bank.

3. Main provisions of the credit risk report:

- information on the implementation of established risk appetite indicators and credit risk limits,
- about the concentration of the loan portfolio in terms of the types of main lending areas and products, types of currencies, geographical regions and risk areas, collateral, industries, stages of assessment according to IFRS,
- information on the quality of the loan portfolio, the volume and dynamics of NPL in terms of the main types of lending and products, the level of authority of each of the collegial bodies of the bank,
- NPL change factors, NPL volume, size and structure of formed reserves, volume of loan write-offs and repayment of previously written-off loans,
- information on the volumes, structure and dynamics of potentially problematic debt,
- information on the effectiveness of the return of problem debt, carried out restructuring,
- information on the volume and quality of loans provided under state support programs,
- information on the main (TOP 10) groups of debtors by stages of assessment under IFRS.

4. The main provisions of the report on liquidity risk, interest rate risk of the banking book and market risk:

- monitoring of compliance with risk appetite indicators and liquidity risk limits,
- monitoring of compliance with risk appetite indicators and interest rate risk limits of the banking book,
- monitoring of compliance with risk appetite indicators and market risk limits,
- analysis of changes in the government bonds portfolio,
- analysis of the dynamics of highly liquid assets.

5. The main provisions of the compliance risk report:

- compliance risk profile of the Bank for the reporting quarter,
- important compliance control results for the reporting quarter,
- important changes and novelties in the field of financial monitoring in wartime conditions,
- interaction with the regulator and controlling bodies,
- implementation of recommendations to minimize compliance risks,
- reputation risk profile for the reporting quarter,
- offers,
- attachments.

Availability of an approved risk appetite declaration Yes/No: Yes.

Description of the main provisions of the declaration of exposure to risks:

- Strategic tasks in the field of risk management
- Significant risks
- Target level and indicators of risk appetite
- Credit risk
- Liquidity risk
- Interest rate risk of the banking book
- Market risk
- Operational risk
- Model risk
- Capital adequacy risk
- Profitability risk
- Compliance is a risk
- Reputational risk
- Systemic risk
- Regulatory risk
- The order of interaction of units in the process of drawing up the Declaration of susceptibility to risks
- Monitoring compliance with risk appetite indicators and limits

The name of the body that made the decision to approve the risk appetite declaration: Supervisory Board.

Date and number of the decision on approval of the declaration of exposure to risks: Protocol No. 6/23 dated 27.04.2023.

Part 8. Information on persons who are directly or indirectly the owners of a significant block of shares of a person

The State of Ukraine represented by the Cabinet of Ministers of Ukraine. The size of a significant block of shares: 100. The size of the share package that is in direct and (indirect) ownership: 100.

Part 9. Information on any restrictions on the rights of participation and voting of shareholders (participants) at the general meeting of the entity

There are no restrictions on the rights of shareholders, restrictions on the rights of participation and voting of shareholders (participants) at the general meeting of the entity, since the sole shareholder of the issuer is the state of Ukraine represented by the Cabinet of Ministers of Ukraine.

Part 10. Information on the procedure for appointment / dismissal of officials of the person

The name of the official: Melngailis Nils; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Chairman of the Supervisory Board, Member of the Supervisory Board, independent member, Cabinet of Ministers of Ukraine, Order No. 1206-r of December 27, 2022; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, Regulations on the Supervisory Board, Map of the functions of the Supervisory Board. Mr. Nils Melngailis also exercises the authority of the Chairman of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Shevalov Artem Valentynovich; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Deputy Chairman of the Supervisory Board, Member of the Supervisory Board, State Representative from the Cab. Min. of Ukraine, Cabinet of Ministers of Ukraine, Order No. 186-r of March 3, 2023; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Artem Shevalov also exercises powers as the Deputy Chairman of the Supervisory Board, a member of the Transformation Committee of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Jagiello Zbigniew Stefan; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, independent member, Cabinet of Ministers of Ukraine, Order No. 1206-r of December 27, 2022; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Zbigniew Jagiello also serves as a member of the Committee on Corporate Governance, Remuneration and Appointments and as a member of the Audit Committee of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Shaikh Nadir; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, independent member, Cabinet of Ministers of Ukraine, Order No. 1206-r of December 27, 2022; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Nadir Shaikh also serves as the Chairman of the Audit Committee, a member of the Committee on Corporate Governance, Remuneration and Appointments and the Risk Committee of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Ionescu Mihai-Andrei; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, independent member, Cabinet of Ministers of Ukraine, Order No. 1206-r of December 27, 2022; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Mihai Ionescu also serves as the Chairman of the Transformation Committee, a member of the Audit Committee and the Risk Committee of the Supervisory Board; Procedure for appointing and

dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Russo Federico; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, independent member, Cabinet of Ministers of Ukraine, Order No. 1206-r of December 27, 2022; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Federico Russo also serves as the Chairman of the Risk Committee of the Supervisory Board, a member of the Audit Committee and the Transformation Committee of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Lytvyn Volodymyr Mykolayovych; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, independent member, Cabinet of Ministers of Ukraine, Order No. 1206-r of December 27, 2022; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Volodymyr Lytvyn also exercises powers as the Chairman of the Committee on Corporate Governance, Remuneration and Appointments of the Supervisory Board, a member of the Committee on Risks and the Committee on Transformation of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Metsher Yuliia Yuriivna; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, state representative from the President of Ukraine, Cabinet of Ministers of Ukraine, Order No. 186 of March 3, 2023; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mrs. Yuliia Metsher also exercises powers as a member of the Committee on Corporate Governance, Remuneration and Appointments, the Committee on Risks and the Committee on Transformation of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Oleksiyenko Sergiy Oleksandrovych; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Supervisory Board, representative of the state from the Committee of the Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine, Order No. 331-r of May 22, 2019; Description of the key powers of the official: Participation in the preliminary study and preparation for consideration by the Supervisory Board of issues that belong to its competence are transferred to the relevant committees for study and preparation; participation in meetings of the Supervisory Board; other powers in accordance with the Charter, the Regulations on the Supervisory Board, the Regulations on the committees of the Supervisory Board, the Map of the functions of the Supervisory Board. Mr. Sergiy Oleksiyenko also exercises authority as a member of the Committee on Corporate Governance, Remuneration and Appointments, the Committee on Risks of the Supervisory Board, and the Committee on Transformation of the Supervisory Board; Procedure for appointing and dismissing an official: Shareholder decision (State of Ukraine represented by the Cabinet of Ministers of Ukraine).

The name of the official: Boesch Gerhard; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Chairman of the Board, Decision of the Supervisory Board JSC CB "PrivatBank" of May 27, 2021; Description of the key powers of the official: Organization of the work of the bank's collegial body, whose competence includes the resolution of all issues related to the management of the current activities of the bank, except for issues that belong to the exclusive competence of the higher body and the Supervisory Board of the bank. Performance of functions provided for by current legislation and the Bank's Charter; Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Samarina Ganna Yuriivna; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Deputy Chairman of the Board (for finance), Decision of the Supervisory Board of April 17, 2021; Description of the key powers of the official: The Deputy Chairman of the Bank's Management Board (for finance) exercises leadership and control over all areas of finance, accounting of the Bank and treasury operations, is responsible for planning, execution, management and management of the Bank's financial activities, including business planning,

budgeting, forecasting, operations management with cash, management and control of cash and non-cash liquidity, cost optimization, etc; Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissed on the basis of the decision of the Supervisory Board No. 31/23 dated 13.10.2023 (at her own request). The last day of work at the Bank is January 4, 2024. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Kaczmarek Mariusz; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Deputy Chairman of the Board (for operational issues), Decision of the Supervisory Board JSC CB "PrivatBank" of February 24, 2022; Description of the key powers of the official: Performing the duties of the Deputy Chairman of the Board (on operational issues), managing subordinate structural divisions. Chief Operating Officer (COO) manages all operational activities as a profit and cost center and ensures the delivery of reliable, quality and timely services to customers at the lowest cost in a secure and controlled environment, while ensuring maximum profitability and adherence to banking policies and procedures. Chief Information Officer (CIO) manages all IT departments. Ensures, analyzes and manages operational performance of all IT. The task of the Deputy Chairman of the Bank's Management Board (for operational issues) is to supervise and lead the provision of an effective management system for relevant IT processes, which involves the organization of ensuring a reliable bank process; Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Chernyshova Larysa Petrivna ; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Deputy Chairman of the Board (for risk management), Decision of the Supervisory Board JSC CB "PrivatBank" of August 26, 2021; Description of the key powers of the official:

- provision of an effective risk management system in the bank, which involves provision of a reliable process of detection, measurement (estimation), monitoring, reporting, control and mitigation of all types of risks in the bank;
- availability of the bank's internal provisions on risk management, including quantitative and qualitative assessment (measurement) of risks, clear division of functions, responsibilities and powers for risk management in the bank.

To achieve the established goals, the Member of the Management Board (on risk management) ensures the following functions:

- ensures timely detection, measurement, monitoring, control, mitigation and reporting of significant risks;
- monitors the level and volumes of NPA as a whole, in terms of portfolios, in relation to capital adequacy;
- ensures monitoring and prevention of violations of risk-appetite indicators and risk limits, controls the approach of risk indicators to risk-appetite and risk limits and initiates taking measures to prevent their violations;
- ensures the preparation and submission of risk reports to the bank's Supervisory Board, the risk management committee at least once per quarter, the bank's Management Board - at least once a month, and in the event of situations requiring immediate notification of the bank's Supervisory Board - no later than the next working day;
- ensures the implementation of a constant analysis of the risks to which the bank is exposed during its activities, in order to prepare proposals for making timely and adequate management decisions regarding risk mitigation;
- provides development and up-to-date support of methods, tools and models used by the bank to analyze the impact of various risk factors on the bank's financial condition, capital and liquidity;
- influences the decision-making that exposes the bank to significant risks and, if necessary, takes all possible measures to properly inform the bank's Supervisory Board, the risk management committee, the bank's Management Board in order to prevent the adoption of such decisions;
- provides stress testing;
- provides an assessment of the bank's risk profile;
- ensures the preparation of conclusions regarding the risks inherent in new products and significant changes in the bank's activities, before the moment of their implementation for management decisions;
- ensures the preparation of conclusions regarding the risks inherent in both new loans and changes to existing loans, for making management decisions on granting new loans or making changes to existing credit agreements;
- ensures coordination of work on risk management issues between the structural units of the bank;
- ensures the provision of proposals to the Bank's Supervisory Board and the Bank's Management Board on mitigating the impact of risks (in terms of each type) on the bank's financial condition, capital and liquidity by initiating the establishment and/or revision of limits on certain types of banking operations and services, providing other proposals on impact mitigation;
- ensures development of internal bank documents.

Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated

22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Musienko Dmytro Anatoliyovych ; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Board (regarding retail business), Decision of the Supervisory Board JSC CB "PrivatBank" of August 30, 2022; Description of the key powers of the official: Ensuring and being responsible for the implementation of the strategy and budget of all subordinate units in order to develop and support the Bank's retail business, managing the development of the Bank's regional network, including direct management of 12 directors of macro-regional directorates, and the Directorate for the management of the regional network of HO, digitalization of the processes of providing banking products and services to clients the Bank with the help of a convenient and understandable online service and the transformation of the Bank into a qualitatively attractive investment asset within the framework of the approved strategy. As a member of the bank's management board (regarding retail business), I will implement measures to develop high-quality comprehensive service for retail banking customers, organize the work of subordinate units, coordinate the interaction of retail business units with other areas, ensure and continue to ensure the development and support of digital products, conduct negotiations with partners regarding their involvement in cooperation with the bank, ensuring the achievement of the Bank's leading position in the market of banking services; Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Zaigraev Yevgen Oleksandrovyh; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Board (for small and medium-sized businesses), Decision of Supervisory Board JSC CB "PrivatBank" of August 30, 2022; Description of the key powers of the official:

(1) Strategic leadership and transformation:

- Direct management of work with the following client segments - micro, small and medium-sized businesses, corporate business, as well as the following product divisions of the Bank: trade acquiring, leasing and partner programs, agribusiness, e-business for business representatives, as well as other divisions, playing an important role in increasing the efficiency of the Bank's business.
- Represent business issues at meetings of the Board, Supervisory Board and Committees.
- Participation in the process of strategic planning.
- Perform general personnel management functions as part of the executive management team: personnel, development, training, development of the Bank's culture.

(2) Business line management:

- Reorganization of the sphere of SMB and work with the Bank's business clients in accordance with the Bank's Strategy; development of the Bank's new business model.
- Setting goals and action plans to achieve sales, market share, customer acquisition and retention goals. Developing tactics and helping teams implement action plans to increase sales and productivity.
- Active search for new business opportunities to develop additional relationships with clients.
- Study of client experience and development of new processes (improvement of existing ones), development and implementation of new products and services.
- Using electronic banking, creating an effective model of cross-selling through various channels.
- Assessment of sales performance and development of strategies to improve products, services and the sales system for customers.
- Supervision and ensuring the effectiveness of the Bank's policies, standards and practices regarding risks and compliance.
- Participation in the development of relationships and effective communication with key stakeholders, including the Ministry of Finance and the National Bank of Ukraine and other business partners.

Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Razumny Anton Anatoliyovych; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Board (for compliance issues), Decision of Supervisory Board JSC CB "PrivatBank" of November 21, 2022; Description of the key powers of the official: Powers:

- Creation of an effective system of relevant risk management, which involves organizing the identification, measurement,

- monitoring, reporting, control and reduction of relevant types of risks.
- Compliance by the bank with the requirements of legislation in the field of AML/FT.
- Ensuring the efficient operation of the bank in full compliance with current legislation and regulatory acts.

Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Deglava Solvita; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Member of the Board (on issues of reorganization and problem assets), Decision of the Supervisory Board JSC CB "PrivatBank" of September 28, 2023; Description of the key powers of the official: Supervision and management of the Bank's security system, control over timely and objective information provision of security management. Coordination of the process of conducting polygraph testing of candidates/employees in order to ensure a high level of personnel security and reliability of employees and candidates entering the Bank. Ensuring the implementation of measures related to the evaluation of debtors/counterparties in order to determine and implement instruments for the settlement of their debts. Management of a defined portfolio of problematic assets based on the link with the previous owners and managers of the Bank, including overdue loans, with the aim of minimizing losses and maximizing the cost of compensation from them in accordance with established goals. Submission of plans/conditions for debt restructuring of debtors/counterparts, standardized decisions on debt settlement of debtors/counterparts for the approval of the board/committee on work with problem assets. Support for the preparation of changes to concluded/new contracts in accordance with the plans/terms of debt restructuring of debtors/counterparts; fulfillment by debtors/contractors of restructuring conditions/other debt settlement measures. Informing and coordinating activities with the NBU and the shareholder. Management (sale, lease, reconstruction-repair, investment) of non-operating real estate of the Bank. Sale of a problem portfolio of assets determined (by the supervisory board/board) in cooperation with investment consultants. Defining the Bank's PR strategy regarding problem assets, cooperation with the Communications Department to inform the mass media. Control of legal support in courts of foreign jurisdiction and international commercial arbitration; Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. Dismissal of officials takes place in accordance with the Statute and Regulations on the Board.

The name of the official: Yarmolenko Valentyna Vasyliivna; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Chief Accountant,; Description of the key powers of the official: Ensuring accounting, control of compliance with uniform methodological principles, taking into account the peculiarities of accounting data processing technology; organization of the work of the accounting service; organization of control over the display on accounting accounts of all operations carried out by the bank; ensuring preparation and submission of financial, tax and statistical reporting; ensuring the verification of the state of accounting in the bank's structural subdivisions that provide accounting support for banking operations; ensuring the organization of internal accounting control; determination of the Bank's Accounting Policy, amendments to the Accounting Policy, selection of accounting forms taking into account accounting data processing technology; organization of work on the implementation / improvement of the automated accounting data processing system, taking into account the specifics of the bank's activities; management and work planning of the Department of Accounting and Taxes; control of the implementation of operational risk management measures within the scope of responsibility; Procedure for appointing and dismissing an official: The official is appointed in accordance with the Law of Ukraine "On Banks in Banking Activities", the Regulation on Licensing of Banks, approved by the Resolution. Board of the National Bank dated 22.12.2018 No. 149, as well as internal documents of the bank. The dismissal of the Chief Accountant is governed by the Law on Banks and Banking Activities.

The name of the official: Panchenko Viktor Serhiyovych ; The name of the position, the name of the body that made the decision on the appointment of the official, the date and number of the decision: Corporate secretary, Minutes No. 8/20 of the meeting of the Supervisory Board of JSC CB "PrivatBank" of February 20, 2020; Description of the key powers of the official: Functional duties in accordance with the Regulation on the Corporate Secretary, approved by the decision of the Supervisory Board of the JOINT STOCK COMPANY COMMERCIAL BANK PRIVATBANK (Minutes No. 45/23 dated December 22, 2023):

- ensuring that the members of the Supervisory Board receive the information necessary for them to fulfill their official duties;
- within its competence, ensuring proper exchange of information between the supervisory board and the shareholder / other management and control bodies of the bank / its structural divisions / the regulator and other stakeholders;
- familiarization of the newly elected members of the supervisory board with the established procedure of the bank's management and control bodies and other internal documents of the bank, decisions of the higher management body (hereinafter - "higher body"), the supervisory board and its committees, and other documents kept by the corporate secretary;
- ensuring the preparation and conduct of meetings of the supervisory board and its decision-making, in particular through absentee voting (survey);

- organization of meetings of the Supervisory Board (sending notices about meetings and their agenda, coordination of preparation and distribution of documents related to the work of the Supervisory Board) and decision-making by the Supervisory Board through absentee voting (survey);
- ensuring the development and approval by the supervisory board of the annual plan for ensuring the preparation of documents related to the agenda of the supervisory board meetings, and, if necessary, their examination for compliance with the requirements of legislation, the bank's charter and the bank's internal regulations;
- participation in the development of draft decisions of the supervisory board;
- performing the functions of the secretary of the meetings of the supervisory board;
- ensuring the compilation of minutes of meetings of the supervisory board and minutes of absentee voting (polls), extracts from them, ensuring their proper accounting and storage;
- provision of submission to the Ministry of Finance of Ukraine of decisions of the supervisory board that require their consideration by a higher body;
- provision of information on the bank's activities to the Ministry of Finance of Ukraine;
- submission to the supervisory board of information on the implementation or non-implementation of its decisions, as well as on detected violations committed during implementation;
- ensuring proper monitoring of the work of the committees of the supervisory board, including the provision of proposals regarding the candidacies of their secretaries;
- provision of advice to the members of the supervisory board on the activities of the supervisory board, its committees, corporate governance in general, as well as on legal issues and other issues that are of interest to the members of the supervisory board in order to fulfill their duties;
- provision of proposals for improving corporate governance practices in the bank;
- participation in the development of the bank's charter and other acts of internal regulation in the field of corporate governance;
- development of regulations on the supervisory board, on the remuneration of the members of the supervisory board and the board, on the committees of the supervisory board;
- participation in the preparation of reports on the evaluation of the effectiveness of the corporate management organization, evaluation of the effectiveness of the supervisory board and control units, other reports and documents related to the supervisory board's activities, the development of which is required by current legislation;
- if necessary, participation in meetings, meetings, sessions, negotiations, etc. (both with representatives of the bank and other enterprises, institutions, organizations and state bodies) that relate to the activity, competence or sphere of interests of the supervisory board, as well as corporate management in the bank in general and related legal issues;
- official correspondence on behalf of the supervisory board;
- within the limits of their powers, ensuring the preparation of information necessary for the disclosure of special and regular information and providing such information to the structural divisions of the bank responsible for its disclosure;
- organization of the work of the corporate secretary and control over its activities;
- ensuring the involvement of external experts within the limits of their competence and subject matter (on behalf of the supervisory board / its committees / members of the supervisory board or if it is necessary to perform the functions of the corporate secretary in accordance with the procedures established by the bank), participation in relevant meetings, meetings, etc. in the process involvement of experts by the bank, further coordination of their work;
- participation in solving other issues related to the corporate management of the bank, as well as legal issues in accordance with the instructions of the supervisory board;
- other duties defined by the bank's charter, the regulation on the supervisory board, other internal documents of the bank.

Procedure for appointing and dismissing an official: In accordance with the Regulation on the Corporate Secretary, approved by the decision of the Supervisory Board of the JSC COMMERCIAL BANK PRIVATBANK (Minutes No. 45/23 of December 22, 2023): the appointment and termination of the powers of the Corporate secretary belong to the exclusive competence of the Supervisory Board.

Part 11. Information on the remuneration of the members of the executive body and/or the board of the person

The URL of the website of the entity on which the reward report is posted: <https://privatbank.ua/shareholder-stakeholder-information>.

Part 14. Information from the subject of audit activity considering the requirements provided for in clause 45 of this Regulation (Regulation on disclosure of information by issuers of securities, as well as persons who provide security for such securities, approved by Decision of the National Securities and Stock Market Commission No. 608 dated 06.06.2023)

The independent auditor's report can be viewed in the Group's annual financial statements for 2023.

Part 15. Information provided by legislation on activities and regulation of activities on the financial services market

The purpose of carrying out the activity of a financial institution

The priority areas of the Group's activity are improving the quality of customer service processes with mandatory compliance with the requirements of the law, developing lending while maintaining the high quality of the loan portfolio, improving and developing banking products/services, and optimizing the infrastructure. First of all, the client and his needs are at the center of the group's attention - we are talking about both technical accessibility (including the use of advanced artificial intelligence tools) and physical accessibility - modernization of the branch network with an emphasis on barrier-free opportunities.

However, during the period of martial law and the post-war recovery of the economy, the target priorities of the Bank, as the state bank of Ukraine, are primarily active participation in ensuring the financial stability of Ukraine, support and stability of the functioning of the banking sector, ensuring financing of priority sectors of the economy and smooth functioning of enterprises (objects) of critical infrastructure, including those owned by the state.

Adherence/non-adherence to the principles or code of corporate governance

For the year 2023, no incidents were identified regarding the Bank's deviation from the requirements of the Bank's Corporate Governance Code.

Owners of significant participation (including persons exercising control over a financial institution), their compliance with the requirements established by legislation and changes in their composition during the year

The sole shareholder of the issuer is the state of Ukraine represented by the Cabinet of Ministers of Ukraine. During the reporting year, there were no changes in the composition of owners of significant participation.

Changes in the composition of the Supervisory Board of the financial institution during the year

In accordance with the Decree of the Cabinet of Ministers of Ukraine No. 1206-p dated December 27, 2022, the powers of the independent members of the Supervisory Board of the Bank were terminated: Easky Sharon, Eran Klein, Olga Tomash, Nadir Shaikh, Sebastian Schoenaich-Carolath, Roman Sulzhyk.

By this order, the following independent members of the Supervisory Board were appointed: Nils Melngailis, Zbigniew Jagiello, Mihai Ionescu, Federico Russo, Nadir Shaikh, Volodymyr Lytvyn. The term of their authority is three years from the date of entry into office of all members of the Supervisory Board. According to the Law of Ukraine "On Banks and Banking Activities", members of the Supervisory Board will take office after their approval by the National Bank of Ukraine.

On March 1, 2023, the National Bank of Ukraine approved Nils Melngailis, Mihai Ionescu, Zbigniew Jagiello, Federico Russo and Volodymyr Lytvyn to the positions of independent members of the Supervisory Board of JSC CB "PrivatBank". On March 3, the listed members of the Supervisory Board took office together with Mr. Nadir Shaikh.

By order of the Cabinet of Ministers of Ukraine dated 03.03.2023 No. 186-r, Yuliia Yuriivna Metsher was appointed for a second term as a member of the Supervisory Board - as a representative of the state from the President of Ukraine, Artem Valentynovych Shevalov — as a state representative from the Cabinet of Ministers of Ukraine.

From 06.14.2019, in accordance with the order of the Cabinet of Ministers of Ukraine dated 05.22.2019 No. 331-r, Sergiy Oleksandrovych Oleksiyenko was elected to the Supervisory Board, his powers remain valid.

Changes in the composition of the executive body of the financial institution during the year

- During 2023, the following changes took place in the composition of the Management Board based on the decision of the Bank's Supervisory Board: In accordance with Protocol No. 19/23 of the Supervisory Board meeting of JSC CB "PrivatBank" held on July 22, 2023, it was decided to approve the results of the competition and appoint the winner of the competition Solvita Deglava to the position of Member of the Management Board (on issues of reorganization and problem assets).
- On October 13, 2023, the Supervisory Board of CB "PrivatBank" JSC adopted a decision to dismiss Ganna Yuriivna Samarina, Deputy Chairman of the Management Board (for finance). The basis for this decision: the decision of the Supervisory Board of JSC CB "PrivatBank" (minutes of the meeting No. 31/23 of October 13, 2023) to satisfy the application of Ganna Yuriivna Samarina, Deputy Chairman of the Management Board (for finance) to dismiss her from her position at her own will and to terminate the employment contract with her in accordance with Articles 38 and 39 of the Labor Code of Ukraine, the date of termination (the last day of work at the Bank) is January 4, 2024.

Facts of violation of internal rules by members of the supervisory board and executive body of a financial institution, which resulted in damage to the financial institution or the clients of this institution

In 2023, there were no facts of violation of internal rules by the members of the Supervisory Board and the Bank's Management Board, which resulted in damage to the Bank or the Bank's clients.

Influence measures applied during the year by state authorities to a financial institution, including members of its supervisory board and executive body

For the reporting period from January 1, 2023 to December 31, 2023, the following was applied to JSC CB PrivatBank:

National Bank of Ukraine:

1. Decision of the Committee on Supervision and Regulation of the Activities of Banks, Supervision (Oversite) of Payment Systems of 13.03.2023 No. 20/443-rk, on the imposition of a fine for violation of the normative act of the NBU (Resolution of the NBU No. 18 of 24.02.2022 "On the work of banking system during the introduction of martial law").
2. Warning No. 20/445-rk/BT dated March 13, 2023 - violation of NBU Resolution No. 18 dated February 24, 2022 "On the operation of the banking system during the introduction of martial law".
3. Notice (sanction control) dated May 29, 2023 No. 24/995-rk/BT.
4. Provision (clause 14 of Resolution No. 18) dated June 5, 2023 No. 24/1055-rk/BT.

The Deposit Guarantee Fund of individuals did not apply influence measures during the reporting period.

The annual remuneration of the members of the supervisory board and the executive body of the financial institution

The remuneration of members of the Supervisory Board and the Management Board for the year is disclosed in the Annual Report of the Group for 2023 in Note 33 "Related party transactions".

Significant risk factors affecting the activity of the financial institution during the year is disclosed in the Annual Report of the Group for 2023 in Note 2 "Operating environment of the Group".

Availability of the financial institution's risk management system and its key characteristics

Detailed disclosure on the risk management system and its key characteristics are disclosed in the Annual Report of the Group for 2023 in Note 27 "Financial risk management".

The results of the functioning of the internal audit (control) system during the year, as well as the data indicated in the notes to the financial and consolidated financial statements in accordance with the provisions (standards) of accounting.

The results of the operation of the SIC are reflected in the quarterly reports on the assessment of the operation of the SIC, which are brought to the attention of the Management Board and the Supervisory Board of the Bank.

The Bank has a permanent internal audit unit that performs the functions defined by the legislation of Ukraine and relevant internal documents.

In 2023, the internal audit unit carried out audits in accordance with the Audit Plan for 2023 approved by the Supervisory Board (considering the changes made to the Audit Plan during the year) and, based on the results of the audits, prepared and submitted to the Supervisory Board reports and recommendations on the elimination of deficiencies identified as a result of the audits of the bank's activities.

The head of the Internal Accounting Control Department prepares quarterly reports on the functioning of the internal accounting control system.

The reports contain information on the results of the Attestation of financial information, the results of testing of accounting TFN, as well as, if necessary, the implementation of corrective measures that were developed during the Certification/testing of accounting TFN.

The facts of alienation during the year of assets in an amount exceeding the amount established in the charter of the financial institution

When disposing of assets, the Group is guided by the requirements of current legislation, since the Charter does not limit the disposal of assets. During 2023, there was no alienation of assets in the amount that would require the consent of the Higher Authority or the Supervisory Board.

The results of the assessment of assets in case of their purchase and sale during the year in an amount that exceeds the amount established in the charter of the financial institution

During 2023, there was no purchase and sale of assets in an amount exceeding the size of a significant transaction in accordance with the Charter.

Transactions with related parties, including within the same industrial and financial group or other association, carried out during the year

Disclosed in the Annual Report of the Group for 2023 in Note 33 "Related party transactions".

The used recommendations of bodies that carry out state regulation of financial services markets, regarding audit opinion.

During 2023, there were no recommendations regarding the audit opinion.

External auditor of the supervisory board of the financial institution, appointed during the year.

The external auditor Private Joint Stock Company "KPMG Audit" was selected on 27.04.2023 in accordance with the decision of the Supervisory Board (protocol No. 6 of 27.04.2023) for the audit of financial statements for 2023.

Activities of the external auditor, in particular:

- total experience of audit activity - on the Ukrainian market, PJSC "KPMG Audit" has been providing audit services for 22 years;
- the number of years during which he provides audit services to such a financial institution - audit Group «PrivatBank» 1 year;
- there was no list of other audit services provided to such a financial institution during the year;
- there were no cases of conflicts of interest and/or combining the functions of the internal auditor;
- there was no rotation of auditors in the financial institution during the last five years;
- there were no fines applied to the auditor by the Audit Chamber of Ukraine during the year, and the facts of the financial institution's submission of unreliable financial statements, confirmed by the auditor's opinion, discovered by the bodies that carry out state regulation of financial services markets.

The total amount of remuneration of PJSC "KPMG Audit" for the annual audit of separate and consolidated financial statements prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996- XIV of July 16, 1999 regarding the preparation of financial statements (with amendments), amounts to UAH 21,500 thousand. The total amount of remuneration of KPMG Limited (Cyprus) for the annual audit of financial statements of the Cyprus Branch prepared in accordance with IFRS accounting standards issued by the International Accounting Standards Board and a regulatory compliance fee), amounts to EUR 43 thousand (UAH 1,815 thousand in hryvnia equivalent as at 31 December 2023) and EUR 2 thousand (UAH 84 thousand in hryvnia equivalent as at 31 December 2023), respectively. Another KPMG network member firm also provided non-audit services in the amount of UAH 78,236 thousand.

Protection of the rights and interests of consumers of financial services by the financial institution, in particular: the existence of a complaint handling mechanism; the state of consideration by the financial institution during the year of complaints regarding the provision of financial services (character, number of complaints received and number of satisfied complaints); presence of lawsuits in court regarding the provision of financial services by a financial institution and the results of their consideration

The processing of customer complaints of the Bank is centralized and carried out by the Complaints Department, the processing of written complaints is centralized and carried out by the Department for processing requests from customers and state bodies.

Description of the complaints process:

Step 1. Complaints from customers who do not agree with the operation or quality of products/services provided by the Bank (which are also related to the Bank's implementation of AML/FT legislation) are processed by the relevant Department.

Step 2. An employee of the relevant Department (hereinafter the employee) checks the completeness of the information to understand the causes of the problem that led to the complaint. This happens by checking/listening to the client's calls to 3700 and other communication channels with the Bank, checking information in the Bank's software complexes. The employee conducts a legal examination of the client's letter in order to further distribute the issue to the Bank's specialized divisions or to the business owner of the Bank's product or service, or to form a response based on the rejection template.

Step 3. If the complaint was verbal, the employee calls the client, apologizes, informs the client that the issue has been addressed and will be resolved as soon as possible.

Step 4. The employee analyzes the information in the Bank's software complexes to identify the cause of the problem. If the cause and the solution algorithm are understood, the employee performs the steps according to the instructions, which contain prescriptions for solving the problem. If the situation is non-standard (there are no instructions or other prescriptions), the employee forms a request to the Bank's specialized services or to the business owner of the Bank's product or service and receives

recommendations on how to solve the client's problem.

Step 5. The employee processes the received information and solves the client's problem according to the given recommendations.

Step 6. The employee communicates with the client and informs him about the results of the consideration of his complaint in the case (electronic communication channels - financial phone, e-mail, Privat24 are used if the client could not be reached 3 times within 2 working days).

The Bank has approved a number of business processes for handling customer appeals and complaints. The process of processing customer appeals and complaints includes the following stages:

- examination and legal analysis of the client's request;
- additional contact with the client, if necessary necessities;
- preparation answers and correctness control development of the complaint;
- IVR calls of clients on the subject of satisfaction with the answers received and the resolution of the issue.

For each type of appeal and complaint received by the Bank, approved areas of responsibility, business process and operational instruction. The collection and consolidation of information is carried out directly by the Bank's departments, depending on the products for which the request or complaint was received.

Considering the significant number banking products and operations, the responsibility for considering complaints regarding individual services is borne by the experts of the relevant departments involved in the process of processing complaints at each stage of processing. For each process, the order of actions, a list of normative acts and relevant document templates were developed.

The Bank counts about 94,531 customer complaints received by the Bank during 2023 in written form or to the Bank's hotline, of which 34,238 were satisfied (substantiated complaints, the resolution of which the Bank has influence).

Unsettled appeals or complaints can be resolved in court. As of December 31, 2023, 3,014 lawsuits against the Bank were registered in the court case accounting system. In 2023, less than 1.1 percent of claims against the Bank were satisfied.

2) Report on sustainable development

1. Assessment of environmental protection and social responsibility activities for the reporting period:

First of all, the social position of the Bank is its status as an employer on the Ukrainian labor market. The bank provides its employees with competitive employment conditions, provides a full social package and additional benefits: voluntary health insurance, voluntary life insurance, legal advice, material and psychological assistance.

In 2023, PrivatBank identified the development of barrier-free accessibility as a priority area of corporate social responsibility. The Bank has created a barrier-free strategy and started the path to its implementation.

In accordance with this strategy, as of December 2023, PrivatBank is working in the following areas: review of the client's journey, physical accessibility of branches, digital accessibility of products, mental health support, employment of people with disabilities and candidates with military experience, reintegration of bank veterans, strengthening the internal culture of acceptance and tolerant communication with people with disabilities.

As a responsible corporate citizen, PrivatBank consistently and systematically works to ensure equal access to branches for all categories of the population. In accordance with the Resolution of the Board of the National Bank of Ukraine from December 22, 2018 No. 149 (with changes No. 155 dated 21.07.2022) PrivatBank performs all requirements and even is going on advance.

As of December 2023, PrivatBank has 98% of branches available in regional centers and cities with a population of 300,000 and 78% in other settlements (the list excludes 79 branches that are temporarily closed and located in the occupied territories or in the immediate vicinity of combat operations), which is confirmed by the reports of certified experts on the technical inspection of buildings and structures, which confirm the fulfillment of the requirements of state building regulations B.2.2-40:2018 "Inclusiveness of buildings and structures". During 2023, 156 expert reports were received. To ensure barrier-free access for departments, it is mandatory to install a ramp and handrails on both sides of the flights of stairs and along the platforms or another alternative method of entry, for example, a vertical or horizontal electric lift. The button to call an employee is mandatory, regardless of the type of arrangement of accessibility from the side of the main entrance to the premises. Installation and maintenance of electrical equipment is taken under the bank's personal control. To date, more than 200 lifts (inclined, vertical and crawler) have already been installed and are operating. In addition, the Bank employs people with disabilities: currently they make up about 4% of the total number of employees.

