



**PRIVATBANK GROUP**  
**ANNUAL REPORT**  
**31 December 2022**

Translation from Ukrainian original



**CONTENTS****I. MANAGEMENT REPORT****II. FINANCIAL STATEMENTS****INDEPENDENT AUDITOR'S REPORT****CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statement of Financial Position as of 31 December 2022 .....	1
Consolidated Statement of Profit or Loss for the year ended 31 December 2022 .....	2
Consolidated Statement of Comprehensive Income for the year ended 31 December 2022 .....	3
Consolidated Statement of Changes in Equity for the year ended 31 December 2022 .....	4
Consolidated Statement of Cash Flows for the year ended 31 December 2022 .....	5

**Notes to the Consolidated Financial Statements**

1	Introduction .....	6
2	Operating Environment of the Group .....	6
3	Summary of Significant Accounting Policies .....	9
4	Critical Accounting Estimates, and Judgements in Applying Accounting Policies .....	20
5	New or Revised Standards and Interpretations that are Issued, but not yet Effective .....	22
6	Cash and Cash Equivalents .....	24
7	Loans and Advances to Banks .....	26
8	Loans and Advances to Customers .....	27
9	Investment Securities .....	37
10	Investment Properties .....	38
11	Property, Plant and Equipment and Intangible Assets Other than Goodwill .....	39
12	Other Financial Assets .....	41
13	Other Non-financial Assets .....	42
14	Customer Accounts .....	43
15	Other borrowed funds .....	44
16	Other Financial Liabilities .....	44
17	Provisions .....	44
18	Other Non-financial Liabilities .....	50
19	Issued Capital, Reserve and Other Funds of a group .....	50
20	Interest Income and Expense .....	51
21	Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 .....	51
22	Commission Income and Expense .....	52
23	Other administrative and operational expenses .....	52
24	Other income .....	53
25	Income Taxes .....	53
26	Segment Analysis .....	55
27	Financial Risk Management .....	63
28	Maturity analysis of assets and liabilities .....	79
29	Management of Capital .....	79
30	Contingencies and Commitments .....	81
31	Fair Value .....	82
32	Presentation of Financial Instruments by Measurement Category .....	88
33	Related Party Transactions .....	90
34	Changes in Liabilities Arising from Financial Activities .....	93
35	Events After the Reporting Date .....	93

**I. MANAGEMENT REPORT**

---

---

## Management report of Group "PrivatBank"

### *The nature of the business*

Joint Stock Company Commercial Bank PrivatBank and its subsidiaries and associates (collectively, the Group) is a universal banking group with a focus on the retail segment and a selective presence in the corporate segment.

The Group has been operating in accordance with the license of the National Bank of Ukraine (NBU) since March 1992. As of December 31, 2022, the Group has 8 branches and 1,200 functioning outlets in Ukraine and a branch in Cyprus (December 31, 2021: 20 branches and 1,475 functioning outlets in Ukraine and a branch in Cyprus).

### *External environment*

The year 2022 for Ukraine in general and for the Group, in particular, is determined by the Russia's attack and the introduction of the martial law in Ukraine from 24.02.22. The economic situation in the country during the year is characterized by the consequences of martial law, which is primarily reflected in the growth of inflationary processes, the GDP falling, pressure on the currency market.

The war led to the disruption of supply chains, a reduction in the certain goods proposal, an increase in business costs, the physical destruction of production facilities and infrastructure, as well as the temporary occupation of certain territories. The high energy prices and record levels of inflation in countries- partners also significantly increased price pressure in Ukraine. At the beginning of the war, a third of the enterprises stopped their activities. The reasons for this are the physical destruction and temporary occupation of a number of territories in several regions, a high level of uncertainty and risks, the disruption of logistical and production ties, and the forced mass migration of the population.

From the second half of the year, economic activity began to recrudescence, business and the population slowly adapted to the new operating conditions. This was also facilitated by the liberation of the northern regions and a decrease in the number of regions with active hostilities.

In the 4th quarter of 2022, among the main problems of Ukraine's economy, the first place taken by the interruptions in the supply of electricity, water or heat, caused by russian missile attacks on the country's critical infrastructure, which began in October. The shortage of electricity led to additional restrictions on economic activity in the country. The vast majority of enterprises reduced production and trade, although some of them were able to stabilize their work thanks to autonomous energy supply generators, changing working hours or obtaining electricity for production needs.

Currently, the recovery of Ukraine's economy is restrained by the destruction of capacities and hostilities, the households demand and purchasing power reduction, logistical difficulties, primarily for metallurgists, and problems with electricity. Agriculture also expectedly has a significant negative contribution to the real GDP 2022 - both due to lower harvests this year and due to much smaller planted areas.

The GDP fall in 2022 amounted to -30.4%, which is a better indicator than predicted by earlier macro forecasts. In the conditions of high security risks, lower harvests, and problems in the energy infrastructure, it is predicted that the real GDP in 2023 will grow by only 0.3%.

At the beginning of the large-scale war, the NBU fixed the official exchange rate of the hryvnia to keep the expectations of business and the population under control, and also kept the discount rate unchanged at 10%. The fixed exchange rate and currency interventions of the NBU have become key tools for ensuring macro-financial stability. However, as the economy adapted to the war and citizens and businesses returned to the economic logic of decision-making, in June the NBU returned to active monetary policy and raised the discount rate by 15 percentage points up to 25%. The purpose of such step was to protect hryvnia incomes and savings of citizens, increase the attractiveness of hryvnia assets, reduce pressure

---

on the foreign exchange market and, as a result, strengthen the NBU's ability to ensure exchange rate stability and restrain inflationary processes during the war.

In July 2022, the NBU carried out a one-time correction of the official exchange rate of the hryvnia to the US dollar and fixed it at UAH 36.5686 per USD. According to the National Bank's estimates, the correction of the exchange rate increased the inflow and, accordingly, the sale of foreign exchange earnings by exporters, minimized the speculative component of the behavior of market participants and made it possible to stabilize exchange rate expectations. The correction of the official exchange rate of the hryvnia had only a limited effect on the acceleration of price growth, caused primarily by the consequences of the war for the supply of goods and services and the cost of logistics, as well as the dynamics of prices on global commodity markets. Instead, fixing the official exchange rate at a new, more stable level enabled the NBU to maintain control over price dynamics in Ukraine.

During 2022, the inflationary expectations of businesses and households also increased significantly. The main factors of the growth of inflation are the disruption of supply chains, the destruction of production, the reduction of the supply of goods and services, and the increase of business costs. Another pro-inflationary factor was the effect of transferring the adjustment of the official exchange rate of the hryvnia to the US dollar on prices. Further growth of inflation in the world also affected prices in Ukraine. At the same time, the fixation of tariffs for utilities and the filling of the domestic market with fuel, together with its preferential taxation, inhibited the growth of prices. As a result, inflation grew at a high rate throughout the year and reached 26.6% at the end of the year (y/y).

In these conditions, the banking system maintains stability.

The volume of clients' funds in banks increased, which ensured a consistently high level of liquidity despite war risks. A small outflow of clients funds in the first two months of the year due to informational pressure was compensated by an increase in deposits in March. At the same time, the share of funds on demand updated the maximum.

After the start of a full-scale war, the population reduced the demand for loans. Instead, the moderate demand for credit resources from corporations remained. The state facilitated business lending by improving the conditions for participation in government programs, in particular the agricultural sector and businesses that are critically important for Ukraine. Banks also actively supported their customers, introducing at the beginning of the war various credit holiday programs, preferential rates and tariffs on products, and upon exiting the credit holidays - restructuring programs for both the mass segment and corporate customers. At the same time, the financial condition of most clients and their ability to service their obligations determine the increased credit risks of the banking system and the need to form provision for them. Provisions for credit losses will continue to grow.

The cost of hryvnia resources has been gradually increasing since the second half of 2022, responding to the maintenance of a high NBU rate since June. However, the transmission mechanism significantly slows down the significant liquidity surplus of the banking system.

International rating agencies continue to more closely and frequently monitor Ukraine's development trends during the war and periodically revise the country's sovereign ratings and, accordingly, the ratings of the banking system. In March 2022 rating agencies Fitch Ratings and Moodys revised Ukraine's sovereign rating and, accordingly, the Group's ratings, based on the military conflict with Russia. Thus, the issuer's long-term default rating in foreign currency is assessed at the level of "CCC-" (previously "B"), the rating for long-term deposits in national and foreign currencies is Caa2 (previously B3). The agencies note that the rating decision reflects the military invasion of Russia, which led to increased risks for external and public finances, macro-financial and political stability of Ukraine.

In August, the rating agency Fitch Ratings confirmed the long-term issuer default ratings in foreign and national currency of four state-owned banks, including PrivatBank and three private banks at the level of CCC- and CCC, respectively. Fitch also downgraded the stability rating of six banks to CC, and the rating

of Privatbank to CCC-, to reflect the increased sovereign risks and risks of the operating environment for banks' creditworthiness. The downgrade of stability ratings was the result of the downgrade of Ukraine's sovereign rating to CC due to the postponement of payments on Eurobonds. "The higher stability of PrivatBank at the CCC- level shows our opinion of stronger buffers to cover losses than the other six banks," writes Fitch.

The last revision of the ratings was in February 2023, when the rating agency Moody's changed the creditworthiness assessment ratings of five Ukrainian banks, including PrivatBank, to "Ca" from "Caa3" as a result of the downgrade of the unsecured debt rating of Ukraine 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.

So, the situation in Ukraine in 2022 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 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 developments and macroeconomic conditions may have a negative impact on the Group's financial position and performance such that they cannot yet be determined.

#### *Management and organizational structure*

#### **Structure of corporate governance**

To ensure a balance between management and control the Group implements a transparent and clear corporate governance structure of the Group.

The Group's governing bodies are:

- Shareholder or Supreme governance Body  
The Group protects the rights and legitimate interests of the shareholder;
- The Group's Supervisory Board  
The Supervisory Board provides strategic management of the Group's activities, control over the activities of the Group's Management Board, and protection of the shareholder's rights. Effective management involves the reporting system of the Supervisory Board to the Supreme governance Body;
- The Board of the Group  
The Board manages the day-to-day operations of the Group and reports to the Supervisory Board and the Supreme governance Body.

#### Shareholder (Supreme governance Body)

The only shareholder of the Group, which holds 100% of the Group's shares, is the State represented by the Cabinet of Ministers of Ukraine (location: 01008 Kyiv, Hrushevskoho Street, 12/2)

On 21 December 2016, the State, represented by the Ministry of Finance of Ukraine, acquired the ownership of 100% of the Group's shares in accordance with Article 41.1 of the Law of Ukraine "On the System of Guaranteeing Deposits of Physical Persons" and pursuant to the Resolution of the Cabinet of Ministers of Ukraine "Certain Issues on Ensuring the Stability of the Financial System", dated December 18, 2016, No. 961." From April 30, 2019, the owner of the Group is the State represented by the Cabinet of Ministers.

---

The state exercises its rights as the owner of the Group, and the Group's management bodies act in accordance with the best global practices of corporate governance, in particular, the Principles of the Organization for Economic Development and Cooperation on Corporate Governance for State-Owned Enterprises (OECD Guidelines on Corporate Governance of State-Owned Enterprises), Principles corporate governance principles for banks by the Basel Committee on Banking Supervision (Corporate governance principles for banks by Basel Committee on Banking Supervision), Guidelines on Internal Governance by the European Banking Authority, which are applied to the extent that does not conflict with imperative norms of the current legislation of Ukraine.

During 2022, there were no operations on the purchase / sale of shares of the Group.

All transactions with the Shareholder are carried out under normal conditions. When making decisions regarding transactions with the Shareholder, the Group is based on 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 Articles of Association and the current legislation of Ukraine.

The higher body manages the corporate rights of the state.

The exclusive competence of the Higher Body is to resolve the issues stipulated by the current legislation and the Group's Charter. The higher body does not participate in the current management of the Group.

The higher body determines the main (strategic) directions of the Group's activities and approves reports on their implementation.

The rights, duties and responsibilities of the Higher Body are determined by the current legislation of Ukraine and the Group's Charter.

The higher body has the right to receive any information about the financial and economic activity of the Group necessary for the exercise of its powers, taking into account the provisions of the Law of Ukraine "On Banks and Banking Activity" regarding banking 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 of the Group is a collegial management body of the Group that, within its competence, ensures strategic management of the Group, as well as monitors and regulates the activities of the Management Board in order to implement the Group's Development Strategy. The Supervisory Board of the Group, acting in the interests of the Group in accordance with the Law of Ukraine "On Banks and Banking Activities", 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 Group's Charter and the Regulations on the Group's Supervisory Board.

The Chairman of the Supervisory Board of the Group heads and organizes the work of the Supervisory Board and is responsible for its effective work. The Chairman 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 perform their duties in good faith, honestly and solely in the interests of the Group, undertake not to disclose bank secrets, confidential information and information with restricted access that became known to them in connection with the performance of the functions of a

---

member of the Supervisory Board, as well as do not use it in their own interests or in the interests of third parties.

3 in order to carry out effective general management and control over the Group's financial and economic activities, as well as the proper performance by the Supervisory Board of its duties, the members of the Supervisory Board must have appropriate professional suitability, qualifications, education, experience and business reputation. The requirements for members of the Supervisory Board are established by the current legislation of Ukraine, the Group's Charter and the Regulation on the Supervisory Board.

Verification of the professional and qualification compliance of members of the Supervisory Board, compliance with the requirements of the legislation of Ukraine and the requirements of the banking legislation regarding business reputation and professional suitability is carried out in each case, when the need arises, in accordance with the requirements of the legislation of Ukraine.

The main functions of the Supervisory Board include:

- approval of the Group's strategy, main action plans, risk management strategy and policy, approval of the Group's annual budget, business plans and monitoring of their implementation;
- ensuring competitive selection to determine candidates for the positions of chairman and members of the Board, in accordance with the procedure established by the Supervisory Board, appointing members of the Board, approving the terms of contracts concluded with the Chairman and members of the Board, determining the amount of their remuneration, determining forms of control over the activities of the Board;
- control over the financial and economic activities of the Group;
- determination of the work order and plans of the internal audit unit and control over its activities;
- ensuring the functioning of the Group's internal control system and control over its effectiveness, in particular control over the effectiveness of the risk management system and control over compliance with regulations;
- control over the effectiveness of the Group's management;
- exercising control over 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 of the Group.

The Supervisory Board supervises the activities of the Management Board, divisions that are directly subordinate 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 Group's 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 evaluation of the activities of the Supervisory Board, its members and committees of the Supervisory Board, carried out by the Supervisory Board or with the involvement of independent experts, are presented by the Chairman of the Supervisory Board at the meeting of the Supervisory Board for their discussion and approval in the form of a report on the assessment of the Supervisory Board's activities and a plan of measures to improve the Supervisory Board's activities advice

The Supervisory Board is responsible for:

- security and financial stability of the Group;



- 
- compliance of the Group's activities with legislation, standards of professional associations, the effect of which applies to the Group;
  - implementation of the Group's 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 Group's norms;
  - appointment of the chairman 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, of which 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 form permanent or temporary committees from among its members for the preliminary study and preparation for consideration at the meeting of issues that belong to the competence of the Supervisory Board.

Standing committees of the Supervisory Board are:

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

The procedure for the formation and activity of the Supervisory Board committees, requirements for their members, as well as the list of issues to be considered by the Supervisory Board committees, are determined by the Group's Charter, the Regulations on the Supervisory Board, as well as the Regulations on the relevant committees of the Group's Supervisory Board.

#### The Management Board

The executive body of the Group, which carries out the current management of its activities, is the Board, which is accountable to the Supreme body and the Supervisory Board of the Group and organizes the implementation of their decisions.

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 acts on behalf of the Group within the limits established by legislation, the Group's Charter and the Regulations on the Management Board.

The Chairman of the Group's Management Board heads the board and directs its activities in accordance with the powers defined by the current legislation of Ukraine, the Charter, the Regulations on the Group's Management Board and other internal documents of the Group.

The Board ensures the independence of the performance of duties by internal control units by not interfering with 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 Chairman and members of the Management Board are responsible for the activities of the Group within the limits of their powers.

Verification of the professional and qualification compliance of the members of the Management Board, compliance with the requirements of the legislation of Ukraine and the requirements of the banking legislation regarding business reputation and professional suitability is carried out in each case, when the need arises, in accordance with the requirements of the legislation of Ukraine.

In order to ensure greater efficiency of the Board's work, the following committees have been established in the Group:

- Budget Committee,
- Compliance and Financial Security Committee,
- Assets and Liabilities Management Committee,
- Transformational Committee
- Operational Risk and Information Security Committee,
- Credit Committee,
- Marketing and PR Committee,
- Project Committee (liquidated in early 2022),
- Products and Tariffs Committee,
- Tender Committee,
- Technology Committee,
- Committee on Management of Non-performing Assets.

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

During 2022, the Supervisory Board approved a number of changes to the organizational structure of the Group, according to which the executive body consists of eight positions, namely:

- Chairman of the Board,
- Deputy Chairman of the Board (Finance),
- Deputy Chairman of the Board (Operational issues),
- Deputy Chairman of the Board (Risk management),
- Deputy Chairman of the Board (Reorganization and Problem assets),
- Member of the Board (Retail business),
- Member of the Board (Small and Medium-sized businesses),
- Member of the Board (Compliance issues).

The position of Deputy Chairman of the Board (Business development) has been abolished since September 15, 2022, and the position of Deputy Chairman of the Board (for reorganization and problem assets) has been vacant since October 27, 2022. in view of the termination of the powers of Mr. Lebedynets Igor Anatoliyovych in this position, on the basis of Art. 38 of the Labor Code of Ukraine.

#### Corporate secretary

Ensuring the functioning of the Supervisory Board is carried out by the Corporate Secretary and the Service of the Corporate Secretary, as well as a structural division of the Group, formed for the technical support of the activities of the Supervisory Board, its individual members and the Corporate Secretary.

---

The corporate secretary is an official of the Group and cannot be a member of any management bodies of the Group. The corporate secretary reports on his work 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 Group's Charter, the Regulations on the Group's Supervisory Board and the Regulations on the Corporate Secretary. The corporate secretary provides informational and organizational support for the activities of the Supervisory Board, as well as the exchange of information between the Supervisory Board and other management and control bodies of the Group and its Supreme Management Body

#### *Audit*

The Group has a permanent internal audit department, 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 Group's 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 Group's 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 the legalization of criminal income/terrorist financing;
- checks the process of assessing capital adequacy, liquidity level, means of ensuring the preservation of assets, taking into account the Group's risks;
- verifies the correctness and reliability of accounting, information, financial and other reports prepared by the Group, their completeness and timeliness of submission, including to the National Bank, state authorities and management bodies that supervise the Group's activities within their competence;
- carries out an independent assessment of the control system implemented by the Group's management;
- independently evaluates the reliability, efficiency and integrity of the management of the Group's information systems and processes;
- checks the Group's financial and economic activity;
- assesses the effectiveness and adequacy of the Group's recovery plan;
- assesses the activities of the risk management and compliance risk units, the committees established by the Group, and the quality of risk reports provided to the Group's board and management;
- detects and verifies cases of excess of powers by Group officials, as well as conflicts of interest in the Group;
- other functions provided for by the legislation of Ukraine.

Based on the results of the audits, the internal audit department 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 company that has the appropriate license and is entered in the Register of auditors and subjects of audit activity conducted in accordance with the Law of Ukraine. On the audit of financial statements and audit activity", in terms of subjects of audit activity who have the right to conduct mandatory audits of enterprises of public interest.

### **Changes in the organizational structure**

In 2022, despite the war, the Group's organizational structure continued to be improved in accordance with the approved Group Development Strategy: changes took place in the regional network (the transfer of balances and customers from branches to the Head Office balance has been continued); there were changes in the structure of the Head Office (new positions of the Group's Management Board members were created, a number of new divisions were created, internal structures and subordination of individual divisions were changed).

### **Business model**

The Group provides universal service to a wide range of clients, being 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 base of the Group's resource is the funds of individuals in the national currency, with a significant share of current accounts. The strategic goal of the Group is to build a high-quality loan portfolio of retail loans and SME loans. The Group has a powerful transaction platform Privat24, which allows to efficiently service customer account transactions in all segments and leads to a high level of commission income. Along with online services, the Group has a wide network of branches, ATMs, and self-service terminals that allow serving clients throughout the country (excluding temporarily occupied territories).

### *Management goals and strategies for achieving them*

The priority areas of the Group's 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.

However, during the period of martial law and the post-war recovery of the economy, the target priorities of the Group, 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.

As defined in the Main (strategic) areas of activity of state sector banks for the period of martial law and post-war economic recovery (approved by the Cabinet of Ministers of Ukraine on May 7, 2022), during the period of martial law and post-war economic recovery, state banks must ensure the achievement of the following strategic goals:

- 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 without physical threat to bank employees;
  - creation of conditions for the rapid full restoration of the banking services to ensure the functionality and continuity of the work of state banks;
-

- creating, setting up and maintaining the functioning of an effective system of physical security (the central office and separate divisions of such bank, including the security of bank employees), security of operating systems, in particular with the use of cloud solutions, and cyber security;
- implementation of measures to risk reducing, including possible threats, measures of bank security, in particular control over security risks (including physical, financial, cyber security and security of operating systems), elimination and/or minimization of the consequences of realized threats and crisis situations;
- uninterrupted and effective work of the bank's managers to ensure the adoption of the necessary management decisions;
- preservation of the bank's 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 formation of the legislative regarding the protection of the rights of borrowers who lost property due to full-scale military aggression.

In 2022, to support the population and business during the war, the Group implemented a number of the following measures and programs:

- introduced new credit programs for individuals and businesses: Credit holidays, Exit from credit holidays, Restructuring (long-term), "2.5% payment" (short-term restructuring) and "Part of the debt forgiveness", which was highly appreciated by society and the Group won place in the nomination "The best credit support of the population during the war" from "PaySpace Magazine Awards 2022";
- intensified business support through new and updating existing financing programs, which made it possible to finance 19.8 thousand clients for UAH 23.86 billion. As a result, PrivatBank rose by 5 positions and took 7th place in terms of business lending market share. In particular, the Agro loans portfolio has increased in 4.4 times since the spring of 2022 (at the end of 2022, it ranks 3rd in the NBU ranking by the volume of the Agro loans portfolio).
- automatically extended the period of validity of the cards for 1 year, the client does not need to contact the bank branch for reissuance, this has become especially important for clients in the temporarily occupied territories;
- implemented the issuance of new and reissuance of existing cards in Privat24;
- reduced tariffs for transferring own funds from credit cards;
- commissions for replenishing the account and withdrawing cash were canceled for volunteers, special convenient and preferential conditions were created for the service of Charitable Organizations;
- developed the digital "ePydtrymka" card, which, after the start of the full-scale invasion, has been modified and with its help, clients were able to receive new types of payments from the state: payment for vaccination against COVID 19; payment to citizens who lost their jobs due to the start of a full-scale invasion; payments to internally displaced persons; payments on military government bonds.
- 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;
- a new video meeting process was introduced for business, which also made it easier for customers to apply for banking services without visiting branches;

- depositors were offered new types of deposits and services, namely: a special deposit for military "Glory to Heroes", a new deposit "Capital", the opportunity to buy foreign currency at a favorable exchange rate equivalent up to 100,000 UAH monthly with subsequent placement of the purchased currency on term deposits.
- The "Terminal" application for accepting card payments has been actively implemented from the beginning of 2022 to support cashless payments (more than 22,000 connections during the year);
- supported business through the development of various tools in Privat 24 for business. In particular, new applications and services were introduced:
  - "Cashier" application for providing fiscalization services at the Group's POS terminals;
  - the "Budget" service, which allows to receive online up-to-date information on tax arrears/overpayments, data of the tax office, according to which the debt was calculated, and the ability to make a payment to the budget with automatically filled details and pay taxes;
  - "Invoicing" service - for issuing and paying electronic invoices by legal entities and business owners (B2B settlements);
  - the "Electronic Reporting" service, which allows the entrepreneurs to compile and send electronic reports to state bodies, including 24/7;
  - the "PrivatCamera" application, which allows remote study of the client's and enables entrepreneurs, managers and representatives of enterprises to transfer to the Group the necessary information about their business or collateral in order to obtain financing without interruption from production.

During the year, with the help of PrivatBank services, 4.5 million Ukrainians made more than 28 million international money transfers from abroad. Over the year, the number of international transfers made through PrivatBank increased by 16%, and the total amount - by 7%. In the conditions of the war, international transfers in Ukraine have become increasingly digital. In 2022, almost 97% of PrivatBank customers received transfers exclusively to cards through Privat24 and other remote channels - ATMs, self-service terminals and the contact center. More than 96% of transfers on cards are made by clients at Privat24, while almost 1.3 million p2p transfers were made using phone number instead of card number.

Thanks to the unique technological platform of the PrivatMoney system, PrivatBank acts as a reliable partner of international organizations (including: the UN Refugee Agency in Ukraine, the International Committee of the Red Cross, the Red Cross Society and others) for the payment of charitable assistance, ensuring transparency and prompt aid payments for Ukrainians.

Group increased its market share as the main bank for legal entities (according to CBR's estimates) from 45% to 47%, including due to the development of comprehensive customer service through "tariff packages", and the acquiring market share increased to 61.5%.

#### *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.

The Group is also a responsible corporate citizen. The financial institution supports customers with disabilities by adapting branches and making them comfortable to serve such customers. By increasing the availability of premises and offices, the Group is significantly ahead of the schedule established by the Resolution of the Board of the National Bank of Ukraine dated December 22, 2018 No. 149. As of

---

December 31, 2022, 83% of branches in regional centers and cities with a population of more than 300 thousand people and 70% of branches in smaller settlements of Ukraine passed an expert assessment for compliance with accessibility requirements in accordance with DBN B2.2-40:2018. In addition, the Group employs people with disabilities: currently they make up about 4% of the total number of employees.

The charitable activities of the Group expanded and reformatted with the beginning of a full-scale invasion. If from the beginning of the establishment of the Charitable Fund of PrivatBank "It's easy to help!" in 2011 and up to and including 2021, charitable programs were diverse, implemented mainly by the foundation itself, then from February 2022 the focus for charity, goals, tasks and methods of fundraising changed. In response to the need to strengthen the defense capacity of the country and the population, an approach was implemented and reformatted so that as many Ukrainians as possible could realize their desire to make charitable contributions to support those areas that are important to everyone personally. So, in the list of charity programs, fees to direct accounts of the National Bank of Ukraine for the purpose of helping the Armed Forces and for humanitarian aid to Ukrainians appeared. Other partner programs appear in response to requests and needs of society.

Among the fund-raising programs is the PrivatBank Foundation's own program - "Help to hospitals and medical institutions of Ukraine".

In addition, PrivatBank directed UAH 81,830,000 of its own funds to charity, which used to help the Armed Forces and humanitarian support. The Group also handed over 318 cars from its own fleet, including collection vehicles, for the needs of the Armed Forces.