In 2023, PrivatBank conducted an audit of the bank's digital services for compliance with the WCAG 2.1 international accessibility standard (Web Content Accessibility Guidelines) – standards of universal (inclusive) design designed to ensure maximum access to web content for people with disabilities. The experts involved in this initiative became the "Friends of Ukraine Foundation". According to the results of this audit, the bank's digital services (website <https://privatbank.ua/> and <https://next.privat24.ua/>, mobile application Privat24) correspond to level A by 40% and level AA by 35%. As part of the implementation of the barrier-free strategy, PrivatBank plans to improve the percentage indicator in this area and move towards compliance with the AA level during the next year.

The bank's charitable activities, reformatted with the beginning of a full-scale invasion, have several vectors: this is the bank's charitable monetary assistance, which is directed to the most urgent requests and needs of Ukrainian society, primarily to support the Armed Forces and the humanitarian needs of Ukrainians, this is the work of the PrivatBank Charitable Fund "Helping Is Easy!", which implements the program "Help to hospitals and medical institutions of Ukraine", these are charitable projects aimed at supporting employees. The bank also provides its services (Privat24, ATM, TSO, bank cash registers, website dobro.privatbank.ua), and provides communication support for the implementation of charitable collections in partnership with reputable charitable and public organizations.

In 2023, PrivatBank allocated UAH 307.5 million of its own funds to charity, which were used to strengthen the country's defense capabilities and humanitarian support.

During 2023, the following charity collections and programs were implemented:

1.1. The "Help to Hospitals and Medical Institutions of Ukraine" program, which was initiated by the bank, and is implemented by PrivatBank's CF "Helping Is Easy!". The program started in June 2022. For 2023, UAH 48.7 million was collected. Thanks to the collected funds, medical equipment was purchased and delivered to 30 medical facilities in different regions of Ukraine. The collection continues.

1.2. Partner programs:

- "Aid of the Armed Forces of Ukraine". Clients make deposits through the bank's services to a special NBU account. The program was launched in February 2022. During 2023, more than UAH 1 billion was transferred to it. The collection continues as long as there is a need.
- "Humanitarian aid to Ukrainians" directed deposits from clients through the bank's services to a special account of the Ministry of Social Policy. The program lasted from the beginning of February 2022 to December 2023. In 2023, UAH 37 million was transferred to the program.
- "Return Alive" program "Competent assistance fund of the army". The program started in April 2022. In 2023, more than UAH 1.1 billion was transferred to the accounts of the "Return Alive" charity fund. Also, in 2023, a charity collection "Equipment for pilots from "Return Alive" was implemented, thanks to which UAH 31 million was collected in less than a month.
- The "Collection for Superhumans" program helped to collect UAH 30 million for the Superhumans modern prosthetics clinic Center, and another UAH 20 million was transferred by the bank for this purpose. The collection lasted from April to December 2023.
- The program "Gift light to children" in partnership with the HO "Save Ukraine" lasted from the beginning of 2023 until May, thanks to which it was possible to collect more than UAH 15 million, which was used to buy tablets for learning and development and safety backpacks for children who lost their parents due to the war.
- The "Furious Birds" collection program in partnership with the "Dignitas" charity fund lasted from June to December 2023, thanks to which it was possible to collect more than UAH 35 million for Ukrainian-made drones for the Armed Forces.
- The program "Assistance to victims in the city of Dnipro" collected more than UAH 35 million, which were directed to help Ukrainians - victims of the attack on the city in January 2023, UAH 15 million of which was contributed by PrivatBank.
- The "Your Children" program collects funds for out-of-school education for children deprived of parental care due to the war. The program was launched in September 2023, collected more than UAH 8 million, the collection continues until the goal of UAH 20 million is reached. In November, the international payment company Mastercard supported the program, doubling donations within a month.
- The support program for the "Christmas Courage" event, which was implemented in December 2023, helped to collect more than UAH 400,000.

Assistance from the Bank to employees became an important component of social initiatives in 2023.

The bank has a charity program for employees called "Helping Hand", aimed at helping employees in medical treatment or in emergency situations. Employees can collect funds for their colleagues, or for themselves if necessary, through one-time or regular contributions, and the Bank additionally provides funds equal to the amount of contributions of employees.

Special programs and support for employees and society have been organized by the Bank since the beginning of the war in

Ukraine. These programs include both material assistance and psychological support for employees, as well as various charitable programs, such as the "Supporting Hand for War Victims" program. According to the terms of the program, the Bank provides financial assistance to employees affected by war (internally displaced persons, wounded, employees whose housing was damaged or destroyed).

PrivatBank promotes paperless document circulation - the bank was one of the first in Ukraine to introduce the possibility of reliable electronic document circulation without the use of paper media.

- Electronic system of internal document circulation. In 2023, 1,935,277 documents were created in it, and each of them is 1-2 sheets of preserved paper.
- For our clients - micro and small businesses, sole proprietorships and all legal entities, full-fledged electronic document management tools have been created in Privat24 for businesses: they can create, submit and receive documents, submit reports to state bodies, create and sign contracts and acts, etc. with their counterparties. More than 200,000 sole traders and legal entities used the services in 2023.
- 100% of the payments of the bank's business clients are made electronically, that is, our clients do not need to use paper to work with documents at all. In general, more than 90 million payments go through our services per year - and this is at least 45 million saved sheets.
- In addition, we have developed an additional, simplified electronic document management system Paperless, which allows users to create, sign and exchange documents: both between clients and non-clients of the bank, both individuals and legal entities. All these services from PrivatBank are free, created as a social initiative for the convenience of customers and to preserve natural resources, because unprinted documents are saved paper, reduction of logistical and technical costs related to document circulation and storage, reduction of harmful emissions into the atmosphere.

2. The main risks and challenges related to environmental protection and social responsibility, plans for their resolution, as well as their impact on the achievement of strategic goals:

2.1. List of risks related to environmental protection and social responsibility that have an impact on a person:

- The methodology for assessing environmental and social risks is being developed, implementation is expected by the end of 2024

2.2. Measures that are planned to be implemented / are being implemented to minimize / eliminate each of the risks:

- The methodology for assessing environmental and social risks is being developed, implementation is expected by the end of 2024

3. The main provisions of the policy on environmental protection and social responsibility

A list of environmental and social responsibility policies and a description of the issues that such policies are designed to address.

3.1 Provisions of the policy on environmental protection and social responsibility in the process of development, implementation is expected by the end of 2024

4. The list of issues and decisions made regarding environmental protection and social responsibility that were considered by the council and the executive body:

4.1. List of issues considered by the executive body and a summary of the decisions made:

- In 2023, 10 issues related to the social sphere of the bank were brought up for consideration. Among them, there are 5 projects on the provision of charitable assistance, coverage of the humanitarian needs of Ukrainians. Another 2 submissions related to financial support of PrivatBank's charity fund "Helping Is Easy!" and "Helping Hand" and "Hand of Support for Victims of War" support programs for employees. Thanks to these decisions, PrivatBank was able to provide charitable assistance in 2023 in the amount of over 307 million hryvnias for strengthening the country's defense capabilities and humanitarian support.
- By a separate decision of the Board, the document "Regulations on charity, sponsorship and the creation of partnerships for the purpose of promoting the reputation, image and brand of the bank" was approved, which regulates corporate financial and non-financial contributions in the form of charitable donations, sponsorship packages and other forms of partnerships.
- The Management Board, followed by the Transformation Committee of the Supervisory Board, reviewed the action plan for reputation improvement in accordance with the conducted reputation study. The decision was to consider, present to the Supervisory Board through the Transformation Committee and agree on the implementation of the action plan.

4.2. List of issues that were considered by the council and a summary of the decisions made:

- The Transformation Committee of the Supervisory Board considered the action plan for improving the reputation according to the conducted reputation research. The decision was to consider and agree the implementation of the action plan with quarterly reporting.

5. The list of key stakeholders that are influenced by the person's activities, with an indication of the justification for what exactly this influence consists of:

- Customers. We directly influence the financial well-being of more than 18 million individuals and 875 thousand business clients, to whom we provide reliable, uninterrupted access to financial services (deposits, loans, cards, payments). We communicate with clients directly through the Privat24 application, e-mail, social networks, in almost 1,200 branches and through the media.
- Employees. In the bank, more than 18,000 employees, who receive monetary remuneration, financial and psychological support, undergo training programs. Communications are carried out using e-mail and other digital channels, by holding work meetings and meetings, general and cross-functional events for employees at various levels, surveys and questionnaires, onboarding and exit interviews.
- We cooperate with a number of suppliers of goods and services, choosing them through transparent tender procedures. The list of all purchases is listed on the bank's website at the link <https://tender.privatbank.ua/commercial/tender>.
- Local communities. We influence local communities and their economic development by opening branches, providing loans to businesses and individuals, charitable activities, implementing barrier-free programs.
- Regulators. As a system-forming bank, we influence the stability of the financial system. We disclose information in accordance with regulatory requirements. We interact through official communication channels, conferences, round tables, joint educational projects.
- The state. We promote the realization of the interests of the state as the sole shareholder of the bank, it is one of the largest taxpayers, we additionally pay 80% of net profit to the budget in the form of dividends. The Supervisory Board reports to the state through the Ministry of Finance of Ukraine.

6. The list of stakeholders that have an influence on the person's achievement of strategic goals with an indication of the justification of what exactly this influence consists of:

- Customers. The trust of depositors, the volume of operations carried out through the bank's infrastructure, the payment discipline of borrowers and partnership relations with them affect the bank's key financial indicators.
- Employees. The efficiency of employees' work, their involvement in the bank's goals and values affect its operational activities and, accordingly, financial indicators.
- Suppliers. Effective cooperation with service providers affects the bank's operational activities, its activities in the field of protecting its legitimate interests in courts, and its reputation.
- International organizations. International financial organizations help the bank to implement its strategic goals through joint projects for financing small and medium-sized businesses, such as guarantee and grant programs. International organizations also support the bank in restoring justice and returning funds withdrawn by former owners.
- Regulators. As part of supervision and regulation, normative requirements are established, which the bank strictly adheres to.
- The state. As a shareholder, the state determines the bank's strategic goals. In 2021, the Cabinet of Ministers of Ukraine approved the development strategy of PrivatBank, the key components of which are being successfully implemented. With the support of the state, we actively lend to the Ukrainian economy and citizens.
- Media. Affect the trust of customers and other stakeholders in the bank, as well as trust in the financial system in general. We communicate with the media through publications on the website and social networks, responses to inquiries, holding press briefings and other events.
- Judicial system. The bank has filed a number of lawsuits in Ukraine and other jurisdictions to recover assets and compensate for losses caused by former owners. The progress of these processes depends on the impartiality of Ukrainian courts and their observance of the principles of legality.

7. The main provisions of the policy regarding interaction with stakeholders, including shareholders/participants:

A separate policy on interaction with stakeholders, including shareholders/participants. PrivatBank has developed and approved the Code of Corporate Governance, which contains information on the Bank's interaction with the following stakeholders: The Bank's shareholders and employees. The Code of Corporate Governance was approved by the decision of the Supervisory Board, protocol No. 17/23 of June 30, 2023.

3) Information regarding the issuer's relations with foreign countries in the risk zone

Relations with foreign countries of the risk zone, defined by sub-paragraphs 1-4, 6 and 9 of paragraph 47 of the Regulation on disclosure of information by issuers of securities, as well as persons who provide security for such securities (hereinafter Regulation 608), approved by the Decision of the National Commission on securities and the stock market No. 608 dated 06.06.2023

Information in accordance with subparagraph 5 of paragraph 47 of Regulation 608 regarding the issuer's business relations with clients/counterparts of the risk zone state or clients/counterparts controlled by the risk zone state for clients/counterparts - individuals:

1. Citizenship: Republic of Belarus; place of permanent residence: Republic of Belarus; total value of all contracts: UAH 1,995,006.4.
2. Citizenship: State of Israel; place of permanent residence: Russian Federation; total cost of all contracts: UAH 4,026.
3. Citizenship: Islamic Republic of Iran; place of permanent residence: Islamic Republic of Iran; total value of all contracts: UAH 339,449.3.
4. Citizenship: Russian Federation; place of permanent residence: Russian Federation; total value of all contracts: UAH 41,698,080.4.
5. Citizenship: Syrian Arab Republic; place of permanent residence: Syrian Arab Republic; total value of all contracts: UAH 645,600.33.
6. Citizenship: Ukraine; place of permanent residence: Republic of Belarus; total cost of all contracts: UAH 2,263.26.
7. Citizenship: Ukraine; place of permanent residence: Islamic Republic of Iran; total value of all contracts: UAH 2,924,587.22.
8. Citizenship: Ukraine; place of permanent residence: Russian Federation; total value of all contracts: UAH 1,477,191.29.
9. Citizenship: Ukraine; place of permanent residence: Syrian Arab Republic; total cost of all contracts: UAH 1,898.33.
10. Citizenship: United States of America; place of permanent residence: Republic of Belarus; total cost of all contracts: UAH 6,795.
11. Place of permanent residence: Republic of Belarus; total cost of all contracts: UAH 9,997.75.
12. Place of permanent residence: Russian Federation; total value of all contracts: UAH 6,221,467.33.


Information on whether the issuer has business relations with clients/counterparts of the state of the risk zone or clients/counterparts controlled by the state of the risk zone for clients/counterparts – legal entities:


The Group has 825 clients of legal entities, which are registered in the country at risk zone and may have direct or indirect control over the client and individuals and/or legal entities, with the registration of any foreign countries at risk zone, with ownership share 10% in the amount of UAH 95,426,320.75 (including written-off as not collectible), including in the context of foreign countries at risk zone: Russian Federation - UAH 67,313,143.15; Republic of Belarus (Belarus) - UAH 28,019,407.68; Syrian Arab Republic - UAH 22,095.48; Iran (Islamic Republic) - UAH 71,674.44. Description of existing contractual agreements (subject of the transaction, value of the transaction, significant terms of the contract): Written-off as not collectible - UAH 42,145,092.37, funds of bank clients on inactive accounts - UAH 37,157,900.41, correspondent accounts in other banks – UAH 6,108,805.16, funds on demand of business entities – UAH 5,010,409.07 and other – UAH 5,004,113.74.

Information in accordance with subsection 7 of clause 47 of Regulation 608 regarding the presence of legal entities as a founder, member, shareholder of which the issuer is a shareholder together with the persons specified in subsections 1 - 3 of clause 47 of Regulation 608: full name of the legal entity - Interstate scientific and innovative electrotechnical concern "BILROSELETEKS", Interstate scientific and innovative electrotechnical concern "BILROSELETEX"; location: Minsk, str. Varvasheni, building 11; legal entity identification code – 101222532; the purpose and subject of the activity of the legal entity - the interstate scientific and innovative electrotechnical concern; the size of the issuer's stock (parts) - 22.5%.

Information in accordance with subsection 8 of clause 47 of Regulation 608 regarding the presence of legal entities as a founder, member, shareholder of which the issuer is together with the persons specified in subsections 1 - 3 of clause 47 of Regulation 608: full name of the legal entity - Interstate scientific and innovative electrotechnical concern "BILROSELETEKS", Interstate scientific and innovative electrotechnical concern "BILROSELETEX"; location: Minsk, str. Varvasheni, building 11; legal entity identification code – 101222532; the purpose and subject of the activity of the legal entity - the interstate scientific and innovative electrotechnical concern; the size of the package of shares (shares) in the authorized capital of a legal entity registered in a foreign country of the risk zone, which belongs to the issuer - 22.5%.

Approved for issue and signed on 15 March 2024.


Gerhard Boesch
Chairman of the Board


Valentyna V. Yarmolenko
Chief Accountant



II.

FINANCIAL STATEMENTS





Independent Auditors' Report

To the Shareholder of Joint-Stock Company Commercial Bank
"PrivatBank"

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Joint-Stock Company Commercial Bank "PrivatBank" (the "Bank") and its subsidiaries (together the "Group"), which comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes, comprising material accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Law of Ukraine "On Accounting and Financial Statements in Ukraine" on preparation of the consolidated financial statements.

Basis for Qualified Opinion

As disclosed in Note 13 to the consolidated financial statements, as at 31 December 2023, other non-financial assets included receivables on conversion of liabilities to equity carried at UAH 8,145 million (31 December 2022: UAH 8,144 million). The receivables were recognised upon the nationalization of the Bank in 2016 whereby certain customer accounts of the Bank's Cyprus branch were due to be transferred to the Bank and the related customer current accounts and term deposits were to be converted into equity. As disclosed in Note 14, the Central Bank of Cyprus prohibited the transfer from being executed, and as a result, the Group continues to carry the said customer current accounts and term deposits as liabilities. In our view, the receivables on conversion of liabilities to equity do not meet the definition of an asset and therefore their recognition by the Group constitutes a departure from the requirements of IFRS Accounting Standards. Had the Group complied with the requirements of IFRS Accounting Standards, other non-financial assets and equity would have been decreased by UAH 8,145 million as at 31 December 2023 (31 December 2022: UAH 8,144 million).

Private Joint-Stock Company "KPMG Audit"

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PJSC "KPMG Audit", a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration No. 31032100 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Registration No. 2397 in the Register of Auditors and Auditing Entities.



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

Other Information

Management is responsible for the other information. The other information comprises the information included in:

- the Management Report (including the Corporate Governance Report) as set out in a separate report prepared by management (but does not include the consolidated financial statements and our auditors' report thereon), which we obtained prior to the date of this auditors' report;
- Annual Information of the Issuer of Securities (including the Management Report), which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, the Group recognised receivables on conversion of liabilities to equity, which did not meet the definition of an asset in accordance with IFRS Accounting Standards. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Management Report affected by this matter.

When we read the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Material Uncertainty Related to Going Concern

We draw attention to Notes 2 and 3 of the consolidated financial statements, which describe the negative effects on the Group's operations of the military invasion launched by the Russian Federation on the territory of Ukraine on 24 February 2022. As also stated in Note 3, these events or conditions, along with other matters as set forth in Notes 2 and 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In addition to the matters described in the *Basis for Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections we have determined the matters described below to be the key audit matters to be communicated in our report:

Expected credit losses on loans and advances to customers	
<p>The gross amount of loans and advances to customers and the total related allowance for expected credit losses as at 31 December 2023: UAH 274,917 million and UAH 182,898 million, respectively; gain on reversal of impairment loss for the year then ended: UAH 1,764 million (31 December 2022: UAH 250,496 million and UAH 182,412 million, respectively; impairment loss for the year then ended: UAH 10,511 million).</p> <p>Please refer to the Notes 3, 4, 8, 21, and 27 in the consolidated financial statements.</p>	
Key audit matter	Our response
<p>Loss allowances for loans and advances to customers represent management’s best estimate of the expected credit losses (“ECL”) within loans and advances to customers measured at amortized cost at the reporting date.</p> <p>Management estimated ECL using three components: probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”), taking into consideration historical experience, identification of exposures with a significant increase in credit risk, and forward-looking information. Management applied forward looking economic scenarios weighted with probabilities.</p> <p>We identified the ECL on loans and advances to customers as a key audit matter because of the significant and complex judgment and specialised skills and knowledge required to evaluate the following elements of the ECL estimate:</p> <ul style="list-style-type: none"> • The judgements and assumptions used to develop the PD, LGD, EAD; • Use of forward-looking macroeconomic forecasts in ECL; • The consistent identification and application of criteria for significant increase in credit risk (“SICR”) in an increased uncertainty caused by military invasion launched by the Russian Federation on the territory of Ukraine. 	<p>The following are the primary procedures we performed to address this key audit matter:</p> <ul style="list-style-type: none"> • We evaluated the design and tested the operating effectiveness of key internal controls in the ECL process for loans and advances to customers. • We involved our own credit risk specialists to assist us in evaluating the assumptions to determine the PD, LGD, and EAD parameters (“risk parameters”) used by the Group to estimate the collective loss allowance. This included: <ul style="list-style-type: none"> - evaluating the Group’s ECL methodology for compliance with IFRS 9; - inspecting the source code used in the models for the determination of PD, LGD and EAD to assess its consistency with the Group’s ECL methodology; - for a sample of models, assessing the reasonableness of the model predictions by inspecting the Group’s backtesting results; - for a sample of models, independent reperformance of model calculations and evaluating and comparing our independent output with management’s output. • We involved our own credit risk specialists, who assisted us in assessing the Group’s methodology to determine the macroeconomic forecasts used in the ECL and in assessing the reasonableness of management’s macroeconomic forecasts against publicly available information for a sample of models.

	<ul style="list-style-type: none"> • On a sample basis, we challenged the LGD and PD parameters used by the Group by testing input data of historical defaults and historical recoveries. • We evaluated the identification of SICR in loans and advances to customers by challenging the scope of management’s criteria used in staging assessments, consistent application of the thresholds applied within each criterion, and the ability of staging criteria to identify SICR prior to loans being credit impaired by inspecting the underlying loan documentation and corroborating our assessment with the Group’s loan officers and Group’s risk management personnel. This also includes testing a sample of credit reviews to assess the reasonableness of staging criteria allocation by challenging key judgements and considering disconfirming or contradictory evidence. • We assessed whether the credit risk management disclosures appropriately reflect and address the uncertainties which exist in determining the ECL.
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Investment securities measured at fair value	
<p>The total amount of investment securities at FVPL and FVOCI as at 31 December 2023: UAH 100,376 million and UAH 171,471 million, respectively (31 December 2022: UAH 95,716 million and UAH 143,920 million, respectively).</p> <p>Please refer to the Notes 3, 4, 9, and 31 in the consolidated financial statements.</p>	
Key audit matter	Our response
<p>The fair value of the Group’s investment securities measured at FVPL or FVOCI is determined through the application of valuation techniques which can involve the exercise of significant judgement by the Group in relation to determination of the appropriate valuation method and model assumptions and inputs.</p> <p>Where significant pricing inputs are unobservable and primarily for long-term government bonds or for government bonds with embedded derivative feature, management has limited reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. In addition, for middle-term government bonds, there may also be valuation complexity, specifically where valuation modelling techniques</p>	<p>The following are the primary procedures we performed to address this key audit matter:</p> <ul style="list-style-type: none"> • We obtained understanding of the valuation process for investment securities, including key data inputs and assumptions. • We assessed the Group’s fair value methodology against the financial reporting requirements and the market practice. • We involved our own valuation specialists, who assisted us in developing independent expectation of fair value range for investment securities.

<p>result in significant limitations due to the absence of the active market.</p> <p>The effect of these matters, coupled with increased estimation uncertainty stemming from the current volatile economic environment, is that we considered this area to be associated with a significant risk of material misstatement in the consolidated financial statements, which required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<p>As part of the procedure, we, among other things:</p> <ul style="list-style-type: none"> - assessed the relevance and reliability of the data to be used in the valuations; and - applied our own models and input parameters derived from comparable bonds and other relevant historical data, where applicable. • On a sample basis, we tested key inputs into the fair value calculations such as historical exchange rates, terms of financial instruments and discount rates. • For fair value disclosures, we examined whether they appropriately addressed the relevant quantitative and qualitative requirements of the applicable financial reporting framework.
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Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by other auditors whose report dated 21 April 2023 expressed a qualified opinion on those financial statements because of the matter described in the *Basis for Qualified Opinion* section of the report.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and the requirements of the Law of Ukraine “*On Accounting and Financial Statements in Ukraine*” on preparation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Pursuant to the Article 14(4) of the Law of Ukraine "On Audit of Financial Statements and Auditing", Section IV(11) of "Instruction on the Procedure for Preparation and Publication of Financial Statements of Ukrainian Banks" approved by the Resolution of the Board of the National Bank of Ukraine (the "NBU") No. 373 dated 24 October 2011 (the "Instruction No. 373"), and "Requirements for Information Related to Audit or Review of Financial Statements of Participants of Capital Markets and Organized Commodity Markets, which are supervised by the National Securities and Stock Market Commission"



approved by the Resolution of the National Securities and Stock Market Commission (the “NSSMC”) No. 555 dated 22 July 2021, we provide the following information in addition to that required by ISAs.

Appointment of the Auditor and Period of Engagement

We were appointed by the Supervisory Board of the Bank on 27 April 2023 to audit the consolidated financial statements of the Group as at and for the year ended 31 December 2023. Our total uninterrupted period of audit engagements is one year.

Provision of Non-audit Services and Disclosure of Fee-related Information

We declare that no prohibited non-audit services referred to in the Article 6(4) of the Law of Ukraine “*On Audit of Financial Statements and Auditing*” were provided and that the engagement partner and the audit firm remain independent of the Group in conducting the audit.

For the period to which our statutory audit relates, we and other KPMG network firms have not provided any other services to the Group which are not disclosed in the Management Report or in the consolidated financial statements.

Additional Report to the Audit Committee

We confirm that our auditors’ report is consistent with the additional report to the Audit Committee.

Reporting on the NSSMC’s Requirements

- The audit of Joint-Stock Company Commercial Bank “PrivatBank” (Registration number 14360570 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations) was conducted in accordance with the Engagement Contract No. 59-SA/2023 dated 20 July 2023. The audit was performed from 20 July 2023 to the date of this report.
- Information on the ownership structure and the ultimate controlling party of the Bank is included in Note 1 to the consolidated financial statements.
- As at 31 December 2023 the Bank is neither a controlling party, nor a member of non-banking financial group.
- The Bank is a public interest entity in accordance with the Law of Ukraine “*On Accounting and Financial Statements in Ukraine*”.
- The list of subsidiaries of the Bank is included in Note 1 to the consolidated financial statements.
- The creation of the Revision Commission is not stipulated by the Bank’s Charter and, accordingly, the Revision Commission did not perform examination of the Group’s financial performance for the year ended 31 December 2023.

Reporting on the Management Report

Solely based on the work we have performed in connection with our audit of the consolidated financial statements, in our opinion, the Management Report (including the Corporate Governance Report):

- is consistent, in all material respects, with the consolidated financial statements, and
- contains the elements required by the Section IV of the Instruction No. 373 and clauses 1-9 of Article 127(3) of the Law of Ukraine “*On Capital Markets and Organized Commodity Markets*”.

If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. As described in the *Basis for Qualified Opinion section* above, the Group recognised receivables on conversion of liabilities to equity, which did not meet the definition of an asset in accordance with IFRS Accounting Standards. We have concluded that the Management Report is materially misstated for the same reason with respect to the amounts or other items in the Management Report affected by this matter.



The engagement partner on the audit resulting in this independent auditors' report is:


Yulia Tereshchenko
Registration No. 101451 in the Register of Auditors and Auditing Entities
Deputy Director



PJSC “KPMG Audit”

21 March 2024

Kyiv, Ukraine

<i>In millions of Ukrainian hryvnias</i>	Note	31 December 2023	31 December 2022 (as restated)
ASSETS			
Cash and cash equivalents	6	152,282	94,191
Loans and advances to banks	7	134,237	103,837
Loans and advances to customers	8	92,019	68,084
Investment securities including:		271,847	239,752
- at fair value through profit or loss	9	100,376	95,716
- at fair value through other comprehensive income	9	171,471	143,920
- at amortized cost	9	-	116
Current tax assets	25	4	9,079
Investment property	10	2,340	2,155
Property, plant and equipment	11	5,202	5,308
Intangible assets other than goodwill	11	1,566	1,392
Deferred tax assets	25	1,952	1,100
Other financial assets	12	9,504	6,507
Other non-financial assets	13	9,095	9,189
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners		20	64
TOTAL ASSETS		680,068	540,658
LIABILITIES			
Due to customers	14	555,371	471,863
Other borrowed funds	15	2,630	128
Current tax liability	25	25,791	3
Other financial liabilities	16	3,056	2,647
Provisions including:	17	5,438	5,804
- provisions for loan commitments and financial guarantee contracts		1,111	1,280
- other provisions		4,327	4,524
Other non-financial liabilities	18	2,750	2,274
TOTAL LIABILITIES		595,036	482,719
EQUITY			
Issued capital	19	206,060	206,060
Share premium		23	23
Other reserves	9, 11	(1,714)	(15,141)
Result from transactions with the shareholder		12,174	12,174
Reserve and other funds of the bank	19	12,959	11,449
Accumulated deficit		(144,472)	(156,628)
Equity attributable to owners of parent Bank		85,030	57,937
Non-controlling interest		2	2
TOTAL EQUITY		85,032	57,939
TOTAL EQUITY AND LIABILITIES		680,068	540,658

Approved for issue and signed on 15 March 2024.

Gerhard Boesch
Chairman of the Board



Valentyna V. Yarmolenko
Chief Accountant

PRIVATBANK GROUP
Consolidated Statement of Profit or Loss for the year ended 31 December 2023

Translation from Ukrainian original

<i>In millions of Ukrainian hryvnias</i>	Note	2023	2022
Interest income including:		66,237	43,687
- interest income calculated using effective interest method	20	61,613	38,906
- other interest income	20	4,624	4,781
Interest expense	20	(6,617)	(3,767)
Net interest income		59,620	39,920
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	21	(4,588)	(15,396)
Net interest income after charge for impairment		55,032	24,524
Commission income	22	41,589	32,945
Commission expenses	22	(17,150)	(12,505)
Net gain (loss) from trading in foreign currencies		10,174	14,655
Net gain (loss) from foreign exchange translation		(1,076)	(7,760)
Net gain (loss) from debt financial instruments at fair value through other comprehensive income operations	9	1,266	119
Net gain (loss) from financial instruments at fair value through profit or loss operations	9	4,648	2,608
Net gain (loss) from revaluation of investment property		185	267
Employee benefits expense		(10,585)	(10,129)
Depreciation and amortisation expense	11	(2,181)	(1,975)
Other administrative and operational expenses including:	23	(10,988)	(10,510)
- reversal of provision (recognition of provision) for legal cases	17, 23	194	(885)
- administrative and operational expense	23	(11,182)	(9,625)
Other income	24	2,367	2,956
Other gains (losses) - losses from modification of financial assets		(407)	(458)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates		(1)	(1)
Gain (loss) arising from derecognition of financial assets measured at amortised cost		4	4
Profit before tax		72,877	34,740
(Income tax expense) income tax benefit	25	(35,020)	(4,486)
Profit for the year		37,857	30,254
Profit attributable to			
- owners of parent Bank		37,857	30,254
Profit for the year		37,857	30,254

Approved for issue and signed on 15 March 2024.

Gerhard Boesch
Chairman of the Board

Valentyna V. Yarmolenko
Chief Accountant

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

<i>In millions of Ukrainian hryvnias</i>	Note	2023	2022
Profit for the year		37,857	30,254
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Financial instruments at fair value through other comprehensive income:			
- Gains (losses) on financial assets measured at fair value through other comprehensive income before tax	9	7,904	(14,139)
- Reclassification adjustments on financial assets measured at fair value through other comprehensive income before tax		(1,266)	(119)
- Changes in allowance for expected credit losses	9	6,562	3,453
- Income tax relating to financial assets measured at fair value through other comprehensive income	25	215	(207)
<i>Items that will not be reclassified to profit or loss:</i>			
Premises and land:			
- Other comprehensive income gains (losses) on revaluation, before tax	11	65	34
- Income tax relating to changes in revaluation surplus of other comprehensive income	25	(30)	(6)
Total other comprehensive income		13,450	(10,984)
Total comprehensive income		51,307	19,270
Comprehensive income attributed to:			
- owners of parent Bank		51,307	19,270
Total comprehensive income		51,307	19,270

Approved for issue and signed on 15 March 2024.

Gerhard Boesch
Chairman of the Board



Valentyna V. Yarmolenko
Chief Accountant


PRIVATBANK GROUP
Consolidated Statement of Changes in Equity for the year ended 31 December 2023

Translation from Ukrainian original

	Attributable to the shareholder of the Bank												Total equity
	Issued capital	Share premium	Currency translation reserve	Other reserves			Total other reserves	Result from transactions with the shareholder	Reserve and other funds of the bank	Accumulated deficit	Total non-controlling interest		
				Revaluation reserve of premises	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income								
<i>In millions of Ukrainian hryvnias</i>													
	Note												
Equity at 1 January 2022		206,060	23	27	638	(4,729)	(4,064)	12,174	9,696	(156,976)	66,913	2	66,915
Profit for the year		-	-	-	-	-	-	-	-	30,254	30,254	-	30,254
Other comprehensive income		-	-	-	28	(11,012)	(10,984)	-	-	-	(10,984)	-	(10,984)
Comprehensive income		-	-	-	28	(11,012)	(10,984)	-	-	30,254	19,270	-	19,270
Increase (decrease) through transfers and other changes in equity:													
- disposal of premises		-	-	-	(71)	-	(71)	-	-	71	-	-	-
- transfer (depreciation) of the reserve for revaluation of premises into retained earnings		-	-	-	(22)	-	(22)	-	-	22	-	-	-
Profit distribution:													
- transfer to the reserve fund	19	-	-	-	-	-	-	-	1,753	(1,753)	-	-	-
- dividends recognised as distributed to owners	19	-	-	-	-	-	-	-	-	(28,246)	(28,246)	-	(28,246)
Equity at 31 December 2022		206,060	23	27	573	(15,741)	(15,141)	12,174	11,449	(156,628)	57,937	2	57,939
Equity at 1 January 2023		206,060	23	27	573	(15,741)	(15,141)	12,174	11,449	(156,628)	57,937	2	57,939
Profit for the year		-	-	-	-	-	-	-	-	37,857	37,857	-	37,857
Other comprehensive income		-	-	-	35	13,415	13,450	-	-	-	13,450	-	13,450
Comprehensive income		-	-	-	35	13,415	13,450	-	-	37,857	51,307	-	51,307
Increase (decrease) through transfers and other changes in equity:													
- transfer (depreciation) of the reserve for revaluation of premises into retained earnings		-	-	-	(23)	-	(23)	-	-	23	-	-	-
Profit distribution:													
- transfer to the reserve fund	19	-	-	-	-	-	-	-	1,510	(1,510)	-	-	-
- dividends recognised as distributed to owners	19	-	-	-	-	-	-	-	-	(24,214)	(24,214)	-	(24,214)
Equity at 31 December 2023		206,060	23	27	585	(2,326)	(1,714)	12,174	12,959	(144,472)	85,030	2	85,032

Approved for issue and signed on 15 March 2024.