During 2022, thanks to the Group's charitable services, the following fundraisings and programs were implemented:

- "Aid of the Armed Forces of Ukraine". Clients make deposits through the Group's services to a special NBU account. From the beginning of February to the end of 2022, more than UAH 2,709,000,000 was transferred. The fundraising continues as long as there is a need.
- "Humanitarian aid to Ukrainians". Clients make deposits through Group services to a special account of the Ministry of Social Policy. From the beginning of February to the end of 2022, UAH 94,730,000 was transferred. The fundraising continues.
- "Help to Hospitals and Medical Institutions of Ukraine", which was initiated by the Group, and implemented by PrivatBank's fund "It's easy to help!" The program started in June and by the end of the year UAH 46,202,000 was collected. Thanks to the collected funds, medical equipment was purchased and delivered to 19 medical facilities in different regions of Ukraine. The fundraising continues.
- The program "Fund for competent assistance of the army "Return Alive". The program started in April, and by the end of the year, more than UAH 1.1 billion was transferred to the accounts of the "Return Alive" charity fund.
- The program "Help Ukraine Center - delivery to Ukraine of everything that saves" collected funds for the charity fund Help Ukraine Center from May to October, during which time UAH 5,708,664 were transferred. With these funds, the partner fund purchased and delivered to recipients 100 trucks of humanitarian aid with medicines, food, hygiene products, and basic necessities. Also, 10,000 food kits were delivered to residents of Kharkiv and Zaporizhzhia Regions.
- Andrii Khlyvniuk Foundation program. The goal of the program was to raise funds for 10 drones for the Ukrainian army. Together we succeeded: from the beginning of the collection in September to the end of the year, more than UAH 22,100,000 was received for this purpose.

- The "Give Light to Children" program was launched in mid-December, and in 2 weeks it collected UAH 2,900,000. The fundraising continues, because its goal is to collect 35 million hryvnias, which will be used to purchase tablets for learning and development and safety backpacks for children who became orphans in the war. The project is implemented by the "Save Ukraine" charitable organization.
- In order to implement charity programs, the Group provides its services for fundraising: Privat24 (sections "Goodness" and "Payments"), ATMs, SST, cash desks, website dobro.privatbank.ua, finances administrative costs related to programs implemented by the fund "It's easy to help", provides media support.

Assistance from the Group to employees became an important component of social initiatives in 2022.

There is also a charity program for employees called "Helping Hand", aimed at helping employees for 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 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 Group provides financial assistance to employees affected by war (internally displaced persons, wounded, employees whose housing was damaged or destroyed).

#### *Resources, risks and relationships*

#### **Resources**

Key in the Group's activities are financial, labor and technological resources.

The sources of financial resources for the Group are:

A) Capital consisting of share capital and reserve funds. Due to the losses of the previous years caused by the transactions of the previous beneficial owners, the Group has an accumulated deficit, which is covered by contributions to the authorized capital made during 2017.

B) Client funds, of which by the end of 2022, more than 75% were in highly diversified current accounts, mainly individuals. Due to the low concentration of the client base, the Group has stable current liabilities, which ensure a low cost of the resources involved compared to competitors.

C) Interbank market funds and NBU refinancing. In its liquidity management policy, the Group does not rely on this type of resources, using them only in exceptional cases and to a limited extent.

The Group's management policy is aimed at effective management of all types of resources, improvement of the Group's financial indicators, as well as increasing the value of its assets. Therefore, an important element of corporate management is the regular development, review and approval of the development strategy, as well as the determination of priority areas of activity for both individual business areas and the Group's activities as a whole.

As part of the management system, the Group uses budgetary management and planning, as well as a system for monitoring the implementation of plans and evaluating the results of the Group's activities.

Internal regulatory documents of the Group establish qualitative and quantitative indicators of activity in business areas, which allow to evaluate the work of various divisions of the Group.

---



The Group's most valuable resource is its staff, on which the successful operation of the Group, its further development and implementation of the Strategy depend. As of January 1, 2023, the Group employs about 18,700 employees. Despite the military operations on the territory of Ukraine, the Group continues to recruit new employees - the monthly hiring of more than 150 candidates.

In order to develop the corporate culture, define the ethics of relations in the team, the respect of employees to customers, to each other, to managers and to their business, the Code of Conduct (Ethics) has been approved in the Group. 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 Group's 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. In 2022, to support operations under martial law, the Group moved its data center to the European Union, fearing the threat of physical destruction of the Group's data centers in Kyiv and Dnipro.

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

### **Organization of risk management and internal control**

The risk management function at 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 of the banking book and liquidity risk. The main task of financial risk management in 2022, caused by the start of military aggression against Ukraine, was anti-crisis management. Risk appetite indicators and risk limits were established by the Supervisory Board at the beginning of November, after carrying out a number of anti-crisis risk

---

management measures and obtaining actual and forecast data on the Group's key performance indicators.

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 divisions 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 Group's risk management system are:

- Supervisory Board;
- Audit Committee of the Supervisory Board;
- Risk Committee of the Supervisory Board;
- The Group's Management Board;
- Committee for operational risk management and information security;
- Credit Committee;
- Committee on Assets and Liabilities Management;
- Non-performing asset management committee;
- Internal audit;
- Block of subdivisions on risk management issues;
- Direction "Compliance";
- Capital Markets Department;
- Department of Analysis of Assets, Liabilities and Investments;
- Other support units (Back and Middle Office);
- Business units that directly accept risks.

Separately, in 2022, the Anti-Crisis Headquarters was created for operative anti-crisis management, with the status of a permanent board of the Group in accordance with Article 149 of the Group's Charter. Certain powers of the Board were delegated to the Anti-Crisis Headquarters for their use in solving problems arising during a crisis situation, in particular: activation, changes and additions to the Anti-Crisis Action Plan approved by the Board; making decisions on the temporary suspension of the Group's branches and outlets due to the destabilization of the situation or military operations; establishing new limits and restrictions for clients regarding the banking, financial and other services provided by the Group; suspension or termination of business contracts not related to customer service; making a decision on the possible partial evacuation of personnel, payment of material assistance to employees and their family members, etc.

Significant types of risks and the Group's approaches to their management (Mitigation and Potential opportunities Plan) are given below.

Credit risk. The Group is exposed to credit risk, which is defined as the risk that one of the parties to a transaction with a financial instrument will cause financial losses to the other party as a result of non-fulfillment of an obligation under the contract. Credit risk arises as a result of the Group's credit and other

---

transactions with counterparties, resulting in financial assets. The main goal of credit risk management in conditions of military aggression was to prevent deterioration of the quality of the credit portfolio, for which credit holidays were introduced, decision-making rules were revised, and a number of borrowers were offered credit debt restructuring.

The Group's 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 Group's management bodies, employees and structural divisions 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, 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 Group's Management Board, approves limits for operations with counterparty banks, 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 Group's information systems allow the management to carry out timely and regular monitoring of loans. The Group regularly monitors the risk of each loan. To do this, he carries out: (I) a review of the borrower's financial condition and (II) an assessment of the adequacy of the loan collateral. The financial condition of the borrower is regularly analyzed, and based on the results of such analysis, the internal credit rating of the borrower may be revised. This analysis is based on the data on the receipt of funds to 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 received in any other way.

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

The Group keeps records of credit histories of customers. 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 divisions.

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

The Group determines the measures for the settlement of problem assets based on the calculation of the net present value of the 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 with 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 Group's Supervisory Board, the Group's Management Board, and the Non-Performing Assets Management Committee regularly monitor and control the implementation of the NPA Strategy and the effectiveness of problem asset management processes.

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 Group's 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 Group's 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 Group's capital and the Group's net interest income.

The strategic task of the Group's 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 Group's 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 Group's inability to provide financing for the growth of assets and/or the fulfillment of its obligations in due time.

The strategic tasks of the Group's 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 individuals.

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

To manage liquidity in a crisis period, the Funding Plan in crisis situations in the event of a liquidity crisis has been developed, which contains a list of possible causes leading to a crisis, signs of a crisis, 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 Group's 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 Group's 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 sanctioning requirements;
- risky activity of clients;

**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, Groups internal documents:**

- violations in the field of organization of the internal structure and/or decision-making process;
-

- 
- violation of banking, currency legislation and legislation on payment services, international rules and standards;
  - violations in problem asset 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/inconsistency 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 Group's image by clients, counterparties, shareholders, supervisory and control bodies.

The strategic tasks of the Group's 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.

The reputation risk assessment is calculated taking into account the probability of the occurrence of the reputation risk and its qualitative/quantitative impact and involves establishing the level of the identified inherent reputation risk (low, medium, high and critical). Reputation risk assessment is carried out in accordance with the Reputation Risk Management Policy and other internal documents of the Group regulating reputation risk management issues.

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 Group's 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 Group's processes and products, minimizing the impact of operational risk on the stable and sustainable development of the Group's 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 department 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.

---

In order to ensure the complexity and efficiency of operational, legal and information risk management processes, the implementation and functioning of internal control and information security management systems, the management of risks arising in the process of relations with non-banking institutions and outsourcers, the Committee for Operational Risk Management and Information Security was established.

The division of functions between the Group's 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 Group's activity goals;
- control over ensuring the effectiveness of the Group's 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 Group's assets;
- control over the effectiveness of the risk management system;
- control over compliance with the requirements of legislation, normative legal 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 Group's divisions, except for the functions that are assigned to the exclusive competence of the Group's 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 Department, which ensure confidence of the Group's 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" Department, 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 Group's internal control system are:

- Supervisory Board of the Group;
  - Committee of the Supervisory Board on risks;
  - Audit Committee of the Supervisory Board;
  - Direction "Internal audit";
-

- 
- The Group's Management Board;
  - Committee of the Management Board on operational risk management and information security;
  - Operational Risk Management Department;
  - Block of subdivisions on risk management issues;
  - Direction "Compliance";
  - Accounting service;
  - Direction of information security;
  - Business process improvement management;
  - Office for Personal Data Protection;
  - process owners;
  - heads and employees of units.

The internal control system covers all stages of the Group's activity and includes:

- preliminary control, which is carried out before the actual implementation of the Group's 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 Group's 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 Group's property;
- further control, which is carried out after the execution of the Group's operations and consists in checking the validity and correctness of the execution of operations, the compliance of documents with established forms and requirements for their execution, compliance of the duties performed by employees with their job instructions, identifying the causes of violations and deficiencies and determining measures to eliminate them , control over the implementation of planned activity indicators defined in the Group's 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:

- control of the Group's managers in 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 operate on the basis of the Code of Conduct (Ethics).

Corporate behavior in PrivatBank is built on the principles of legality, transparency, competence, compliance with the rights and interests of customers, creditors of the Group, shareholders and employees and is aimed at maintaining ethical standards, quality of service to the Group's customers and increasing the efficiency of the Group's activities, supporting its financial stability and profitability.

The Code defines:

- Values and principles of behavior (ethics);
- Prohibition of illegal activities;
- The Group's relations with clients, 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 clients and providing them with reliable information about its services.

The Group is interested in establishing long-term relationships with clients.

*Relations with the Shareholder:* In relations with the shareholder, the Group intends to conduct a transparent policy and strictly adhere to the following principles of corporate governance: respect and ensure the rights of the shareholder, strictly adhere to his interests, the interests of depositors, other clients and creditors of the Group, disclose information in a timely manner, conduct an active communication policy, increase visibility and availability of information based on improving the 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 their success. The Group values its employees, creates conditions under which everyone working in it 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 in relation to business groups, political parties and associations and carries out its activities in the interests of depositors, other

---

clients, creditors of the Group and the Shareholder. Group employees must conduct business with state authorities without personal interest, without resorting to illegal methods 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.

The Group's employees must take measures to immediately eliminate the causes and conditions that complicate or prevent the normal performance of work and immediately report such cases to the Group's management and/or the Compliance Department, as well as not to take actions that entail 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 Statute, as well as the current legislation of Ukraine.

Managers and employees of the Group must not engage in activities, the interests of which may lead to a conflict with the interests of the Group or may be considered 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 and identifying related parties of the Group, conducting operations with them, as well as procedure for supervision of such operations.

If a person holds a position in a collegial body and a conflict of interest arises during the performance of official duties (committees, the Board, etc.), he or she notifies the Board Member (for compliance issues) and:

- in the case of subordination to the Board (board committees, etc.) - reports accordingly to the Chairman of the Board,
- in the case of subordination to the Supervisory Board (supervisory board committees, etc.) - reports accordingly to the Chairman 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 in which 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 implemented an annual declaration of employees regarding the presence of circumstances that may cause a potential/real conflict of interests, and certain 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, managers in their internal activities, as well as in legal relations with business partners, state authorities, local government bodies, are guided by the principle of "zero tolerance" to any corruption and will take all measures provided by law to prevent, detect and combat corruption and related actions (practices).

The Group approved the Anti-corruption Program, which is based on: the principles of the Convention against Corruption (ratified by Ukraine - Law N251-V (251-16) from October 18, 2006), by Article 62 of the Law of Ukraine "On Prevention of Corruption".

The Anti-corruption program is a set of rules, standards, and procedures for identifying, counteracting, and preventing corruption in the Group's activities. The program sets standards and requirements that are not lower than those in 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 version of the Anti-Corruption Program was approved by the decision of the Group's Management Board on May 13, 2020 (Minutes № 27). The text of the Anti-Corruption Program is in constant open access for employees, officials of the Group, as well as for its business partners, is posted on the official website of the Group and internal information resources.

In accordance with the Anti-corruption Program, Group appointed the Commissioner to implement the Program, organized the channels for sending communications about Anti-corruption program violations, corruption or corruption-related offenses, other violations of the Law of Ukraine "On Prevention of Corruption" or the Anti-Corruption Program, namely: a link (button) on the Group's internal information resources to the dedicated line "Stop Corruption", the telephone number for the messages, the address of the special e-mail (on the Group's official website and internal information resources).

During 2022, 21 reports were received through available communication channels about the possible commission of corruption or corruption-related offenses, other violations of the Anti-Corruption Program.

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

In 2022, an internal assessment of corruption risks was carried out in the activities of JSC CB "PrivatBank". Based on the results, an appropriate conclusion was drawn up. The analysis of the results of the assessment of corruption risks in the activities of JSC CB "PrivatBank" made it possible to conclude that corruption risks are low in most areas of the Group's activities.