Gerhard Boesch
Chairman of the Board


Valentyna V. Yarmolenko
Chief Accountant

<i>In millions of Ukrainian hryvnias</i>	Note	2023	2022
Cash flows from operating activities			
Interest received		61,373	40,071
Interest paid		(6,212)	(3,798)
Commission income received		41,589	32,945
Commission expenses paid		(16,603)	(12,505)
Net gain (loss) from operations with foreign currencies		10,174	14,655
Employees benefits paid		(10,454)	(9,807)
Administrative expenses and other operating expenses paid		(12,292)	(9,479)
Other income		2,455	3,059
Income taxes (paid) refund		(824)	(5,051)
Cash flows from operating activities before changes in operating assets and liabilities		69,206	50,090
Changes in operating assets and liabilities			
Net (increase) decrease in loans and advances to banks		(29,430)	(77,584)
Net (increase) decrease in loans and advances to customers		(22,583)	(9,198)
Net (increase) decrease in other financial assets		(263)	(684)
Net (increase) decrease in other assets		875	333
Other cash inflows (outflows)		33	37
Net increase (decrease) in due to banks		-	(2)
Net increase (decrease) in due to customers		73,753	117,819
Net increase (decrease) in other non-financial liabilities		(6)	1
Net increase (decrease) in other financial liabilities		595	(1,019)
Net cash flows from operating activities		92,180	79,793
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	3
Purchase of property, plant and equipment	11	(1,160)	(393)
Purchase of intangible assets	11	(732)	(677)
Proceeds from sale and redemption of investments securities:		152,448	112,879
- at fair value through other comprehensive income		152,448	112,778
- at amortized cost		-	101
Purchase of securities including:		(165,971)	(130,158)
- at fair value through other comprehensive income		(165,971)	(130,058)
- at amortized cost		-	(100)
Proceeds from sales of investment property		1	77
Net cash flows used in investing activities		(15,408)	(18,269)
Cash flows from financing activities			
Repayment of lease liabilities		(713)	(653)
Dividends paid	19	(24,214)	(28,246)
Repayment of other debt		(33)	-
Receipt of other debt	15	2,530	127
Net cash flows used in financing activities	34	(22,430)	(28,772)
Effect of exchange rate changes on cash and cash equivalents		3,768	10,684
Effect of expected credit losses changes on cash and cash equivalents		(19)	(453)
Increase (decrease) in cash and cash equivalents		58,091	42,983
Cash and cash equivalents at the beginning of the year	6	94,191	51,208
Cash and cash equivalents at the end of the year	6	152,282	94,191

Approved for issue and signed on 15 March 2024.

Gerhard Boesch
Chairman of the Board

Valentyna V. Yarmolenko
Chief Accountant

1 Introduction

Joint-Stock Company Commercial Bank PrivatBank (JSC CB “PrivatBank” or “the Bank”) and its subsidiaries and an associate (together referred to as the “Group”) was initially registered as a limited liability company and then, re-organised into a closed joint stock entity in 2000. In 2009, the Bank changed its legal form to a public joint stock company, where shareholders liability is limited by number of shares owned in accordance with changes in Ukrainian legislation. In June 2018, the Bank changed its organisational and legal form from public joint stock company into a joint stock company.

As at 31 December 2023 and 31 December 2022 the sole shareholder of the Bank is the State of Ukraine represented by the Cabinet of Ministers of Ukraine. The Cabinet of Ministers of Ukraine manages the corporate rights of the state over the Bank.

As of 31 December 2023, the PrivatBank Group includes the Bank, the associated Group AS Amber Assets (Latvia) and 6 subsidiaries registered and operating in Ukraine: Estate Garant LLC (trading), PrJSC Kobos (leasing and operating own or leased immovable property), A-Lex LLC (activities in the field of law), Ukrainian Bureau of Credit Histories LLC (credit history bureaus), LT Group LLC (legal activity) and Charitable Foundation It's easy to help (31 December 2022: Bank, AS PrivatBank (Latvia) associated Group (Bank) and 6 subsidiaries registered and operating in Ukraine: Estate Garant LLC (trading), PJSC Kobos (leasing and operating own or leased immovable property), A-Lex LLC (legal activity), Ukrainian Bureau of Credit Histories LLC (credit history bureaus), LT Group LLC (activities in the field of law) and the Charitable Foundation It's easy to help).

Principal activity. The Bank's principal business activity is commercial and retail banking operations within Ukraine. The Bank has operated under a full banking licence issued by the National Bank of Ukraine (the “NBU”) since March 1992. The Bank has been operating in the stock market: trading in securities and depository activities in accordance with the licenses of the National Securities and Stock Market Commission since 2012 and 2013. The Bank participates in the State deposit insurance plan (registration № 113 dated 2 September 1999 and license №104 dated 6 November 2012). On 13 April 2022, the Law of Ukraine “On Ensuring the Stability of the Deposit Guarantee System” was adopted, which provides for a full guarantee of bank deposits for the period of martial law and three months after its termination.

As at 31 December 2023, the total number of separate divisions of the Bank registered in the State Register of Banks is 1,209 divisions, including 9 branches, 1 representative office and 1,199 outlets of various classification groups (77 of which temporarily ceased activity, including in the Luhansk region - 19; in the Donetsk region - 19; in the Dnipropetrovsk region - 2; in the Zaporizhzhia region - 21; in the Kherson region - 14; in the Kharkiv region - 2) (31 December 2022: 1,210 divisions, including 9 branches, 1 representative office and 1,200 outlets of various classification groups).

Registered address. The Group's registered address as at the date of these consolidated financial statements is:

1D, HRUSHEVSKOHO STR.
01001, KYIV,
Ukraine.

2 Operating environment of the Group

The Group is exposed to the economic and financial markets of Ukraine, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Ukraine.

On 24 February 2022, the Russian Federation invaded the territory of 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 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 13 May 2024.

In 2023 and 2024, active military actions remain intense, albeit concentrated in eastern and southern Ukraine, with the Autonomous Republic of Crimea and the major parts of Donetsk, Luhansk, Kherson, 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.

2 Operating environment of the Group (Continued)

Despite the ongoing war, the macroeconomic indicators have proven to be more robust than initially anticipated. In January 2024, the National Bank of Ukraine (the "NBU") improved its real GDP growth forecast for 2023 to 5.7%. Annual inflation decreased to 5.1% in 2023. This was accompanied by the decrease of key policy rate of the NBU from 25% to 15% and cancellation of exchange rate peg policy. However, there is an anticipation of a softening in growth due to the ongoing war. Meanwhile, the fiscal balance continues to show a large deficit resulting from the expenditures related to defence and national security. The overall outlook is subject to significant risks, primarily stemming from the heightened uncertainty resulting from war and potential delays or shortfalls in external financing.

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

On 14 February 2023, Moody's changed the credit assessment ratings of five Ukrainian banks, including the Bank, to 'Ca' from 'Caa3' as a result of the downgrade of Ukraine's unsecured debt rating to 'Ca' from 'Caa3'. Moody's notes that the downgrade is due to the effects of the war with Russia, which are likely to create long-term challenges for Ukraine's economy and public finances. In July 2023 Fitch confirmed the long-term issuer default ratings (IDR) in foreign and national currencies of the state-owned PrivatBank, respectively, at "CCS-" and "CCC", and the sustainability ratings (VR) at "CCC". At the same time, Fitch downgraded PrivatBank's GSR government support rating from "ss-" to "no support" (ns).

On 31 March 2023, the Board of Executive Directors of the International Monetary Fund approved a four-year Extended Fund Facility (EFF) program for Ukraine in the amount of 11.6 billion Special Drawing Rights (SDRs), which is about USD 15.6 billion. This program is part of a total package of support for Ukraine by international partners worth USD 115 billion. The decision of the IMF Board of Directors provides for the immediate disbursement of the first tranche to Ukraine in the amount of SDR 2 billion (USD 2.7 billion). Further tranches will be disbursed based on the results of quarterly program reviews. In total, in 2023 Ukraine received almost USD 4.5 billion from the IMF.

In November 2023, the Verkhovna Rada adopted a law establishing the specifics of banks taxation in Ukraine. Key changes concern the income tax rate for banks, which was increased from the standard 18% to 25%. The corresponding norm will come into force on 1 January 2024. Separately, the law introduces a rule establishing a special increased income tax rate for 2023 - 50%. This provision also prohibits banks from reducing the tax base for this year by losses incurred in previous tax periods. Banks will again be able to use this right from 1 January 2024.

These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

3 Summary of material accounting policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Law of Ukraine «On accounting and financial statements in Ukraine» № 996-XIV of 16 July 1999 on the preparation of financial statements (as amended).

These consolidated financial statements have been prepared on the historical cost basis, with the exception of the initial recognition of financial instruments based on fair value, subsequent measurement of premises at revalued amounts and derivative financial instruments, financial assets at fair value through other comprehensive income and financial instruments at fair value through profit or loss are measured at fair value.

The key accounting policies used in preparing these consolidated financial statements are set out below. These principles have been applied consistently to all periods presented, unless otherwise indicated.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

3 Summary of material accounting policies (Continued)

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Associates are companies over which the Group has significant influence. After initial recognition, the Group accounts for investments in associates of the company using the equity method.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Going concern. These consolidated financial statements have been prepared on a going concern basis. In preparing the consolidated financial statements for the year ended 31 December 2023, the Group's management assessed the Group's ability to continue its activities in the future, taking into account the ongoing hostilities in Ukraine that have caused and continue to cause significant negative consequences for the economy as a whole and for the Group's customers.

3 Summary of material accounting policies (Continued)

Estimates and forecasts of the Group's activities for the next 12 months are based on the following assumptions:

- sources of the macroeconomic forecasts for 2024 and 2025 are data from official sources (Ministry of Economy, NBU) and forecasts of other analysts (IMF, Focus Economics, Bloomberg);
- the client base of individuals is estimated at a stable level, the number of active corporate clients is planned to be maintained and the market share is expected to increase moderately both for deposits and lending;
- deposit base is planned to maintain the current level of hryvnia deposits, both on hryvnia current accounts and term deposits;
- loan portfolio - for retail business, the Group plans to increase lending, primarily through secured lending and cash loans; for business clients, the Group plans to develop lending, including through grant programs and risk coverage programs with foreign partners (EBRD, DFC, IFC). In addition the Group plans to increase its participation in the "eOselya" government lending program;
- general downward trend in interest rates is forecasted based on inflation and key policy rate projection in the NBU's Inflation report (November 2023), while fee and commission income is expected to remain stable;
- credit risks in the forecast period are growing moderately, the assessment is based on the actual level of development of the bank's portfolio quality in 2023 and current macroeconomic forecasts. NPL level has been defined according to the Group's risk appetite and the process related to the non-performing portfolio managed separately;
- operating costs and capital expenditures are forecasted taking into account inflationary processes and business development. At the same time, such costs will remain under management's special control;
- regulatory requirements including new requirements to be introduced during the forecast period, which were officially approved by the NBU at the forecast date. The Group expects to fulfil requirements for liquidity and capital adequacy prudential ratios of the NBU throughout the forecast period (taking into account the agreement with the NBU regarding L1 3-1).

Assumptions underlying management's assessments of business continuity do not take into account external factors that may change in the future, namely: changes in capital market conditions in Ukraine and in the world as a whole, other and / or macroeconomic impacts not included in the Group's estimates, geopolitical changes, significant changes in legislation, including banking, changes in reporting and accounting standards, changes in tax legislation, as well as other changes that may occur in the future and over which the Group has no influence.

However, prolongation of military activities may result in changes in assumptions underlying management's assessments. Also, it may result in prolongation of existing or additional administrative restrictions from the NBU that may pose a threat to the operational activities and in further disruption of supply chains and financing for both the Bank and its customers.

As a result, these events and conditions, including possible future development of military activities in Ukraine and their duration, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In 2023, the NBU assessed the stability of banks as of 1 April 2023, the results of which were published in December 2023. Based on the results of the stability assessment, the Group does not require additional capitalization.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary, if the Group was unable to continue as a going concern.

Application of New or Revised Standards and Interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following new and revised standards and interpretations were adopted in the reporting year, but they had no impact on these consolidated financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IAS 12 Income Taxes
- Amendments to IFRS 9 Financial Instruments
- Amendments to IAS 1 Presentation of Financial Statements

3 Summary of material accounting policies (Continued)

Restatement

For 2022, the Bank has corrected presentation of Cash and Cash Equivalents in the consolidated statement of financial position by reclassifying restricted cash from Cash and Cash Equivalents to Other Financial Assets. The restricted cash presented by balances with Central Bank of Cyprus does not meet criteria for recognition as Cash and Cash Equivalents:

<i>In millions of Ukrainian hryvnias</i>	31 December 2022 (as reported)	Restatement	31 December 2022 (as restated)
Consolidated Statement of Financial Position			
Cash and cash equivalents	96,380	(2,189)	94,191
Other financial assets	4,309	2,189	6,498

This change in presentation did not have an impact on the consolidated statement of cash flows and equity and, therefore, the Bank does not present the third statement of financial position.

In addition, the Bank has made changes to certain disclosures for comparison with the current year presentation.

Financial instruments and the main aspects of accounting. Financial instruments are carried at fair value or amortized cost, depending on the business model and contractual terms of the financial instruments described below.

Fair value is the price that would be received from the sale of an asset or paid on a liability in a orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is a market in which asset and liability transactions are held at a sufficient frequency and in sufficient volumes to provide current pricing information.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held by the Group and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 31.

Transaction costs are expenses directly related to the acquisition, issue or disposal of a financial asset or liability and which could not have occurred if the entity did not issue, acquire or sell a financial instrument. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount at which the financial asset or financial liability is measured on initial recognition and comprised of the acquisition cost reduced by the amount of principal repayment, increased (reduced) by the amount of accumulated amortisation of any difference between the original cost and the repayment value calculated using the effective interest rate, adjusted in the case of purchase/originated credit-impaired financial assets, for expected credit losses.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and distributing income or interest expenses over the relevant period. The effective interest rate (EIR) is the rate that discounts the expected flow of future cash payments or receipts over the life of the financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. For the financial instruments with floating rate the effective interest rate is calculated based on actual benchmark interest rate that was set for the relevant period. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3 Summary of material accounting policies (Continued)

Initial recognition of financial instruments. Derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Gains or losses on initial recognition are recorded in the consolidated statement of profit or loss.

Profit or loss arising from transactions with the shareholder is recognised in equity under “Result from transactions with the shareholder”.

All transactions for the purchase or sale of financial assets are recognized on the settlement date, which is the date of delivery of the asset by the Group or to the Group.

Derecognition of financial assets. The Group derecognises financial assets when (a) the contractual rights to cash flows from the financial asset expire, or (b) the Group transfers the financial asset and this transfer matches the criteria for derecognition.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, unrestricted demand and overnight deposits with central and other banks. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the Central Banks. Mandatory cash balances with the Central Banks that are not available to finance the Group’s day to day operations, are not considered as part of cash and cash equivalents and carried at amortised cost.

Loans and advances to customers. The Group measures loans and advances to customers at amortized cost if both of the following conditions are met:

- (a) an asset is managed on a “hold to collect” basis;
- (b) the contractual terms of the financial asset provide for certain dates of cash flows, which are solely the repayment of the principal amount and payment of interest on the outstanding principal amount.

In more detail, such conditions are presented below.

At the first stage the Group determines the business model at a level that better reflects how the grouped financial assets are managed to achieve a specific business goal. The Group’s business model is not assessed at the level of individual instruments, but at a higher level of portfolio aggregation and is based on observable factors such as:

- how the performance of the business model and the profitability of financial assets held within this business model are assessed, and how this information is communicated to the key management staff of the Group;
- risks affecting the performance of the business model (and the profitability of financial assets held under this business model) and, in particular, the method of managing these risks.

At the second stage of the classification process, the Group evaluates the contractual terms of the financial asset to determine whether the contractual cash flows for the asset are solely payments from the principal amount and interest on the outstanding part of the principal amount (SPPI test).

For the purposes of this test, the “principal amount of the debt” is the fair value of the financial asset at initial recognition, and it may change over the term of the financial asset. The most significant elements of interest under a loan contract are usually reimbursement for the time value of money and reimbursement for credit risk. For the SPPI test, the Group applies judgments and analyzes relevant factors, such as the currency in which the financial asset is expressed, and the period for which the interest rate is set.

Modifications of financial assets. When financial assets are renegotiated and the renegotiated terms differ substantially from the previous terms, the new asset is initially recognised at its fair value. This asset at initial recognition is classified as purchase/originated credit-impaired if at the date of purchase/renegotiation it was impaired.

In the case of purchase/originated credit-impaired financial assets, expected credit losses are measured based on cash flows discounted at the adjusted for credit risk effective interest rate determined upon initial recognition.

3 Summary of material accounting policies (Continued)

The Bank has determined a list of signs that trigger derecognition:

- change in currency: in this case, the change in currency introduces a new risk compared to the one initially recognized,
- change in borrowers: in this case, a change in borrower determines a change in credit risk,
- introducing into the contract such features that lead to a change in the classification of the contract for accounting at amortized cost or fair value with recognition of the revaluation in other comprehensive income for turnover at fair value with recognition of the revaluation in profit or loss (or on the contrary): in this case, the modification involves other risks and rewards since initial recognition.

If the renegotiated terms do not significantly differ from the previous terms, such changes do not lead to derecognition of the original asset, instead the Group recognizes a gain or loss on the modification based on changes in cash flows discounted at the original effective interest rate.

Assessment of expected credit losses

Credit loss is the difference between all contractual cash flows payable to the Group under the contract and all cash flows that the Group expects to receive (that is, taking into account all cash shortages) discounted at the original effective rate (or adjusted risk for purchased or originated credit impaired financial assets).

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 contractual obligations. PD is calculated on the statistics of the number of customer defaults within 36 months from the observation date. PD is applied for each loan separately, depending on the term to maturity.
- 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.
- Loss Given Default (LGD) – The Loss Given Default is a pre-calculated loss arising in the case where a default by the counterparty occurs. LGD is calculated based on the statistics of credit debt repayments by customers up to 24 months after default.

For all loan products the EAD is considered to be constant in time and is equal to the current gross carrying amount of the loan. EAD for credit related commitments is calculated based on the credit conversion factor (CCF). The credit conversion factor is calculated based on the history of the utilisation of credit related commitments.

For loans that are assessed on the individual basis, the Group also considers cash flows from the sale of held collateral or other credit enhancement mechanisms, which are an integral part of the contract.

The Group regularly assesses the quality of the loan portfolio and assesses the expected loss from possible losses. The amount of expected credit loss is equal to the 12-month expected credit loss or expected credit loss for the lifetime of the financial instrument.

Upon initial recognition and prior to the date of a significant increase in credit risk, the Group recognizes allowance for 12 month ECL or a period until repayment, if such a period is shorter than 12 months. Allowance for 12 month ECL is part of the allowance for lifetime ECL, reflecting expected credit losses due to the default of a financial instrument that may occur within 12 months after the reporting date.

Allowance for lifetime ECL are expected credit losses that result from all possible default events over the expected life of a financial instrument. Allowance for lifetime ECL of the financial instrument are recognized if the credit risk of the financial instrument has increased significantly since initial recognition.

For all financial instruments, depending on the type of instrument and the type of a debtor, the following indicators of significant increase in credit risk are determined:

3 Summary of material accounting policies (Continued)

For corporate loans and loans to individuals:

- overdue payments from 30 to 90 days at the reporting date;
- lack of financial reporting for the last 12 months;
- growth of the "Debt to EBITDA ratio" indicator reaching a value >5 or a negative value;
- negative value of the capital, if it was positive on the date of the loan origination;
- internal status of the Client "Potentially inoperative – observational data";
- debt restructuring without default indicators;
- overdue payments of more than 30 days that occur more than twice during last 12 months and other.

For loans to banks:

- overdue payments from 7 to 30 days at the reporting date;
- decrease of the international rating by 3 or more degrees, lower than BBB.

For investment in securities:

- overdue payments from 7 to 30 days at the reporting date;
- decrease of the international rating by 2 or more degrees.

The Group estimates the amount of expected credit losses of a financial instrument in such a way that it reflects: (a) an objective and probability-weighted amount, which is determined by evaluating a number of possible results; (b) time value of money; and (c) reasonable and acceptable information about past events, current conditions and forecasts regarding future economic conditions, which can be obtained without any extra effort or expense as of the reporting date.

Expected credit losses reflect the Group's own expectations of credit losses. However, taking into account all reasonable and confirmed information that can be obtained without extra costs or effort when assessing credit losses, the Group also considers observable market information about the credit risk of a particular financial instrument or similar financial instruments.

The Group recognizes, at each reporting date, a change in the amount of expected credit losses as a gain or loss from impairment in profit or loss. The Group recognizes positive changes in expected credit losses as a gain from impairment, and negative changes as loss from impairment.

For all financial instruments, depending on the type of instrument and the type of a debtor, the following default indicators are determined:

For corporate loans and loans to individuals:

- overdue over 90 days at the reporting date;
- initiation or declaration of bankruptcy; initialization of liquidation of a legal entity;
- client has a written-off loan;
- modification/restructuring with default indicators, including complex restructuring loans;
- death for individuals;
- borrower carries out activities on the Ukrainian territory not under the control of Ukraine's government;
- internal status of the Client "Non-working (Problematic)";
- detection and/or confirmation of signs of fraud with a financial transaction and other.

For loans to banks and investments in securities:

- overdue over 30 days at the reporting date;
- external rating D;
- bank is under the management of a temporary administration, in a state of liquidation, or the bank's license has been revoked.

The assessment of financial instruments, depending on their significance, is conducted on an individual or portfolio basis. In the estimation of expected losses on an individual basis, the Group uses scenario analysis based on discounted cash flows weighted with probability.

The Group directly reduces the gross carrying amount of a financial asset and allowance for expected credit losses if it does not have reasonable expectations for the restoration of the financial asset as a whole or part of it. Write-off is a derecognition event.

3 Summary of material accounting policies (Continued)

Repossessed collateral. Repossessed collateral represents non-financial assets repossessed by the Group in settlement of past due loans. The assets are initially recognised at lower of fair value or gross carrying value of the related loans. Further the Group measures such assets at the lower of the two values: carrying amount and net realisable value. It is the Group's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding debt. In general, the Group does not occupy repossessed properties for business use.

Credit related commitments and financial guarantees. The Group enters into credit related commitments, including commitments to extend credit, letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its financial obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a proportion basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; in this case loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) estimated allowance for expected credit losses.

Investment securities. The Group determines the category of securities valuation in accordance with the business model and SPPI criteria:

1) Investment securities are measured at amortized cost ("AC") if both of the following conditions are met:

(a) an asset is managed on a "hold to collect" basis;

(b) the contractual terms of the financial asset provide for certain dates of cash flows, which are only the repayment of the principal amount and payment of interest on the outstanding principal amount.

2) Investment securities are measured at fair value through other comprehensive income ("FVOCI") if

(a) an asset is managed on a "hold to collect and for sale" basis;

(b) the contractual terms of the financial asset provide for certain dates of cash flows, which are only the repayment of the principal amount and payment of interest on the outstanding principal amount.

After initial recognition, such securities are measured at fair value with the result of the revaluation recognised in other comprehensive income, except for impairment losses, gains or losses from foreign exchange translation and interest income accrued using the effective interest method that are recognized directly in the consolidated statement of profit or loss. When securities are sold, the profit/loss previously reflected in other comprehensive income will be reflected in profit or loss.

3) Investment securities are measured at fair value through profit or loss ("FVPL"), unless it is measured at amortized cost or at fair value through other comprehensive income. The embedded derivative is accounted together with the host contract. For each reporting date investment securities measured at fair value through profit or loss are revalued together with an embedded option to fair value.

Investment property. Investment properties - real estate acquired or built for the purpose of increasing invested capital, or through rent. Investment property is initially recognised at cost, including transaction costs and subsequently remeasured at fair value.

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

Fixed assets. Fixed assets are stated at cost or revalued cost, as described below, less accumulated depreciation and accumulated impairment losses, where required. Cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

3 Summary of material accounting policies (Continued)

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the period. The revaluation reserve of premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset. At the date of revaluation accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Construction in progress is carried at cost less impairment where required. Construction in progress is not depreciated until the asset is available for use.

All other items of fixed assets are stated at cost.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the period to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the period.

Depreciation. Land is not depreciated. Depreciation on other items of fixed assets begins with the date when the asset is available for use and is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives mostly as follows:

Right-of-use assets	According to the term of the contract
Premises	5-50 years
Computers	2-10 years
Office furniture and equipment	2-13 years
Motor vehicles	5-10 years
Intangible assets	1-20 years
Electronic systems	2-20 years
Other	According to the term of the contract

Leasehold improvements are depreciated over the term of the underlying lease. The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The liquidation value is reviewed at the end of each financial year and, if expectations differ materially from previous estimates, are reflected as changes in the accounting estimate. As of 31 December 2023 and 2022, the liquidation value was zero.

Intangible assets. The Group's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives from 2 to 10 years.

3 Summary of material accounting policies (Continued)

Short-term leases and leases of low-value assets. The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (value of less than UAH 50 thousand). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the period.

Non-current assets or disposal groups classified as held for sale or as held for distribution to owners. The Group classifies assets as non-current assets held-for-sale if their carrying amount is recovered principally through a sale transaction rather than through the operation. For this purpose, assets should be available for immediate sale in their present condition that is typical for such assets offered for sale, it is highly probable that these assets will be sold and management of the Group has an intention and ability to sell them.

The Group measures such assets at the lower of their carrying amount and fair value less costs to sell. No depreciation is charged on non-current assets or disposal groups classified as held for sale or as held for distribution to owners.

Due to others banks. Amounts due to others banks are recorded when money or other assets are advanced to the Group by counterparty banks or other financing institutions. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, forward rate agreements, currency swaps and currency options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the period. The Group does not apply hedge accounting.

Derecognition of financial liabilities. The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between the Group and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. Terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

3 Summary of material accounting policies (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, if there is a modification (for example, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of option to purchase the underlying asset) the carrying amount of lease liabilities and the right-of-use asset is remeasured at the present value of the lease payments, which will be made during the term of the lease with the application of the stack of attracting additional loan funds on the date of modification.

Income tax. Income tax have been provided for in the consolidated financial statements in accordance with Ukrainian legislation enacted or substantively enacted by the end of reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions. Provisions are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Issued capital and share premium. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group recognizes interest income on non-impaired financial assets based on the gross carrying value of such assets applying the original effective interest rate.

3 Summary of material accounting policies (Continued)

For impaired financial instruments, interest income is calculated as the product of the net carrying value (amortized cost) and the effective interest rate.

Interest income on all financial assets measured at FVPL is recognized using the contractual interest rate within other interest income in the consolidated statement of profit or loss.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself or retains a part at the same effective interest rate as for the other participants.

Commissions arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of the Group, and the Group's statement presentation currency, is the national currency of Ukraine, Ukrainian hryvnia ("UAH"). Transactions in foreign currencies are recognised in the functional currency at the rate of exchange ruling at the date of the transaction. These consolidated financial statements are presented in million ("UAH million"), unless otherwise stated.

Monetary assets and liabilities denominated in foreign currency are translated into the Group's functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into Group's functional currency at period-end official exchange rates of the NBU are recognised in profit or loss for the period (as net increase (decrease) from foreign exchange translation). Translation at period-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity instruments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Rates of exchange. The principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2023, UAH	Average 2023, UAH	31 December 2022, UAH	Average 2022, UAH
1 US Dollar (USD)	37.982400	36.575040	36.568600	32.368351
1 Euro (EUR)	42.207900	39.561894	38.951000	33.995389

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

Staff costs and related contributions. Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. The Group is not required to disclose information about segments under IFRS 8 «Operating Segments» and has chosen to disclose such information additionally.

4 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Going concern. Refer to Note 3.

Impairment losses on loans and advances to customers. The Group regularly assesses the quality of the loan portfolio and assesses the expected losses from possible losses. The amount of expected loan loss is equal to the 12-month expected credit loss or expected credit loss for the lifetime of the financial instrument, if deterioration in credit quality after initial recognition occurred. Allowance for lifetime ECL of a financial instrument are recognized if the credit risk of a financial instrument has increased significantly since its initial recognition.

As at 31 December 2023, a 10% increase or decrease in loss rate on loans with estimate of allowance for 12 month ECL and with estimate of allowance for lifetime ECL on a portfolio basis would lead to an increase or decrease in the allowance for expected credit losses of UAH 434 million (2022: an increase or decrease in the allowance for expected credit losses of UAH 580 million).

As at 31 December 2023, a 10% increase or decrease in loss rate on impaired loans, which are assessed on a portfolio basis, would result in an increase or decrease in the allowance for expected credit losses of UAH 660 million or UAH 827 million, respectively (2022: in an increase or decrease in the allowance for expected credit losses of UAH 603 million or UAH 799 million, respectively).

As at 31 December 2023, a 10% increase or decrease in the differences in amounts of the expected cash flows, would result in an increase or decrease allowance for expected credit losses of UAH 341 million or UAH 17,022 million, respectively (2022: in an increase or decrease allowance for expected credit losses of UAH 416 or UAH 16,832 million, respectively).

To estimate expected credit losses on a portfolio basis, historical data (regarding default events, losses in case of default, etc.) of groups of loans with similar characteristics are used, taking into account forecast macroeconomic indicators, using probability-weighted scenarios basic, optimistic and pessimistic. For each segment, macro indicators are chosen that have a logical impact on the risk level of the corresponding portfolio (according to historical data and received forecasts) and ensure the highest predictive quality of the macro model. The Group forecasts economic indicators for two years.

The distribution of the weight of the scenarios is determined by the risk map provided by the National Bank of Ukraine in quarterly inflation reports. The main factor that affects the distribution of weight between the adverse and the base scenario is the concentration of risks in the zone of high probability of occurrence (according to the risk map). During 2022, in the high probability zone, there were an average of 4 risk factors, which include: longer duration of the war, imbalance of state finances, unblocking of Black Sea ports, increased emigration. And already during 2023, the number of such risks has decreased to 2 - 3 (longer duration of the war, damage to the energy infrastructure, and/or blocking of the operation of the "grain corridor". Reducing the risks in the high probability zone makes it possible to reduce the share of the unfavorable scenario and increase the share of the basic scenario in the distribution of weights.

Information on key macro drivers (main indicators) in terms of weighted scenarios as of 31 December 2023 is presented below:

Key drivers	Scenario	Assigned	2024	2025
		Weightings (%)		
GDP, %	Basic scenario	40%	3.80	7.00
	Pessimistic scenario	60%	(5.16)	(1.96)
The price of A95 gasoline, UAH/1 liter	Basic scenario	40%	58.06	59.74
	Pessimistic scenario	60%	61.52	63.30
Brent oil price, USD/barrel	Basic scenario	40%	87.00	90.46
	Pessimistic scenario	60%	118.37	123.07
Exchange rate, 1 USD/UAH	Basic scenario	40%	39.07	40.54
	Pessimistic scenario	60%	44.36	46.03
Core inflation (up to the previous month), %	Basic scenario	40%	0.40	0.15
	Pessimistic scenario	60%	1.38	1.30

4 Critical accounting estimates, and judgements in applying accounting policies (Continued)

The following is the impact of the application of several scenarios on the amount of expected credit losses on the main segment of the Group's loan portfolio (credit cards) as of 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	Application of multiple scenarios (recognised provision)	Application 100% of base scenario	The effect of using multiple scenarios and base scenario	Application 100% of pessimistic scenario	The effect of using multiple scenarios and pessimistic scenario
Stage of assessment of expected credit losses					
With estimate of allowance for 12 month ECL	1,417	785	632	1,547	(130)
With estimate of allowance for lifetime ECL	1,410	994	416	1,672	(262)
Credit-impaired loans (excludes loans with a expected credit losses rate of 100%)	5,449	5,319	130	5,528	(79)
Total	8,276	7,098	1,178	8,747	(471)

Excluded from the category "impaired loans" in the table above are loans to individuals credit cards with an expected credit losses of 100% in the amount of UAH 601 million. The effect of applying multiple economic scenarios on the amount of expected credit losses is defined as comparing the amount of expected credit losses as a result of applying 100% weighting to the baseline scenario for each stage with the amount of expected credit losses in the case of multiple weighted scenarios as at 31 December 2023.

For other segments of the Group's loan portfolio, except for credit cards, the impact of applying several scenarios is not significant.

The Group regularly validates and analyzes macro indicators in terms of their impact on expected credit losses and changes their list and weights of scenarios if necessary. During 2022, as a result of a full-scale incursion of russia, the Group revised both macro indicators and economic scenarios and their weights. In 2023 the Group continued to apply only pessimistic and base scenarios, which reflect increased risks and a high level of uncertainty in the country's economic environment, as well as applied additional assumptions regarding the period of historical information used to build macro models.

The forecasts of macro indicators used to forecast PD and LGD are reviewed by the Group on a quarterly basis in order to adequately assess the amount of expected credit losses.

In 2022, as a result of a full-scale invasion of approaches to measuring expected credit losses on loans to customers, the following changes were made (additional assumptions):

- for all ECL lifetime measured non impaired loans, that have 0 days past due, the level of PD was defined as the average of loans 1-30/1-90 days past due and 0 days past due;
- in addition, for non-overdue loans to debtors of energy-dependent industries, an increasing correction factor to PD for stages 1 and 2 was introduced;
- to the indicators of significantly increased credit risk (stage 2), loans to borrowers from dangerous territories (occupied territories and war zones) were added which were provided before the start of a full-scale invasion of russia and had no signs of impairment at the reporting date.

In 2023 the Group applies the following assumptions:

- for all ECL lifetime measured non impaired loans, that have 0 days past due, the level of PD was defined as the average of loans 1-30/1-90 days past due and 0 days past due;
- for all ECL lifetime measured non-impaired loans that have 0 days past due and that were restructured, the level of PD was defined as the 1-30/1-90 days past due;

The impact of these assumptions on the overall ECL level is non-significant.

4 Critical accounting estimates, and judgements in applying accounting policies (Continued)

Information on key macro drivers (main indicators) in terms of weighted scenarios as of 31 December 2022 is presented below:

Key drivers	Scenario	Assigned Weightings (%)	2023	2024
Dynamics of average monthly salary, %	Basic scenario	30%	7	22
	Pessimistic scenario	70%	7	22
Current account, USD, mln	Basic scenario	30%	(1,143)	(729)
	Pessimistic scenario	70%	(1,833)	(1,419)
Exchange rate, 1 USD/UAH	Basic scenario	30%	40.5	37.9
	Pessimistic scenario	70%	46.0	43.0
The price of A95 gasoline, UAH/1 liter	Basic scenario	30%	53.0	51.5
	Pessimistic scenario	70%	56.2	54.6
GDP, %	Basic scenario	30%	11.3	3.3
	Pessimistic scenario	70%	2.3	(5.7)
Wheat price, USD for 1 bushel	Basic scenario	30%	854	842
	Pessimistic scenario	70%	615	606
Export of goods and services, USD, mlrd	Basic scenario	30%	5.47	6.02
	Pessimistic scenario	70%	4.89	5.43

The following is the impact of the application of several scenarios on the amount of expected credit losses on the main segment of the Group's loan portfolio (credit cards) as of 31 December 2022:

<i>In millions of Ukrainian hryvnias</i>	Application of multiple scenarios (recognised provision)	Application 100% of base scenario	The effect of using multiple scenarios and base scenario	Application 100% of pessimistic scenario	The effect of using multiple scenarios and pessimistic scenario
Stage of assessment of expected credit losses					
With estimate of allowance for 12 month ECL	1,721	1,268	453	1,808	(87)
With estimate of allowance for lifetime ECL	2,259	1,929	330	2,320	(61)
Credit-impaired loans (excludes loans with a expected credit losses rate of 100%)	5,202	4,994	208	5,261	(59)
Total	9,182	8,191	991	9,389	(207)

Excluded from the category "impaired loans" in the table above are loans to individuals credit cards with an expected credit losses of 100% in the amount of UAH 859 million.