During 2022, 406 conclusions were prepared regarding the absence of corruption risks when the Group provided charitable assistance. 13,461 anti-corruption inspections of the Group's business partners were conducted. 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*

The year 2022 became a year of testing the stability of the banking system of Ukraine in extremely difficult external circumstances related to the Russia attack and the introduction of martial law in Ukraine from 24.02.22.

From the first day of the war, the Group held the line of financial defense of Ukraine, ensuring the uninterrupted operation of electronic services, a network of branches and ATMs in all regions where there was no direct military threat and implementing measures to support customers, having lost significant amount of income.

The Group promptly adapted most of its business and internal processes to the working conditions during martial law, in particular:

---

- the work of branches was restored and adjusted where possible - if at the beginning of March, about half of the branches were working, then already at the beginning of April - more than 1,000 branches in all regions of Ukraine, except temporarily occupied ones. Later, out of more than 1,200 branches, an average of 80% of branches were opened every day during the war.
- the network of ATMs and terminals is optimized taking into account conditions in one or another region, customer demand, and the possibility of cashing them.
- cash collection worked in all regions where it was possible. Routes were updated depending on the current conditions in the region, interregional cash collection was established and the local cash collection process was optimized.
- in the de-occupied territories, the service network and Group operations were restored as soon as it became possible.

Since the beginning of the war, the Group has ensured the transfer of data to the cloud service of an international operator in an extremely short time, which adds confidence in the Group's work.

During the energy crisis, the Group ensured uninterrupted operation of the processing and payment infrastructure (POS-terminals and ATMs), the network of critical branches within the framework of the POWER BANKING project. The project envisages the creation, at the initiative of the National Bank, of a network of bank branches that provide financial services to clients even in the event of a prolonged blackout. These are more than 1,000 branches of various banks equipped with generators, cash registers, ATMs, cash, additional staff and all other necessary equipment and communication channels for continuous work in the absence of electricity.

The abolition of interest on credit cards, the introduction of credit holidays for customers, the cancellation of commissions for trade enterprises and for cash withdrawals, as well as commissions for most types of customer payments led to a decrease in the Group's income, in particular, compared to 2021, interest income on loans to individuals and net commission income decreased by 13% and 12%, respectively.

At the same time, the Group continues to support Ukraine's economy through the development of lending programs for agricultural producers and businesses that are critically important for Ukraine. During 2022, such loans were issued for UAH 23.8 billion, which led to an increase in the loan portfolio and interest income on loans to legal entities.

Despite working in war conditions, increased costs to ensure the reliability of the Group's information systems and their transfer to a cloud architecture, as well as systemic measures to support and protect employees, the Group remained operationally efficient, limiting all costs that are not directly related to business continuity. In the conditions of rising inflation, the Group restrained the growth of operating expenses, which was limited to only 5% (UAH 0.9 billion), the increase was primarily caused by exceptional expenses in war conditions, which in 2022 exceeded UAH 1 billion (personnel support, protection of information systems, charity).

The financial condition of most clients and their ability to service their obligations cause increased credit risks for the Group's loan portfolio. Also, since the beginning of martial law, international rating agencies have significantly lowered Ukraine's sovereign rating, which has led to the creation of the provision for government debt securities valued at fair value through other comprehensive income. In addition, reserves were formed during the year for expected losses as a result of hostilities: for the loss of cash and other assets due to the destruction of premises and ATMs.

According to the results of 2022, 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 2022 is UAH 54.5 billion, and the regulatory capital adequacy ratio is 23.78% (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, 2022, the liquidity coverage ratio was 311.01% for all currencies (LCRBB) and 260.14% in foreign currency (LCRIB) with the standard value of at least 100% set by the NBU.

In 2022-2023, the Group planned to continue moving along the trajectory determined in 2021, including the continuation of transformational processes within the framework of the updated Strategy 2024. This includes the development of service models for customers based on the study and implementation of UI/UX, maintaining the development of technologies and innovative Group's products, adaptation and improvement of traditional products to customer needs, and, of course, optimization of the Group's internal processes, corporate management systems, risk management and Compliance, etc.

However, as defined in the Main (strategic) directions of the activities of public sector banks for the period of martial law and post-war economic recovery (approved by the order of the Cabinet of Ministers of Ukraine on May 7, 2022), during the period of martial law and post-war economic recovery, the Group's target priorities, as a state bank, consist in the primarily of active participation in ensuring the financial stability of Ukraine, support and stability of the banking sector, ensuring the financing of priority sectors of the economy and the smooth functioning of enterprises (objects) of critical infrastructure, including those that are state-owned.

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*

Despite the increase in credit risks and macroeconomic conditions of martial law, the Group managed to achieve high results during the reporting period. The Group's net profit for 12 months of 2022 amounted to UAH 30.25 billion, which is less than in 2021 by UAH 4.99 billion, or by 14,2%. The Group's net profit remains the maximum result of the Ukrainian banking sector, the total profit of which in 2022 amounted to UAH 24.7 billion.

The main factors of the Group's financial result in 2022 are:

- changing the structure of customer transactions, including the growth of the general level of non-cash payments in the country as a faster and safer way of payments, as well as a significant increase in the volume of transactions abroad using the cards of Ukrainian citizens who went abroad to escape the war.
- growth of inflows to clients' current accounts, which covered the outflow of funds from term deposits and ensured a change in the structure and volume of net interest income.
- macroeconomic conditions in the economy and banking market of Ukraine, including the trend of the NBU discount rate and the official exchange rate.
- growth of credit risks and the creation of a significant volume of provision to cover them.
- the formation of provision for expected losses as a result of hostilities: loss of cash and other assets due to the destruction of premises and ATMs.
- keeping operating costs under control by limiting all costs that are not directly related to ensuring business continuity. At the same time, the war required significant additional costs to ensure the reliability of the Group's information systems by transferring them to a cloud architecture, as well as systemic measures to support and protect employees, help the armed forces of Ukraine through targeted charity programs, etc.

The Group's result was also significantly affected by the result of revaluations. The change of the official UAH/USD rate in July, caused losses from the revaluation of the currency position, which are partially compensated by the positive revaluation of indexed government bonds in the Group's portfolio. At the same time, the revaluation of indexed government bonds is derived both from the change of the UAH/USD exchange rate, as well as from World inflationary expectations, that influenced to the increase of interest rates both in the Ukrainian market and in the World.

---

Therefore, the Group's 2022 performance indicates its efficiency, stress resistance, flexibility and adaptability. Clients' trust to the Group, prompt response to new challenges of the external environment and new needs of clients provided the Group with a leadership position in the overall result of the banking system. At the same time, the state-owned PrivatBank is a systemically important bank that is the basis of the financial system of Ukraine.

---

## **II. FINANCIAL STATEMENTS**

---

## Independent auditor's report

To the Shareholder and Supervisory Board 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 (the Group), which are presented on pages 1 to 94 of Section II of the Group's Annual Report 2022 and comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

### Basis for Qualified Opinion

The Group did not complete an analysis of whether criteria for derecognition were met in respect of amounts due to customers of UAH 11,015 million and UAH 8,225 million as at 31 December 2022 and 2021, respectively, that were subject to conversion into equity (Note 13). The Group recognized foreign exchanges losses of UAH 2,790 million and gains of UAH 312 million in respect of these amounts due to customers in the years ended 31 December 2022 and 2021, respectively (Note 13). Such amounts due to customers and a corresponding receivable of UAH 8,144 million (net of impairment allowance of UAH 734 million) as at 31 December 2022 and 2021 (Note 12), were recognised in the consolidated statement of financial position of the Group. This receivable does not meet the definition of an asset in accordance with IFRS. As a result, the Group's other assets were overstated by UAH 8,144 million as at 31 December 2022 and 2021. The effects of not completing the analysis of the criteria for derecognition of the amounts due to customers on the Group's liabilities and equity as at 31 December 2022 and 2021 as well as interest expense and foreign exchange gains and losses for 2022 and 2021 have not been determined.



We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

#### Material Uncertainty Related to Going Concern

We draw attention to Notes 2 and 3 in the consolidated financial statements, which indicate that the Group's operations have been negatively affected by the Russian Federation's military invasion of Ukraine. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists 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 incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

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

Key audit matter	How our audit addressed the key audit matter
<b>Assessment of expected credit loss on loans and advances to customers</b>	
<p>Assessment of expected credit losses in accordance with IFRS 9 “Financial instruments” is complex and inherently subjective process that requires application of judgements and making assumptions by Management.</p> <p>The use of different techniques and assumptions made on how to incorporate historical and forecast macroeconomic information, including changes consequent to the impact of Russian federation military aggression against Ukraine, in the assessments of such indicators as historical losses, recoveries, macroeconomic indicators, could produce significantly different estimates of expected credit loss on loans and advances to customers.</p> <p>Additionally, for individually assessed defaulted loans, the Group applied judgments to estimate fair value of collateral and expected cash flows under a range of scenarios.</p> <p>Due to significance of the balance of loans and advances to customers to the consolidated financial statements and judgemental nature of expected credit loss assessment, this matter was one of the key audit matters.</p> <p>Notes 3, 4, 8 and 27 to the consolidated financial statements provide information in respect of expected credit loss on loans and advances to customers and the Group’s risk management policies.</p>	<p>Our audit procedures included assessment of the methodology, techniques and assumptions used by the Group to incorporate historical and macroeconomic information including changes consequent to the impact of Russian federation military aggression against Ukraine and in consideration of facts and circumstances as of the reporting date, in the assessment of expected credit losses on loans and advances to customers.</p> <p>We obtained an understanding, evaluated the design, and tested operating effectiveness of the controls related to the expected credit loss calculations and input data.</p> <p>We also tested information used in calculation of expected credit loss including but not limited to historical losses and recoveries, macroeconomic indicators and other inputs.</p> <p>For individually assessed loans secured with collateral, we assessed the methodology of collateral valuation, assumptions used to estimate its fair value and expected cash flows under a range of scenarios. In addition, we have analysed current circumstances related to Russian federation military aggression against Ukraine in the assessment of expected credit loss for these loans.</p> <p>We analysed disclosures on expected credit losses on loans and advances to customers included in the notes to the consolidated financial statements.</p>

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of investment securities at fair value through profit or loss</b>	
Valuation of investment securities at fair value through profit or loss with embedded derivative feature was a key area of judgments for the Group's management due to complexity of the model, subjectivity of assumptions and valuation techniques.	Our audit procedures included obtaining understanding of the process of fair value assessments, key sources of inputs and assumptions.
Also, the carrying value of UAH 95,716 million is significant to the consolidated financial statements. Therefore, we considered this matter to be a key audit matter.	We evaluated, with the assistance of our internal valuation specialists, the model, assumptions and judgements applied by the Group's management, including those applied in the determination of period for volatility of exchange rates and other factors in modelling long-term forecast of exchange rates.
Information and judgments on the investment securities at fair value through profit or loss is presented in the Notes 4, 9 and 31 to the consolidated financial statements.	Also, we tested inputs applied by Group's management in development of their assumptions, such as historical exchange rates, terms of financial instruments and discount rates.
<b>Other information included in the Group's Annual report and the Bank's Annual Information of the Issuer of Securities for 2022</b>	
Other information consists of the Group's Annual report (including the Group's Management report) and other information included in the Bank's Annual Information of the Issuer of Securities (including the Corporate Governance report), but does not include consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.	
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.	
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, 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 other assets, which did not meet the definition of an asset in accordance with IFRS, and also did not complete the analysis of whether criteria for derecognition were met for the amounts due to customers, that were subject to conversion into equity. We have concluded that the other information is materially misstated for the same reason in respect of the amounts and other items in the other information affected by these matters.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

#### Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's 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 the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Supervisory Board and the Audit Committee 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.

Report in accordance with requirements of Section IV paragraph 11 "Instruction on preparation and publication of financial statements of banks in Ukraine" as approved by Resolution of the Board of National Bank of Ukraine No. 373 dated 24 October 2011 (as amended)

In accordance with Section IV paragraph 11 of "Instruction on preparation and publication of financial statements of banks in Ukraine" as approved by Resolution of the Board of National Bank of Ukraine No. 373 dated 24 October 2011 (as amended) ("Instruction No. 373"), we report the following:

In our opinion, based on the work undertaken in the course of our audit of the Group's consolidated financial statements, the Group's Management report is prepared in accordance with requirements of Instruction No. 373.

#### Report on other legal and regulatory requirements

Pursuant to the requirements of Article 14 paragraph 4 of Law of Ukraine "On audit of financial statements and auditing activity" No. 2258-VIII (the "Law No. 2258-VIII") we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing and in accordance with "Requirements to the information related to the audit and review of capital market participants and organized commodity markets under supervision of the National Securities and Stock Market Commission (the NSSMC)" approved by the NSSMC Decision №555 dated 25 July 2021 (hereinafter – "NSSMC Requirements"):

#### Appointment of the auditor and period of engagement

We were first appointed as independent auditors to perform a statutory audit of the Group's consolidated financial statements on 12 January 2017 by the Supervisory Board. Our appointment has been renewed annually by the Supervisory Board. The period of total uninterrupted engagement for performing the statutory audit of the Group is seven years.

#### Consistency of the independent auditor's report with the additional report to the Audit Committee and the Supervisory Board

We confirm that our independent auditor's report is consistent with the additional report to the Audit Committee and the Supervisory Board of the Group, which we issued on 20 April 2023 in accordance with Article 35 of Law No. 2258-VIII.

#### Provision of non-audit services

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

#### Reporting under the NSSMC requirements

- Full legal name of the Bank, information on the ultimate controlling party as well as ownership structure are disclosed in Notes 1 to the Group's consolidated financial statements.
- As at 31 December 2022, the Bank had the following subsidiaries (all located in Ukraine): «Estate Garant» LLC, Kobos PrJSC, «A-Lex» LLC, «Ukrainian Bureau of Credit Histories» LLC, «LT Group» LLC and Charitable Foundation «It's easy to help».