The fair value of investment securities at FVPL with an embedded option. The fair value of investment securities at FVPL with an embedded option that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel. Additional information is provided in the Note 31.

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations. Refer to Note 30.

5 New or revised standards and interpretations that are issued, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date for annual periods beginning after 1 January 2023 are disclosed below.

Amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and October 2022; apply to annual reporting periods beginning on or after 1 January 2023).

The amendments improved the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also responded to stakeholders' concerns about the classification of such a liability as current or non-current.

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period: (a) specify that an entity's right to defer settlement must exist at the end of the reporting period; (b) clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement; (c) clarify how lending conditions affect classification; and (d) clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to IFRS 16 Leases

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: disclosure of information (issued in May 2023; apply to annual reporting periods beginning on or after 1 January 2024).

The Group does not expect these amendments will have a significant impact on these consolidated financial statements.

6 Cash and cash equivalents

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022 (restated)
Cash on hand	25,841	25,070
Cash balances with the NBU	53,869	11,456
Correspondent accounts and overnight placements with banks		
- OECD	72,999	58,100
- Other countries than OECD	93	59
Less: Allowance ECL	(520)	(494)
Total cash and cash equivalents	152,282	94,191

As a result of military operations and occupation of a certain territory of Ukraine, access to a number of Group branches, ATMs and terminals is limited. The Group has conducted an analysis of potential losses and damages based on available information as of the date of these consolidated financial statements. Based on the results of such an analysis, the Group recognised allowance for impaired cash balances in the Group's branches, ATMs and terminals in the amount of UAH 513 million (31 December 2022: UAH 453 million and recognised losses from the revaluation of foreign currency for these funds in the amount of UAH 26 million).

Allowance for other cash and cash equivalents are measured for 12 month ECL.

The Group keeps funds on a correspondent account with the NBU in accordance with established reserve norms. The Group may use such funds in its operational activities.

For the purposes of determining the expected credit losses the Group assesses all financial assets in cash and cash equivalents on an individual basis with the use of ratings and indicators of probability of defaults, published by international rating agencies Fitch Ratings, which have a continuous, coherent and long-term history of defaults.

6 Cash and cash equivalents (Continued)

The credit quality of cash and cash equivalents balances at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Cash on hand	Cash balances with the central banks	Correspondent accounts and overnight placements with banks	Total
Cash on hand	25,841	-	-	25,841
Cash balances with the NBU	-	53,869	-	53,869
AA, AA- rated	-	-	38,089	38,089
A+ rated	-	-	28,887	28,887
BBB+, BBB, BBB- rated	-	-	6,067	6,067
BB+, BB, BB- rated	-	-	43	43
Unrated	-	-	6	6
Total cash and cash equivalents, gross	25,841	53,869	73,092	152,802

The credit quality of cash and cash equivalents balances at 31 December 2022 is as follows (restated):

<i>In millions of Ukrainian hryvnias</i>	Cash on hand	Cash balances with the central banks	Correspondent accounts and overnight placements with banks	Total
Cash on hand	25,070	-	-	25,070
Cash balances with the NBU	-	11,456	-	11,456
AA, AA- rated	-	-	32,701	32,701
A+ rated	-	-	12,740	12,740
BBB+, BBB, BBB- rated	-	-	12,675	12,675
BB+, BB, BB- rated	-	-	30	30
B, B- rated	-	-	7	7
Unrated	-	-	6	6
Total cash and cash equivalents, gross	25,070	11,456	58,159	94,685

As 31 December 2023 and 2022 the Group used the ratings of the international rating agency Fitch for credit quality where available, or other rating agencies converted to the nearest equivalent on Fitch scale. The NBU is not rated, refer to Note 2 for information in respect of the rating of Ukraine as an equivalent.

Geographical, maturity and interest rate analysis of cash and cash equivalents and mandatory reserves is disclosed in Note 27.

7 Loans and advances to banks

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Deposit certificates of the NBU	133,798	100,126
Loans and advances to banks in escrow accounts with the NBU	439	3,711
Total loans and advances to banks	134,237	103,837

Loans and advances to banks in escrow accounts with the NBU include funds that the Group is required to hold with the NBU in respect of certain retail deposits with a maturity of at least 6 months.

7 Loans and advances to banks (Continued)

Analysis by credit quality of loans and advances to banks outstanding at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Deposit certificates of the NBU	Loans and advances to banks in escrow accounts with the NBU	Total
<i>Neither past due nor impaired</i>			
Cash balances with the NBU	133,798	439	134,237
Total loans and advances to banks	133,798	439	134,237

Analysis by credit quality of loans and advances to banks outstanding at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Deposit certificates of the NBU	Loans and advances to banks in escrow accounts with the NBU	Total
<i>Neither past due nor impaired</i>			
Cash balances with the NBU	100,126	3,711	103,837
Total loans and advances to banks	100,126	3,711	103,837

As at 31 December 2023 deposit certificates were placed at a rate of 20% per annum in the amount of UAH 24 200 million and 19% per annum in the amount of UAH 5 000 million with a maturity of three months, and also 15% per annum in the amount of UAH 103 500 million with a maturity of one day (31 December 2022: 23% per annum in the amount of UAH 100 000 million with a maturity of three days).

Refer to Note 31 for the estimated fair value of each class of loans and advances to banks. Geographical, maturity and interest rate analysis of loans and advances to banks is disclosed in Note 27.

8 Loans and advances to customers

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Loans and finance lease managed as a separate portfolio	170,042	167,931
Corporate loans	6,386	5,340
Corporate loans - REPO	1,459	-
Loans to individuals – cards	54,500	46,593
Loans to individuals – consumer	9,751	3,880
Loans to individuals – mortgage	5,618	3,912
Loans to individuals – auto	885	328
Loans to individuals – other	13	26
Loans to small and medium enterprises (SME)	25,454	21,311
Finance lease receivables – individuals	147	364
Finance lease receivables – corporate customers	102	162
Finance lease receivables – small and medium enterprises (SME)	560	649
Total loans and advances to customers, gross	274,917	250,496
Less: Allowance for expected credit losses	(182,898)	(182,412)
Total loans and advances to customers	92,019	68,084

8 Loans and advances to customers (Continued)

As at 31 December 2023 and 2022, category "Loans managed as a separate portfolio" includes non-performing loans, which were issued before 19 December 2016. Management considers that these loans bears similar credit risk characteristics regardless of the economy sector or commercial activity at the date of issuance of such loans. As at 31 December 2023 the Group recognised UAH 169,633 million of allowance for expected credit losses under these loans (31 December 2022: UAH 167,435 million). During 2023, the Group wrote off UAH 133 million of these loans (2022: UAH 44 million), and Group continues to take measures to collect the written-off debt.

8 Loans and advances to customers (Continued)

The table below presents an analysis of changes in the gross carrying amount of loans and advances to customers in 2023:

<i>In millions of Ukrainian hryvnias</i>	Gross carrying amount at 1 January 2023	Transfer of loans to categories			Derecognition of financial instruments	New recognized financial assets	Other changes in gross carrying amount	Written off for the year	Exchange differences	Gross carrying amount at 31 December 2023
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit-impaired loans						
With estimate of allowance for 12 month ECL	56,590	18,850	(22,828)	(578)	(37,108)	80,358	(13,762)	-	65	81,587
Corporate loans	3,127	1,228	(515)	-	(1,826)	4,024	(691)	-	59	5,406
Corporate loans - REPO	-	-	-	-	(10,507)	12,196	(230)	-	-	1,459
Loans to individuals – cards	32,413	7,060	(7,821)	(526)	(16,695)	24,255	3,281	-	-	41,967
Loans to individuals – mortgage	1,635	807	(800)	(9)	(185)	2,298	(270)	-	-	3,476
Loans to individuals – consumer	3,239	851	(514)	(8)	(3,329)	16,472	(7,424)	-	-	9,287
Loans to individuals – auto	178	282	(267)	-	(43)	769	(183)	-	-	736
Loans to individuals – other	11	6	(2)	-	(12)	10	(4)	-	-	9
Loans to small and medium enterprises (SME)	15,610	8,269	(12,633)	(35)	(4,440)	20,049	(8,020)	-	6	18,806
Finance lease receivables	377	347	(276)	-	(71)	285	(221)	-	-	441
With estimate of allowance for lifetime ECL	15,345	(18,490)	23,187	(3,547)	(3,283)	4,717	(5,090)	(2)	6	12,843
Corporate loans	1,400	(1,228)	519	(26)	(222)	87	(249)	-	3	284
Loans to individuals – cards	6,654	(6,716)	8,010	(2,596)	(1,812)	2,531	(828)	(2)	-	5,241
Loans to individuals – mortgage	1,528	(801)	864	(134)	(112)	206	(207)	-	2	1,346
Loans to individuals – consumer	348	(843)	520	(87)	(191)	801	(379)	-	-	169
Loans to individuals – auto	111	(282)	269	(7)	(20)	101	(63)	-	-	109
Loans to individuals – other	2	(6)	2	-	(7)	9	-	-	-	-
Loans to small and medium enterprises (SME)	4,675	(8,268)	12,712	(644)	(836)	969	(3,127)	-	1	5,482
Finance lease receivables	627	(346)	291	(53)	(83)	13	(237)	-	-	212
Credit-impaired loans	178,561	(360)	(359)	4,125	(980)	55	189	(1,322)	578	180,487
Loans and finance lease managed as a separate portfolio	167,931	-	-	-	(2)	-	1,713	(133)	533	170,042
Corporate loans	813	-	(4)	26	(54)	1	(25)	(94)	33	696
Loans to individuals – cards	7,526	(344)	(189)	3,122	(698)	13	(1,199)	(939)	-	7,292
Loans to individuals – mortgage	749	(6)	(64)	143	(25)	21	1	(34)	11	796
Loans to individuals – consumer	293	(8)	(6)	95	(35)	3	(29)	(18)	-	295
Loans to individuals – auto	39	-	(2)	7	(3)	-	(1)	-	-	40
Loans to individuals – other	13	-	-	-	-	-	(1)	(8)	-	4
Loans to small and medium enterprises (SME)	1,026	(1)	(79)	679	(143)	17	(250)	(84)	1	1,166
Finance lease receivables	171	(1)	(15)	53	(20)	-	(20)	(12)	-	156
Total loans and advances to customers, gross	250,496	-	-	-	(41,371)	85,130	(18,663)	(1,324)	649	274,917

8 Loans and advances to customers (Continued)

The table below presents an analysis of changes in the gross carrying amount of loans and advances to customers in 2022:

<i>In millions of Ukrainian hryvnias</i>	Gross carrying amount at 1 January 2022	Transfer of loans to categories			Derecognition of financial instruments	New recognized financial assets	Other changes in gross carrying amount	Written off for the year	Reclassification by debtor types	Exchange differences	Other	Gross carrying amount at 31 December 2022
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit-impaired loans								
With estimate of allowance for 12 month ECL	66,035	43,824	(67,574)	(514)	(21,045)	48,332	(12,610)	-	-	142	-	56,590
Loans and finance lease managed as a separate portfolio	1	-	-	-	-	-	(1)	-	-	-	-	-
Corporate loans	2,913	1,710	(3,552)	(10)	(1,064)	3,022	(5)	-	10	103	-	3,127
Loans to individuals – cards	42,212	28,115	(39,401)	(450)	(14,363)	19,144	(2,844)	-	-	-	-	32,413
Loans to individuals – mortgage	3,104	2,329	(3,807)	(9)	(118)	443	(307)	-	-	-	-	1,635
Loans to individuals – consumer	5,292	3,379	(4,450)	(9)	(2,123)	5,809	(4,659)	-	-	-	-	3,239
Loans to individuals – auto	347	420	(578)	(1)	(46)	145	(109)	-	-	-	-	178
Loans to individuals – other	20	19	(20)	-	(15)	11	(4)	-	-	-	-	11
Loans to small and medium enterprises (SME)	10,665	6,870	(14,132)	(33)	(3,151)	19,623	(4,261)	-	(10)	39	-	15,610
Finance lease receivables	1,481	982	(1,634)	(2)	(165)	135	(420)	-	-	-	-	377
With estimate of allowance for lifetime ECL	1,982	(43,506)	69,089	(9,447)	(2,987)	3,584	(3,467)	-	-	97	-	15,345
Corporate loans	79	(1,710)	3,573	(220)	(380)	301	(356)	-	42	71	-	1,400
Loans to individuals – cards	318	(27,838)	39,844	(6,566)	(1,255)	2,498	(347)	-	-	-	-	6,654
Loans to individuals – mortgage	387	(2,322)	4,254	(606)	(80)	33	(163)	-	-	25	-	1,528
Loans to individuals – consumer	10	(3,368)	4,464	(296)	(259)	110	(313)	-	-	-	-	348
Loans to individuals – auto	20	(420)	583	(21)	(16)	5	(40)	-	-	-	-	111
Loans to individuals – other	-	(19)	20	-	(3)	4	-	-	-	-	-	2
Loans to small and medium enterprises (SME)	672	(6,849)	14,663	(1,565)	(886)	628	(1,947)	-	(42)	1	-	4,675
Finance lease receivables	496	(980)	1,688	(173)	(108)	5	(301)	-	-	-	-	627
Credit-impaired loans	174,551	(318)	(1,515)	9,961	(449)	79	432	(9,706)	-	5,540	(14)	178,561
Loans and finance lease managed as a separate portfolio	163,512	-	-	-	-	-	1,122	(44)	120	3,221	-	167,931
Corporate loans	1,099	-	(21)	230	(37)	32	(57)	(612)	(117)	296	-	813
Loans to individuals – cards	2,784	(277)	(443)	7,016	(167)	16	(187)	(1,217)	-	1	-	7,526
Loans to individuals – mortgage	6,367	(7)	(447)	615	(106)	26	(232)	(7,385)	-	1,932	(14)	749
Loans to individuals – consumer	41	(11)	(14)	305	(11)	1	(4)	(14)	-	-	-	293
Loans to individuals – auto	27	-	(5)	22	-	-	(1)	(5)	-	1	-	39
Loans to individuals – other	63	-	-	-	(12)	-	(27)	(13)	-	2	-	13
Loans to small and medium enterprises (SME)	566	(21)	(531)	1,598	(99)	4	(166)	(409)	(3)	87	-	1,026
Finance lease receivables	92	(2)	(54)	175	(17)	-	(16)	(7)	-	-	-	171
Total loans and advances to customers, gross	242,568	-	-	-	(24,481)	51,995	(15,645)	(9,706)	-	5,779	(14)	250,496

8 Loans and advances to customers (Continued)

The analysis of the change in the allowance for expected credit losses for 2023 is as follows:

	Allowance for expected credit losses of subject at 1 January 2023	Transfer of loans between categories			Derecognition of financial instruments	Newly recognized financial assets	Changes in risk parameters for the reporting period	Adjustment of interest income on impaired loans	Written off for the year	Exchange differences	Allowance for expected credit losses of subject at 31 December 2023
		With estimate of allowance for 12 month ECL	With estimate of allowance for impaired loans lifetime ECL	Credit-							
<i>In millions of Ukrainian hryvnias</i>											
Allowance for 12 month ECL	2,470	3,470	(1,707)	(77)	(883)	2,186	(3,254)	-	-	3	2,208
Corporate loans	112	171	(21)	-	(38)	120	(237)	-	-	3	110
Loans to individuals – cards	1,721	2,503	(1,210)	(75)	(687)	983	(1,817)	-	-	-	1,418
Loans to individuals – mortgage	48	231	(27)	-	(5)	55	(229)	-	-	-	73
Loans to individuals – consumer	82	106	(43)	-	(65)	345	(212)	-	-	-	213
Loans to individuals – auto	3	61	(4)	-	(1)	11	(62)	-	-	-	8
Loans to small and medium enterprises (SME)	494	372	(393)	(2)	(85)	664	(675)	-	-	-	375
Finance lease receivables	10	26	(9)	-	(2)	8	(22)	-	-	-	11
Allowance for lifetime ECL	3,641	(3,197)	2,001	(1,874)	(661)	871	1,412	-	(2)	1	2,192
Corporate loans	314	(171)	25	(1)	(50)	4	(63)	-	-	1	59
Loans to individuals – cards	2,259	(2,243)	1,354	(1,692)	(494)	674	1,555	-	(2)	-	1,411
Loans to individuals – mortgage	534	(226)	84	(56)	(39)	56	107	-	-	-	460
Loans to individuals – consumer	61	(100)	47	(56)	(19)	69	38	-	-	-	40
Loans to individuals – auto	36	(61)	6	(3)	(5)	23	28	-	-	-	24
Loans to small and medium enterprises (SME)	366	(371)	463	(58)	(44)	44	(221)	-	-	-	179
Finance lease receivables	71	(25)	22	(8)	(10)	1	(32)	-	-	-	19
Allowance for ECL on credit-impaired loans	176,301	(273)	(294)	1,951	(844)	49	85	2,271	(1,322)	574	178,498
Loans and finance lease managed as a separate portfolio	167,435	-	-	-	(2)	-	(47)	1,852	(133)	528	169,633
Corporate loans	753	-	(4)	1	(36)	-	(15)	13	(94)	31	649
Loans to individuals – cards	6,061	(260)	(144)	1,767	(609)	11	(105)	268	(939)	-	6,050
Loans to individuals – mortgage	691	(5)	(57)	56	(24)	20	47	23	(34)	14	731
Loans to individuals – consumer	246	(6)	(4)	56	(30)	2	(4)	5	(18)	-	247
Loans to individuals – auto	37	-	(2)	3	(2)	-	-	-	-	-	36
Loans to individuals – other	13	-	-	-	-	-	(1)	-	(8)	-	4
Loans to small and medium enterprises (SME)	905	(1)	(70)	60	(123)	16	199	106	(84)	1	1,009
Finance lease receivables	160	(1)	(13)	8	(18)	-	11	4	(12)	-	139
Total allowance for expected credit losses	182,412	-	-	-	(2,388)	3,106	(1,757)	2,271	(1,324)	578	182,898

8 Loans and advances to customers (Continued)

The analysis of the change in the allowance for expected credit losses for 2022 is as follows:

	Allowance for expected credit losses of subject at 1 January 2022	Transfer of loans between categories			Derecognition of financial instruments	Newly recognized financial assets	Changes in risk parameters for the reporting period	Adjustment of interest income on impaired loans	Written off for the year	Reclassifi- cation by differences debtor types	Exchange differences	Other	Allowance for expected credit losses of subject at 31 December 2022
		With estimate of allowance for 12 month ECL	With estimate of allowance for impaired loans lifetime ECL	Credit-									
<i>In millions of Ukrainian hryvnias</i>													
Allowance for 12 month ECL	1,254	4,646	(2,696)	(51)	(497)	1,217	(1,405)	-	-	-	2	-	2,470
Corporate loans	48	195	(77)	-	(10)	64	(110)	-	-	-	2	-	112
Loans to individuals – cards	943	3,870	(2,163)	(50)	(429)	605	(1,055)	-	-	-	-	-	1,721
Loans to individuals – mortgage	32	146	(45)	-	(2)	5	(88)	-	-	-	-	-	48
Loans to individuals – consumer	25	86	(69)	-	(12)	47	5	-	-	-	-	-	82
Loans to individuals – auto	15	40	(27)	-	(2)	6	(29)	-	-	-	-	-	3
Loans to small and medium enterprises (SME)	173	266	(291)	(1)	(40)	488	(101)	-	-	-	-	-	494
Finance lease receivables	18	43	(24)	-	(2)	2	(27)	-	-	-	-	-	10
Allowance for lifetime ECL	265	(4,398)	3,985	(4,769)	(341)	449	8,439	-	-	-	11	-	3,641
Corporate loans	2	(195)	91	(20)	(30)	44	412	-	-	2	8	-	314
Loans to individuals – cards	161	(3,657)	2,500	(4,290)	(228)	367	7,406	-	-	-	-	-	2,259
Loans to individuals – mortgage	49	(140)	439	(57)	(16)	7	249	-	-	-	3	-	534
Loans to individuals – consumer	4	(77)	80	(202)	(15)	8	263	-	-	-	-	-	61
Loans to individuals – auto	2	(40)	32	(8)	(4)	-	54	-	-	-	-	-	36
Loans to small and medium enterprises (SME)	23	(248)	770	(178)	(39)	23	17	-	-	(2)	-	-	366
Finance lease receivables	24	(41)	73	(14)	(9)	-	38	-	-	-	-	-	71
Allowance for ECL on credit-impaired loans	172,831	(248)	(1,289)	4,820	(347)	69	3,286	1,496	(9,706)	-	5,403	(14)	176,301
Loans and finance lease managed as a separate portfolio	162,322	-	-	-	-	-	790	1,101	(44)	120	3,146	-	167,435
Corporate loans	1,070	-	(14)	20	(29)	27	109	14	(612)	(118)	286	-	753
Loans to individuals – cards	2,460	(213)	(337)	4,340	(145)	14	821	337	(1,217)	-	1	-	6,061
Loans to individuals – mortgage	6,228	(6)	(394)	57	(68)	23	389	(26)	(7,385)	-	1,887	(14)	691
Loans to individuals – consumer	39	(9)	(11)	202	(9)	1	40	7	(14)	-	-	-	246
Loans to individuals – auto	27	-	(5)	8	-	-	11	-	(5)	-	1	-	37
Loans to individuals – other	62	-	-	-	(12)	-	(12)	(14)	(13)	-	2	-	13
Loans to small and medium enterprises (SME)	536	(18)	(479)	179	(68)	4	1,014	68	(409)	(2)	80	-	905
Finance lease receivables	87	(2)	(49)	14	(16)	-	124	9	(7)	-	-	-	160
Total allowance for expected credit losses	174,350	-	-	-	(1,185)	1,735	10,320	1,496	(9,706)	-	5,416	(14)	182,412

8 Loans and advances to customers (Continued)

During 2023 loans and advances to customers, which the Group previously wrote off as not collectible were recovered in total amount of UAH 725 million (2022: UAH 359 million), including recoveries of UAH 345 million of credit cards (2022: UAH 237 million), UAH 329 million of corporate loans (2022: UAH 98 million), UAH 47 million of mortgage loans (2022: UAH 21 million), UAH 3 million of small and medium-sized business loans (2022: UAH 2 million) and UAH 1 million of other individuals (2022: UAH 1 million). The amount of recoveries was recognized directly in profit or loss as "Impairment gain and reversal of (impairment loss) determined in accordance with IFRS 9". Refer to Note 21.

The Group monitors current location of its clients and in case a client drawdowns loans within the zones located close to military operations, then such balances are presented as "With estimate of allowance for lifetime ECL" (Stage 2) at the origination date.

The Group has been taking part in the government programme of low-interest mortgage loan "eOselya" since October 2022. As at 31 December 2023, the total amount of loans under the "eOselya" programme was UAH 2,573 million (31 December 2022: UAH 107 million).

The categories of people eligible for the "eOselya" programme include military personnel, medical, pedagogical and scientific employees, war veterans and their families, combatants, people with disabilities caused by war, families of deceased war veterans, internally displaced persons, and other citizens of Ukraine with no own residential property or less than 52.5 square metres of property.

The mortgaged property has to meet the following requirements:

- the mortgaged property has to be located on the territory of Ukraine, except for residential property located in the territories of active military operations or temporarily occupied territories of Ukraine;
- the value of the mortgaged property: for residential property - should not exceed the appraised value determined on the basis of an appraisal report conducted by a valuation entity or a bank employee holding a qualification certificate of an appraiser.

The following property cannot be the subject of a mortgage:

- premises of real estate funds for temporary residence;
- an apartment in a building commissioned earlier than 10 years before the date of the agreement, if such property is located in Kyiv or in a regional centre;
- for certain categories of persons, an apartment in a building commissioned earlier than three years prior to the date of the mortgage agreement cannot be the subject of a mortgage.

The price of 1 square metre of the total area of the real estate purchased with a loan should not exceed the maximum price of 1 square metre of real estate.

8 Loans and advances to customers (Continued)

Economic and business sector risk concentrations within the customer loan portfolio are as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Loans and finance lease managed as a separate portfolio	170,042	62	167,931	67
Loans to individuals	70,914	26	55,103	22
<i>Corporate loans and loans to small and medium enterprises (SME)</i>				
Crop production	12,194	5	12,325	5
Retail	4,077	2	3,578	2
Wholesale	3,948	2	2,868	2
Infrastructure	1,856	1	1,206	1
Financial sector	1,462	1	4	-
Production of consumer goods	1,424	1	1,033	1
Autodealers	1,040	-	617	-
Facilities and equipment	1,024	-	883	-
Food industry	956	-	614	-
Fuel and energy complex	830	-	674	-
Trade in agricultural products	650	-	343	-
Services	642	-	574	-
Construction and real estate	622	-	512	-
Construction Materials	557	-	324	-
Metallurgical complex	514	-	326	-
Social sector	505	-	278	-
Other agribusiness and related industries	467	-	425	-
Processing of agricultural products	358	-	151	-
Chemical complex	315	-	162	-
Animal husbandry	233	-	313	-
Aviabuilding	137	-	141	-
Autobuilding	6	-	1	-
Shipbuilding	2	-	-	-
Other	142	-	110	-
Total loans and advances to customers, gross	274,917	100	250,496	100

As at 31 December 2023, the gross aggregate amount of loans to top 10 borrowers of the Group, other than those managed as a separate portfolio, amounted to UAH 3,523 million (31 December 2022: UAH 2,240 million) or 3% of the gross amount of loans less managed as a separate portfolio (31 December 2022: 3%). Allowance for expected credit losses related to these borrowers was UAH 384 million (31 December 2022: UAH 595 million).

8 Loans and advances to customers (Continued)

Finance lease receivables, including finance lease receivables that are managed as a separate portfolio, gross investment in the leases and their present values at 31 December 2023 are as follows:

<i>In millions of Ukrainian hryvnias</i>	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Finance lease payments receivables as at 31 December 2023	10,440	471	-	10,911
Unearned finance income	(102)	(120)	-	(222)
Present value of finance lease payments receivables as at 31 December 2023	10,338	351	-	10,689
Less: Allowance for expected credit losses	(9,756)	(21)	-	(9,777)
Total finance lease receivables	582	330	-	912

Finance lease receivables, including finance lease receivables that are managed as a separate portfolio, gross investment in the leases and their present values at 31 December 2022 are as follows:

<i>In millions of Ukrainian hryvnias</i>	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total
Finance lease payments receivables as at 31 December 2022	10,288	531	-	10,819
Unearned finance income	(181)	(56)	-	(237)
Present value of finance lease payments receivables as at 31 December 2022	10,107	475	-	10,582
Less: Allowance for expected credit losses	(9,298)	(64)	-	(9,362)
Total finance lease receivables	809	411	-	1,220

8 Loans and advances to customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2023 is as follows:

	Loans and finance lease managed as a separate portfolio	Corporate loans	Loans to individuals					SME	Finance lease receivables – corporate customers	Finance lease receivables – individuals	Finance lease receivables – small and medium enterprises (SME)	Corporate loans - REPO	Total
			Cards	Mortgage	Auto	Consumer	Other						
<i>In millions of Ukrainian hryvnias</i>													
With estimate of allowance for 12 month ECL													
Not overdue, including:													
Loans to large borrowers	-	1,842	-	-	-	-	-	-	-	-	-	1,459	3,301
Loans to medium size borrowers	-	3,419	-	-	-	-	-	15,564	89	-	276	-	19,348
Loans to small borrowers	-	6	-	-	-	-	-	3,229	2	-	30	-	3,267
Loans to individuals between UAH 1-100 million	-	-	65	2,207	203	10	5	-	-	-	-	-	2,490
Loans to individuals less than UAH 1 million	-	-	41,449	1,255	532	9,222	4	-	-	43	-	-	52,505
Less than 30 days overdue	-	139	453	14	1	55	-	13	-	1	-	-	676
Total loans and advances to customers with estimate of allowance for 12 month ECL	-	5,406	41,967	3,476	736	9,287	9	18,806	91	44	306	1,459	81,587
With estimate of allowance for lifetime ECL													
not overdue	-	284	4,749	1,287	105	139	-	5,429	6	49	143	-	12,191
less than 30 days overdue	-	-	131	43	3	3	-	34	-	7	3	-	224
31 to 90 days overdue	-	-	361	16	1	27	-	19	-	3	1	-	428
Total loans and advances to customers with estimate of allowance for lifetime ECL	-	284	5,241	1,346	109	169	-	5,482	6	59	147	-	12,843
Credit-impaired loans													
not overdue	-	4	606	69	3	3	-	204	-	4	7	-	900
less than 30 days overdue	-	-	52	8	-	1	-	15	-	-	3	-	79
31 to 90 days overdue	668	-	60	3	-	1	-	11	-	-	-	-	743
91 to 180 days overdue	-	-	361	15	-	23	-	67	-	1	3	-	470
181 to 360 days overdue	-	216	856	25	2	25	-	110	1	3	6	-	1,244
over 361 days overdue	169,374	476	5,357	676	35	242	4	759	4	36	88	-	177,051
Total impaired loans and advances to customers	170,042	696	7,292	796	40	295	4	1,166	5	44	107	-	180,487
Less: Allowance for 12 month ECL	-	(110)	(1,418)	(73)	(8)	(213)	-	(375)	(2)	(1)	(8)	-	(2,208)
Less: Allowance for lifetime ECL	-	(59)	(1,411)	(460)	(24)	(40)	-	(179)	-	(14)	(5)	-	(2,192)
Less: Allowance for ECL on credit-impaired loans	(169,633)	(649)	(6,050)	(731)	(36)	(247)	(4)	(1,009)	(4)	(37)	(98)	-	(178,498)
Total loans and advances to customers	409	5,568	45,621	4,354	817	9,251	9	23,891	96	95	449	1,459	92,019

8 Loans and advances to customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2022 is as follows:

	Loans and finance lease managed as a separate portfolio	Corporate loans	Loans to individuals					SME	Finance lease receivables – corporate customers	Finance lease receivables – individuals	Finance lease receivables – small and medium enterprises (SME)	Total
			Cards	Mortgage	Auto	Consumer	Other					
<i>In millions of Ukrainian hryvnias</i>												
With estimate of allowance for 12 month ECL												
Not overdue, including:												
Loans to large borrowers	-	1,140	-	-	-	-	-	-	-	-	-	1,140
Loans to medium size borrowers	-	1,983	-	-	-	-	12,675	17	-	105	-	14,780
Loans to small borrowers	-	4	-	-	-	-	2,906	3	-	88	-	3,001
Loans to individuals between UAH 1-100 million	-	-	29	373	13	-	-	-	-	-	-	422
Loans to individuals less than UAH 1 million	-	-	31,639	1,257	164	3,208	4	-	158	-	-	36,430
Less than 30 days overdue	-	-	745	5	1	31	29	-	6	-	-	817
Total loans and advances to customers with estimate of allowance for 12 month ECL	-	3,127	32,413	1,635	178	3,239	11	15,610	20	164	193	56,590
With estimate of allowance for lifetime ECL												
not overdue	-	1,384	5,553	1,448	103	316	2	4,366	134	121	310	13,737
less than 30 days overdue	-	7	297	45	4	8	-	96	-	19	7	483
31 to 90 days overdue	-	9	804	35	4	24	-	213	3	10	23	1,125
Total loans and advances to customers with estimate of allowance for lifetime ECL	-	1,400	6,654	1,528	111	348	2	4,675	137	150	340	15,345
Credit-impaired loans												
not overdue	651	104	286	12	3	2	-	148	-	2	7	1,215
less than 30 days overdue	-	-	40	3	-	-	-	20	-	-	3	66
31 to 90 days overdue	-	-	45	2	-	1	-	82	-	1	20	151
91 to 180 days overdue	-	141	5,410	85	5	148	-	231	-	10	10	6,040
181 to 360 days overdue	-	86	383	82	8	117	-	354	4	16	16	1,066
over 361 days overdue	167,280	482	1,362	565	23	25	13	191	1	21	60	170,023
Total impaired loans and advances to customers	167,931	813	7,526	749	39	293	13	1,026	5	50	116	178,561
Less: Allowance for 12 month ECL	-	(112)	(1,721)	(48)	(3)	(82)	-	(494)	(1)	(4)	(5)	(2,470)
Less: Allowance for lifetime ECL	-	(314)	(2,259)	(534)	(36)	(61)	-	(366)	(7)	(47)	(17)	(3,641)
Less: Allowance for ECL on credit-impaired loans	(167,435)	(753)	(6,061)	(691)	(37)	(246)	(13)	(905)	(5)	(45)	(110)	(176,301)
Total loans and advances to customers	496	4,161	36,552	2,639	252	3,491	13	19,546	149	268	517	68,084

8 Loans and advances to customers (Continued)

Modified and restructured loans and advances to customers. The table below includes with estimate of allowance for lifetime ECL and credit-impaired loans assets that were modified during the period, with the related modification loss suffered by the Group.

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Loans modified during the period		
Amortised cost before modification	1,313	3,723
Amortised cost after modification	885	3,668
Net modification loss/gain	(428)	(55)

Collateral. The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). Mortgage loans are secured by underlying housing real estate. Auto loans are secured by the underlying cars. Loans to small and medium enterprises are secured by underlying commercial real estate, equipment or commercial cars. Finance lease receivables due from individuals and from corporate customers are secured by cars and real estate. The tables below exclude card loans, consumer and part of loans to small and medium enterprises in amount of UAH 208 million (31 December 2022: UAH 387 million), issue of which did not require any collateral. Corporate loans - REPO are secured by investment securities. As of 31 December 2023 state guarantees of the Cabinet of Ministers of Ukraine in the total amount of UAH 8,609 million and guarantees from the EBRD in the total amount of UAH 1,158 million (31 December 2022: state guarantees of the Cabinet of Ministers of Ukraine in the total amount of UAH 8,723 million) were provided for corporate loans in the amount of UAH 1,907 million (31 December 2022: UAH 1,197 million) and loans to small and medium enterprises (SME) in the amount of UAH 17,240 million (31 December 2022: UAH 14,801 million).