- As at 31 December 2022, the Bank was not a controller or a participant of a non-banking group.
- The Bank is a public interest entity according to the requirements of Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.
- Prudential ratios, established by the NSSMC for relevant activity of professional participants in capital markets and organized commodity markets, are not applicable to banks that perform professional activities at stock markets in accordance with "Regulation on prudential ratios for professional activities at stock markets and risk management requirements" (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.
- The Bank's Audit Committee has not performed an examination of the Bank's financial and economic activities for the financial year.
- Limited liability company "Ernst & Young Audit Services" (ERDPOU: 33306921, web-site: [www.ey.com/ua](http://www.ey.com/ua)) have audited the Group's financial statements according to agreement No. GFS-2022-00119 dated 30 September 2022. The audit was conducted in the period from 30 September 2022 to 21 April 2023.

The partner in charge of the audit resulting in this independent auditor's report is Studynska Y.S.

For and on behalf Ernst & Young Audit Services LLC



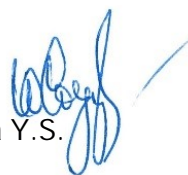
Svistich O.M.  
General Director

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

Kyiv, Ukraine


21 April 2023

Ernst & Young Audit Services LLC is included in the Register of auditors and audit firms, which is maintained by the Audit Public Oversight Body, registration number: 3516.



Studynska Y.S.  
Partner

Registration number in the Register of  
auditors and audit firms: 101256



Simak M.V.

Auditor

Registration number in the Register of  
auditors and audit firms: 101255



**PRIVATBANK GROUP**  
**Consolidated Statement of Financial Position as of 31 December 2022**

*Translation from Ukrainian original*

<i>In millions of Ukrainian hryvnias</i>	<i>Note</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>ASSETS</b>			
Cash and cash equivalents	6	96,380	52,835
Loans and advances to banks	7	103,837	26,243
Loans and advances to customers	8	68,084	68,218
Investment securities including:		239,752	222,277
- at fair value through profit or loss	9	95,716	93,096
- at fair value through other comprehensive income	9	143,920	129,074
- at amortized cost	9	116	107
Current tax assets	25	9,079	9,978
Deferred tax assets	25	1,100	-
Investment properties	10	2,155	1,989
Intangible assets other than goodwill	11	1,392	1,291
Property, plant and equipment	11	5,308	6,159
Other financial assets	12	4,318	2,673
Other non-financial assets	13	9,189	9,715
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners		64	7
<b>TOTAL ASSETS</b>		<b>540,658</b>	<b>401,385</b>
<b>LIABILITIES</b>			
Due to others banks		-	3
Due to customers	14	471,863	325,019
Other borrowed funds	15	128	-
Current tax liability	25	3	12
Deferred tax liability	25	-	158
Other financial liabilities	16	2,647	3,824
Provisions including:	17	5,804	3,651
- provisions for loan commitments and financial guarantee contracts		1,280	373
- other provisions		4,524	3,278
Other non-financial liabilities	18	2,274	1,803
<b>TOTAL LIABILITIES</b>		<b>482,719</b>	<b>334,470</b>
<b>EQUITY</b>			
Issued capital	19	206,060	206,060
Share premium	19	23	23
Result from transactions with the shareholder		12,174	12,174
Other reserves	9, 11	(15,141)	(4,064)
Reserve and other funds of a bank	19	11,449	9,696
Accumulated deficit		(156,628)	(156,976)
<b>Equity attributable to owners of parent Bank</b>		<b>57,937</b>	<b>66,913</b>
Non-controlling interest		2	2
<b>TOTAL EQUITY</b>		<b>57,939</b>	<b>66,915</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>540,658</b>	<b>401,385</b>

Approved for issue and signed on 18 April 2023.

Gerhard Boesch  
Chairman of the Board

Ganna Y. Samarina  
Deputy Chairperson of the Management  
Board (Chief Finance Officer)

Valentyna V. Yarmolenko  
Chief Accountant



**PRIVATBANK GROUP**  
**Consolidated Statement of Profit or Loss for the year ended 31 December 2022**

Translation from Ukrainian original

<i>In millions of Ukrainian hryvnias</i>	Note	2022	2021
Interest income including:		43,687	35,857
- interest income calculated using effective interest method	20	38,906	30,873
- other interest income	20	4,781	4,984
Interest expense	20	(3,767)	(6,533)
<b>Net interest income</b>		<b>39,920</b>	<b>29,324</b>
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	21	(15,396)	(856)
<b>Net interest income after charge for impairment</b>		<b>24,524</b>	<b>28,468</b>
Commission income	22	32,945	35,057
Commission expenses	22	(12,505)	(11,840)
Net increase (decrease) from trading in foreign currencies		14,655	3,226
Net increase (decrease) from foreign exchange translation		(7,760)	1,017
Net increase (decrease) from debt financial instruments at fair value through other comprehensive income operations	9	119	32
Net increase (decrease) from financial instruments at fair value through profit or loss operations	9	2,608	(7,666)
Net increase (decrease) from revaluation of investment property		267	(873)
Employee benefits expense		(10,129)	(8,931)
Depreciation and amortisation expense	11	(1,975)	(2,187)
Other administrative and operational expenses including:	23	(10,510)	(2,417)
- reversal of provision (recognition of provision) for legal cases	17, 23	(885)	6,464
- administrative and operational expense	23	(9,625)	(8,881)
Other income	24	2,956	1,612
Other gains (losses) - losses from modification of financial assets		(458)	(111)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates		(1)	(164)
Gain (loss) arising from derecognition of financial assets measured at amortised cost		4	77
<b>Profit before tax</b>		<b>34,740</b>	<b>35,300</b>
(Income tax expense) income tax benefit	25	(4,486)	(58)
<b>Profit for the year</b>		<b>30,254</b>	<b>35,242</b>
<b>Profit attributable to</b>			
- owners of parent Bank		30,254	35,241
- non-controlling interests		-	1
<b>Profit for the year</b>		<b>30,254</b>	<b>35,242</b>

Approved for issue and signed on 18 April 2023.

Gerhard Boesch  
Chairman of the Board


Ganna Y. Samarina  
Deputy Chairperson of the Management  
Board (Chief Finance Officer)


Valentyna V. Yarmolenko  
Chief Accountant


## Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

In millions of Ukrainian hryvnias	2022	2021
Profit for the year	30,254	35,242
<b>Other comprehensive income</b>		
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Financial instruments on fair value through other comprehensive income:		
- Gains (losses) on financial assets measured at fair value through other comprehensive income before tax	(14,139)	(1,758)
- Reclassification adjustments on financial assets measured at fair value through other comprehensive income before tax	(119)	(32)
- Changes in provision for expected credit losses	3,453	-
- Income tax relating to financial assets measured at fair value through other comprehensive income	(207)	(2)
<i>Items that will not be reclassified to profit or loss:</i>		
Premises and land:		
- Other comprehensive income gains (losses) on revaluation, before tax	34	(32)
- Income tax relating to changes in revaluation surplus of other comprehensive income	(6)	6
<b>Total other comprehensive income</b>	<b>(10,984)</b>	<b>(1,818)</b>
<b>Total comprehensive income</b>	<b>19,270</b>	<b>33,424</b>
<b>Comprehensive income attributed to:</b>		
- owners of parent Bank	19,270	33,423
- non-controlling interests	-	1
<b>Total comprehensive income</b>	<b>19,270</b>	<b>33,424</b>

Approved for issue and signed on 18 April 2023.


  
Gerhard Boesch  
Chairman of the Board


  
Ganna Y. Samarina  
Deputy Chairperson of the Management  
Board (Chief Finance Officer)


  
Valentyna V. Yarmolenko  
Chief Accountant

**PRIVATBANK GROUP**  
**Consolidated Statement of Changes in Equity for the year ended 31 December 2022**

Translation from Ukrainian original

		Attributable to the shareholder of the Bank												
		Issued capital	Share premium	Other reserves				Result from transactions with the shareholder	Reserve and other funds of a bank	Accumulated deficit	Total	Non-controlling interest	Total equity	
				Currency translation reserve	Revaluation reserve of premises	Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Total other reserve							
In millions of Ukrainian hryvnias	Note													
Equity at 1 January 2021		206,060	23	27	689	(2,937)	(2,221)	12,174	8,481	(171,461)	53,056	1	53,057	
Profit for the year		-	-	-	-	-	-	-	-	35,241	35,241	1	35,242	
Other comprehensive income		-	-	-	(26)	(1,792)	(1,818)	-	-	-	(1,818)	-	(1,818)	
Comprehensive income		-	-	-	(26)	(1,792)	(1,818)	-	-	35,241	33,423	1	33,424	
Increase (decrease) through transfers and other changes in equity:														
- transfer (depreciation) of the reserve for revaluation of premises into retained earnings		-	-	-	(25)	-	(25)	-	-	25	-	-	-	
Profit distribution:														
- transfer to the reserve fund	19	-	-	-	-	-	-	-	1,215	(1,215)	-	-	-	
- dividends recognised as distributed to owners	19	-	-	-	-	-	-	-	-	(19,566)	(19,566)	-	(19,566)	
Equity at 31 December 2021		206,060	23	27	638	(4,729)	(4,064)	12,174	9,696	(156,976)	66,913	2	66,915	
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	

Approved for issue and signed on 18 April 2023.

Gerhard Boesch  
Chairman of the Board



Ganna Y. Samarina  
Deputy Chairperson of the Management Board (Chief Finance Officer)

Valentyna V. Yarmolenko  
Chief Accountant

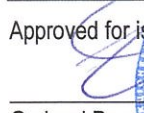
The notes set out on pages 6 to 94 form an integral part of these consolidated financial statements.




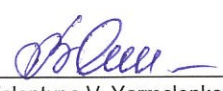
## Consolidated Statement of Cash Flows for the year ended 31 December 2022

In millions of Ukrainian hryvnias	Note	2022	2021
<b>Cash flows from operating activities</b>			
Interest received		40,071	36,919
Interest paid		(3,798)	(6,752)
Commission income received		32,945	35,057
Commission expenses paid		(12,505)	(11,840)
Net increase (decrease) from operations with foreign currencies		14,655	3,226
Employees benefits paid		(9,807)	(9,203)
Administrative expenses and other operating expenses paid		(9,479)	(8,965)
Other income		3,059	2,027
Income taxes (paid) refund		(5,051)	(3,358)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>50,090</b>	<b>37,111</b>
<b>Changes in operating assets and liabilities</b>			
Other cash inflows (outflows)		37	35
Net (increase) decrease in loans and advances to banks		(77,584)	(1,179)
Net (increase) decrease in loans and advances to customers		(9,198)	(15,000)
Net (increase) decrease in other financial assets		(684)	743
Net (increase) decrease in other assets		333	(106)
Net increase (decrease) in due to banks		(2)	(17)
Net increase (decrease) in due to customers		117,819	17,566
Net increase (decrease) in other non-financial liabilities		1	64
Net increase (decrease) in other financial liabilities		(1,019)	21
<b>Net cash flows from operating activities</b>		<b>79,793</b>	<b>39,238</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		3	84
Purchase of property, plant and equipment		(393)	(1,127)
Purchase of intangible assets		(677)	(627)
Proceeds from sale and redemption of investments securities:		112,879	71,293
- at fair value through other comprehensive income		112,778	69,622
- at amortized cost		101	1,671
Purchase of securities including:		(130,158)	(83,745)
- at fair value through other comprehensive income		(130,058)	(83,625)
- at amortized cost		(100)	(120)
Proceeds from sales of investment property		77	-
<b>Net cash flows used in investing activities</b>		<b>(18,269)</b>	<b>(14,122)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities		(653)	(726)
Dividends paid		(28,246)	(19,566)
Receipt of other debt		127	-
<b>Net cash flows used in financing activities</b>	34	<b>(28,772)</b>	<b>(20,292)</b>
Effect of exchange rate changes on cash and cash equivalents		10,684	(1,683)
Effect of expected credit losses changes on cash and cash equivalents		(453)	(1)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>42,983</b>	<b>3,140</b>
Cash and cash equivalents at the beginning of the year	6	51,208	48,068
<b>Cash and cash equivalents at the end of the year</b>	6	<b>94,191</b>	<b>51,208</b>

Approved for issue and signed on 18 April 2023.

  
 Gerhard Boesch  
 Chairman of the Board

  
 Ganna Y. Samarina  
 Deputy Chairperson of the Management Board (Chief Finance Officer)

  
 Valentyna V. Yarmolenko  
 Chief Accountant

## 1 Introduction

Joint Stock Company Commercial Bank PrivatBank ("PJSC 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 2022 and 31 December 2021 the Government of Ukraine represented by the Cabinet of Ministers of Ukraine is the ultimate controlling party of the Bank.

As of 31 December 2021, the PrivatBank Group (together referred to as the "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 2020: 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 for since 2012 and 2013. The Bank participates in the State deposit insurance plan (registration № 113 dated 2 September 1999), which operates according to the Law №2740-III "On Individuals Deposits Guarantee Fund" dated 20 September 2001 (as amended). As at 31 December 2021 the Deposit Guarantee Fund of Ukraine guaranteed repayment of individual deposits and interest on them for the amount up to UAH 200 thousand per individual in case bank liquidation procedure is started.

As at 31 December 2022, the Bank has 8 branches and 1,200 operating outlets in Ukraine and a branch in Cyprus (31 December 2021: 20 branches and 1,475 operating outlets in Ukraine and a branch in Cyprus).

**Registered address.** The Group's registered address as at the date of these consolidated financial statements is:

1D, HRUSHEVSKOHO STR.  
01001, KYIV,  
Ukraine.

**Presentation currency.** These consolidated financial statements are presented in million ("UAH million"), unless otherwise stated.

## 2 Operating Environment of the Group

The Group conducts the main part of its activities in Ukraine. The Ukrainian economy has certain characteristics that threaten its long-term stability. Such characteristics include, but are not limited to, relatively low levels of liquidity in the capital markets and deficits in the balance of government finances and foreign trade.

On 24 February 2022, the Russian Federation invaded the territory of Ukraine. On this day, the President of Ukraine signed, and the Verkhovna Rada of Ukraine approved an order imposing martial law in Ukraine for 30 days which was further extended a number of times and currently effective through 19 May 2023.

Since 24 February 2022, the aggressor's hostilities in Ukraine have caused significant damage to civilian infrastructure, office and residential real estate in the east, some areas of northern and southern Ukraine, and mass shutdowns of enterprises and companies activities both in the territory of active hostilities, adjacent territories, and, in some cases, in the rest of Ukraine due to broken supply chains, damage or blockage of transport routes as well as declining demand for goods and services.

The Ukrainian economy has been slowly recovering after a slump in the first half of 2022 due to large-scale Russian aggression. The loss of human capital and the destruction of infrastructure, particularly energy infrastructure, as a result of further Russian terrorist attacks and hostilities led to a further decline in the economy in 2022 and will restrain its recovery during the next year. A high level of risks and uncertainty remains, which complicates the work of the financial sector, but macro-financial stability is supported by significant international financial assistance.

## 2 Operating Environment of the Group (Continued)

On 24 February 2022, the NBU issued a resolution imposing temporary restrictions, namely:

- to suspend the operation of the foreign exchange market of Ukraine, except for operations on the sale of foreign currency by customers;
- to fix the official exchange rate at 24 February 2022 level;
- limit cash withdrawals from the client's account to the amount of UAH 100,000 per day (excluding salaries and social benefits), except for enterprises and institutions that ensure the implementation of mobilization plans (tasks), the Government and individual permits of the National Bank without accrual and withdrawal of commissions ;
- to prohibit cash withdrawals from clients' accounts in foreign currency, except for enterprises and institutions that ensure the implementation of mobilization plans (tasks), the Government and certain permits of the National Bank;
- introduce a moratorium on cross-border foreign currency payments (except for enterprises and institutions that ensure the implementation of mobilization plans (tasks) and the Government, certain permits of the NBU);
- to suspend the performance of expenditure operations by servicing banks on the accounts of residents of the state that carried out the armed aggression against Ukraine;
- to banks - issuers of electronic money to suspend the issuance of electronic money, replenishment of electronic wallets with electronic money, distribution of electronic money.

To ensure the smooth functioning of the banking system, the National Bank of Ukraine:

- established the procedure for blank refinancing of banks to maintain the liquidity of the banking system;
- waived the requirements for compliance with prudential ratios if the violation occurred as a result of military aggression.

To support its activities under martial law, the Bank relocated its data center to the European Union, fearing the threat of physical destruction of the Bank's data centers in Kyiv and Dnipro.

On 22 April 2022, the National Bank of Ukraine approved additional measures to support the stable operation of the banking system. The National Bank has expanded the list of temporary relief measures in the application by banks/banking groups of the requirements of the regulatory legal acts of the National Bank. In particular, these measures concerned the following:

- inclusion in the calculation of capital adequacy ratios of the minimum amount of operational risk;
- requirements to update banking or banking groups internal documentation;
- application of a simplified approach when determining the amount of credit risk for regulatory purposes;
- updating and submitting to the National Bank plans to resume the activities of a bank / banking group;
- control by the National Bank over the implementation of capitalization / restructuring programs by banks based on the results of the sustainability assessment conducted in 2021.

On 21 May 2022, the NBU lifted restrictions on setting the exchange rate at which authorized institutions can sell foreign currency in cash to customers. Previously (since 24 February 2022), the relevant exchange rate should not deviate from the official exchange rate by more than 10%.

On 3 June 2022, the Board of the National Bank of Ukraine has decided to raise the key policy rate from 10% per annum (established since January 2022) to 25% per annum.

On 21 July 2022, in order to balance supply and demand on the foreign exchange market under martial law, the Board of the National Bank of Ukraine approved the following additional measures:

- adjusted the official hryvnia exchange rate against the US dollar from UAH 29.25 to UAH 36.5686 per 1 US dollar. The official exchange rate of the hryvnia against the US dollar continued to be fixed;
- allowed banks to sell non-cash currency to citizens with subsequent placement on deposit for a period of three calendar months without the right of early termination within the monthly limit of UAH 50,000 (equivalent);
- the limit for cash withdrawals from hryvnia payment cards abroad has been changed from monthly to weekly: UAH 12.5 thousand (equivalent) for seven calendar days;
- reduced the monthly limit on P2P transfers of citizens abroad from hryvnia payment cards of Ukrainian banks from UAH 100,000 (equivalent) to UAH 30,000 (equivalent);
- established the monthly limit for payments abroad using hryvnia payment cards in the amount of UAH 100,000 (equivalent) from all client bank accounts opened in the national currency;
- from 25 July 2022, cancelled the permission for commercial banks to buy cash hryvnia from a foreign financial institution for non-cash foreign currency.

## 2 Operating Environment of the Group (Continued)

Since 21 October 2022, the National Bank of Ukraine has allowed Ukrainians to buy currency at UAH 36.5686 for 1 US dollar for placement on a deposit with subsequent conversion into hryvnias after the end of the deposit term.

In addition, the algorithm for calculating the limits of open currency positions by banks has been changed by the National Bank of Ukraine in terms of not taking into account the increase in provisions for banks' currency assets.

The war has taken on a protracted nature, but the support of the partners is only increasing. The victorious actions of the Ukrainian defenders led to successes at the frontlines. During half a year, the Defence Forces of Ukraine liberated the most part of the Mykolaiv region, almost all of the Kharkiv region, and a large part of the Kherson region, including the regional centre - the only one regional centre captured since 24 February 2022. Fierce fighting continues in Donetsk and Luhansk regions. Also, Russia is carrying out terrorist attacks on critical infrastructure facilities, in particular energy infrastructure of Ukraine.

In 2022, at the initiative of the National Bank of Ukraine, all systemically important banks joined together to create a joint banking network - POWER BANKING.

By the end of 2022, the POWER BANKING network united all 14 systemically important banks (including the Bank and other top banks in Ukraine), the branches of which have become the basis of this network, and also involved other participants of the banking market. Currently, more than 1,000 branches in all regions of the country are additionally equipped to work during a blackout (about 80% of them are branches of systemically important banks).

In blackout conditions, a certain list of urgent banking services will be available to all customers in POWER BANKING branches, namely:

- cash withdrawals (at ATMs or at the cash desk);
- payments, money transfer (at the cash desk or self-service terminals);
- currency exchange (if cash is available at the cash desk);
- consulting managers on financial issues.

Ukraine secured the support of the countries which have been provided since the first days of the war, and even expanded the circle of supporters thanks to the successes of the defence forces and diplomacy.

According to the NBU's estimates, consumer inflation in Ukraine accelerated in December 2022 to 26.6% year-on-year, but was lower than the NBU's October 2022 forecast. Inflationary pressure persisted due to the consequences of the war, in particular, the shortage of electricity. However, inflation was restrained by the expansion of the food supply, the strengthening of the hryvnia cash rate, the stabilization of inflationary expectations, and the unchanged tariffs for housing.

Electricity shortages continued to limit economic activity through end December 2022. The vast majority of enterprises reduced production, although some were able to stabilize their work thanks to autonomous energy supply, changing working hours or obtaining electricity supply specific for production needs. However, this increased production costs for them. The pre-holiday demand and favourable conditions for the import of energy products at the end of the year contributed to the revival of trade, and the warm weather - to the harvesting of corn.

The table below shows the Group's losses incurred as a result a full-scale war recognized in the statement of profit or loss for 2022 year:

<i>In millions of Ukrainian hryvnias</i>	<b>Note</b>	<b>Influence of war</b>
<b>War related costs</b>		
Impairment losses of cash in cash desks and ATM/TCO in occupied regions	21	451
Impairment losses of loans and advances to customers	8	10,870
Impairment losses of investment securities at FVOCI	21	3,492
Impairment losses of credit related commitments	21	865
Impairment losses of other financial assets	21	98
Employee benefits expense		387
Other administrative and operational expenses	23	572
<b>Total</b>		<b>16,735</b>

## 2 Operating Environment of the Group (Continued)

Additional administrative and operational expenses included relocation data centre to the European Union, additional remuneration to network employees for working in extraordinary conditions, blackout prevention costs, charity and sponsorship and other expenses.

In preparing these consolidated financial statements, the known and estimable results of the aforementioned factors and the financial condition and performance of the Group during the reporting period have been taken into account.

## 3 Summary of Significant Accounting Policies

**Basis of preparation.** These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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) - hereinafter the Law on Financial Reporting.

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.

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.



### 3 Summary of Significant Accounting Policies (Continued)

**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 2022, 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, as noted in Note 2. The Group has analysed the potential impact of military aggression against Ukraine on its financial position and future financial performance.

Estimates and forecasts of the Group's activities for the next 12 months based on the following assumptions:

- macroeconomic forecast for 2023 and 2024 is based on the main indicators of the economic and social development of Ukraine and certain quantitative assumptions for the forecast calculations for 2022-2023 as set in the State Budget 2023, the October 2022 inflation report of the NBU, and the November 2022 FocusEconomics Consensus Forecast for Ukraine;
- the client base of individuals remain stable in the forecast based on the analysis of clients' activity statistics for 2022 at different time intervals (from 1 to 6 months);
- the gradual recovery of the number of active customers of legal entities due to the partial revival of business activity to the pre-war level, the migration of business to safe regions;
- preserving current level of hryvnia deposits, growth of balances on hryvnia current accounts and controlled reduction of term deposits. On one hand, the growth of the portfolio is expected due to social and army payments, on other hand, the loss of the portfolio is expected for the occupied territories and because of an increase in the population's expenses by households due to inflation;
- loan portfolio - for retail business, the lending is expected to increase, maintain and restore sales due to the digitization of service tools, the increase of the portfolio of mortgage loans due to the development of state programs (e-Oselya); the activation of the portfolio of auto loans for used cars; for business clients - restoration and strengthening of lending to critical industries in safe regions under the "5-7-9" programs and government guarantees, restoration of previously determined limits on overdrafts, extension of loans tenor under government lending programs, which will allow to receive interest income under such programs for a longer period;
- commission income - a reduction in the number of branches and ATMs/TSOs in the occupied regions will lead to a reduction in commissions. At the same time, the inflationary component will provide for increased value of transactions and therefore increased amount of commissions. Interchange fee rates are also expected to increase from current 0.7% to 0.9% in 2023-2024. At the same time, a significant increase in payment systems expenses is expected due to the restoration of all commissions to the pre-war level and an increase in the exchange rates;
- credit risks in the forecast period are growing, which requires the recognition of additional provisions for outstanding exposures in assets and tighter credit policy requirements;
- further impairment of non-financial and financial assets (premises, equipment and cash) due to the war is taken into account;

### 3 Summary of Significant Accounting Policies (Continued)

- increase in operating costs and capital expenditures on the expansion and development, which were suspended in 2022. 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 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.

As the estimates were based on events that are not similar in scale and impact on the Group's and the country's overall performance in the past, actual results in the future may differ from those made by the Group.

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.

There is a material uncertainty primarily due to the unpredictable impact of ongoing hostilities on the territory of Ukraine on assumptions underlying management's assessments, that may cast significant doubt on the Bank's ability to continue as a going concern and, therefore, it may be not will be able to realise its assets and discharge its liabilities in the normal course of business.

However, the Group's management believes that, despite such material uncertainty, the Group's forecasts and estimates of compliance with regulatory requirements, forecasts of operating results and forecast of amount of provisions for impairment of assets provide sufficient grounds for the preparation of these financial statements on a going concern basis.

#### **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 2022. 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:

- Amendments to IFRS 1 First-time Adopter (issued in May 2020; apply to annual periods beginning on or after 1 January 2022). The amendments updated IFRS 1 by simplifying the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- Amendments to IAS 41 Agriculture (issued in May 2020; apply to annual periods beginning on or after 1 January 2022). The amendments updated IAS 41 by removing a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.
- Amendments to IAS 16 Property, Plant and Equipment (issued in May 2020; apply to annual periods beginning on or after 1 January 2022). The amendments updated IAS 16 by prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IFRS 3 Business Combinations (issued in May 2020; apply to annual periods beginning on or after 1 January 2022). The amendments updated IFRS 3 by narrowing and clarifying the definition of business. There were also made it easier to assess whether the acquired set of activities and assets is a group of assets rather than a business.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020; apply to annual periods beginning on or after 1 January 2022). The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.
- Amendments to IFRS 9 Financial Instruments (issued in 2018-2020, effective for annual periods beginning on or after 1 January 2022). Fees in the "10 per cent" test for derecognition of financial liabilities. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

**Financial instruments are the main valuation terms.** Financial instruments are carried at fair value or amortized cost, depending on the business model and contractual terms of the financial instruments described below.

### 3 Summary of Significant Accounting Policies (Continued)

*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 value at which the financial asset or financial liability is measured 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 gross amortised cost of a financial liability. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. 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.

**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 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 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 match 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.

### 3 Summary of Significant Accounting Policies (Continued)

**Mandatory cash balances with the Central Banks.** Mandatory cash balances with the Central Banks are carried at amortised cost and are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

**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.

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 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.

If the renegotiated terms differ substantially 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 Group estimates cash flows by taking into account all contractual terms for a financial instrument (for example, advances, extensions, a call option and similar options) during the expected life of such a financial instrument. 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 assumes that it is possible to make a reliable estimate of the expected life of the financial instrument. At the same time, in those rare cases when it is impossible to make a reliable estimate of the expected life of a financial instrument, the Group uses the remaining term stipulated by the contract for such a financial asset.

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.

### 3 Summary of Significant Accounting Policies (Continued)

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 factors of significant increase in credit risk are determined:

- overdue payments of more than 30 days as at reported date (for banks more than 7 days);
- overdue of payments of more than 30 days that occur more than twice during last 12 months (loans to customers); and other.