The effect of collateral at 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets, net	Fair value of collateral	Carrying value of the assets, net	Fair value of collateral
Loans and finance lease managed as a separate portfolio	282	1,165	127	-
Corporate loans	5,051	9,070	517	380
Corporate loans - REPO	1,459	1,468	-	-
Loans to individuals – mortgage	4,177	9,026	177	5
Loans to individuals – auto	793	1,799	24	-
Loans to individuals – other	9	28	-	-
Loans to SME	10,410	27,802	13,273	5,553
Finance lease receivables	596	1,813	44	-

The effect of collateral at 31 December 2022:

<i>In millions of Ukrainian hryvnias</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying value of the assets, net	Fair value of collateral	Carrying value of the assets, net	Fair value of collateral
Loans and finance lease managed as a separate portfolio	366	1,121 -	130	-
Corporate loans	3,628	6,839 -	533	121
Loans to individuals – mortgage	2,178	6,252 -	461	4
Loans to individuals – auto	213	512 -	39	1
Loans to individuals – other	13	30 -	-	-
Loans to SME	7,558	19,853 -	11,601	6,034
Finance lease receivables	813	2,487 -	121	1

Upon initial recognition of loans and advances to customers, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets.

Refer to Note 31 for the estimated fair value of each class of loans and advances to customers. Geographical, maturity and interest rate analysis of loans and advances to customers is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

9 Investment securities

<i>In millions of Ukrainian hryvnias</i>	31 December 2023			31 December 2022		
	Carrying value	Contractual rate, % per annum	Maturity	Carrying value	Contractual rate, % per annum	Maturity
<i>Investment securities at FVPL:</i>						
Long-term government bonds with an embedded option	100,376	6.00	September 2028 - January 2032	95,716	6.00	September 2028 - January 2032
Total investment securities at FVPL	100,376			95,716		
<i>In millions of Ukrainian hryvnias</i>	Carrying value	EIR, % per annum	Maturity	Carrying value	EIR, % per annum	Maturity
<i>Investment securities at FVOCI:</i>						
Long-term government bonds	45,327	8.91 - 30.00	October 2024 - December 2032	46,159	8,91-30,00	August 2023 - December 2032
Medium-term government bonds	56,666	12.45 - 23.00	February 2024 - February 2027	29,859	10,29-27,00	February 2023 - May 2026
Medium-term government bonds denominated in foreign currency	1,405	4.73	January 2025	17,921	3,74-5,06	March 2023 - October 2023
Short-term government bonds	25,635	16.96 - 18.42	May 2024 - November 2024	28,094	10,20-22,29	January 2023 - July 2023
Short-term government bonds denominated in foreign currency	42,438	3.16 - 5.06	February 2024 - November 2024	21,887	3,03-4,31	May 2023 - June 2023
Total investment securities at FVOCI	171,471			143,920		
<i>Investment securities at AC:</i>						
Long-term bonds issued by the State Mortgage Institution	-	-	-	303	18.96	December 2023
Less: Allowance for expected credit losses	-			(187)		
Total investment securities at AC	-			116		

Long-term government bonds with an embedded option are indexed to an increase in exchange rate of UAH to USD between weighted average monthly exchange rate at the interbank market for a month prior the issue and a month before the maturity date. Coupon is not subject to indexation. The embedded derivative was accounted together with the host contract.

As at 31 December 2022 long-term bonds issued by the State Mortgage Institution for the AC in the amount of UAH 303 million were classified as impaired financial assets. In 2023, the Group restructured these securities by exchanging them for the receivable rights and presented such rights within Other financial assets.

All other investment securities at FVOCI are classified as follows at 31 December 2023:

- securities at carrying value amount of UAH 125,784 million (as at 31 December 2022: in the amount of UAH 89,626 million) were classified as financial assets with estimate of allowance for 12 month ECL. The acquisition of such securities by the Group occurred after the introduction of martial law in Ukraine and lowering Ukraine's sovereign rating;
- securities at carrying value amount of UAH 45,687 million (as at 31 December 2022: in the amount of UAH 54,294 million) were classified as financial assets with estimate of allowance for lifetime ECL. The acquisition of such securities by the Group occurred prior to the introduction of martial law in Ukraine and lowering Ukraine's sovereign rating, which caused significant increase in credit risk on such securities since the date of initial recognition.

9 Investment securities (Continued)

As at 31 December 2023, the Group recognised government discount securities in the amount of UAH 68,073 million (31 December 2022: UAH 39,667 million) in its financial statements. These securities bear no interest income and are traded exclusively at a discount. Cash flows received on these assets are recognised in the Statement of Cash Flows only in investing activities of the Group.

As at 31 December 2023 middle-term government debt securities at FVOCI with a carrying value of UAH 28 691 million were used for calculating of the regulatory mandatory reserve norm at a correspondent accounts with the NBU (those securities are not pledged or otherwise restricted).

As at 31 December 2023 long-term government debt securities at FVOCI with a carrying value of UAH 28,665 million were pledged against unused credit limit by the general lending agreement with the NBU (31 December 2022: UAH 25,049 million).

As at 31 December 2023 long-term government debt securities at FVOCI with the carrying value of UAH 3,714 million and long-term government debt securities at FVPL with the carrying value of UAH 4,907 million were pledged as collateral under the affordable mortgage lending program (31 December 2022: none). Details of the borrowed funds received related to Group's participation in the affordable mortgage lending program are disclosed in Note 15.

As at 31 December 2022 middle-term government debt securities at FVOCI with the carrying value of UAH 226 million were pledged as collateral under the affordable mortgage lending program.

As at 31 December 2023 long-term government debt securities at FVOCI in the amount of UAH 10,863 million were pledged under the contract of responsible storage of cash of the NBU in the Group's cash desks (31 December 2022: UAH 12,791 million).

As at 31 December 2023 long-term government debt securities at FVPL with the carrying value of UAH 18,287 million were pledged under the contract of responsible storage of NBU cash in the Group's cash registers (31 December 2022: UAH 2,648 million).

As at 31 December 2023 long-term government debt securities at FVOCI with the carrying value of UAH 471 and middle-term government debt securities at FVOCI in the amount of UAH 2,576 collateral were pledged for REPO operations (31 December 2022: none).

As at 31 December 2023, PDs in national and foreign currencies of 4.144% - 14.563% and LGD of 50% for government debt securities are determined based on the statistical and analytical data of the international rating agency «Fitch» regarding sovereign defaults. Exposure are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

As at 31 December 2022, the Bank adjusted the PD values taken from the rating agency by applying three scenarios that reflected options for the development of events and their impact on the rating of issuers. The weighted PD under all scenarios was used as for each individual financial asset. If scenarios were not applied as at 31 December 2022, ECL would be 2,373 millions UAH higher. In 2023, the Bank changed assumptions used to determine ECL for these balances.

9 Investment securities (Continued)

The table below presents an analysis of changes in the carrying amount of Investment securities at FVOCI in 2023:

	Carrying amount at 1 January 2023	Derecognition of financial instruments	New recognized financial assets	Changes in risk parameters for the reporting period	Net changes in fair value	Sales	Exchange differences	Carrying amount at 31 December 2023
<i>In millions of Ukrainian hryvnias</i>								
<i>Investment securities at FVOCI:</i>								
With estimate of allowance for 12 month ECL	89,626	(83,572)	161,682	4,440	6,477	(54,999)	2,130	125,784
- including allowance for expected credit losses	(1,329)	668	(4,289)	(714)	-	862	(77)	(4,879)
Long-term government bonds	384	(5)	3,289	35	186	(1,893)	-	1,996
- including allowance for expected credit losses	(2)	-	(35)	(23)	-	16	-	(44)
Medium-term government bonds	21,523	(13,839)	62,845	437	2,798	(19,454)	-	54,310
- including allowance for expected credit losses	(188)	17	(667)	(611)	-	180	-	(1,269)
Medium-term government bonds denominated in foreign currency	17,738	(14,370)	1,217	372	(191)	(3,374)	13	1,405
- including allowance for expected credit losses	(409)	206	(179)	151	-	52	-	(179)
Short-term government bonds	28,094	(26,204)	26,610	2,526	494	(5,885)	-	25,635
- including allowance for expected credit losses	(117)	31	(311)	55	-	35	-	(307)
Short-term government bonds denominated in foreign currency	21,887	(29,154)	67,721	1,070	3,190	(24,393)	2,117	42,438
- including allowance for expected credit losses	(613)	414	(3,097)	(286)	-	579	(77)	(3,080)
With estimate of allowance for lifetime ECL	54,294	(11,011)	-	(1,732)	7,989	(3,853)	-	45,687
- including allowance for expected credit losses	(2,125)	13	-	(2,164)	-	15	-	(4,261)
Long-term government bonds	45,775	(8,264)	-	(1,974)	7,794	-	-	43,331
- including allowance for expected credit losses	(2,051)	10	-	(2,193)	-	-	-	(4,234)
Medium-term government bonds	8,336	(2,747)	-	241	194	(3,668)	-	2,356
- including allowance for expected credit losses	(67)	3	-	29	-	8	-	(27)
Medium-term government bonds denominated in foreign currency	183	-	-	1	1	(185)	-	-
- including allowance for expected credit losses	(7)	-	-	-	-	7	-	-
Total investment securities at FVOCI	143,920	(94,583)	161,682	2,708	14,466	(58,852)	2,130	171,471
- including allowance for expected credit losses	(3,454)	681	(4,289)	(2,878)	-	877	(77)	(9,140)

9 Investment securities (Continued)

The table below presents an analysis of changes in the carrying amount of Investment securities at FVOCI in 2022:

	Carrying amount at 1 January 2022	Transfer to categories			Derecognition of financial instruments	New recognized financial assets	Changes in risk parameters for the reporting period	Net changes in fair value	Sales differences	Exchange differences	Carrying amount at 31 December 2022
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit- impaired investment securities							
<i>In millions of Ukrainian hryvnias</i>											
<i>Investment securities at FVOCI:</i>											
With estimate of allowance for 12 month ECL	129,074	-	(57,786)	-	(99,000)	128,353	(1,794)	(5,631)	(13,254)	9,664	89,626
- including allowance for expected credit losses	-	-	3,687	-	1,614	(1,706)	(4,962)	-	70	(32)	(1,329)
Long-term government bonds	59,388	-	(49,301)	-	1	928	(3,417)	(6,686)	(529)	-	384
- including allowance for expected credit losses	-	-	3,575	-	1	(8)	(3,574)	-	4	-	(2)
Medium-term government bonds	20,341	-	(8,303)	-	(12,390)	27,782	(265)	(111)	(5,531)	-	21,523
- including allowance for expected credit losses	-	-	96	-	2	(128)	(174)	-	16	-	(188)
Medium-term government bonds denominated in foreign currency	6,810	-	(182)	-	(16,135)	25,282	159	464	(990)	2,330	17,738
- including allowance for expected credit losses	-	-	16	-	534	(906)	(28)	-	7	(32)	(409)
Short-term government bonds	17,352	-	-	-	(33,438)	46,118	2,344	4	(4,286)	-	28,094
- including allowance for expected credit losses	-	-	-	-	19	(173)	31	-	6	-	(117)
Short-term government bonds denominated in foreign currency	25,183	-	-	-	(37,038)	28,243	(615)	698	(1,918)	7,334	21,887
- including allowance for expected credit losses	-	-	-	-	1,058	(491)	(1,217)	-	37	-	(613)
With estimate of allowance for lifetime ECL	-	-	57,787	-	-	-	1,562	(5,055)	-	-	54,294
- including allowance for expected credit losses	-	-	(3,687)	-	-	-	1,562	-	-	-	(2,125)
Long-term government bonds	-	-	49,302	-	-	-	1,524	(5,051)	-	-	45,775
- including allowance for expected credit losses	-	-	(3,575)	-	-	-	1,524	-	-	-	(2,051)
Medium-term government bonds	-	-	8,303	-	-	-	29	4	-	-	8,336
- including allowance for expected credit losses	-	-	(96)	-	-	-	29	-	-	-	(67)
Medium-term government bonds denominated in foreign currency	-	-	182	-	-	-	9	(8)	-	-	183
- including allowance for expected credit losses	-	-	(16)	-	-	-	9	-	-	-	(7)
Total investment securities at FVOCI	129,074	-	1	-	(99,000)	128,353	(232)	(10,686)	(13,254)	9,664	143,920
- including allowance for expected credit losses	-	-	-	-	1,614	(1,706)	(3,400)	-	70	(32)	(3,454)

9 Investment securities (Continued)

The table below presents an analysis of changes in the gross carrying amount of Investment securities at AC in 2023:

<i>In millions of Ukrainian hryvnias</i>	Gross carrying amount at 1 January 2023	Interest income accrued	Derecog- nition	Gross carrying amount at 31 December 2023
<i>Investment securities at AC:</i>				
Credit-impaired investment securities	303	36	(339)	-
Long-term bonds issued by the State Mortgage Institution	303	36	(339)	-
Total investment securities at AC	303	36	(339)	-

The table below presents an analysis of changes in the gross carrying amount of Investment securities at AC in 2022:

<i>In millions of Ukrainian hryvnias</i>	Gross carrying amount at 1 January 2022	Interest income accrued	Gross carrying amount at 31 December 2022
<i>Investment securities at AC:</i>			
Credit-impaired investment securities	283	20	303
Long-term bonds issued by the State Mortgage Institution	283	20	303
Total investment securities at AC	283	20	303

The analysis of the change in the allowance for expected credit losses of Investment securities at AC for 2023:

<i>In millions of Ukrainian hryvnias</i>	Allowance for expected credit losses of subject at 1 January 2023	Changes in risk parameters for the reporting period	Adjustment of interest income on impaired loans	Derecog- nition	Allowance for expected credit losses of subject at 31 December 2023
<i>Investment securities at AC:</i>					
Credit-impaired investment securities	187	(20)	32	(199)	-
Long-term bonds issued by the State Mortgage Institution	187	(20)	32	(199)	-
Total investment securities at AC	187	(20)	32	(199)	-

The analysis of the change in the allowance for expected credit losses of Investment securities at AC for 2022:

<i>In millions of Ukrainian hryvnias</i>	Allowance for expected credit losses of subject at 1 January 2022	Changes in risk parameters for the reporting period	Adjustment of interest income on impaired loans	Allowance for expected credit losses of subject at 31 December 2022
<i>Investment securities at AC:</i>				
Credit-impaired investment securities	176	(21)	32	187
Long-term bonds issued by the State Mortgage Institution	176	(21)	32	187
Total investment securities at AC	176	(21)	32	187

9 Investment securities (Continued)

Analysis by credit quality of investment securities at FVOCI is as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023			31 December 2022		
	Domestic currency (CC rate)	Foreign currency (CC rate)	Carrying value	Domestic currency (CC rate)	Foreign currency (CCC rate)	Carrying value
<i>Investment securities at FVOCI:</i>						
With estimate of allowance for 12 month						
ECL	81,941	43,843	125,784	50,001	39,625	89,626
Long-term government bonds	1,996	-	1,996	384	-	384
Medium-term government bonds	54,310	1,405	55,715	21,523	17,738	39,261
Short-term government bonds	25,635	42,438	68,073	28,094	21,887	49,981
With estimate of allowance for lifetime ECL	45,687	-	45,687	54,111	183	54,294
Long-term government bonds	43,331	-	43,331	45,775	-	45,775
Medium-term government bonds	2,356	-	2,356	8,336	183	8,519
Total investment securities at FVOCI	127,628	43,843	171,471	104,112	39,808	143,920

Analysis by credit quality of investment securities at AC is as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023			31 December 2022		
	Domestic currency (CC rate)	Foreign currency (CC rate)	Carrying value	Domestic currency (CC rate)	Foreign currency (CCC rate)	Carrying value
<i>Investment securities at AC:</i>						
Credit-impaired investment securities	-	-	-	303	-	303
Long-term bonds issued by the State Mortgage Institution	-	-	-	303	-	303
Allowance for expected credit losses	-	-	-	(187)	-	(187)
Less: Allowance for ECL on credit-impaired securities	-	-	-	(187)	-	(187)
Total investment securities at AC	-	-	-	116	-	116

10 Investment property

In millions of Ukrainian hryvnias

	Investment properties
Carrying amount at 31 December 2021	1,989
Disposals	(101)
Loss on revaluation	(31)
Gains on revaluation	298
Carrying amount at 31 December 2022	2,155
Loss on revaluation	(155)
Gains on revaluation	340
Carrying amount at 31 December 2023	2,340

10 Investment property (Continued)

As at 31 December 2023 and 2022, the Group had restrictions on the sale of investment properties with a carrying value of UAH 284 million (31 December 2022: UAH 303 million).

During 2023, the Group received income from the rental of investment property in the amount of UAH 126 million (2022: UAH 93 million).

In December 2023 and 2022 investment property were revalued at fair value. The valuation was carried out by independent valuers that hold a suitable professional qualification and have recent experience in valuation of assets of similar location and category. The valuation of investment property was performed using discounted cash flows and other appropriate valuation techniques (models) including assumptions for certain adjustments to the market observable prices which had significant impact on fair values.

11 Property, plant and equipment and intangible assets other than goodwill

Property, plant and equipment excluding the right-of-use assets:

	Premises	Land	Computers	Motor vehicles	Office furniture and equipment	Electronic systems	Other	Total
<i>In millions of Ukrainian hryvnias</i>								
Carrying amount at 1 January 2022	1,588	10	2,156	232	300	194	189	4,669
Cost or revalued cost at 1 January 2022	1,614	10	5,549	492	1,452	410	338	9,865
Accumulated depreciation and amortisation at 1 January 2022	(26)	-	(3,393)	(260)	(1,152)	(216)	(149)	(5,196)
Additions	7	-	91	11	142	62	80	393
Disposals of cost or revalued cost	-	-	(134)	(98)	(65)	(40)	(77)	(414)
Disposals of accumulated depreciation and amortisation	(1)	-	122	92	56	34	61	364
Depreciation and amortisation charge	(42)	-	(587)	(46)	(185)	(31)	(121)	(1,012)
Impairment charge to profit or loss	(14)	-	(19)	(14)	(18)	(6)	-	(71)
Reversal of impairment charge to profit or loss	42	-	-	-	-	-	-	42
Revaluation recognized in other comprehensive income	34	-	-	-	-	-	-	34
Initial cost adjustments are related to impairment	(42)	-	(17)	(16)	(16)	(9)	-	(100)
Amortisation adjustments are related to impairment	42	-	17	16	16	9	-	100
Reclassification to/from assets held for sale	(10)	(1)	-	(2)	-	-	-	(13)
Reclassifications (initial cost)	(1)	(1)	-	(1)	1	1	3	2
Reclassifications (depreciation)	-	-	2	-	-	(1)	(3)	(2)
Carrying amount at 31 December 2022	1,603	8	1,631	174	231	213	132	3,992
Cost or revalued cost at 31 December 2022	1,630	8	5,470	372	1,496	418	344	9,738
Accumulated depreciation and amortisation at 31 December 2022	(27)	-	(3,839)	(198)	(1,265)	(205)	(212)	(5,746)
Additions	54	1	98	251	463	195	98	1,160
Disposals of cost or revalued cost	(4)	-	(136)	(25)	(63)	(50)	(92)	(370)
Disposals of accumulated depreciation and amortisation	2	-	134	25	62	20	91	334
Depreciation and amortisation charge	(46)	-	(480)	(58)	(478)	(41)	(73)	(1,176)
Impairment charge to profit or loss	(12)	-	(1)	-	-	-	-	(13)
Reversal of impairment charge to profit or loss	71	-	5	-	4	1	-	81
Revaluation recognized in other comprehensive income	65	-	-	-	-	-	-	65
Initial cost adjustments are related to impairment	(43)	-	3	-	2	1	-	(37)
Amortisation adjustments are related to impairment	43	-	(3)	-	(2)	(1)	-	37
Reclassification to/from assets held for sale	(8)	-	-	1	-	-	-	(7)
Reclassifications (initial cost)	-	-	5	-	-	(4)	-	1
Reclassifications (depreciation)	(1)	-	(3)	-	-	3	-	(1)
Carrying amount at 31 December 2023	1,724	9	1,253	368	219	337	156	4,066
Cost or revalued cost at 31 December 2023	1,753	9	5,444	599	1,902	561	350	10,618
Accumulated depreciation and amortisation at 31 December 2023	(29)	-	(4,191)	(231)	(1,683)	(224)	(194)	(6,552)

11 Property, plant and equipment and intangible assets other than goodwill (Continued)

As at 31 December 2023, intangible assets include internally generated intangible assets by initial value of UAH 1,647 million (31 December 2022: UAH 1,140 million).

As at 31 December 2023, «other» includes leasehold improvements with the carrying amount of UAH 157 million (31 December 2022: UAH 133 million).

In December 2023 premises were revalued at fair value. The valuation was carried out by independent valuers that hold a suitable professional qualification and have recent experience in valuation of assets of similar location and category. The valuation of premises was performed using observable market prices.

As at 31 December 2023, included in carrying value of premises was UAH 1,158 million of revaluation surplus, on which a deferred tax liability of UAH 168 million was recognised (31 December 2022: UAH 1,035 million and UAH 140 million respectively).

At 31 December 2023 the carrying amount of premises would have been UAH 1,450 million (31 December 2022: UAH 1,404 million) had the assets been carried at cost less depreciation.

As at 31 December 2023, the cost or revaluation of fully depreciated fixed assets and intangible assets that were still in use was UAH 3,454 million (31 December 2022: UAH 3,029 million).

11 Property, plant and equipment and intangible assets other than goodwill (Continued)

Right-of-use assets

<i>In millions of Ukrainian hryvnias</i>	Right-of-use assets (premises)	Right-of-use assets (other)	Total right-of-use assets
Carrying amount at 1 January 2022	1,490	-	1,490
Cost at 1 January 2022	2,894	2	2,896
Accumulated depreciation at 1 January 2022	(1,404)	(2)	(1,406)
Additions	375	-	375
Disposals:	-	-	-
- cost	(1,023)	(1)	(1,024)
- accumulated depreciation	671	1	672
Depreciation charge	(521)	-	(521)
Modification of assets:	-	-	-
- cost	457	-	457
- accumulated depreciation	(133)	-	(133)
Carrying amount at 31 December 2022	1,316	-	1,316
Cost at 31 December 2022	2,703	1	2,704
Accumulated depreciation at 31 December 2022	(1,387)	(1)	(1,388)
Carrying amount at 1 January 2023	1,316	-	1,316
Cost at 1 January 2023	2,703	1	2,704
Accumulated depreciation at 1 January 2023	(1,387)	(1)	(1,388)
Additions	141	-	141
Disposals:	-	-	-
- cost	(307)	-	(307)
- accumulated depreciation	207	-	207
Depreciation charge	(474)	-	(474)
Modification of assets:	-	-	-
- cost	326	-	326
- accumulated depreciation	(73)	-	(73)
Carrying amount at 31 December 2023	1,136	-	1,136
Cost at 31 December 2023	2,863	1	2,864
Accumulated depreciation at 31 December 2023	(1,727)	(1)	(1,728)

Modification of an asset includes all types of contract modifications, except those resulting in recognition of a new asset.

The article «Property, plant and equipment» of a consolidated statement of financial position includes property, plant and equipment and right-of-use assets.

11 Property, plant and equipment and intangible assets other than goodwill (Continued)

Intangible assets other than goodwill:

<i>In millions of Ukrainian hryvnias</i>	Intangible assets
Carrying amount at 1 January 2022	1,291
Cost at 1 January 2022	2,028
Accumulated depreciation and amortisation at 1 January 2022	(737)
Additions	677
Disposals of cost	(304)
Disposals of accumulated depreciation and amortisation	170
Depreciation and amortisation charge	(442)
Reclassifications (initial cost)	(3)
Reclassifications (depreciation)	3
Carrying amount at 31 December 2022	1,392
Cost at 31 December 2022	2,398
Accumulated depreciation and amortisation at 31 December 2022	(1,006)
Carrying amount at 31 December 2022	1,392
Additions	732
Disposals of cost	(439)
Disposals of accumulated depreciation and amortisation	412
Depreciation and amortisation charge	(531)
Carrying amount at 31 December 2023	1,566
Cost at 31 December 2023	2,691
Accumulated depreciation and amortisation at 31 December 2023	(1,125)
Carrying amount at 31 December 2023	1,566

12 Other financial assets

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022 (restated)
Guarantee deposits for payment systems	3,712	3,392
Accounts receivable for transactions with debit cards	2,281	-
Restricted cash at the Central Bank of Cyprus	2,229	2,065
Settlement with clients	532	440
Overdue debt by the State Mortgage Institution	339	-
Accrued income receivable	295	300
Other	714	651
Less: Allowance for expected credit losses	(598)	(341)
Total other financial assets	9,504	6,507

In 2023 and 2022 according to IFRS 9, the Group applied a simplified approach for estimation of expected credit losses on other financial assets. For guarantee deposits, restricted cash at the Central Bank of Cyprus and Overdue debt by the State Mortgage Institution the Bank applied a general approach for estimation of expected credit losses. As at 31 December 2023 financial assets were classified as assets with an assessment of credit losses within the term of the financial instrument (as at 31 December 2022: with an assessment of credit losses within the term of the financial instrument).

12 Other financial assets (Continued)

The table below presents an analysis of changes in the allowance for expected credit losses of other financial assets at 31 December 2023:

	Allowance for expected credit losses at 1 January 2023	Written off for the year	Changes in allowance for expected credit losses for the reporting period	Exchange differences	Allowance for expected credit losses at 31 December 2023
<i>In millions of Ukrainian hryvnias</i>					
Guarantee deposits	120	-	(33)	4	91
Settlement with clients	111	(5)	(23)	15	98
Overdue debt by the State Mortgage Institution	-	-	264	-	264
Accrued income receivable	110	(3)	38	-	145
Total allowance for expected credit losses	341	(8)	246	19	598

The table below presents an analysis of changes in the allowance for expected credit losses of other financial assets at 31 December 2022:

	Allowance for expected credit losses at 1 January 2022	Written off for the year	Changes in allowance for expected credit losses for the reporting period	Exchange differences	Allowance for expected credit losses at 31 December 2022
<i>In millions of Ukrainian hryvnias</i>					
Guarantee deposits	40	-	58	22	120
Settlement with clients	120	(28)	14	5	111
Accrued income receivable	90	(9)	26	3	110
Total allowance for expected credit losses	250	(37)	98	30	341

12 Other financial assets (Continued)

Analysis by credit quality at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Guarantee deposits for payment systems	Restricted cash at the Central Bank of Cyprus	Overdue debt by the State Mortgage Institution	Total
With estimate of allowance for 12 month ECL				
Not overdue, including:				
Loans to large borrowers	3,703	2,229	-	5,932
Total with estimate of allowance for 12 month ECL	3,703	2,229	-	5,932
With estimate of allowance for lifetime ECL				
not overdue	9	-	-	9
Total with estimate of allowance for lifetime ECL	9	-	-	9
Credit-impaired				
less than 30 days overdue	-	-	339	339
Total impaired	-	-	339	339
Less: Allowance for 12 month ECL	(92)	-	-	(92)
Less: Allowance for ECL on credit-impaired loans	-	-	(199)	(199)
Total carrying amount	3,620	2,229	140	5,989

Analysis by credit quality at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Guarantee deposits for payment systems	Restricted cash at the Central Bank of Cyprus	Total
With estimate of allowance for 12 month ECL			
Not overdue, including:			
Loans to large borrowers	3,383	2,065	5,448
Total with estimate of allowance for 12 month ECL	3,383	2,065	5,448
With estimate of allowance for lifetime ECL			
not overdue	9	-	9
Total with estimate of allowance for lifetime ECL	9	-	9
Less: Allowance for 12 month ECL	(121)	-	(121)
Less: Allowance for lifetime ECL	(1)	-	(1)
Total carrying amount	3,270	2,065	5,335

Restricted cash at the Central Bank of Cyprus has BBB rating in 2023 (2022: BBB-).

13 Other non-financial assets

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Receivables on conversion of liabilities to equity	8,145	8,881
Reposessed collateral	346	425
Inventory	162	181
Prepayments for services	38	83
Prepaid taxes other than income tax	14	13
Precious metals	6	24
Other	416	434
Less: Allowance for other non-financial assets impairment	(32)	(852)
Total other non-financial assets	9,095	9,189

Receivables originated on conversion of liabilities to equity of UAH 8,145 million (31 December 2022: UAH 8,881 million) were recorded by the Group as a result of conversion of customer accounts to equity at the nationalisation in 2016. As at 31 December 2022, allowance for other non-financial assets impairment includes allowance of UAH 737 million for receivable on conversion of liabilities to equity. Management of the Group expects to recover this amount in full.

14 Customer accounts

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Individuals		
- Term deposits	76,075	88,584
- Current/demand accounts	320,437	251,748
Legal entities		
- Term deposits	12,677	14,177
- Current/settlement accounts	145,339	116,747
Government organizations		
- Current/settlement accounts	843	607
Total customer accounts	555,371	471,863

As at 31 December 2023 term deposits of legal entities and individuals included UAH 10,941 million and UAH 152 million, respectively (31 December 2022: UAH 10,530 million and UAH 146 million), and current accounts of legal entities and individuals included UAH 309 million and UAH 48 million, respectively (31 December 2022: UAH 293 million and UAH 46 million) of customer accounts of Cyprus Branch, that were subject to conversion of liabilities to equity at nationalisation in 2016 (Note 30). In 2023 the Group recognized losses from foreign exchange translation on these customer accounts in the amount of UAH 435 million (2022: losses from foreign exchange translation in the amount of UAH 2,790 million). These funds were not transferred by the Cyprus branch due to the prohibition of the Central Bank of Cyprus on interbank settlements with the Bank and on-going litigations in respect of these amounts. As at 31 December 2023 Group did not complete an analysis of whether criteria for derecognition were met in respect of these amounts due to customers that were subject to conversion into equity.

The withdrawal of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only for cases provided for by the deposit agreement and in accordance with the current legislation.

14 Customer accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023		31 December 2022	
	Amount	%	Amount	%
Individuals	396,512	72	340,332	72
Services	55,946	10	50,760	11
Trade	41,792	8	30,461	7
Manufacturing	41,457	7	33,196	7
Transport and communication	5,933	1	5,162	1
Agriculture	5,484	1	5,685	1
Machinery	2,769	-	1,663	-
Government organizations	843	-	607	-
Other	4,635	1	3,997	1
Total customer accounts	555,371	100	471,863	100

At 31 December 2023 included in customer accounts were deposits of UAH 814 million (31 December 2022: UAH 1,132 million) held as collateral for loans and advances to customers issued by the Group of UAH 814 million (31 December 2022: UAH 1,132 million).

Fair value of each class of customer accounts is disclosed in Note 31. Geographical, maturity and interest rate analysis of customer accounts is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

15 Other borrowed funds

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Loans from financial institutions	2,630	128
Total due to others banks	2,630	128

As at 31 December 2023 and 31 December 2022, loans from financial institutions included UAH-denominated loans granted to the Group by the state financial company in accordance with the state program "eOselya" at a rate of 3% per annum maturing for the period until October 2043.

16 Other financial liabilities

Other financial liabilities comprise the following:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Lease liabilities	1,248	1,434
Settlements	609	16
Accounts payable	401	442
Other	798	755
Total other financial liabilities	3,056	2,647

17 Provisions

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Provisions for loan commitments and financial guarantee contracts	1,111	1,280
Other provisions:		
Provision for legal cases	3,445	3,665
Provision associated with cessation of operations in Crimea	882	859
Total provisions	5,438	5,804

Contingencies related to respective lawsuits are disclosed in Note 30.

The table below shows change in the provision for legal cases during 2023 year:

<i>In millions of Ukrainian hryvnias</i>	Provision for legal cases at 1 January 2023	Using the provision during the year	Changes in provision for legal cases for the reporting period	Exchange differences	Provision for legal case at 31 December 2023
Provision associated with cessation of operations in Crimea	859	(76)	99	-	882
Provision for legal cases	3,665	(229)	(113)	122	3,445
Total provision for legal cases	4,524	(305)	(14)	122	4,327

The table below shows change in the provision for legal cases during 2022 year:

<i>In millions of Ukrainian hryvnias</i>	Provision for legal cases at 1 January 2022	Using the provision during the year	Changes in provision for legal cases for the reporting period	Exchange differences	Provision for legal case at 31 December 2022
Provision associated with cessation of operations in Crimea	674	(111)	296	-	859
Provision for legal cases	2,604	(68)	589	540	3,665
Total provision for legal cases	3,278	(179)	885	540	4,524

17 Provisions (Continued)

The table below shows change in the credit related commitments for 12 month 2023:

	Amount at 1 January 2023	Transfer to category		Credit- impaired	New Derecognition recognized liabilities	Other changes of liabilities in liabilities for the reporting period	Exchange differences	Amount at 31 December 2023	
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL						
<i>In millions of Ukrainian hryvnias</i>									
<i>With estimate of allowance for 12 month ECL</i>									
Guarantees issued	265	76	(105)	-	66	(98)	14	10	228
Avals granted	10	-	-	-	30	(29)	1	-	12
Undrawn loan commitments	124,202	24,256	(20,816)	(75)	21,892	(15,393)	58,725	11	192,802
<i>With estimate of allowance for lifetime ECL</i>									
Guarantees issued	255	(76)	105	(3)	-	(134)	(54)	8	101
Avals granted	4	-	-	-	30	(32)	-	-	2
Undrawn loan commitments	20,074	(24,223)	20,850	(64)	2,075	(2,489)	6,889	1	23,113
<i>Credit-impaired</i>									
Guarantees issued	63	-	-	3	-	(3)	-	5	68
Undrawn loan commitments	213	(33)	(34)	139	13	(173)	(12)	-	113
Total loan commitments and financial guarantee contracts, gross	145,086	-	-	-	24,106	(18,351)	65,563	35	216,439

17 Provisions (Continued)

The table below shows change in the credit related commitments for 12 month 2022:

	Amount at 1 January 2022	Transfer to category		Credit- impaired	New Derecognition recognized liabilities	Other changes of liabilities in liabilities for the reporting period	Exchange differences	Amount at 31 December 2022	
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL						
<i>In millions of Ukrainian hryvnias</i>									
<i>With estimate of allowance for 12 month ECL</i>									
Guarantees issued	740	120	(585)	-	151	(131)	(48)	18	265
Avals granted	12	8	(7)	-	17	(12)	(8)	-	10
Undrawn loan commitments	152,666	72,519	(100,490)	(136)	14,432	(17,275)	2,437	49	124,202
<i>With estimate of allowance for lifetime ECL</i>									
Guarantees issued	8	(120)	585	-	-	(144)	(135)	61	255
Avals granted	4	(8)	7	-	9	(6)	(2)	-	4
Undrawn loan commitments	396	(72,476)	100,714	(498)	1,044	(2,995)	(6,134)	23	20,074
<i>Credit-impaired</i>									
Guarantees issued	50	-	-	-	-	-	-	13	63
Undrawn loan commitments	70	(43)	(224)	634	81	(240)	(66)	1	213
Total loan commitments and financial guarantee contracts, gross	153,946	-	-	-	15,734	(20,803)	(3,956)	165	145,086

17 Provisions (Continued)

The table below presents the analysis of changes in the provision for expected credit losses on credit related commitments for 12 month 2023:

	Amount at 1 January 2023	Transfer to category			New recognized liabilities	Derecognition of liabilities	Other changes in provision for the reporting period	Exchange differences	Amount at 31 December 2023
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit- impaired					
<i>In millions of Ukrainian hryvnias</i>									
<i>With estimate of allowance for 12 month ECL</i>									
Guarantees issued	12	4	(2)	-	2	(2)	(8)	-	6
Undrawn loan commitments	536	556	(75)	-	78	(51)	(516)	-	528
<i>With estimate of allowance for lifetime ECL</i>									
Guarantees issued	100	(4)	2	-	-	(6)	(91)	6	7
Avals granted	-	-	-	-	1	(1)	-	-	-
Undrawn loan commitments	571	(556)	75	(3)	37	(53)	433	-	504
<i>Credit-impaired</i>									
Guarantees issued	61	-	-	-	-	(2)	2	5	66
Undrawn loan commitments	-	-	-	3	-	-	(3)	-	-
Total provisions for loan commitments and financial guarantee contracts	1,280	-	-	-	118	(115)	(183)	11	1,111

17 Provisions (Continued)

The table below presents the analysis of changes in the provision for expected credit losses on credit related commitments for 12 month 2022:

	Amount at 1 January 2022	Transfer to category			New recognized liabilities	Derecognition of liabilities	Other changes in provision for the reporting period	Exchange differences	Amount at 31 December 2022
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit- impaired					
<i>In millions of Ukrainian hryvnias</i>									
<i>With estimate of allowance for 12 month ECL</i>									
Guarantees issued	14	15	(10)	-	5	(1)	(11)	-	12
Undrawn loan commitments	305	578	(246)	-	51	(45)	(107)	-	536
<i>With estimate of allowance for lifetime ECL</i>									
Guarantees issued	-	(15)	10	-	-	(18)	96	27	100
Undrawn loan commitments	6	(578)	246	(5)	20	(44)	924	2	571
<i>Credit-impaired</i>									
Guarantees issued	48	-	-	-	-	-	-	13	61
Undrawn loan commitments	-	-	-	5	-	-	(5)	-	-
Total provisions for loan commitments and financial guarantee contracts	373	-	-	-	76	(108)	897	42	1,280

17 Provisions (Continued)

Analysis by credit quality of loan commitments and financial guarantee contracts outstanding at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Guarantees issued	Avals granted	Undrawn loan commitments	Total
With estimate of allowance for 12 month ECL				
Not overdue, including:				
Loans to large borrowers	1	-	204	205
Loans to medium size borrowers	222	11	2,029	2,262
Loans to small borrowers	2	1	2,130	2,133
Loans to individuals between UAH 1-100 million	3	-	125	128
Loans to individuals less than UAH 1 million	-	-	188,222	188,222
Less than 30 days overdue	-	-	92	92
Total loan commitments and financial guarantee contracts with estimate of allowance for 12 month ECL	228	12	192,802	193,042
With estimate of allowance for lifetime ECL				
not overdue	101	2	23,070	23,173
less than 30 days overdue	-	-	29	29
31 to 90 days overdue	-	-	14	14
Total loan commitments and financial guarantee contracts with estimate of allowance for lifetime ECL	101	2	23,113	23,216
Credit-impaired loans				
not overdue	68	-	64	132
less than 30 days overdue	-	-	2	2
31 to 90 days overdue	-	-	2	2
91 to 180 days overdue	-	-	4	4
181 to 360 days overdue	-	-	5	5
over 361 days overdue	-	-	36	36
Total impaired loan commitments and financial guarantee contracts	68	-	113	181
Less: Allowance for 12 month ECL	(6)	-	(528)	(534)
Less: Allowance for lifetime ECL	(7)	-	(504)	(511)
Less: Allowance for ECL on credit-impaired loans	(66)	-	-	(66)
Total loan commitments and financial guarantee contracts	318	14	214,996	215,328

17 Provisions (Continued)

Analysis by credit quality of loan commitments and financial guarantee contracts outstanding at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Guarantees issued	Avals granted	Undrawn loan commitments	Total
With estimate of allowance for 12 month ECL				
Not overdue, including:				
Loans to large borrowers	-	-	96	96
Loans to medium size borrowers	261	10	1,268	1,539
Loans to small borrowers	3	-	1,523	1,526
Loans to individuals between UAH 1-100 million	-	-	58	58
Loans to individuals less than UAH 1 million	1	-	121,147	121,148
Less than 30 days overdue	-	-	110	110
Total loan commitments and financial guarantee contracts with estimate of allowance for 12 month ECL	265	10	124,202	124,477
With estimate of allowance for lifetime ECL				
not overdue	255	4	19,991	20,250
less than 30 days overdue	-	-	50	50
31 to 90 days overdue	-	-	33	33
Total loan commitments and financial guarantee contracts with estimate of allowance for lifetime ECL	255	4	20,074	20,333
Credit-impaired loans				
not overdue	63	-	110	173
less than 30 days overdue	-	-	4	4
31 to 90 days overdue	-	-	9	9
91 to 180 days overdue	-	-	27	27
181 to 360 days overdue	-	-	44	44
over 361 days overdue	-	-	19	19
Total impaired loan commitments and financial guarantee contracts	63	-	213	276
Less: Allowance for 12 month ECL	(12)	-	(536)	(548)
Less: Allowance for lifetime ECL	(100)	-	(571)	(671)
Less: Allowance for ECL on credit-impaired loans	(61)	-	-	(61)
Total loan commitments and financial guarantee contracts	410	14	143,382	143,806

Refer to Note 31 for the disclosure of the fair value of each class of other financial liabilities. Geographical, maturity and interest rate analyses of other financial liabilities are disclosed in Note 27.

18 Other non-financial liabilities

Other non-financial liabilities comprise the following:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Payables for contributions to Deposit Guarantee Fund	889	744
Accrued expenses on unused vacation days	713	579
Liabilities for bonuses	687	684
Taxes other than income tax	289	127
Accrued salaries	2	7
Other	170	133
Total other non-financial liabilities	2,750	2,274

19 Issued capital, reserve and other funds of the Group*Issued Capital*

The nominal registered amount of the Bank's issued capital at 31 December 2023 was UAH 206,060 million (31 December 2022: UAH 206,060 million). The total authorised number of ordinary shares was 735.93 million shares (31 December 2022: 735.93 million shares) with a par value of UAH 280 per share (31 December 2022: UAH 280 per share). All issued ordinary shares are fully paid and registered. Each ordinary share carries one vote.

As at 31 December 2023 and 31 December 2022 the sole shareholder of the Bank is the State of Ukraine represented by the Cabinet of Ministers of Ukraine. The Cabinet of Ministers of Ukraine manages the corporate rights of the state over the Bank.

Result from transactions with the shareholder

On 31 December 2023 and 2022, the result from transactions with a shareholder was UAH 12,174 million and comprised of net gain on initial recognition of domestic government bonds received from the Shareholder as contributions to the issued capital in 2016–2017.

General reserves and other funds

General reserves and other funds are established in accordance with the requirements of the Ukrainian legislation, amounted to UAH 12,959 million as at 31 December 2023 (31 December 2022: UAH 11,449 million). The Bank is required to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year is calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders of not less than 5% of current period profit until reserve capital will reach 25% of regulatory capital of the Bank.

Dividends

In 2023 in accordance with the decision of the Cabinet of Ministers of Ukraine on the mandatory distribution of 80% of the profits of state-owned organizations and the decision the Cabinet of Ministers of Ukraine on the approval of the annual financial statements of the Bank for 2022 year, the Bank paid dividends in the amount of UAH 24,158 million or UAH 32.83 per share (in 2022: UAH 28,040 million or UAH 38.10 per share and, according to the Tax Code of Ukraine, the Bank paid UAH 5,047 million of income tax advance payment). In addition, the Bank's subsidiaries paid dividends to the shareholder in the amount of UAH 56 million (in 2022: UAH 206 million).

20 Interest income and expense

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Interest income		
<i>Interest income at effective interest rate</i>		
Loans and advances to individuals	20,245	15,634
Investment securities at FVOCI	17,879	12,712
Loans and advances to banks	15,742	6,857
Loans to small and medium enterprises (SME)	4,622	2,816
Cash and cash equivalents	2,028	343
Loans and advances to legal entities	1,012	523
Investment securities at AC	21	21
Purchase/originated credit-impaired	4	-
Other	60	-
Total interest income at effective interest rate	61,613	38,906
<i>Other interest income</i>		
Investment securities at FVPL	4,440	4,440
Finance lease	184	341
Total other interest income	4,624	4,781
Total interest income	66,237	43,687
Interest expense		
Term deposits of individuals	4,820	3,198
Current/settlement accounts	1,542	134
Lease liabilities	158	157
Term deposits of legal entities	65	110
Other borrowed funds	24	-
Due to others banks	8	3
Due to the NBU	-	165
Total interest expense	6,617	3,767
Net interest income	59,620	39,920

Information on interest income and expense from transactions with related parties is disclosed in Note 33.

21 Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9

<i>In millions of Ukrainian hryvnias</i>	Note	2023	2022
Cash and cash equivalents	6	19	451
Loans and advances to customers including:	8	(1,764)	10,511
- recovered loans, previously written off as not collectible	8	725	359
Investment securities at AC	9	(219)	(21)
Investment securities at FVOCI	9	6,486	3,492
Other financial assets	12	246	98
Credit related commitments	17	(180)	865
Total impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9		4,588	15,396

22 Commission income and expense

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Commission income		
Acquiring transactions	11,005	6,676
Settlement and cash transactions	10,434	11,713
International payment systems	9,177	6,633
Transfers	3,211	1,900
Payments	3,000	2,078
Current accounts	1,396	1,069
Other	3,366	2,876
Total commission income	41,589	32,945
Commission expenses		
International payment systems	16,416	11,980
Settlement and cash transactions	534	524
Other	200	1
Total commission expense	17,150	12,505
Net commission income	24,439	20,440

Information on commission income from transactions with related parties is disclosed in Note 33.

23 Other administrative and operational expenses

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Contributions to Deposit Guarantee Fund	3,347	2,529
Professional services	2,984	2,312
Maintenance of fixed assets	1,327	995
Mail and telecommunication	600	502
Utilities and household expenses	586	572
Taxes other than on income	464	883
Rent	364	306
Security	298	285
Transportation	225	196
Advertising and marketing	133	81
Insurance expenses	67	121
Losses from the disposal of repossessed collateral, non-current assets as held for sale and inventory	49	89
Impairment charge of property, plant and equipment	13	71
Losses from disposal of investment properties	-	23
(Reversal of provision) recognition of provision for legal cases	(194)	885
Other	725	660
Total other administrative and operational expenses	10,988	10,510

Rent expenses includes expenses on lower value assets in the amount of UAH 287 million (2022: UAH 220 million), non-recoverable VAT in the amount of UAH 42 million (2022: UAH 49 million) and other variable rental expenses in the amount of UAH 35 million (2022: UAH 37 million).

Information on other administrative and operational expenses from transactions with related parties is disclosed in Note 33.

24 Other income

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Other income received from payment systems	850	1,559
Reimbursement of court costs	483	317
Fines received	147	154
Other	887	926
Total other income	2,367	2,956

25 Income taxes

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Current tax	35,687	5,941
Deferred tax	(667)	(1,455)
Income tax expense (income tax benefit)	35,020	4,486

According to the amendments to the Tax code of Ukraine issued in December 2023 the tax rate for Bank's income was set as 50% for the year ended 2023 and 25% for the subsequent years. In 2022 the income tax rate applicable to the Group's income was 18%.

As at 31 December 2023 current tax liabilities of UAH 25,791 million consisted of the current tax liabilities UAH 26,758 million less UAH 967 million of advance income tax (including UAH 167 million of advance income tax related to the payment of dividends) (31 December 2022: current tax assets in the amount of UAH 9,079 million consisted of UAH 12,051 million of advance income tax (related to the payment of dividends) less the current tax liability for 2022 UAH 2,972 million).

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Profit before tax	72,877	34,740
Theoretical expense at statutory rate (2023: 50%; 2022: 18%)	36,439	6,253
Tax effect of items which are not deductible or taxable for taxation purposes:		
- Non-deductible expenses	1,210	208
- Income that is not subject to taxation	-	(551)
- Expenses recognised for tax purposes only	(1,716)	-
Change in unrecognised deferred tax assets	-	(1,087)
Change in estimates related to prior years	(204)	(337)
Change in tax rate	(709)	-
Income tax expense (income tax benefit)	35,020	4,486

25 Income taxes (Continued)

Differences between IFRS and statutory taxation regulations in Ukraine and other countries give rise to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below:

<i>In millions of Ukrainian hryvnias</i>	1 January 2023	(Charged)/ credited to profit rate or loss	Change in tax to profit or loss	(Charged)/ credited directly to other compre- hensive income	Change in tax rate to other comprehensive income	31 December 2023
Tax effect of deductible temporary differences						
Provision for expected credit losses on credit related commitments and provision for legal cases	888	(190)	441	-	-	1,139
Tax loss carried forward	465	218	181	-	-	864
Property, Plant and Equipment - other differences (depreciation method and historical cost)	102	(36)	51	-	-	117
Investment securities at FVOCI	3,002	-	-	196	-	3,198
Gross deferred tax asset	4,457	(8)	673	196	-	5,318
Less unrecognised deferred tax assets	(3,002)	-	-	(196)	-	(3,198)
Recognised deferred tax asset	1,455	(8)	673	-	-	2,120
Tax effect of taxable temporary differences						
Investment securities at FVOCI	(215)	-	-	215	-	-
Property, Plant and Equipment (revaluation of premises)	(140)	2	-	24	(54)	(168)
Net deferred tax liability	(355)	2	-	239	(54)	(168)
Net deferred tax (liability)/ asset	1,100	(6)	673	239	(54)	1,952

25 Income taxes (Continued)

<i>In millions of Ukrainian hryvnias</i>	1 January 2022	(Charged)/ credited to profit or loss	(Charged)/ credited directly to other comprehensive income	31 December 2022
Tax effect of deductible temporary differences				
Provision for expected credit losses on credit related commitments and provision for legal cases	67	821	-	888
Tax loss carried forward	930	(465)	-	465
Property, Plant and Equipment - other differences (depreciation method and historical cost)	90	12	-	102
Investment securities at FVOCI	858	-	2,144	3,002
Gross deferred tax asset	1,945	368	2,144	4,457
Less unrecognised deferred tax assets	(1,945)	1,087	(2,144)	(3,002)
Recognised deferred tax asset	-	1,455	-	1,455
Tax effect of taxable temporary differences				
Investment securities at FVOCI	(8)	-	(207)	(215)
Property, Plant and Equipment (revaluation of premises)	(150)	16	(6)	(140)
Net deferred tax liability	(158)	16	(213)	(355)
Net deferred tax (liability)/ asset	(158)	1,471	(213)	1,100

In the context of the Group's current structure and Ukrainian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

26 Segment analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Management Board of the Group.

(a) Description of products and services from which each reportable segment derives its revenue

The Group identifies the following main segments of banking activity:

Retail banking – representing private banking services, private customer current accounts, including through electronic sales channels, deposits, credit cards, consumer loans including in cooperation with commercial network and mortgages.

The corporate banking business segment changed the structure of customer distribution by revenue. At the same time, different service models have been introduced for different types of clients (micro, small, medium or corporate level), but uniform intra-bank policies and management methods will be applied. For the purposes of these consolidated financial statements, all operating segments of business customers are shown as a separate reportable segment of Business Banking based on similarity. This business segment includes the provision of banking services to private entrepreneurs or legal entities, servicing current accounts, attracting deposits, granting loans and other types of financing, and operations with foreign currency. This segment also includes banking services to provide the ability to pay using POS terminals.

26 Segment analysis (Continued)

Activities in the capital markets – this business segment includes trading operations with financial instruments (purchase and sale of securities, except those which used to increase the statutory capital), interbank loans, deposits, foreign currency exchange operations, corporate loans – REPO.

Assets and liabilities managed as a separate portfolio – this segment includes operations that are related to the former owners of the Group and are currently recognized as problematic. According to the Management, this portfolio has similar indicators of credit risk, regardless of the classification by industry and line of business at the date of issuance of such loans. The segment also includes all assets, liabilities and related income, expenses of the Cyprus branch, including investment properties.

Capital management and other centralized management – this segment includes facilities managed centrally cash, correspondent accounts, fixed assets, bank-wide currency position, shareholder instruments (capital, provided by the state to increase the share capital), NBU refinancing, and other assets and liabilities and related income / expenses, and not affected business units. The assets and liabilities of the business unit, and the corresponding income and expenses of which form the segment, define the intra-segment allocation of resource charges (transfer pricing system – «TP»). The TP system is based on the determination of transfer prices, taking into account the actual value of the Group's liabilities; market trends and relevant market indicators; term premium (higher price for a longer term); the cost of the liquidity buffer; target structure of the balance sheet and strategy of the Group.

Domestic government bonds provided by the state to increase the authorized capital include all securities classified as balance sheet investment securities at fair value through profit or loss and partially investment securities at fair value through other comprehensive income namely long-term government debt securities with maturity dates of which November 2027-December 2032. These domestic government bonds are managed within "Capital management and other centralized management" segment, other domestic government bonds are managed within "Capital markets" segment.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income or expenses that are included in operating income (income from other segments/expenses for other segments).

The overall result of the segment includes allocations of all-bank administrative expenses, which are shown in the article "Administrative and other operating expenses". These allocations include the redistribution of all costs of the central management function, including personnel costs, depreciation and other operating costs.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level.

Segment financial information reviewed by the CODM does not include information of the Group's subsidiaries. Regular review of these subsidiary companies is delegated to the local management teams. The CODM obtains financial statements of the Banks subsidiaries. Information about subsidiaries is not included in the segment information, as the amount of assets, liabilities and related income/expenses of subsidiaries is not significant.

(c) Measurement of operating segment profit or loss, assets and liabilities

Assets and liabilities are assigned to the segment based on the principle of the ability to manage the respective assets and liabilities. For each segment of banking activity, the CODM analyzes the net interest income adjusted for the result of operations between segments (income from other segments/expenses for other segments). The intra-segment allocation of the resource fee is carried out at internal rates approved by CUAO, taking into account market interest rates, loan maturity under the agreement and actual data on the maturity of customer funds.

Commission income and expenses include direct segment commissions and the result of internal redistribution of income and expenses between segments.

In 2023, the Bank pays accrued income tax to the budget, in contrast to 2022, when obligations to pay income tax were covered by cash overpayment of income tax made in previous periods. Since income tax is formed as a result of the current profitable activities of the Bank's business segments, it is economically fair to allocate these expenses to the results of such segments.

The overall result of the segment includes allocations of general bank administrative expenses.

26 Segment analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended at 31 December 2023 is set out below:

	Retail banking	Business Banking	Assets and liabilities managed as a separate portfolio	Capital Markets	Capital management and other centralized management	Total reportable segments
<i>In millions of Ukrainian hryvnias</i>						
Total segment assets including:	66,671	30,119	14,004	136,222	432,992	680,008
Cash and cash equivalents	-	-	8	6,355	145,919	152,282
Loans and advances to banks	-	-	-	-	134,237	134,237
Loans and advances to customers	60,146	30,004	410	1,459	-	92,019
Investment securities including:	-	-	-	128,226	143,621	271,847
- at fair value through profit or loss	-	-	-	-	100,376	100,376
- at fair value through other comprehensive income	-	-	-	128,226	43,245	171,471
Investment property	-	-	2,340	-	-	2,340
Other non-financial assets	399	31	8,290	-	374	9,094
Total segment liabilities including:	400,167	148,165	15,100	710	31,020	595,162
Other borrowed funds	2,630	-	-	-	-	2,630
Customer accounts	395,577	148,091	11,852	5	-	555,525

26 Segment analysis (Continued)

Segment information for 12 months 2023 as it was analysed by the CODM is set below:

	Retail banking	Business Banking	Assets and liabilities managed as a separate portfolio	Capital Markets	Capital management and other centralized management	Total reportable segments
<i>In millions of Ukrainian hryvnias</i>						
2023						
Interest income	20,436	5,535	71	13,257	26,939	66,238
Interest expense	(6,442)	(165)	(1)	(9)	1	(6,616)
Revenues from/(expenses on) other segments	22,062	7,282	(288)	(9,107)	(19,949)	-
Net interest income	36,056	12,652	(218)	4,141	6,991	59,622
Commission income	27,467	13,388	6	237	491	41,589
Commission expenses	(13,411)	(3,171)	-	(529)	(39)	(17,150)
Net commission income	14,056	10,217	6	(292)	452	24,439
Net interest and commission income	50,112	22,869	(212)	3,849	7,443	84,061
Net gain (loss) from financial instruments at fair value through profit or loss operations	-	-	-	-	4,648	4,648
Net gain (loss) from trading in foreign currencies	7,672	1,075	4	1,423	-	10,174
Net gain (loss) from foreign exchange translation	-	-	(992)	(23)	(61)	(1,076)
Net gain (loss) from debt financial instruments at fair value through other comprehensive income operations	-	-	-	1,266	-	1,266
Net gain (loss) from revaluation of investment property	-	-	185	-	-	185
Other income	1,088	102	581	-	402	2,173
Employee benefits expense	(3,107)	(926)	(56)	(37)	(6,426)	(10,552)
Depreciation and amortisation expense	(619)	(411)	(4)	(7)	(1,134)	(2,175)
Other administrative and operational expenses including:	(12,287)	(3,671)	(2,297)	(54)	7,363	(10,946)
- direct costs of the segment in addition to personnel costs and depreciation	(4,700)	(1,009)	(2,445)	(20)	(2,966)	(11,140)
- redistribution of costs of centralized functions to business segments	(7,587)	(2,662)	(46)	(34)	10,329	-
- reversal of provision (recognition of provision) for legal cases	-	-	194	-	-	194
Other gains (losses) - losses from modification of financial assets	(449)	18	-	-	24	(407)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates	(1)	-	-	-	-	(1)
Gain (loss) arising from derecognition of financial assets measured at amortised cost	-	-	-	-	4	4
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	945	931	107	(4,281)	(2,290)	(4,588)
Profit before tax	43,354	19,987	(2,684)	2,136	9,973	72,766
(Income tax expense) income tax benefit	(20,488)	(9,309)	-	(986)	(4,218)	(35,001)
Segment result	22,866	10,678	(2,684)	1,150	5,755	37,765

26 Segment analysis (Continued)

Segment information for the reportable segments for the year ended at 31 December 2022 is set out below:

	Retail banking	Business Banking	Assets and liabilities managed as a separate portfolio	Capital Markets	Capital management and other centralized management	Total reportable segments
<i>In millions of Ukrainian hryvnias</i>						
Total segment assets including:	46,955	24,437	11,842	213,744	243,618	540,596
Cash and cash equivalents	-	-	181	3,486	90,524	94,191
Loans and advances to banks	-	-	-	103,837	-	103,837
Loans and advances to customers	43,215	24,374	495	-	-	68,084
Investment securities including:	-	-	-	106,195	133,557	239,752
- at fair value through profit or loss	-	-	-	-	95,716	95,716
- at fair value through other comprehensive income	-	-	-	106,079	37,841	143,920
- at amortized cost	-	-	-	116	-	116
Investment property	-	-	2,155	-	-	2,155
Other non-financial assets	271	2	8,418	4	494	9,189
Total segment liabilities including:	341,351	121,393	14,599	708	4,756	482,807
Other borrowed funds	128	-	-	-	-	128
Customer accounts	339,368	121,221	11,379	2	-	471,970

26 Segment analysis (Continued)

Segment information for 12 months 2022, described as it was analysed by the person responsible for making operational decisions is set below:

	Retail banking	Business Banking	Assets and liabilities managed as a separate portfolio	Capital Markets	Capital management and other centralized management	Total reportable segments
<i>In millions of Ukrainian hryvnias</i>						
2022						
Interest income	15,829	3,391	94	14,387	9,985	43,686
Interest expense	(3,450)	(149)	-	(4)	(165)	(3,768)
Revenues from/(expenses on) other segments	5,900	858	(47)	(6,332)	(379)	-
Net interest income	18,279	4,100	47	8,051	9,441	39,918
Commission income	22,514	9,912	3	190	326	32,945
Commission expenses	(10,099)	(1,892)	-	(40)	(474)	(12,505)
Net commission income	12,415	8,020	3	150	(148)	20,440
Net interest and commission income	30,694	12,120	50	8,201	9,293	60,358
Net increase (decrease) from financial instruments at fair value through profit or loss operations	-	-	-	-	2,608	2,608
Net increase (decrease) from trading in foreign currencies	11,912	897	82	1,764	-	14,655
Net increase (decrease) from foreign exchange translation	-	-	(6,951)	441	(1,250)	(7,760)
Net increase (decrease) from debt financial instruments at fair value through other comprehensive income operations	-	-	-	119	-	119
Net increase (decrease) from revaluation of investment property	-	-	267	-	-	267
Other income	1,929	55	313	2	516	2,815
Employee benefits expense	(3,201)	(868)	(59)	(34)	(5,934)	(10,096)
Depreciation and amortisation expense	(653)	(60)	(5)	(5)	(1,247)	(1,970)
Other administrative and operational expenses including:	(11,273)	(2,742)	(3,175)	(65)	6,782	(10,473)
- direct costs of the segment in addition to personnel costs and depreciation	(3,757)	(643)	(2,247)	(31)	(2,910)	(9,588)
- redistribution of costs of centralized functions to business segments	(7,516)	(2,099)	(43)	(34)	9,692	-
- reversal of provision (recognition of provision) for legal cases	-	-	(885)	-	-	(885)
Other gains (losses) - losses from modification of financial assets	(491)	(22)	-	-	55	(458)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates	-	(1)	-	-	-	(1)
Gain (loss) arising from derecognition of financial assets measured at amortised cost	-	2	-	-	2	4
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(8,791)	(1,821)	(830)	(1,494)	(2,460)	(15,396)
Profit before tax	20,126	7,560	(10,308)	8,929	8,365	34,672
(Income tax expense) income tax benefit	-	-	-	-	(4,474)	(4,474)
Segment result	20,126	7,560	(10,308)	8,929	3,891	30,198

26 Segment analysis (Continued)

Reconciliation of income, profit or loss, assets and liabilities of the segment

Total consolidated revenues comprise interest income, commission income and other operating income for the year ended 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Total revenues for reportable segments	110,000	79,446
(a) Consolidation adjustments	193	142
Total consolidated revenues	110,193	79,588

Reconciliation of reportable profit or loss for the year ended 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Total reportable segment result	72,766	34,672
(a) Consolidation adjustments	111	68
Profit before tax	72,877	34,740

Reconciliation of reportable assets for the year ended 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Total reportable segment assets	680,008	540,596
(a) Consolidation adjustments	60	62
Total consolidated assets	680,068	540,658

Reconciliation of reportable liabilities for the year ended 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Total reportable segment liabilities	595,162	482,807
(a) Consolidation adjustments	(126)	(88)
Total consolidated liabilities	595,036	482,719

Reconciliation of material items of income for the year ended 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Interest income	Other income
Total amount for all reportable segment	66,238	2,173
(a) Consolidation adjustments	(1)	194
As reported under IFRS	66,237	2,367

26 Segment analysis (Continued)

Reconciliation of material items of expense for the year ended 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Interest expense	Employee benefits expense	Other administrative and operational expenses
Total amount for all reportable segment	(6,616)	(10,552)	(10,946)
(a) Consolidation adjustments	(1)	(33)	(42)
As reported under IFRS	(6,617)	(10,585)	(10,988)

Reconciliation of material items of income for the year ended 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Interest income	Other income
Total amount for all reportable segment	43,686	2,815
(a) Consolidation adjustments	1	141
As reported under IFRS	43,687	2,956

Reconciliation of material items of expense for the year ended 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Interest expense	Employee benefits expense	Other administrative and operational expenses
Total amount for all reportable segment	(3,768)	(10,096)	(10,473)
(a) Consolidation adjustments	1	(33)	(37)
As reported under IFRS	(3,767)	(10,129)	(10,510)

Reconciliation of material assets as at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial assets	Property, plant and equipment	Intangible assets other than goodwill
Total amount for all reportable segment	9,493	5,127	1,563
(a) Consolidation adjustments	11	75	3
As reported under IFRS	9,504	5,202	1,566

Reconciliation of material liabilities as at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial liabilities	Customer accounts
Total amount for all reportable segment	3,038	555,525
(a) Consolidation adjustments	18	(154)
(c) Other adjustments	-	-
(f) Swap and spot operations at fair value	-	-
(g) Reclassifications	-	-
As reported under IFRS	3,056	555,371

26 Segment analysis (Continued)

Reconciliation of material assets as at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial assets	Property, plant and equipment	Intangible assets other than goodwill
Total amount for all reportable segment	6,498	5,228	1,389
(a) Consolidation adjustments	9	80	3
As reported under IFRS	6,507	5,308	1,392

Reconciliation of material liabilities at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial liabilities	Customer accounts
Total amount for all reportable segment	2,634	471,970
(a) Consolidation adjustments	13	(107)
(c) Other adjustments	-	-
(f) Swap and spot operations at fair value	-	-
(g) Reclassifications	-	-
As reported under IFRS	2,647	471,863

The reconciling items are attributable to the following:

(a) – Segment reporting is prepared before consolidation of subsidiaries.

The Group did not analyse the capital expenditure, current and deferred income tax in segment reporting.

(e) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Notes 20 (interest income), Note 22 (commission income).

The Group has counterparties for which the revenue was more than 10% of the total revenue for 2023 and 2022 are the Bank's Shareholder and National Bank of Ukraine. See Note 33.

(f) Geographical information

Revenues for each individual country for which the revenues are material:

<i>In millions of Ukrainian hryvnias</i>	2023	2022
Ukraine	110,179	79,568
Other	14	20
Total consolidated revenues	110,193	79,588

27 Financial risk management

The risk management function within the Group is carried out in respect of financial risks as well as non-financial risks (operational, legal, compliance risks and reputation risks). Financial risks comprise market risk (including currency risk), credit risk, interest rate risk and liquidity risk. The main tools of financial risk management are to set risk limits and ensure that these limits are not exceeded.

27 Financial risk management (Continued)**Risk Management Bodies**

For the purposes of efficient risk management, the Group has developed and operates the risk management system, which anticipates segregation of rights, duties and responsibilities among governance bodies and structural units of the Group, segregation of the processes of identifying and assessing risks, assessing the efficiency of the risk management system from the process of risk acceptance.

The bodies of risk management system in the Group include:

- Supervisory Board;
- Risk Committee of the Supervisory Board;
- Management Board;
- Operational Risk Management and Informational Security Committee;
- Credit Committee;
- Asset and Liability Management Committee;
- Non-performing Assets Management Committee;
- Internal Audit;
- Risk Management Function;
- Compliance Division;
- Capital Markets Department;
- Asset, Liability and Investment Analysis Department;
- Other support divisions (Back and Middle Office);
- Business divisions that directly accept risks.

Supervisory Board is fully responsible for managing the risks to which the Group is exposed in its activities and thus:

- ensures the creation and operation risk management system, supervise the effectiveness of the risk management system and internal control;
- determine and monitors compliance with the Group's corporate values based on legitimate and ethical business practices and constantly maintains a high standart of risk management culture;
- establishes and maintain at an appropriate level an organisational structure, risk management information system and internal controls that ensure effective risk management;
- ensures that the Group's remuneration policy is consistent with and promotes effective risk management without encouraging excessive risk taking;
- ensures that risk management practices are an integral part of strategic planning;
- approves internal risk management documents and monitors compliance thereto, and implementation/updating thereof;
- approves a list of limits (restrictions) for each type of risk and procedures for escalating risk limit violations;
- approves the Group Recovery Plan and ensures the fulfillment of functions related to recovering activities of the Group by other bodies of the risk management system (taking into account the Amendments to the Rules of Banks Operating under the martial law in Ukraine, approved by the NBU Resolution No. 80 of April 22, 2022);
- approves the appointment and dismissal of the Chief Risk Officer (CRO) and Chief Compliance Officer (CCO);
- identify cases of prohibition (veto) of CRO and/or CCO on decisions of the Management Board of the Group, committees and other collegial bodies of the Management Board of the Group;
- ensures the functioning of the internal control system and supervising its efficiency;
- reviews management risk reports and, if the bank's risk profile does not meet the approved risk appetite, promptly decide on the implementation of adequate risk mitigation measures;
- takes measures to prevent conflicts of interest within the Group, promotes their resolution and informs the National Bank of Ukraine of conflict of interest arising within the Group.

27 Financial risk management (Continued)

The Risk Committee of the Supervisory Board is collegial body established and functioning to assist the Supervisory Board in ensuring operation of the Group's risk management system. The Risk Committee of the Supervisory Board performs the following main functions:

- participates in the development of the organisational structure for risk management and internal control to ensure sound risk management, adequate internal control;
- monitors and analyses the current portfolio and the rate of risks accepted by the Group;
- controls the compliance with the risk thresholds established by the Supervisory Board;
- ensures the availability and updating (at least once a year) of the Group's internal documents regulating the risk management process and the functioning of the internal control system (taking into account the Amendments to the Rules of Banks Operating under the martial law in Ukraine, approved by the NBU Resolution No. 80 of April 22, 2022);
- controls and advises the Supervisory Board on the Group's capital adequacy and liquidity;
- submits suggestions to the Supervisory Board on improving the risk management and internal control systems;
- reviews and advises the Supervisory Board on ensuring the going concern and business recovery plans.

Internal Audit is a component of the Group's internal control system and performs the following main functions:

- identifies and assesses the main areas of the Group's risk, including the availability and efficiency of the risk management system, the compliance of such system with the types and values of conducted transactions, and the internal control system, the capacity of these systems to respond to new and increasing risks, justification of the risk rate that the Group is ready to accept;
- ensures providing the Supervisory Board, the Supervisory Board Audit Committee and Risk Committee of the Supervisory Board, the Management Board of the Group with an independent justified assessment of the efficiency of actions, measures and inspections regarding risks to which the Group is exposed;
- develops and gives recommendations on the elimination of deficiencies, improvement of efficiency of the Group's risk management and internal control systems, monitoring of the measures taken to eliminate deficiencies and implementation of recommendations.

The Management Board is responsible for the implementation of the risk management strategies and policies, risk management culture, risk management and internal control systems, procedures, methods and other measures for the efficient risk management approved by the Supervisory Board and, respectively:

- ensures the development, develops, concurs or approves (depending on the type of a document) internal documents on risk management;
- ensures preparation and submission to the Supervisory Board of the managerial reports on all types of risks to which the Group is exposed, including new types of products or significant changes;
- develops measures for the prompt elimination of deficiencies in the functioning of risk management system, implementation of recommendations and observations of internal control system assessment exercise, audits by internal audit department, external auditors and inspections of supervisory bodies.