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 observant 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 profit or loss from impairment in profit or loss. The Group recognizes positive changes in expected credit losses as a profit 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 impairment factors are determined:

- overdue over 90 days as at reported date (for banks from 30 days);
- initiation or declaration of bankruptcy; initialization of liquidation of a legal entity;
- identification of fraud or confirmation of fraud indicators in respect financial transaction (for loans starting 1st day of overdue) and other.

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.

**Reposessed collateral.** Reposessed collateral represents non-financial assets reposessed 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 reposessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding debt. In general, the Group does not occupy reposessed 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.

### 3 Summary of Significant Accounting Policies (Continued)

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.

**Performance guarantees.** Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

**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 performed:

(a) an asset is matched 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 matched 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 transferred to other comprehensive income, except for impairment losses, gains or losses from foreign exchange translation and interest income accrued using the effective interest method are recognized directly in the statement of profit and loss. When securities are selling, the profit/loss previously reflected in other comprehensive income will be reflected in profit and 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 article «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.

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.

### 3 Summary of Significant Accounting Policies (Continued)

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 2022 and 2021, the liquidation value was zero.

**Intangible assets.** The Group's intangible assets other than goodwill 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.

**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).

### 3 Summary of Significant Accounting Policies (Continued)

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 non 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 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.

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.



### 3 Summary of Significant Accounting Policies (Continued)

**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.

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 measured at FVPL is recognized using the contractual interest rate within other interest income in the consolidated statement of profit or loss.

### 3 Summary of Significant Accounting Policies (Continued)

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.

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 2022, UAH	Average 2022, UAH	31 December 2021, UAH	Average 2021, UAH
1 US Dollar (USD)	36.568600	32.368351	27.278200	27.283465
1 Euro (EUR)	38.951000	33.995389	30.922600	32.300937

**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 an entity that is 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:

**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 2022, a 10% increase or decrease in actual and forecast parameters on loans with estimate of allowance for 12 month ECL (probability of default, level of loss in case of default, etc.) 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 580 million (2021: an increase or decrease in the allowance for expected credit losses of UAH 151 million).

As at 31 December 2022, a 10% increase or decrease in actual loss 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 603 million or UAH 799 million, respectively (2021: in an increase or decrease in the allowance for expected credit losses of UAH 253 million or UAH 910 million, respectively).

As at 31 December 2022, a 10% increase or decrease in the actual loss from individually impaired significant loans, which could arise from differences in amounts and terms of the cash flows, would result in an increase or decrease allowance for expected credit losses of UAH 416 million or UAH 16,832 million, respectively (2021: in an increase or decrease allowance for expected credit losses of UAH 826 or UAH 16,375 million, respectively).

To estimate the expected credit losses on a portfolio basis, historical data (on default events, losses in case of default, etc.) of loan groups with similar characteristics are used, taking into account forecast macroeconomic drivers (average wages, current account, exchange rate, price of gasoline, price for basic export goods (eg wheat), gross domestic product and other indicators) using probability-weighted scenarios - basic, optimistic and pessimistic. The Group forecasts economic indicators for two years.

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

#### 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 2022:

<i>In millions of Ukrainian hryvnias</i>	<b>Application of multiple scenarios (recognised provision)</b>	<b>Application 100% of base scenario</b>	<b>The effect of using multiple scenarios</b>
<b>Stage of assessment of expected credit losses</b>			
With estimate of allowance for 12 month ECL	1,721	1,268	453
With estimate of allowance for lifetime ECL	2,259	1,929	330
Credit-impaired loans (excludes loans with expected credit losses of 100%)	5,202	4,994	208
<b>Total</b>	<b>9,182</b>	<b>8,191</b>	<b>991</b>

Excluded from the category "impaired loans" in the table above are loans to individuals - credit cards with expected credit losses of 100% in the amount of UAH 859 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 2022.

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 invasion of Russia, the Group revised both macro indicators and economic scenarios and their weights, 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 develop 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 potential credit losses.

In 2022, as a result of a full-scale invasion, in approaches to measuring expected credit losses on loans to customers the following changes were made (additional criteria):

- the level of PD at stage 2 was increased for all non-performing loans that were classified as stage 2 based on factors other than 30 days past due, to a PD defined as an average of loans with 1-90 days past due and non-performing loans;
- in addition, for non-overdue loans to borrowers of energy-dependent industries, an increasing correction factor to PD for stages 1 and 2 was introduced;
- to the factors of significant increase in credit risk (stage 2), loans to borrowers from dangerous territories (occupied territories and war zones) were added, which were issued before the start of a full-scale invasion of Russia and had no signs of impairment at the reporting date.

#### 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 2021 is presented below:

Key drivers	Scenario	Assigned Weightings (%)	2022	2023
Dynamics of average monthly salary, %	Basic scenario	50%	8%	8%
	Optimistic scenario	10%	12%	8%
	Pessimistic scenario	40%	8%	8%
Current account, USD, mln	Basic scenario	50%	(410)	(850)
	Optimistic scenario	10%	(252)	(692)
	Pessimistic scenario	40%	(568)	(1,008)
Exchange rate, 1 USD/UAH	Basic scenario	50%	28.0	28.7
	Optimistic scenario	10%	26.6	27.3
	Pessimistic scenario	40%	38.2	39.7
The price of A95 gasoline, UAH/1 liter	Basic scenario	50%	30.9	31.8
	Optimistic scenario	10%	29.4	30.2
	Pessimistic scenario	40%	38.6	39.8
GDP, %	Basic scenario	50%	1.9	3.4
	Optimistic scenario	10%	3.2	4.7
	Pessimistic scenario	40%	(4.8)	(3.3)
Wheat price, USD for 1 bushel	Basic scenario	50%	660	557
	Optimistic scenario	10%	804	678
	Pessimistic scenario	40%	516	435
Export of ferrous metals, USD, billion	Basic scenario	50%	7.75	7.70
	Optimistic scenario	10%	8.38	8.32
	Pessimistic scenario	40%	7.13	7.07

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 2021:

<i>In millions of Ukrainian hryvnias</i>	Application of multiple scenarios (recognised provision)	Application 100% of base scenario	The effect of using multiple scenarios
<b>Stage of assessment of expected credit losses</b>			
With estimate of allowance for 12 month ECL	943	850	93
With estimate of allowance for lifetime ECL	161	154	7
Credit-impaired loans (excludes loans with expected credit losses rate of 100%)	1,481	1,464	17
<b>Total</b>	<b>2,585</b>	<b>2,468</b>	<b>117</b>

Excluded from the category "impaired loans" in the table above are loans to individuals - credit cards with expected credit losses of 100% in the amount of UAH 979 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 of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (released on 11 September 2014 and effective for annual periods beginning after the date specified by the International Accounting Standards Board)*

**5 New or Revised Standards and Interpretations that are Issued, but not yet Effective (Continued)**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group does not expect a material effect from application of these amendments.

*IFRS 17 Insurance Contracts (issued in May 2017; applies to annual periods beginning on or after 1 January 2023)*

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The Group does not expect these changes will have a significant impact on these consolidated financial statements.

*Amendments to IAS 12 Income Taxes (issued in May 2021; apply to annual reporting periods beginning on or after 1 January 2023).*

The amendments updated IAS 12 by reducing diversity in the reporting and aligning the accounting for deferred tax on transactions such as leases, that lead to the recognition of an asset and liability, with the general principle in IAS 12 of recognising deferred tax for temporary differences.

The Group does not expect these amendments will have a significant impact on these consolidated financial statements.

*Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in February 2021; apply to annual reporting periods beginning on or after 1 January 2023).*

The amendments updated IAS 8 by introducing a definition of 'accounting estimates' and including other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

The Group does not expect these amendments will have a significant impact on these consolidated financial statements.

*Amendments to IFRS 17 Insurance Contracts, IFRS 9 Financial Instruments (issued in March 2021; apply to annual reporting periods beginning on or after 1 January 2023).*

The amendments updated IFRS 17, IFRS 9 by helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The Group does not expect these amendments will have a significant impact on these consolidated financial statements.

*Amendments to IAS 1: Presentation of Financial Statements (issued in January 2020).*

The amendments clarify what is meant by a right to defer settlement:

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

## 5 New or Revised Standards and Interpretations that are Issued, but not yet Effective (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and February 2021; apply to annual reporting periods beginning on or after 1 January 2023).*

The amendments updated IAS 1 issued in 2021 by requiring entities to disclose their material accounting policy information rather than their significant accounting policies and including guidance and examples on the application of materiality to accounting policy disclosures. The amendments issued in 2020 relate to and clarify the classification of current and non-current liabilities. The Group does not expect these amendments will have a significant impact on these consolidated financial statements.

*Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued in September 2022; applies to annual periods beginning on or after 1 January 2024)*

The amendments to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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>	<b>31 December 2022</b>	<b>31 December 2021</b>
Cash on hand	25,070	21,027
Cash balances with the NBU	11,456	5,957
Cash balances and mandatory reserves with the Central Bank of Cyprus	2,065	1,626
Correspondent accounts and overnight placements with banks		
- Ukraine	-	1
- OECD	58,100	24,136
- Other countries than OECD	183	103
Less: Allowance for 12 month ECL	(494)	(15)
<b>Total cash and cash equivalents</b>	<b>96,380</b>	<b>52,835</b>

As a result of military operations and the 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 cash balances in the Group's branches, ATMs and terminals in the amount of UAH 453 million and recognised losses from the foreign currency translation on these funds in the amount of UAH 26 million for 2022. The overall impact of a full-scale war is disclosed in Note 2.

As at 31 December 2022, the amount of the mandatory reserve at the account with the NBU was UAH 11,988 million (31 December 2021: UAH 7,846 million) and was defined in accordance with the regulations of the mandatory reserve of the NBU. As of 31 December 2022 and 2021, customer accounts in foreign currency were reserved at the regulatory reserve rate of 10%, balances in national currency were not subject to reservation. The Group must keep these funds in accordance with established reserve prudential requirements at the correspondent account with the NBU, which are updated daily in accordance with changes in the balances of the respective liabilities. The Group may use such funds in its operational activities, but investing such funds for a certain period, for example, in securities or certificates of deposit, is limited and shall take into account maturity of deposits and expected changes in their balances.

As at 31 December 2022, the mandatory reserve balances of the Group's branch in Cyprus kept with the Central Bank of Cyprus was UAH 117 million (31 December 2021: UAH 80 million) and at the Group's correspondent accounts, funds in the amount of UAH 1 million (31 December 2021: UAH 1 million) were limited by a court decision. In addition, as at 31 December 2022 cash balances with the Central Bank of Cyprus of UAH 1,948 million (31 December 2021: UAH 1,546 million) were restricted in similar manner as a mandatory reserve balances and were not available for operating activities.

**6 Cash and Cash Equivalents (Continued)**

As of 31 December 2022, in accordance with Ukrainian legislation, correspondent accounts and other funds denominated in Russian rubles in the amount of UAH 123 million were restricted in use and excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows (as at 31 December 2021: there were no such restrictions). However, the Group believes that it will be able to recover such balances in full amount, less any allowance for expected credit losses.

As the respective assets are not freely available to finance the day-to-day operations of the Group, for the purposes of the consolidated statement of cash flows, UAH 2,189 million of such balances were excluded from cash and cash equivalents (31 December 2021: UAH 1,627 million).

<i>In millions of Ukrainian hryvnias</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
Total cash and cash equivalents in accordance with the statement of financial position	96,380	52,835
Less mandatory reserves and other restricted balances	(2,189)	(1,627)
<b>Cash and cash equivalents for the purposes of the consolidated statement of cash flows</b>	<b>94,191</b>	<b>51,208</b>

For the purposes of determining the expected credit losses the Group assesses all financial assets in cash and cash equivalents and mandatory reserves on an individual basis with the use of ratings and indicators of probability of defaults, published by international rating agencies Fitch Ratings, Moody's and Standard & Poor's, which have a continuous, coherent and long-term history of defaults.

The credit quality of cash and cash equivalents balances at 31 December 2022 as follows:

	<b>Cash on hand</b>	<b>Cash balances with the central banks, including mandatory reserves</b>	<b>Correspondent accounts and overnight placements with banks</b>	<b>Total</b>
<i>In millions of Ukrainian hryvnias</i>				
Cash on hand	25,070	-	-	25,070
Cash balances with the Central Banks	-	13,521	-	13,521
AA, AA- rated	-	-	32,701	32,701
A+ rated	-	-	12,740	12,740
BBB+, BBB, BBB- rated	-	-	12,799	12,799
BB+, BB, BB- rated	-	-	30	30
B, B- rated	-	-	7	7
Unrated	-	-	6	6
<b>Total cash and cash equivalents, gross</b>	<b>25,070</b>	<b>13,521</b>	<b>58,283</b>	<b>96,874</b>

The credit quality of cash and cash equivalents balances at 31 December 2021 as follows:

	<b>Cash on hand</b>	<b>Cash balances with the central banks, including mandatory reserves</b>	<b>Correspondent accounts and overnight placements with banks</b>	<b>Total</b>
<i>In millions of Ukrainian hryvnias</i>				
Cash on hand	21,027	-	-	21,027
Cash balances with the Central Banks	-	7,583	-	7,583
AA, AA- rated	-	-	18,994	18,994
A- rated	-	-	3,276	3,276
BBB+, BBB, BBB- rated	-	-	1,835	1,835
BB+, BB, BB- rated	-	-	47	47
B, B- rated	-	-	7	7
Unrated	-	-	81	81
<b>Total cash and cash equivalents, gross</b>	<b>21,027</b>	<b>7,583</b>	<b>24,240</b>	<b>52,850</b>



**6 Cash and Cash Equivalents (Continued)**

As 31 December 2022 and 2021 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.

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>	<b>31 December 2022</b>	<b>31 December 2021</b>
Deposit certificates of the National Bank of Ukraine	100,126	26,212
Amounts due to banks in escrow accounts with the NBU	3,711	-
Finance lease receivable	-	31
<b>Total loans and advances to banks</b>	<b>103,837</b>	<b>26,243</b>

Amounts due 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.