Credit Committee

The Credit Committee makes decisions on asset transactions of the Group within the authority limits established by the Group Management Board, approves limits for transacting with counterparty banks, purchase of securities, and oversees significant loan projects. The Credit Committee approves methodologies, instructions, procedures, forms, models and other regulatory or procedural documents for identifying, measuring, monitoring, controlling, reporting and mitigating credit risks at all organizational levels. The Credit Committee meets at least once a week.

Assets and Liabilities Committee

The main purpose of establishing and operating the Assets and Liabilities Committee is to ensure the efficiency and continuity of the Group assets and liabilities management process, monitor liquidity risk, market, interest rate risk in the banking book and take appropriate measures aimed at minimizing these risks and maximizing the financial result of the Group. The Assets and Liabilities Committee meets every month.

27 Financial risk management (Continued)***Operational Risk Management and Informational Security Committee***

The main purpose of the Operational Risk Management and Informational Security Committee is to ensure the complexity and effectiveness of operational and informational risk management processes, implementation and support the function of internal control and information security systems, management of risks related to the Group's interaction with non-banking institutions. The Operational Risk Management and Informational Security Committee meets once a month.

Non-performing Assets Management Committee

The Committee was established to ensure effective work with problem assets, in order to reduce the level and volume of problem assets of the Group, by prompt decision-making and ensuring the efficient processes of problem assets management. The scope of the Committee's activities includes all problem assets of the Bank, including assets in the watch list, collected property and toxic assets.

Capital Markets Department

Capital Markets Department is responsible for day-to-day liquidity management and day-to-day management of foreign exchange position of the Group.

Asset, Liability and Investment Analysis Department

Asset, Liability and Investment Analysis Department daily performs the calculation and control of compliance by the Group with the prudential liquidity ratios established by the NBU, as well as internal indicators of liquidity risk, prepares reports on the current liquidity status of the Group.

Risk Management Function is independent from business departments and does not contribute to the generation of the Group's income. The Risk Management Function is subordinated to the Chief Risk Officer (CRO). Then, CRO reports and is accountable to the Supervisory Board, and has direct access to the Supervisory Board and/or the Risk Committee of the Supervisory Board. CRO has right to veto resolutions of the collegial bodies established by the Management Board.

The Risk Management Function performs the following main functions:

- ensures functioning of the risk management system for credit risk, operational risk, market and interest rate risks in the bank portfolio (loans, deposits etc.) and liquidity risk through timely identification, measurement, monitoring, control and reporting on each type of risk;
- develops/participates in the development, and keeps updated (depending on the type of a document) the internal bank regulations (procedures, methodologies, regulations, etc.) on risk management;
- prepares conclusions on credit applications submitted by business divisions for both new credits and for modifying terms under valid/current credits;
- prepares and submits risk reports to the Group's Supervisory Board - at least once a quarter, to the Supervisory Board Risk Committee and the Group Management Board as well as to committees of the Group Management Board - at least once a month, and in situations requiring the immediate update of the Group Supervisory Board – as soon as possible;
- performs stress-testing for risks;
- monitors the compliance with the risk limits, risk appetite indicators and with the Group's Recovery Plan and the Contingency Funding Plan indicators;
- develops and implements the early warning system for risky borrowers, financing of which can lead to higher credit risk;
- provides for execution and control of loan loss provisioning in accordance with IFRS, and credit risk assessment in accordance with requirements of the National Bank of Ukraine;
- develops, implements and keeps risk assessment methodologies and models updated.

27 Financial risk management (Continued)

Compliance Division is subordinated to the Member of the Management Board (Chief Compliance Officer), which, in turn, reports and is accountable to the Group Supervisory Board. Compliance Division is independent from business divisions, does not take part in generating income of the Group and performs the following functions:

- ensures control over the Group's compliance with legislative rules, regulatory environment, rules, Group internal documents and relevant standards of professional associations, which are applicable to the Group;
- ensures monitoring of changes in the legislation and regulatory environment, rules, Group internal documents and relevant standards of professional associations, applicable to the Group, and evaluate the impact of such changes on the processes and procedures implemented in the Group, as well as ensures control over making the relevant amendments in the Group internal documents;
- ensures control over the Group's relationships with customers and counterparties in order to prevent the Group's participation and / or use in illegal transactions;
- ensures management of the risks associated with a conflict of interests;
- prepares conclusions on compliance risk inherent in new products and significant changes in the activities of the Group, before such new products are implemented in order to take timely and adequate managerial decisions;
- prepares and submits the compliance risk assessment reports to the Group Supervisory Board, the Risk Committee of the Supervisory Board and to the Management Board at least once a quarter;
- performs other functions stipulated by the internal documents of the Group and the current legislation of Ukraine.

Credit risk. The Group takes on exposure to credit risk, which means a probability of losses or further expenses, or shortfall in planned revenues as a result of debtor's/counterparty's failure to fulfil the obligations assumed under the agreed terms and conditions. Credit risk arises on all active banking operations, except for debt securities and other financial instruments in the Group's trading book.

The Group's credit policy defines the general principles for implementing the credit process and credit risk management, establishes a general approach to the acceptance of credit risks, principles and standards of credit activity, defines the authorities and responsibilities of the Group governance bodies, employees and structural subdivisions at each stage of the credit process, provides for the comprehensive approach to credit risk management.

Russia's military aggression against Ukraine significantly affected the quality of debt servicing by borrowers. In order to prevent the effects of negative factors and maintain the ability to service the debt, the Group used various means of debt restructuring. Approaches to decision-making in credit operations were also updated - geographical differentiation was applied depending on the riskiness of the territories of business activity (location of the borrower), additional criteria for risk assessment and monitoring of the quality of the credit portfolio were introduced.

Credit risk management is carried out on the basis of the regular analysis of the capacity of borrowers and potential borrowers to fulfill their obligations on repaying loan principal and paying interest, the regular analysis of loan portfolio quality in order to monitor the rate of credit risk by changing lending limits as necessary, by obtaining collateral, making its examination and appraisal at established frequency, and by applying other instruments of credit risk mitigation.

Main information on credit risk rate is systematically updated and provided for analysis in the form of loan portfolio status reports.

The Credit Committee approves the classification of credit transactions by risk groups, reviews, corrects and approves the credit risk assessment in line with regulatory requirements and the estimated amount of loan losses in compliance with IFRS (loans and advances to clients, loan commitments and other financial assets).

To limit the risks to which the Group is exposed as a result of its lending transactions, the Group has the following system of decision-making authority for lending transactions:

- individual authority limits : these are limits delegated to the Risk Management Function for decision making on retail and small and medium business clients under standard product terms;
- dual authority limits ("dual signature" authority): these are limits for risky and risk-free transactions delegated to the managers of risk management divisions together with the heads of relevant business divisions within the standard product terms. A transaction is performed provided the unilateral positive vote to authorize it.;
- group authority limits: these are limits delegated by the Bank Management Board to the Credit Committee, subject to the conclusions, comments or recommendations of the Legal Department, the Security Division, and the opinion of the risk management divisions, which includes comments on specific risks and mitigation actions associated with potential lending transaction to have it approved as negative. The decision is taken by a majority vote of the members of the Credit Committee.

27 Financial risk management (Continued)

Loan Monitoring

The Group IT systems allow the management to monitor loan portfolio behaviour real time.

The Group regularly monitors the risk of each loan, both as regarding the fulfilling the loan agreement terms and conditions and as regarding the monitoring the borrower's ability to further fulfill the loan agreement terms and conditions, for which the Group performs: (i) review of the borrower's financial condition, (ii) assessment of the adequacy of the loan collateral. The borrower's financial condition are regularly reviewed, and the borrower's internal credit rating may be revised based on the results of such analysis. This analysis is based on data on the receipt of funds on the client's account, the latest financial statements and other commercial information of the borrower, which he provided to the Group or which the Group otherwise received.

The Group calculates early warning indicators, namely signs of abnormal customer behavior / activity, which could potentially lead to a deterioration of the customer's risk profile.

The Group performs regular monitoring of market value of the collateral to assess its sufficiency for loan coverage. Assessment of collateral is performed by independent appraisers, certified by the Group or qualified as internal appraisers. Regularity of these assessments depends on type of collateral.

The Group maintains client credit history records. This allows the Group to control the credit risk rate by targeting borrowers, who have a good credit history.

Problem Loan Recovery

Problem assets are managed in accordance with the approved Strategy and Operational Plan for Non-performing Assets Management approved by the Supervisory Board Decision dated 05.05.2023, Protocol No.7/23 which sets targets for reducing the level and volume of problem assets on a gross basis and less provisions.

All functions, responsibilities, authorities regarding the problem assets management are clearly distributed between business units - they carry out work at the early response and restructuring stages, and NPA units (namely: the Problem Debt Management Department, the Problem Debt Collection Directorate, the Toxic Assets Directorate, "Security Service" Department, Soft Collection Department) - they manage problem assets and collected property.

For the purpose of prompt decision-making, the Management Board established a Non-performing Assets Management Committee. All decisions are made in accordance with the limits of authority set by the Supervisory Board.

The Group determines the measures for the settlement of problem assets either on the basis of standardized decisions or individually, taking into account the calculation of the net present value of expected cash flows, which ensure the receipt of economic benefits higher than the costs that may be incurred during the management of problem assets.

The process of problem assets management covers all 4 stages of the life cycle of the problem asset, namely:

The first stage - early detection. At this stage, business units are working with potentially problematic debtors with watching status. In case of an early debt (delay in payment of scheduled payments is 1 or more days) it is organized a process of remote debt settling, including preventive measures - Soft Collection (telephone contacts, SMS, e-mails, interactive messages).

The second stage - restructuring. Depending on the level of cooperation with the debtor, financial condition, Business units make actions to change the terms of lending, reduce the financial burden, through the use of short-term restructuring tools.

In order to overcome the crisis caused by the military aggression of Russia against Ukraine, standardised conditions for short-term and long-term restructuring were implemented, and for clients who do not comply with the parameters of such programs, individual conditions are provided upon request. The impact of modification and restructuring of loans to customers during 2023 and 2022 is presented in Note 8.

For borrowers from temporarily occupied territories and territories where hostilities are being conducted, military and mobilized individuals, borrowers with loans granted in foreign currency secured by mortgage, conditions with the suspension of payments are applied.

27 Financial risk management (Continued)

The third stage - out-of-court and court settlement. At this stage, the Group is taking measures to enforce the recovery of debtors' debts, who refuse to cooperate or cannot pay due to significant deterioration in financial condition. If clients are willing to cooperate with the Group, there is evidence of the restoration of solvency, then such debtors are offered tools for early restructuring. At this stage, the Group uses the following tools:

- conducting face-to-face contacts with debtors, searching for collateral and leased property, their seizure;
- litigation, support of enforcement proceedings;
- interaction with law enforcement agencies regarding assets that are considered fraudulent.

At the time of martial law, the bank does not have tools to settle debts in territories where hostilities are being waged or under temporary occupation, and it is also limited in the use of executive inscriptions of notaries, forced collection of collateral on consumer loans and the possibility of out-of-court appeals for mortgages.

The fourth stage - timely and correct accounting of the collected property, preparation of the collected property (which is not subject to the moratorium) for sale and its further sale.

The Group writes-off debts at the expense of the formed provisions in accordance with the internal Regulations on debt write-offs and the requirements of regulatory legal acts of Ukraine.

The Group outsources the functions of problem debts collection, which are not economically feasible to process in internal procedures, and organizes the sale of debt on assets, in respect of which the application of any measures by the Bank is economically impractical.

The Supervisory Board, the Management Board, and the Non-performing Assets Management Committee regularly monitor and control the outcome of the Strategy and the effectiveness of problem asset management processes.

Related Party Lending

The Group conducts its business with related parties on commercial terms. Each loan request from a related party is subject to the same credit approval procedures that apply to any loan application from a nonrelated party.

Market risk. Market risk is a probability of occurrence of losses or additional expenses or a shortfall in the planned income as a result of unfavourable movements in foreign exchange rates, interest rates, cost of financial instruments (market quotes, indexes, etc.). The strategic objective of the Group risk management policy is to minimize and prevent possible losses that can arise in case the market conditions change.

Currency risk. Currency risk is the risk that the value of financial instruments owned by the Group will fluctuate due to changes in foreign exchange rates. The Group's major currency positions are in Ukrainian hryvnia, U.S. dollars and Euros. The Group's policy in respect of open currency positions is restricted under Ukrainian law to regulatory limits. The Asset, Liability and Investment Analysis Department and Capital Markets Department perform daily control of compliance with regulatory limits and currency exchange positions by means of compiling appropriate reports. Refer to Note 8 and 9.

The table below summarises the Group's exposure to currency risk at the end of the reporting period and position in Ukrainian hryvnias:

	31 December 2023				31 December 2022		
	Monetary financial assets	Monetary financial liabilities	Swaps, spots and forwards	Net balance and off-balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance and off-balance sheet position
<i>In millions of Ukrainian hryvnias</i>							
Ukrainian hryvnias	529,649	403,490	(2,667)	123,492	397,612	333,867	63,745
US Dollars	92,831	119,675	2,659	(24,185)	84,789	109,947	(25,158)
Euros	36,416	36,861	-	(445)	29,119	29,871	(752)
Other	990	1,030	-	(40)	849	952	(103)
Total	659,886	561,056	(8)	98,822	512,369	474,637	37,732

27 Financial risk management (Continued)

Fair value of embedded derivatives was included in the table above together with host instruments into UAH denominated financial assets because all debt will be paid in hryvnias.

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Group's gross exposure.

The following table presents sensitivities of profit or loss and equity to possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Group entities, with all other variables held constant:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023		31 December 2022	
	Impact on profit or loss (before tax)	Impact on equity	Impact on profit or loss (before tax)	Impact on equity
US Dollar strengthening by 10%	5,801	2,901	5,261	4,314
US Dollar weakening by 5%	(2,884)	(1,442)	(1,365)	(1,119)
Euro strengthening by 10%	(45)	(23)	(75)	(62)
Euro weakening by 5%	22	11	38	31
Other strengthening by 5%	(2)	(1)	(5)	(4)
Other weakening by 5%	2	1	5	4

Sensitivity of profits or loss and equity to possible changes in exchange rates for investments with embedded derivatives was calculated by changing historical exchange rates for last month of reporting period by relevant percent of strengthening/weakening.

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

Interest rate risk. Interest rate risk in the banking book is a probability of occurrence of losses or additional expenses, or a shortfall in the planned income due to the effect of unfavourable changes in the interest rates. Interest rate risk affects the economic value of the Group capital and net interest income of the Group.

The strategic objective of the Group's interest rate management policy is to minimize and prevent possible losses that can arise in case the market conditions change. The Group faces the risk of financial losses due to movement of interest rates on assets and liabilities, mainly as a result of granting fixed interest rate loans for the terms and in amounts different from the terms and amounts of liabilities with fixed interest rate.

The collegial body that ensures the tactical implementation of the Group's interest rate policy is the Assets and Liabilities Committee. Responsibilities of the Assets and Liabilities Committee in this area include an overview of the financial market price policy, credit and deposit interest rates under the programs of competitive banks, consideration of proposals of the Business and the Head Office divisions to improve the efficiency of the Group's credit and deposit policy, the assessment of the cost of liabilities and return on assets, interest margin policy, approval of interest rates. Interest rates may undergo review in the event of significant fluctuations in market rates, changes in the discount rate of the regulator, depending on the resource position of the Group.

Market Risk Management Division, that is a part of the Risk Management Function, monitors and controls the interest rate risk based on the GAP analysis, in which assets and liabilities sensitive to interest rate changes are grouped by time bands.

Fixed interest rate assets and liabilities are arranged by remaining maturities, while assets and liabilities with a variable interest rate are arranged by the earliest repricing dates.

The net interest sensitivity gap between assets and liabilities in a given time band represents the GAP. The GAP analysis produces the assessment of the effect of changes in interest rates on the Group's net interest income. As at 31 December 2023 and 2022, the Group had no significant interest-bearing assets and liabilities with floating rates.

The Group conducts stress testing to determine the conditions under which the Group is exposed to possible losses, as well as to determine the amount of these losses and the impact on the Group's interest income. Stress testing is performed by analyzing the sensitivity of net interest income to movements in interest rates assuming that the rates increase or decrease for a certain number of percentage points.

27 Financial risk management (Continued)

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earliest of contractual interest repricing or maturity dates.

<i>In millions of Ukrainian hryvnias</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 1 year	Non-monetary	Not sensitive to interest rate	Total
31 December 2023							
Total financial assets	298,318	43,954	73,572	212,301	3	31,741	659,889
Total financial liabilities	491,621	26,246	36,425	4,960	1	1,804	561,057
Net interest sensitivity gap at 31 December 2023	(193,303)	17,708	37,147	207,341			68,893
31 December 2022							
Total financial assets	216,972	25,830	84,773	158,677	2	26,117	512,371
Total financial liabilities	399,079	30,485	41,592	2,271	1	1,210	474,638
Net interest sensitivity gap at 31 December 2022	(182,107)	(4,655)	43,181	156,406			12,825

The Group monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

<i>In % p.a.</i>	31 December 2023				31 December 2022			
	USD	UAH	Euro	Other	USD	UAH	Euro	Other
Assets								
Correspondent accounts and overnight deposits with banks	1	-	1	-	2	-	1	-
Deposit certificates of the NBU	-	16	-	-	-	23	-	-
Loans and advances to banks in escrow accounts with the NBU	5	-	-	-	4	-	-	-
Loans and advances to legal entities	8	11	4	-	8	11	5	-
Loans and advances to individuals	14	41	15	-	15	42	13	-
Loans to small and medium enterprises (SME)	4	25	3	-	5	20	3	-
Investment securities at FVPL	-	6	-	-	-	6	-	-
Investment securities at FVOCI	5	15	3	-	4	12	3	-
Investment securities at AC	-	-	-	-	-	19	-	-
Other financial assets	1	-	-	-	0	-	-	-
Liabilities								
Other borrowed funds	-	3	-	-	-	3	-	-
Customer accounts								
- current accounts of customers	-	1	-	-	-	0	-	-
- term deposits of legal entities	-	5	0	-	-	4	0	-
- term deposits of individuals	0	13	0	-	0	6	0	-
Lease liabilities	-	16	-	-	-	13	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency or there is no interest rate under the contract.

The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Group's current period profit and equity at the end of the reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers.

27 Financial risk management (Continued)

The sensitivity analysis of interest rate risk with the impact on profit and loss before taxation for 2023 is provided below:

<i>In millions of Ukrainian hryvnias</i>	Sensitivity+1%				Sensitivity-1%			
	USD	UAH	Euro	Other	USD	UAH	Euro	Other
Interest income								
<i>Interest income at effective interest rate</i>								
Cash and cash equivalents	131	-	37	-	131	-	35	-
Loans and advances to banks	4	1,327	-	-	4	1,327	-	-
Loans and advances to legal entities	58	1,229	7	-	97	1,372	7	-
Loans and advances to individuals	1	672	-	-	2	676	-	-
Loans to small and medium enterprises (SME)	1	238	-	-	1	239	-	-
Investment securities at FVOCI	304	1,372	143	-	304	1,372	143	-
Investment securities at AC	-	-	-	-	-	-	-	-
Other	37	-	-	-	16	-	-	-
Total impact on interest income at effective interest rate	536	4,838	187	-	555	4,986	185	-
<i>Other interest income</i>								
Investment securities at FVPL	-	738	-	-	-	738	-	-
Finance lease	-	40	-	-	-	68	-	-
Total impact on other interest income	-	778	-	-	-	806	-	-
Total impact on interest income	536	5,616	187	-	555	5,792	185	-
Interest expense								
Current/settlement accounts	139	305	25	-	-	249	-	-
Term deposits of legal entities	3	14	1	-	-	14	-	-
Term deposits of individuals	152	583	24	-	-	583	-	-
Other borrowed funds	-	26	-	-	-	26	-	-
Lease liabilities	-	12	-	-	-	12	-	-
Total impact on interest expense	294	940	50	-	-	884	-	-

27 Financial risk management (Continued)

The sensitivity analysis of interest rate risk with the impact on profit and loss before taxation for 2022 is provided below:

<i>In millions of Ukrainian hryvnias</i>	Sensitivity+1%				Sensitivity-1%			
	USD	UAH	Euro	Other	USD	UAH	Euro	Other
Interest income								
<i>Interest income at effective interest rate</i>								
Cash and cash equivalents	427	-	105	-	392	-	-	-
Loans and advances to banks	37	1,000	-	-	37	1,000	-	-
Loans and advances to legal entities	63	1,213	7	-	93	1,351	7	-
Loans and advances to individuals	2	508	-	-	2	512	-	-
Loans to small and medium enterprises (SME)	1	203	-	-	1	203	-	-
Investment securities at FVOCI	281	1,223	116	-	281	1,223	116	-
Investment securities at AC	-	1	-	-	-	1	-	-
Other	34	-	-	-	-	-	-	-
Total impact on interest income at effective interest rate	845	4,148	228	-	806	4,290	123	-
<i>Other interest income</i>								
Investment securities at FVPL	-	738	-	-	-	738	-	-
Finance lease	-	40	-	-	-	68	-	-
Total impact on other interest income	-	778	-	-	-	806	-	-
Total impact on interest income	845	4,926	228	-	806	5,096	123	-
Interest expense								
Current/settlement accounts	49	85	8	-	-	30	-	-
Term deposits of legal entities	9	27	1	-	-	27	-	-
Term deposits of individuals	329	519	35	-	-	519	-	-
Other borrowed funds	-	1	-	-	-	1	-	-
Lease liabilities	-	14	-	-	-	14	-	-
Total impact on interest expense	387	646	44	-	-	591	-	-

27 Financial risk management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2023 is set out below:

<i>In millions of Ukrainian hryvnias</i>	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	79,196	72,999	87	152,282
Loans and advances to banks	134,237	-	-	134,237
Loans and advances to customers	91,889	1	129	92,019
Investment securities at FVPL	100,376	-	-	100,376
Investment securities at FVOCI	171,468	3	-	171,471
Other financial assets	2,620	4,532	2,352	9,504
Total financial assets	579,786	77,535	2,568	659,889
Non-financial assets	11,881	76	8,222	20,179
Total assets	591,667	77,611	10,790	680,068
Liabilities				
Due to customers	540,723	11,864	2,784	555,371
Other borrowed funds	2,630	-	-	2,630
Other financial liabilities	1,763	1,176	117	3,056
Total financial liabilities	545,116	13,040	2,901	561,057
Non-financial liabilities	31,620	3	2,356	33,979
Total liabilities	576,736	13,043	5,257	595,036
Net position	14,931	64,568	5,533	85,032
Credit related commitments (Note 17)	215,255	4	69	215,328

Assets, liabilities and credit related commitments have been based on the country in which the counterparty is located. Cash on hand, precious metals and premises and equipment have been allocated based on the country in which they are physically held.

27 Financial risk management (Continued)

The geographical concentration of the Group's assets and liabilities at 31 December 2022 is set out below (restated):

<i>In millions of Ukrainian hryvnias</i>	Ukraine	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	36,052	58,097	42	94,191
Loans and advances to banks	103,837	-	-	103,837
Loans and advances to customers	67,950	2	132	68,084
Investment securities at FVPL	95,716	-	-	95,716
Investment securities at FVOCI	143,918	2	-	143,920
Investment securities at AC	116	-	-	116
Other financial assets	294	4,006	2,207	6,507
Total financial assets	447,883	62,107	2,381	512,371
Non-financial assets	20,035	99	8,153	28,287
Total assets	467,918	62,206	10,534	540,658
Liabilities				
Due to customers	458,160	10,947	2,756	471,863
Other borrowed funds	128	-	-	128
Other financial liabilities	1,600	938	109	2,647
Total financial liabilities	459,888	11,885	2,865	474,638
Non-financial liabilities	6,083	4	1,994	8,081
Total liabilities	465,971	11,889	4,859	482,719
Net position	1,947	50,317	5,675	57,939
Credit related commitments (Note 17)	143,739	2	65	143,806

Liquidity risk. Liquidity risk is a probability of losses or additional expenses, or a shortfall in the planned revenues as a result of the Group's inability to finance the growth of its assets and/or fulfil its obligations in due time.

Strategic tasks of the Group policy in area of liquidity risk management are: liquidity indicators keeping at level higher the regulatory level, minimization of liquidity risk by keeping of sufficient amount of high quality liquid assets as possible source of pledge for case of stressing situations implementation, limits of borrowed funds concentration by formation of diversifying resources base, etc.

The Group strives to support stable form of financing, develop sources of funds, in first turn, funds of individuals and legal entities.

For monitoring of current liquidity status Asset, Liability and Investment Analysis Department manages liquidity daily by controlling the payment calendar of the Group. Asset, Liability and Investment Analysis Department of the Group daily manages current liquidity, analyzes payment schedules, and manages the liquidity position.

Statistical Reporting Department performs daily calculation of liquidity indicators in accordance with the NBU requirements and submits reports to the relevant units. The liquidity compliance information is used by Asset, Liability and Investment Analysis Department to manage liquidity on a daily basis. Asset, Liability and Investment Analysis Department also analyzes the possible consequences of the significant amounts from major clients outflow in order to minimize the likelihood of unexpected changes in the volume of resources. Asset, Liability and Investment Analysis Department ensures compliance with reserve requirements and regulatory liquidity indicators.

27 Financial risk management (Continued)

The management reporting on the liquidity status with compliance with regulatory liquidity indicators and mandatory reserve norms is provided to ALCO members and Market risk management unit not less than once a month from Asset, Liability and Investment Analysis Department.

Every month the management reporting on the liquidity status is submitted to the attention of the Risk Committee of the Supervisory Board by the Market Risk Management, which is part of the Block of Subdivisions on Risk Management. The reports include information on liquidity breaches based on GAP-analysis method (comparison of assets amount and liabilities by liquidity gaps) in main currencies and in equivalent of national currency, available high quality liquid assets, concentration of funding by sources, etc.

Liquidity risk control is implemented through the compliance with regulatory ratios of LCR and NSFR, as well as limits and liquidity GAPs indicators requirements, required level of high quality liquid assets and funding concentrations by sources.

Contingency Funding Plan which is integrated into Recovery Plan was developed to manage liquidity in crisis periods. It contains a list of possible reasons leading to crisis, indicators of crisis and list of measures on crisis events localization and liquidation. The Plan establishes responsible bodies for certain measures and procedure of their interaction. The Bank also performs stress-testing by liquidity scenarios that include possible unfavourable conditions.

The Group calculates regulatory liquidity ratios established by the National Bank of Ukraine on a daily basis.

These obligatory limits shall include:

- liquidity coverage ratio (LCR) - in multicurrency (LCRBB) and in foreign currency (LCRIB). LCR was 462.83% in multicurrency (LCRBB) and 266.09% in foreign currency (LCRIB) as at 31 December 2023 (31 December 2022: 311.01% and 260.14% respectively) with regulatory limit established by the NBU not less than 100% in multicurrency (LCRBB) and in foreign currency (LCRIB) (31 December 2022: not less than 100% in multicurrency (LCRBB) and 100% in foreign currency (LCRIB));
- net stable funding ratio (NSFR). NSFR was 185.21% as at 31 December 2023 with regulatory limit established by the NBU not less than 100% (31 December 2022: 182.24% not less than 90%).

The table below shows liabilities at 31 December 2023 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because amounts disclosed in consolidated statement of financial position are based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2023 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months to	From 5 years Over 5 years	Total
Liabilities					
Other borrowed funds	6	20	52	315	3,814
Due to customers	492,713	26,816	36,670	1,787	-
Debt securities in issue	-	-	3	-	-
Other financial liabilities	1,876	107	479	869	9
Total contractual future payments for financial liabilities	494,595	26,943	37,204	2,971	3,823
Credit related commitments and financial guarantee contracts (Note 17)	215,328	-	-	-	-
	215,328	-	-	-	215,328

27 Financial risk management (Continued)

The maturity analysis of financial liabilities at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months to 12 months	From 5 years to Over 5 years		Total
Liabilities						
Other borrowed funds	1	1	3	16	189	210
Due to customers	400,157	30,425	41,301	1,420	-	473,303
Debt securities in issue	-	-	2	-	-	2
Other financial liabilities	1,260	104	467	1,021	36	2,888
Total contractual future payments for financial liabilities	401,418	30,530	41,773	2,457	225	476,403
Credit related commitments and financial guarantee contracts (Note 17)	143,806	-	-	-	-	143,806

Customer accounts are classified in the above analysis based on contractual maturities.

27 Financial risk management (Continued)

The Group does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Group monitors maturities, which may be summarised as follows at 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	Less than					From 1 to 5		Not defined	Total
	1 month	3 months	6 months	9 months	12 months	years	Over 5 years		
Assets									
Cash and cash equivalents	151,921	-	-	-	-	-	-	2,237	154,158
Loans and advances to banks	116,884	16,916	437	-	-	-	-	-	134,237
Loans and advances to customers	16,945	20,102	10,516	6,718	6,261	18,797	12,522	158	92,019
Investment securities including:	929	19,024	33,814	9,636	21,939	73,572	112,930	3	271,847
- at fair value through profit or loss	123	525	278	-	-	16,673	82,777	-	100,376
- at fair value through other comprehensive income	806	18,499	33,536	9,636	21,939	56,899	30,153	3	171,471
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-	-	30	30
Property, Plant and Equipment and intangible assets, investment properties and repossessed collateral	-	-	-	-	-	-	-	9,030	9,030
Other financial assets	9,438	105	-	-	-	-	3,604	533	13,680
Other non-financial assets, current tax assets and deferred income tax asset	6	-	-	-	-	-	-	11,607	11,613
TOTAL ASSETS	296,123	56,147	44,767	16,354	28,200	92,369	129,056	23,598	686,614
Liabilities									
Other borrowed funds	6	-	-	-	-	-	2,624	-	2,630
Customer accounts:	131,645	57,007	42,000	22,553	14,852	15,136	254,774	11,721	549,688
- legal entities and organizations	53,542	10,587	6,283	2,585	1,374	11,476	60,806	11,521	158,174
- individuals	78,103	46,420	35,717	19,968	13,478	3,660	193,968	200	391,514
Other financial liabilities	13,554	169	215	224	156	387	-	-	14,705
Other non-financial liabilities, current and deferred tax liability	28,364	-	-	-	-	-	-	943	29,307
Provisions	-	-	-	-	-	-	-	5,438	5,438
TOTAL LIABILITIES	173,569	57,176	42,215	22,777	15,008	15,523	257,398	18,102	601,768
Cumulative GAP	122,554	121,525	124,077	117,654	130,846	207,692	79,350	-	

27 Financial risk management (Continued)

The data in the table above differ from the amounts presented in the statement of financial position in some items. The following is a reconciliation of the values of the following items for liquidity management purposes (management reporting) and the statement of financial position (IFRS reporting) at 31 December 2023:

	Filed in management reporting	(a) reclassification of transit invoices for customer transactions	(b) reclassification of outstanding transactions through NBU correspondent account during the Bank's business day	(c) other reclassifications	(d) Reclassifications of restricted cash balances with the Central Bank of Cyprus	(e) Reclassifications	As reported under IFRS
<i>In millions of Ukrainian hryvnias</i>							
Cash and cash equivalents	154,158	-	(6)	459	(2,329)	-	152,282
Other non-financial assets, current tax assets and deferred income tax asset	11,613	-	-	(563)	-	1	11,051
Investments in subsidiaries, joint ventures and associates	30	-	-	-	-	(30)	-
Property, Plant and Equipment and intangible assets, investment properties and repossessed collateral	9,030	-	-	-	-	78	9,108
Other financial assets	13,680	(7,022)	-	526	2,329	11	9,524
TOTAL ASSETS	686,614	(7,022)	(6)	422	-	60	680,068
Due to customers	549,688	5,167	144	526	-	(154)	555,371
Other financial liabilities	14,705	(12,189)	(150)	672	-	18	3,056
Other liabilities, current tax liability and deferred tax liability	29,307	-	-	(776)	-	10	28,541
TOTAL LIABILITIES	601,768	(7,022)	(6)	422	-	(126)	595,036

27 Financial risk management (Continued)

The Group monitors maturities, which are shown in the table below as at 31 December 2022:

<i>In millions of Ukrainian hryvnias</i>	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	From 1 to 5 years	Over 5 years	Not defined	Total
Assets									
Cash and cash equivalents	94,908	-	-	-	-	-	-	2,061	96,969
Loans and advances to banks	100,135	-	3,702	-	-	-	-	-	103,837
Loans and advances to customers	6,312	8,716	6,809	1,618	10,009	23,040	11,247	333	68,084
Investment securities including:	4,033	18,673	64,696	12,599	1,020	12,348	126,381	2	239,752
- at fair value through profit or loss	-	642	271	-	-	-	94,803	-	95,716
- at fair value through other comprehensive income	4,033	18,031	64,425	12,599	904	12,348	31,578	2	143,920
- at amortized cost	-	-	-	-	116	-	-	-	116
Investments in subsidiaries, joint ventures and associates	-	-	-	-	-	-	-	30	30
Property, Plant and Equipment and intangible assets, investment properties and repossessed collateral	-	-	-	-	-	-	-	8,772	8,772
Other financial assets	5,536	97	-	-	-	-	3,271	280	9,184
Other non-financial assets and current tax assets	24	-	-	-	-	-	-	20,049	20,073
TOTAL ASSETS	210,948	27,486	75,207	14,217	11,029	35,388	140,899	31,527	546,701
Liabilities									
Other borrowed funds	1	-	-	-	-	-	127	-	128
Customer accounts:	103,119	55,261	39,872	14,177	14,324	37,200	189,856	11,064	464,873
- individuals	31,523	11,846	5,879	1,447	3,182	18,179	47,964	10,918	130,938
- legal entities and organizations	71,596	43,415	33,993	12,730	11,142	19,021	141,892	146	333,935
Other financial liabilities	14,470	228	234	200	206	426	10	-	15,774
Other non-financial liabilities, current and deferred tax liability	1,456	-	-	-	-	-	-	877	2,333
Provisions	-	-	-	-	-	-	-	5,804	5,804
TOTAL LIABILITIES	119,046	55,489	40,106	14,377	14,530	37,626	189,993	17,745	488,912
Cumulative GAP	91,902	63,899	99,000	98,840	95,339	93,101	44,007	-	

27 Financial risk management (Continued)

The data in the table above differ from the amounts presented in the statement of financial position in some items. The following is a reconciliation of the values of the following items for liquidity management purposes (management reporting) and the statement of financial position (IFRS reporting) at 31 December 2022:

	Filed in management reporting	(a) reclassification of transit invoices for customer transactions	(b) reclassification of outstanding transactions through NBU correspondent account during the Bank's business day	(c) other reclassifications	(d) Reclassifications of restricted cash balances in use with the Central Bank of Cyprus	(e)	As reported under IFRS
<i>In millions of Ukrainian hryvnias</i>							
Cash and cash equivalents	96,969	-	(780)	191	(2,189)	-	94,191
Other non-financial assets, current tax assets and deferred income tax asset	20,073	-	-	(705)	-	-	19,368
Investments in subsidiaries, joint ventures and associates	30	-	-	-	-	(30)	-
Property, Plant and Equipment and intangible assets, investment properties and repossessed collateral	8,772	-	-	-	-	83	8,855
Other financial assets	9,184	(5,399)	-	588	2,189	9	6,571
TOTAL ASSETS	546,701	(5,399)	(780)	74	-	62	540,658
Due to customers	464,873	6,657	170	270	-	(107)	471,863
Other financial liabilities	15,774	(12,056)	(950)	(134)	-	13	2,647
Other liabilities, current tax liability and deferred tax liability	2,333	-	-	(62)	-	6	2,277
TOTAL LIABILITIES	488,912	(5,399)	(780)	74	-	(88)	482,719

Based on the expected maturities analysis, the Group did not have a negative cumulative liquidity gap between financial assets and financial liabilities (excess of liabilities over assets) as of 31 December 2023 (as of 31 December 2022: did not have).

The Group regularly monitors liquidity position, performs quarterly stress testing of liquidity indicators under adverse scenarios, which provide for outflows of customer funds in amounts that were in the most unfavorable periods since 2013, control of compliance with regulatory liquidity ratios established by the National Bank of Ukraine, etc.

In accordance with effective legislation, the Group is obliged to repay term deposits of individuals on demand of a depositor if early repayment option is set contractually, but in this case a depositor's right to accrued interest is forfeited. The Group expects that customers will not request term deposits early, thus these balances are included in disclosures above in accordance with their contractual maturities. Current accounts are included based on their historical stability based on the model. The model provides for: (i) Segmentation: retail, SMEs and corporate; in terms of currencies: UAH, USD, EUR; (ii) Modeling method - historical Value at Risk (99% confidence level); (iii) Analysis of periods for each segment, including different phases of the economic cycle from 2013 in terms of days. Thus, the model reflects the actual stable trend towards growth of account balances during different phases of the economic cycle.

The Group used a model to assess liquidity risk of loans without a specific execution date (credit cards) - the seasonal autoregressive model.

Other balance sheet items are reflected in the above analysis of contract terms (according to the contract). Overdue amounts refer to the maturity of "Not defined".

28 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled (restated). See Note 27 "Financial risk management" for the Group's contractual undiscounted repayment obligations.

<i>In millions of Ukrainian hryvnias</i>	31 December 2023			31 December 2022		
	Less 12 month	Over 12 month	Total	Less 12 month	Over 12 month	Total
Cash and cash equivalents	152,282	-	152,282	94,191	-	94,191
Loans and advances to banks	134,237	-	134,237	103,837	-	103,837
Loans and advances to customers	61,297	30,722	92,019	39,547	28,537	68,084
Investment securities including:	85,341	186,506	271,847	101,055	138,697	239,752
- at fair value through profit or loss	925	99,451	100,376	913	94,803	95,716
- at fair value through other comprehensive income	84,416	87,055	171,471	100,026	43,894	143,920
- at amortized cost	-	-	-	116	-	116
Current tax assets	4	-	4	9,079	-	9,079
Investment property	-	2,340	2,340	-	2,155	2,155
Intangible assets other than goodwill	-	1,566	1,566	-	1,392	1,392
Property, plant and equipment	-	5,202	5,202	-	5,308	5,308
Other financial assets	5,443	4,061	9,504	2,825	3,682	6,507
Other non-financial assets	-	9,095	9,095	-	9,189	9,189
Deferred income tax asset	-	1,952	1,952	-	1,100	1,100
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	-	20	20	-	64	64
Total assets	438,604	241,464	680,068	350,534	190,124	540,658
Due to customers	553,648	1,724	555,371	470,536	1,327	471,863
Other borrowed funds	6	2,624	2,630	1	127	128
Current tax liability	25,791	-	25,791	-	3	3
Other financial liabilities	1,671	1,385	3,056	1,086	1,561	2,647
Provisions including:	1,111	4,327	5,438	1,280	4,524	5,804
- provisions for loan commitments and financial guarantee contracts	1,111	-	1,111	1,280	-	1,280
- other provisions	-	4,327	4,327	-	4,524	4,524
Other non-financial liabilities	-	2,750	2,750	-	2,274	2,274
Total liabilities	582,227	12,810	595,036	472,903	9,816	482,719

29 Management of capital

Compliance with capital adequacy ratios set by the National Bank of Ukraine is monitored monthly with reports outlining their calculation, which are signed by the Chairman of the Board and the Chief Accountant. Under the current capital requirements set by the National Bank of Ukraine the Group has to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. The capital adequacy ratio in accordance with the requirements of the Basel Capital Accord is calculated once a year.

29 Management of capital (Continued)

a) The Group calculates capital adequacy in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group's capital calculated in accordance with the Basel Accord is as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Tier 1 capital	85,205	71,713
Tier 2 capital (a portion not exceeding 100% of Tier 1)	(1,741)	(15,168)
Total capital	83,464	56,545
Risk Weighted Assets		
Banking book	381,515	319,116
Trading book	24,676	26,037
Risk Weighted Assets	406,191	345,153
Tier 1 capital ratio	20.98%	20.78%
Capital adequacy ratio (%)	20.55%	16.38%

b) As at 31 December 2023, the National Bank of Ukraine required banks to maintain a capital adequacy ratio (N2) at least 10% of risk weighted assets calculated in accordance with the regulations of the National Bank of Ukraine (31 December 2022: at least 10%).

Regulatory capital in accordance with the NBU's regulations comprises:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023	31 December 2022
Total regulatory capital	64,844	54,524
Tier 1 capital	32,437	27,277
Tier 2 capital (a portion not exceeding 100% of Tier 1)	32,437	27,277
Deduction	(30)	(30)
Risk weighted assets	158,068	137,521
Open foreign currency position	57,553	50,480
Uncovered credit risk	-	-
Operational risk which is taken into account in capital adequacy	82,509	41,254
Capital adequacy ratio (N2)	21.75%	23.78%
Tier 1 capital adequacy ratio (N3)	10.88%	11.90%

Information included in the table above is calculated according to the Regulation No. 368 of the Board of the National Bank of Ukraine dated 28 August 2001 (as amended) "On the Regulation of the Banks and Banking Activity in Ukraine", including assessment of credit risk in accordance with Regulation No. 351 of the Board of the National Bank of Ukraine dated 30 June 2016 "On Calculation of the Loan Loss Provision by Ukrainian banks" (with changes).

30 Contingencies and commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. As at 31 December 2023, provision for legal cases of UAH 3,445 million and provision associated with cessation of operations in Crimea of UAH 882 million have been recorded (31 December 2022: UAH 3,665 million and UAH 859 million respectively). Refer to Note 17.

Also, at the nationalisation of the Bank, in December 2016 liabilities of the Group, including UAH 10,934 million of amounts due to customers, UAH 10,721 million of Eurobonds issued and UAH 7,783 million of subordinated debt were converted into the Bank's share capital. As of the date of these consolidated financial statements, nationalization lawsuits have been filed against the Bank. The Bank's management believes that the Bank has no contingent liabilities for these claims and any other liabilities, except for amounts already recognized in these consolidated financial statements. Refer to Notes 14 and 17.

Crimea related contingent liabilities. As at 31 December 2013, the Bank operated 337 bank offices, 483 ATM/cash machines, and 773 self-service portals at the territory of the Republic of Crimea. In February 2014, the Russian Federation commenced a military operation and established physical possession and control over Crimea. On 15 April 2014, the Ukrainian parliament adopted the Law on occupied territories. Further, the NBU's Regulation enforced on 6 May 2014 effectively prohibited Ukrainian banks to conduct their operations in Crimea.

In response to the above circumstances, during 2014-2016, the Bank has concluded a number of agreements with third party to transfer amounts due to customers and sell the Group's assets associated with the operations in Crimea, in particular:

- two debt transfer agreements under which the Bank transferred its amounts due to customers in Crimea of UAH 8,215 million in 2014 (according to the 2014 Bank's consolidated financial statements) and of UAH 7 million in 2016. In order to obtain the depositors' consent to the transfer of debt, the Bank posted on its Internet portal (website) a notice of transfer, which indicated the procedure for action in case of the depositor's disagreement with such transfer. The Bank did not receive any objections from depositors within the period specified in the notice;
- five agreements on assignment of rights of claim, according to which the Bank transferred its claims on loans issued by the Bank to individuals and legal entities in Crimea in the amount of UAH 13,622 million (including fines and penalties). Carrying amount of such loans at the date of transfer was UAH 6,274 million (according to the 2014 Group's consolidated financial statements: gross value of UAH 7,508 million minus provision of UAH 1,234 million);
- purchase and sale agreements for movable and immovable property of the Bank located in Crimea;
- an agreement for the transferred loans servicing, which entails an obligation for the Bank to collect proceeds on transferred loan contracts and transfer them to third party.

Accordingly, the Group derecognized both assets and liabilities transferred to third party, including obligations towards the depositors that were transferred to the third party under two debt transfer agreements. The Group recognized net loss on cessation of the Bank's activity in Crimea in 2014 of UAH 155 million.

Subsequent to 2014, the Bank has paid UAH 1,645 million of deposits (including interest, fines and penalties) based on the court decisions in favor of depositors irrespective of the transfer of obligations to make such payments under the deposits to third party. The amount compensated to the Bank by third party on respective deposits paid by the Bank is UAH 32 million. Compensation was obtained in the period before the nationalisation (in 2014 – 2016).

As at 31 December 2023, a number of claims were brought by the depositors against the Bank seeking payment of deposits (including interest, fines and penalties) that are pending in courts in Ukraine for the total amount of UAH 882 million (31 December 2022: UAH 859 million). When considering these disputes, certain courts pointed to the circumstances of the invalidity (nullity) of one out of two debt transfer agreements between the Bank and a third party regarding transfer of UAH 8,215 million.

The Bank filed appeals or will appeal shortly within the statutory deadlines against judgments in the said cases to the Supreme Court or appellate courts respectively.

As at 31 December 2023, the Group had a contingent liability of UAH 5,699 million, which, according to the Group's estimates based on the limited information available to the management (31 December 2022: UAH 5,791 million) relating to cessation of its operations in Crimea, being the outstanding amount of customer accounts in Crimea at discontinuance of operations (i.e. as of November 2014) less amount claimed and provisioned. The probability of the outflow of resources to settle these obligations cannot be properly estimated and the amount of such obligations cannot be measured reliably by the Group.

Tax legislation. Ukrainian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

30 Contingencies and commitments (Continued)

The Ukrainian tax authorities may be taking a more assertive and sophisticated approach in their interpretation of the legislation and tax examinations. Combined with a possible increase in tax collection efforts to respond to budget pressures, the above may lead to an increase in the level and frequency of scrutiny by the tax authorities and it is possible that transactions and activities that have not been challenged in the past may be challenged.

Ukrainian tax legislation does not provide definitive guidance in certain areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Group.

Management further believes that ascertained risks of possible outflow of resources arising from tax and other regulatory compliance matters in the periods preceding 31 December 2023 do not exceed UAH 137 million (31 December 2022: UAH 179 million). These risks have not been provided for in these consolidated financial statements.

The period is open for tax audit of income tax from 1 January 2018. The period is open for personal income tax audits from 1 July 2018.

Other legislation. The Antimonopoly Committee of Ukraine (AMCU) is considering the case on grounds of abuse by the Group of its dominant position in the acquiring services market by establishing inflated tariffs for these services in cases where payments are made with payment cards issued by the Group, from 2018 to 2023 inclusive. The case is under investigation. On 18 January 2024, the Group received a letter from the AMCU stating that currently the AMCU has not yet received all the information it requested, which makes it impossible to draw conclusions on the case. The Law "On the Protection of Economic Competition" stipulates that the AMCU may impose a fine of up to 10 percent of the income of a business entity for the year preceding the year in which the fine is imposed, and in the case where the amount of illegally obtained profit (profit received by a business entity due to violation) exceeds this amount of the fine, then the fine may be imposed in a larger amount, but which cannot exceed three times the amount of illegal profit received.

At this stage the bank is not able to assess potential impact of the above investigation.

Capital expenditure commitments. At 31 December 2023, the Group had contractual capital expenditure commitments in respect of construction of premises and acquisition of computers and furniture and equipment totalling UAH 219 million (31 December 2022: UAH 241 million). The Group believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Assets pledged. The Group had assets pledged as collateral with the following carrying value:

<i>In millions of Ukrainian hryvnias</i>	Note	31 December 2023 Asset pledged	31 December 2022 Asset pledged
Gross receivables under swap, forward and spot agreements		2,659	
Investment securities at FVPL	9	23,194	2,648
Investment securities at FVOCI	9	46,289	38,066

31 Fair value

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

31 Fair value (Continued)

(a) Recurring fair value measurements.

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. Classification of financial instruments at fair value by fair value hierarchy level as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Investment securities at FVPL								
Long-term government bonds with an embedded option	-	-	100,376	100,376	-	-	95,716	95,716
Investment securities at FVOCI								
Long-term government bonds	1,415	-	43,912	45,327	303	8,014	37,842	46,159
Medium-term government bonds denominated in foreign currency	-	1,405	-	1,405	6,157	11,764	-	17,921
Medium-term government bonds	2,850	6,443	47,373	56,666	7,910	13,026	8,923	29,859
Short-term government bonds	17,437	6,804	1,394	25,635	21,501	6,593	-	28,094
Short-term government bonds denominated in foreign currency	-	42,438	-	42,438	21,887	-	-	21,887
					-	-	-	-
NON-FINANCIAL ASSETS								
Premises	-	1,724	-	1,724	-	1,603	-	1,603
Investment properties	-	-	2,340	2,340	-	-	2,155	2,155
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	-	-	20	20	-	-	64	64
TOTAL ASSETS RECCURING FAIR VALUE MEASUREMENT	21,702	58,814	195,415	275,931	57,758	41,000	144,700	243,458

Valuation technique used for level 2 measurements is linked to market prices of similar financial instruments quoted on active market.

Valuation technique used for level 3 measurements included discounted cash flows and other appropriate valuation techniques (models). Embedded derivative assets and investment securities at FVOCI are classified into level 3 instruments because these instruments require management to make assumptions for certain adjustments which had significant impact on fair values - exchange rates volatility, discount rates and/ or a credit risk of the counterparties which are not fully supportable by observable market data. The Bank performs tests to verify the significance of the unobservable input involved in the valuation and if a change in the yield curves by 10% results in a fair value difference of more than 1%, then such securities are classified as Stage 3. The Bank takes 5 days from the reporting date to analyze market activity and determine the level of the fair value hierarchy.

31 Fair value (Continued)

Movements in level 3 financial instruments measured at fair value

The following is a reconciliation of changes in fair value at level 3 of the fair value hierarchy of investment securities at FVPL and investment securities at FVOCI:

<i>In millions of Ukrainian hryvnias</i>	Investment securities at FVPL	Investment securities at FVOCI
Fair value at 1 January 2022	93,096	51,441
Purchased of investment securities	-	29,275
Total gains/(losses) recorded in:		
- <i>other comprehensive income</i> :		
Revaluation of investment securities in other comprehensive income	-	(14,599)
Change of expected credit losses		2,237
- <i>profit or loss</i> :		
Interest income accrued	4,440	6,384
Revaluation of investment securities in profit or loss	2,608	-
Change of expected credit losses	-	(2,146)
<i>Settlements</i> :		
Cash received (repayment), including:		
- interest received	(4,428)	(5,897)
Sales of investment securities, including:	(4,428)	(5,897)
- the realized result from the sale of securities (gains)	-	(1,503)
- interest received	-	-
Transfer from Level 3	-	(45,045)
Transfer to Level 3	-	26,618
Fair value as at 31 December 2022	95,716	46,765
Purchased of investment securities	-	55,866
Total gains/(losses) recorded in:		
- <i>other comprehensive income</i> :		
Revaluation of investment securities in other comprehensive income	-	5,896
Change of expected credit losses		3,583
- <i>profit or loss</i> :		
Interest income accrued	4,440	10,044
Revaluation of investment securities in profit or loss	4,648	-
Change of expected credit losses	-	(3,583)
<i>Settlements</i> :		
Cash received (repayment), including:		
- interest received	(4,428)	(9,319)
Sales of investment securities, including:	(4,428)	(9,319)
- the realized result from the sale of securities (gains)	-	(6,307)
- interest received	-	(160)
- interest received	-	(198)
Transfer from Level 3	-	(64,571)
Transfer to Level 3	-	54,305
Fair value as at 31 December 2023	100,376	92,679

Movements in Level 3 of the fair value hierarchy are disclosed based on monthly information.

The reason for the transfers from level 1 to level 3 is that the market for some securities has become inactive, which has led to a change in the method used to determine fair value. The reason for the transfers from level 2 to level 3 is that inputs to the valuation models ceased to be observable. Prior to transfer, the fair value of the instruments was determined using observable market transactions for similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant non market-observable inputs. The reason for the transfers from level 3 to level 1 is that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market for identical assets.

31 Fair value (Continued)

Sensitivity analysis of the fair value measurement of financial instruments measured at fair value for Level 3**Long-term government bonds with an embedded option at FVPL**

The fair value of a financial instrument is determined using an adjusted European Currency Options valuation model (Garman-Kohlhagen form of the Black-Scholes formula) and an estimated risk-free UAH rate. The specified calculation is carried out using the following observable and non-observable input data:

Observable:

- strike rate of the US dollar against the Ukrainian hryvnia. It is defined as the weighted average exchange rate of the US dollar against the Ukrainian hryvnia on the interbank foreign exchange market for the month preceding the date of issue of the corresponding series of government bonds with indexed value (according to the terms of issue for indexation). For Long-term government bonds with an embedded option issued in December 2016 and February 2017, the strike rate is UAH 25.71 and UAH 27.22 per US dollar, respectively;
- spot rate of the US dollar to the Ukrainian hryvnia. Defined as the average monthly interbank exchange rate of the US dollar against the Ukrainian hryvnia according to the NBU for the last month of the reporting period

Unobservable:

- volatility of the US dollar against the Ukrainian hryvnia. Defined for the last 10 years as the average annual volatility on average weighted monthly interbank exchange rate of the US dollar against the Ukrainian hryvnia (up to 1 August 2018) and the average exchange rate for the month of the NBU (starting from 1 August 2018). As of 31 December 2023 Volatility of the US dollar against the Ukrainian hryvnia comprised 18.39% (31 December 2022: 18.38%). Sensitivity is defined as the effect of changes in the volatility of the US dollar against the Ukrainian hryvnia in the direction of increase or decrease by a given number of points;
- risk-free USD interest rate. It is determined in accordance with the period from the reporting date to the maturity date of the securities using a linear approximation of interest rates on US government debt, bringing the rate with a semi-annual accrual of interest to the annual rate. Sensitivity is defined as the effect of a change in the risk-free USD interest rate in the direction of increase or decrease by a given number of points;
- discount rate (risk-free UAH interest rate). It is determined according to the Nelson-Siegel-Svensson's coupon-free yield curve, the coefficient for which are published by the National Bank of Ukraine. The model involves use maturity of each cash flow separately. As of 31 December 2023, the discount rate ranged from 14.06% per annum for the term 0.08 years till 13.67% per annum for the term 8.08 years (31 December 2022: from 14.47% per annum for the term 0.09 years till 15.57% per annum for the term 9.08 years (Nelson-Siegel)). Sensitivity is defined as the effect of a change calculated according to the maturity of each cash flow, interest rate's increase or decrease by a specified number of points.

The tables below present a sensitivity analysis for each of those described non-observable input data:

<i>In millions of Ukrainian hryvnias</i>	Changes in historical volatility		Changes of fair value	
31 December 2023	+1 p.p.	-1 p.p.	44	(34)
31 December 2022	+1 p.p.	-1 p.p.	20	(14)

<i>In millions of Ukrainian hryvnias</i>	Changes of risk-free USD interest rate		Changes of fair value	
31 December 2023	+0.5 p.p.	-0.5 p.p.	(2,591)	2,682
31 December 2022	+0.5 p.p.	-0.5 p.p.	(2,833)	2,944

<i>In millions of Ukrainian hryvnias</i>	Changes of risk-free UAH interest rate		Changes of fair value	
31 December 2023	+1 p.p.	-1 p.p.	(225)	247
31 December 2022	+1 p.p.	-1 p.p.	(229)	238

31 Fair value (Continued)

Government bonds at FVOCI

- The fair value of a financial instrument is determined using discounted flows and a discount rate (estimated risk-free rate in UAH based on the term of the financial instrument) is determined according to the Nelson-Siegel-Svensson coupon-free yield curve, the coefficients for which are published by the National Bank of Ukraine. The model assumes the use of the maturity of each cash flow separately. As of 31 December 2023, the discount rate ranged from 12.88% per annum for a period of 0.01 years, up to 12.65% per annum for a period of 8.95 years (31 December 2022: from 14.02% per annum for a period of 0.01 years, up to 14.21% per annum for a period of 9.95 years). Sensitivity is defined as the effect of a change in the interest rate calculated, according to the maturity of each cash flow, to increase or decrease by a specified number of points. Sensitivity analysis is given below:

<i>In millions of Ukrainian hryvnias</i>	Changes of risk-free UAH interest rate		Changes of fair value	
	+1 p.p.	-1 p.p.		
31 December 2023				
Long-term government bonds	+1 p.p.	-1 p.p.	(1,792)	1,914
Medium-term government bonds	+1 p.p.	-1 p.p.	(605)	620
Short-term government bonds	+1 p.p.	-1 p.p.	(10)	11
31 December 2022				
Long-term government bonds	+1 p.p.	-1 p.p.	(1,616)	1,733
Medium-term government bonds	+1 p.p.	-1 p.p.	(86)	88
Short-term government bonds	+1 p.p.	-1 p.p.	-	-

31 Fair value (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows (restated):

<i>In millions of Ukrainian hryvnias</i>	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS								
Loans and advances to banks								
Deposit certificates of the National Bank of Ukraine	-	133,798	-	133,798	-	100,126	-	100,126
Loans and advances to banks in escrow accounts with the NBU	-	439	-	439	-	3,711	-	3,711
Loans and advances to customers								
Loans and finance lease managed as a separate portfolio	-	-	409	409	-	-	496	496
Corporate loans	-	-	5,659	5,568	-	-	4,186	4,161
Loans to individuals - cards	-	-	45,620	45,621	-	-	36,552	36,552
Loans to individuals - mortgage	-	-	4,136	4,354	-	-	2,636	2,639
Loans to individuals - auto	-	-	855	817	-	-	258	252
Loans to individuals - consumer	-	-	9,559	9,251	-	-	3,625	3,491
Loans to individuals - other	-	-	9	9	-	-	13	13
Loans to small and medium enterprises (SME)	-	-	24,248	23,891	-	-	19,701	19,546
Corporate loans - REPO	-	-	1,459	1,459	-	-	-	-
Finance lease receivables	-	-	675	640	-	-	950	934
Investment securities at AC								
Long-term bonds issued by the State Mortgage Institution	-	-	-	-	-	-	201	116
Other financial assets								
Receivables from operations with customers	-	-	288	288	-	-	293	293
Other	-	-	9,216	9,216	-	-	6,214	6,214
TOTAL	-	134,237	102,133	235,760	-	103,837	75,125	178,544

Fair value of cash and cash equivalents approximates their carrying value.

31 Fair value (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2023				31 December 2022			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES								
<i>Due to others banks</i>								
<i>Due to customers</i>								
Term deposits of individuals	-	76,108	-	76,075	-	88,594	-	88,584
Current/demand accounts of individuals	-	320,437	-	320,437	-	251,748	-	251,748
Current/settlement accounts of government organizations	-	843	-	843	-	607	-	607
Current/settlement accounts of legal entities	-	145,339	-	145,339	-	116,747	-	116,747
Term deposits of legal entities	-	12,677	-	12,677	-	14,177	-	14,177
<i>Other financial liabilities</i>								
Lease liabilities	-	-	1,248	1,248	-	-	1,434	1,434
Funds in the course of settlement	-	-	609	609	-	-	16	16
Accounts payable	-	-	401	401	-	-	442	442
Other	-	-	798	798	-	-	755	755
Other borrowed funds	-	-	2,630	2,630	-	-	128	128
TOTAL	-	555,404	5,686	561,057	-	471,873	2,775	474,638

The fair values in level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique and market prices of quoted notes on non-active market. The fair values in level 2 of fair value hierarchy were estimated using the market prices of similar financial instruments quoted on active market. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

For assets, the Group used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group.

The Group's liabilities to its customers are subject to state deposit insurance plan as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

32 Presentation of financial instruments by measurement category

Financial instruments are classified: (a) financial assets at fair value through profit or loss; (b) financial assets at fair value through other comprehensive income; (c) financial assets at amortized cost; (d) financial liabilities at fair value through profit or loss; (e) financial liabilities at amortized cost.

32 Presentation of financial instruments by measurement category (Continued)

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2023:

<i>In millions of Ukrainian hryvnias</i>	Assets at AC	Assets at FVPL	Assets at FVOCI	Finance lease receivables	Total
ASSETS					
Cash and cash equivalents	152,282	-	-	-	152,282
Loans and advances to banks					
Deposit certificates of the National Bank of Ukraine	133,798	-	-	-	133,798
Loans and advances to banks in escrow accounts with the NBU	439	-	-	-	439
Loans and advances to customers					
Loans and finance lease managed as a separate portfolio	409	-	-	-	409
Corporate loans	5,568	-	-	-	5,568
Loans to individuals – cards	45,621	-	-	-	45,621
Loans to individuals – mortgage	4,354	-	-	-	4,354
Loans to individuals – auto	817	-	-	-	817
Loans to individuals – consumer	9,251	-	-	-	9,251
Loans to individuals – other	9	-	-	-	9
Loans to small and medium enterprises (SME)	23,891	-	-	-	23,891
Corporate loans - REPO	1,459	-	-	-	1,459
Finance lease receivables	-	-	-	640	640
Investment securities at FVPL					
Long-term government bonds with an embedded option	-	100,376	-	-	100,376
Investment securities at FVOCI					
Long-term government bonds without an embedded option	-	-	45,327	-	45,327
Medium-term government bonds denominated in foreign currency	-	-	1,405	-	1,405
Medium-term government bonds	-	-	56,666	-	56,666
Short-term government bonds	-	-	25,635	-	25,635
Short-term government bonds denominated in foreign currency	-	-	42,438	-	42,438
Other financial assets					
Receivables from operations with customers	288	-	-	-	288
Other	9,216	-	-	-	9,216
TOTAL FINANCIAL ASSETS	387,402	100,376	171,471	640	659,889
NON-FINANCIAL ASSETS					20,179
TOTAL ASSETS					680,068

As at 31 December 2023 and 2022 all of the Group's financial liabilities were carried at amortised cost.

32 Presentation of financial instruments by measurement category (Continued)

The following table provides a reconciliation of classes of financial assets with measurement categories as at 31 December 2022 (restated):

<i>In millions of Ukrainian hryvnias</i>	Assets at AC	Assets at FVPL	Assets at FVOCI	Finance lease receivables	Total
ASSETS					
Cash and cash equivalents	94,191	-	-	-	94,191
Loans and advances to banks					
Deposit certificates of the National Bank of Ukraine	100,126	-	-	-	100,126
Loans and advances to banks in escrow accounts with the NBU	3,711	-	-	-	3,711
Loans and advances to customers					
Loans and finance lease managed as a separate portfolio	496	-	-	-	496
Corporate loans	4,161	-	-	-	4,161
Loans to individuals – cards	36,552	-	-	-	36,552
Loans to individuals – mortgage	2,639	-	-	-	2,639
Loans to individuals – auto	252	-	-	-	252
Loans to individuals – consumer	3,491	-	-	-	3,491
Loans to individuals – other	13	-	-	-	13
Loans to small and medium enterprises (SME)	19,546	-	-	-	19,546
Finance lease receivables	-	-	-	934	934
Investment securities at AC					
Long-term bonds issued by the State Mortgage Institution	116	-	-	-	116
Investment securities at FVPL					
Long-term government bonds with an embedded option	-	95,716	-	-	95,716
Investment securities at FVOCI					
Long-term government bonds without an embedded option	-	-	46,159	-	46,159
Medium-term government bonds denominated in foreign currency	-	-	17,921	-	17,921
Medium-term government bonds	-	-	29,859	-	29,859
Short-term government bonds	-	-	28,094	-	28,094
Short-term government bonds denominated in foreign currency	-	-	21,887	-	21,887
Other financial assets					
Receivables from operations with customers	293	-	-	-	293
Other	6,214	-	-	-	6,214
TOTAL FINANCIAL ASSETS	271,801	95,716	143,920	934	512,371
NON-FINANCIAL ASSETS					28,287
TOTAL ASSETS					540,658

33 Related party transactions

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

As at 31 December 2023 and 31 December 2022 the Group was 100% owned by the State represented by the Cabinet of Ministers of Ukraine. Transactions and balances with related parties mainly consist of transactions with Ukrainian companies related to the State (both directly and indirectly under the control and significant influence of the State) and the shareholder.

33 Related party transactions (Continued)

At 31 December 2023 and 31 December 2022, the outstanding balances with related parties are as follows:

In millions of Ukrainian hryvnias	Note	31 December 2023				31 December 2022			
		Shareholder	Management	Associated	Other related	Shareholder	Management	Associated	Other related
		companies		companies	parties	companies		companies	parties
Cash and cash equivalents		-	-	-	53,869	-	-	-	11,456
Loans and advances to banks	7	-	-	-	134,237	-	-	-	103,837
Loans and advances to customers, gross (contractual interest rate: 2023 – UAH – 18,4%, USD – 0%; 2022 – UAH – 15%, USD – 5%)		-	-	-	1,617	-	-	-	162
Less: Allowance for expected credit losses		-	-	-	(134)	-	-	-	(142)
Investment securities at FVPL	9	100,376	-	-	-	95,716	-	-	-
Investment securities at FVOCI	9	171,468	-	-	-	143,918	-	-	-
Investment securities at AC	9	-	-	-	-	-	-	-	116
Other financial assets		-	-	-	7	-	-	-	4
Other non-financial assets		80	-	-	105	-	-	-	5
Other borrowed funds	15	-	-	-	2,630	-	-	-	128
Customer accounts (contractual interest rate: 2023 UAH – 1%, USD – 0%, EUR – 0%; 2022 UAH – 0%, USD – 0%, EUR – 0%)		-	24	-	12,418	-	22	-	14,478
Other financial liabilities		-	-	-	678	-	-	-	653
Other non-financial liabilities		-	-	-	2	-	-	-	3

Terms and details of the operations with related parties are disclosed in the respective notes.

33 Related party transactions (Continued)

The income and expense items with related parties during the 12 months 2023 and 2022 are as follows:

<i>In millions of Ukrainian hryvnias</i>	12 months 2023				12 months 2022			
	Shareholder	Management	Associated	Other related	Shareholder	Management	Associated	Other related
	companies	companies	companies	parties	companies	companies	companies	parties
Interest income	22,319	-	-	15,731	17,153	-	-	6,905
Interest expense	-	-	-	(80)	-	-	-	(205)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(6,486)	-	-	26	(3,492)	-	-	16
Commission income	-	-	-	172	-	-	-	178
Commission expenses	(6)	-	-	(1)	-	-	-	-
Items that will be reclassified subsequently to profit or loss:	-	-	-	-	-	-	-	(4)
Net gain (loss) from financial instruments at fair value through profit or loss operations	4,648	-	-	-	2,608	-	-	-
Net gain (loss) from foreign exchange translation	2,131	-	-	13	9,661	-	-	203
Other income	-	-	-	5	-	-	-	4
Other administrative and operational expenses, excluding management remuneration	-	(2)	-	(54)	-	-	-	(140)

The other comprehensive income items with related parties during the 12 months 2023 and 2022 are as follows:

<i>In millions of Ukrainian hryvnias</i>	12 months 2023				12 months 2022			
	Shareholder	Management	Associated	Other related	Shareholder	Management	Associated	Other related
	companies	companies	companies	parties	companies	companies	companies	parties
Other comprehensive income								
<i>Items that will be reclassified subsequently to profit or loss:</i>								
Financial instruments at fair value through other comprehensive income:								
- Gains (losses) on financial assets measured at fair value through other comprehensive income before tax	7,903	-	-	-	(14,139)	-	-	-
- Changes in allowance for expected credit losses	6,562	-	-	-	3,453	-	-	-
- Income tax relating to financial assets measured at fair value through other comprehensive income	216	-	-	-	(207)	-	-	-

For 12 months 2023 the remuneration of the members of the Supervisory Board and Management Board comprised of salaries, pension contributions and other short-term benefits totalling UAH 219 million (for 12 months 2022: UAH 222 million).

34 Changes in liabilities arising from financial activities

<i>In millions of Ukrainian hryvnias</i>	Other borrowed funds	Dividends payable	Lease liabilities
Carrying value as at 1 January 2022	-	-	1,593
Attracting funds	127	-	-
Dividends accrual	-	28,246	-
Dividend payment	-	(28,246)	-
Recognition of new lease liabilities during the year, modification of previously recognized liabilities	-	-	494
Repayment of lease liabilities	-	-	(653)
Other	1	-	-
Carrying value as at 31 December 2022	128	-	1,434
Carrying value as at 31 December 2022	128	-	1,434
Repayment of the refinancing loan to the NBU	(33)	-	-
Attracting funds	2,530	-	-
Dividends accrual	-	24,214	-
Dividend payment	-	(24,214)	-
Recognition of new lease liabilities during the year, modification of previously recognized liabilities	-	-	527
Repayment of lease liabilities	-	-	(713)
Other	5	-	-
Carrying value as at 31 December 2023	2,630	-	1,248

35 Events after the reporting date

In February 2024, the leaders of the EU countries at the European Council meeting agreed on the allocation of an assistance package of 50 billion euros to Ukraine. All 27 leaders agreed on an additional support package for Ukraine in the amount of 50 billion euros as part of the EU budget.

In February 2024, in accordance with the decision of the Cabinet of Ministers of Ukraine on approving the basic standard for deducting a share of 2023 profit of at least 80%, the Bank made an advance payment of dividends in the amount of UAH 18,882 million (50% of annual dividends) and, according to the Tax Code of Ukraine, the Bank paid UAH 26,033 million of income tax advance payment.

In February 2024, in accordance with the Resolution of the Cabinet of Ministers of Ukraine, the subsidiaries made an advance payment of dividends in the amount of UAH 37 million.

On 9 March 2024, the rating agency Standard & Poor's downgraded the long-term sovereign credit rating of Ukraine in foreign currency to the level of "CC", the forecast is "negative".