Analysis by credit quality of amounts loans and advances to banks outstanding at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	<b>Deposit certificates of the National Bank of Ukraine</b>	<b>Amounts due to banks in escrow accounts with the NBU</b>	<b>Total</b>
<i>Neither past due nor impaired</i>			
Cash balances with the NBU	100,126	3,711	103,837
<b>Total loans and advances to banks</b>	<b>100,126</b>	<b>3,711</b>	<b>103,837</b>

Analysis by credit quality of amounts loans and advances to banks outstanding at 31 December 2021 is as follows:

<i>In millions of Ukrainian hryvnias</i>	<b>Deposit certificates of the National Bank of Ukraine</b>	<b>Finance lease receivable</b>	<b>Total</b>
<i>Neither past due nor impaired</i>			
- Deposit certificates of the National Bank of Ukraine	26,212	-	26,212
- B rated	-	31	31
<b>Total loans and advances to banks</b>	<b>26,212</b>	<b>31</b>	<b>26,243</b>

As at 31 December 2022 deposit certificates were placed at a rate of 23% per annum (31 December 2021: from 8% to 9%).

Refer to Note 31 for the estimated fair value of each class of amounts 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>	<b>31 December 2022</b>	<b>31 December 2021</b>
Loans and finance lease managed as a separate portfolio	167,931	163,513
Corporate loans	5,340	4,091
Loans to individuals – cards	46,593	45,314
Loans to individuals – mortgage	3,912	9,858
Loans to individuals – consumer	3,880	5,343
Loans to individuals – auto	328	394
Loans to individuals – other	26	83
Loans to small and medium enterprises (SME)	21,311	11,903
Finance lease receivables – corporate customers	162	267
Finance lease receivables – individuals	364	735
Finance lease receivables – small and medium enterprises (SME)	649	1,067
<b>Total Loans and advances to customers, gross</b>	<b>250,496</b>	<b>242,568</b>
Less: Allowance for expected credit losses	(182,412)	(174,350)
<b>Total Loans and advances to customers</b>	<b>68,084</b>	<b>68,218</b>

As at 31 December 2022 and 2021, 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 2022 the Group recognised UAH 167,435 million of allowance for expected credit losses under these loans (31 December 2021: UAH 162,322 million). During 2022, the Group wrote off UAH 44 million of these loans (during 2021: UAH 1,744 million), but will continue to take measures to recover 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 2022:

In millions of Ukrainian hryvnias	Gross carrying amount at 1 January 2022	Transfer of loans to categories				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	Derecognition of financial instruments							
<b>With estimate of allowance for 12 month ECL</b>	<b>66,035</b>	<b>43,824</b>	<b>(67,574)</b>	<b>(514)</b>	<b>(21,045)</b>	<b>48,332</b>	<b>(12,610)</b>	-	-	<b>142</b>	-	<b>56,590</b>
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
<b>With estimate of allowance for lifetime ECL</b>	<b>1,982</b>	<b>(43,506)</b>	<b>69,089</b>	<b>(9,447)</b>	<b>(2,987)</b>	<b>3,584</b>	<b>(3,467)</b>	-	-	<b>97</b>	-	<b>15,345</b>
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
<b>Credit-impaired loans</b>	<b>174,551</b>	<b>(318)</b>	<b>(1,515)</b>	<b>9,961</b>	<b>(449)</b>	<b>79</b>	<b>432</b>	<b>(9,706)</b>	-	<b>5,540</b>	<b>(14)</b>	<b>178,561</b>
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
<b>Total loans and advances to customers, gross</b>	<b>242,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,481)</b>	<b>51,995</b>	<b>(15,645)</b>	<b>(9,706)</b>	<b>-</b>	<b>5,779</b>	<b>(14)</b>	<b>250,496</b>

## 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 2021:

In millions of Ukrainian hryvnias	Gross carrying amount at 1 January 2021	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 2021
		With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit-impaired loans								
<b>With estimate of allowance for 12 month ECL</b>	<b>50,656</b>	<b>4,652</b>	<b>(6,162)</b>	<b>(231)</b>	<b>(26,230)</b>	<b>53,446</b>	<b>(10,025)</b>	-	-	(71)	-	<b>66,035</b>
Loans and finance lease managed as a separate portfolio	5	-	-	-	(4)	-	-	-	-	-	-	1
Corporate loans	3,647	232	(365)	(2)	(3,460)	3,525	6	-	(608)	(62)	-	2,913
Loans to individuals – cards	35,803	981	(1,990)	(196)	(15,781)	22,204	1,191	-	-	-	-	42,212
Loans to individuals – mortgage	1,714	642	(666)	(9)	(224)	2,011	(364)	-	-	-	-	3,104
Loans to individuals – consumer	3,423	26	(50)	(3)	(2,174)	10,587	(6,517)	-	-	-	-	5,292
Loans to individuals – auto	-	43	(52)	-	(1)	394	(37)	-	-	-	-	347
Loans to individuals – other	17	2	(2)	-	(25)	32	(4)	-	-	-	-	20
Loans to small and medium enterprises (SME)	4,705	2,323	(2,544)	(19)	(4,294)	13,492	(3,597)	-	608	(9)	-	10,665
Finance lease receivables	1,342	403	(493)	(2)	(267)	1,201	(703)	-	-	-	-	1,481
<b>With estimate of allowance for lifetime ECL</b>	<b>3,068</b>	<b>(4,446)</b>	<b>6,232</b>	<b>(1,382)</b>	<b>(1,165)</b>	<b>794</b>	<b>(1,103)</b>	-	-	(16)	-	<b>1,982</b>
Corporate loans	491	(232)	365	(8)	(509)	123	(34)	-	(109)	(8)	-	79
Loans to individuals – cards	383	(808)	1,999	(1,191)	(35)	41	(71)	-	-	-	-	318
Loans to individuals – mortgage	528	(631)	694	(41)	(75)	27	(109)	-	-	(6)	-	387
Loans to individuals – consumer	6	(24)	50	(16)	(5)	7	(8)	-	-	-	-	10
Loans to individuals – auto	-	(43)	52	-	-	13	(2)	-	-	-	-	20
Loans to individuals – other	1	(2)	2	-	(2)	-	1	-	-	-	-	-
Loans to small and medium enterprises (SME)	953	(2,305)	2,563	(102)	(446)	498	(596)	-	109	(2)	-	672
Finance lease receivables	706	(401)	507	(24)	(93)	85	(284)	-	-	-	-	496
<b>Credit-impaired loans</b>	<b>178,972</b>	<b>(206)</b>	<b>(70)</b>	<b>1,613</b>	<b>(666)</b>	<b>187</b>	<b>836</b>	<b>(5,348)</b>	-	<b>(695)</b>	<b>(72)</b>	<b>174,551</b>
Loans and finance lease managed as a separate portfolio	164,327	-	-	-	(216)	114	1,369	(1,744)	-	(338)	-	163,512
Corporate loans	1,371	-	-	10	(12)	-	(45)	(125)	(36)	(64)	-	1,099
Loans to individuals – cards	4,423	(173)	(10)	1,388	(274)	20	(554)	(2,035)	-	(1)	-	2,784
Loans to individuals – mortgage	7,324	(11)	(27)	49	(68)	21	129	(708)	-	(270)	(72)	6,367
Loans to individuals – consumer	71	(3)	-	20	(6)	2	(7)	(36)	-	-	-	41
Loans to individuals – auto	35	-	-	-	-	-	(1)	(7)	-	-	-	27
Loans to individuals – other	111	-	-	-	(2)	-	-	(46)	-	-	-	63
Loans to small and medium enterprises (SME)	1,201	(18)	(19)	121	(78)	28	(51)	(632)	36	(22)	-	566
Finance lease receivables	109	(1)	(14)	25	(10)	2	(4)	(15)	-	-	-	92
<b>Purchase/originated credit-impaired</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>12</b>	<b>(8)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>(47)</b>	<b>-</b>
<b>Total loans and advances to customers, gross</b>	<b>232,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28,089)</b>	<b>54,439</b>	<b>(10,300)</b>	<b>(5,353)</b>	<b>-</b>	<b>(782)</b>	<b>(119)</b>	<b>242,568</b>

## 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 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-impaired loans									
In millions of Ukrainian hryvnias													
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)

The analysis of the change in the allowance for expected credit losses for 2021 is as follows:

		Transfer of loans between categories												
	Allowance for expected credit losses of subject at 1 January 2021	With estimate of allowance for 12 month ECL	With estimate of allowance for lifetime ECL	Credit-impaired loans	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	Reclassification by debtor types	Exchange differences	Other	Allowance for expected credit losses of subject at 31 December 2021	
In millions of Ukrainian hryvnias														
Allowance for 12 month ECL	1,112	633	(632)	(8)	(438)	871	(284)	-	-	-	-	-	1,254	
Corporate loans	65	9	(6)	-	(40)	46	(19)	-	-	(7)	-	-	48	
Loans to individuals – cards	905	471	(527)	(8)	(327)	455	(26)	-	-	-	-	-	943	
Loans to individuals – mortgage	27	48	(13)	-	(3)	22	(49)	-	-	-	-	-	32	
Loans to individuals – consumer	15	7	(8)	-	(6)	39	(22)	-	-	-	-	-	25	
Loans to individuals – auto	-	3	(2)	-	-	15	(1)	-	-	-	-	-	15	
Loans to small and medium enterprises (SME)	79	78	(67)	-	(58)	276	(142)	-	-	7	-	-	173	
Finance lease receivables	21	17	(9)	-	(4)	18	(25)	-	-	-	-	-	18	
Allowance for lifetime ECL	437	(473)	691	(905)	(106)	26	598	-	-	-	(3)	-	265	
Corporate loans	31	(9)	6	-	(31)	4	6	-	-	(3)	(2)	-	2	
Loans to individuals – cards	174	(335)	535	(831)	(5)	2	621	-	-	-	-	-	161	
Loans to individuals – mortgage	79	(39)	37	(10)	(11)	1	(7)	-	-	-	(1)	-	49	
Loans to individuals – consumer	2	(5)	9	(12)	(2)	-	12	-	-	-	-	-	4	
Loans to individuals – auto	-	(3)	2	-	-	1	2	-	-	-	-	-	2	
Loans to small and medium enterprises (SME)	108	(66)	82	(49)	(52)	15	(18)	-	-	3	-	-	23	
Finance lease receivables	43	(16)	20	(3)	(5)	3	(18)	-	-	-	-	-	24	
Allowance for ECL on credit-impaired loans	176,135	(160)	(59)	913	(618)	177	925	1,618	(5,348)	-	(666)	(72)	172,845	
Loans and finance lease managed as a separate portfolio	162,163	-	-	-	(195)	114	1,000	1,298	(1,744)	-	(314)	-	162,322	
Corporate loans	1,334	-	-	-	(12)	-	(52)	13	(125)	(26)	(62)	-	1,070	
Loans to individuals – cards	4,007	(136)	(8)	839	(243)	18	(46)	64	(2,035)	-	-	-	2,460	
Loans to individuals – mortgage	7,147	(9)	(24)	10	(90)	19	30	203	(708)	-	(264)	(72)	6,242	
Loans to individuals – consumer	67	(2)	-	11	(6)	2	(1)	4	(36)	-	-	-	39	
Loans to individuals – auto	35	-	-	-	-	-	-	(1)	(7)	-	-	-	27	
Loans to individuals – other	111	-	-	-	(2)	-	(3)	3	(46)	-	(1)	-	62	
Loans to small and medium enterprises (SME)	1,166	(12)	(16)	50	(62)	22	(6)	25	(632)	26	(25)	-	536	
Finance lease receivables	105	(1)	(11)	3	(8)	2	3	9	(15)	-	-	-	87	
Allowance for ECL on purchased/originated credit-impaired loans	67	-	-	-	(16)	1	(18)	5	(5)	-	(1)	(47)	(14)	
Total allowance for expected credit losses	177,751	-	-	-	(1,178)	1,075	1,221	1,623	(5,353)	-	(670)	(119)	174,350	

## 8 Loans and Advances to Customers (Continued)

During 2022 loans and advances to customers, which the Group previously wrote off as not collectible were recovered in total amount of UAH 359 million (2021: UAH 432 million), including recoveries of UAH 238 million of credit cards (2021: UAH 275 million), UAH 98 million of corporate loans (2021: UAH 141 million), UAH 21 million of mortgage loans (2021: UAH 11 million) and UAH 2 million of small and medium-sized business loans (2021: UAH 5 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 analyzed the solvency of clients and property valuation as a result of the military aggression based on available information as of the date of these consolidated financial statements. As of 31 December 2022, expenses were recognised as "Impairment gain and reversal of (impairment loss) determined in accordance with IFRS 9", as a result of increased credit risks and assessments of collateral damage in the amount of UAH 10,870 million. See Note 21. The overall impact of a full-scale war is disclosed in Note 2.

Economic and business sector risk concentrations within the customer loan portfolio are as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2022		31 December 2021	
	Amount	%	Amount	%
Loans and finance lease managed as a separate portfolio	167,931	67	163,513	67
Loans to individuals	55,103	22	61,727	25
<i>Corporate loans and loans to small and medium enterprises (SME)</i>				
Crop production	12,325	5	2,988	2
Retail	3,578	2	2,889	2
Wholesale	2,868	2	2,377	2
Infrastructure	1,206	1	1,104	1
Production of consumer goods	1,033	1	800	-
Facilities and equipment	883	-	798	-
Fuel and energy complex	674	-	635	-
Autodealers	617	-	522	-
Food industry	614	-	462	-
Services	574	-	1,066	1
Construction and real estate	512	-	764	-
Other agribusiness and related industries	425	-	497	-
Trade in agricultural products	343	-	259	-
Metallurgical complex	326	-	342	-
Construction Materials	324	-	370	-
Animal husbandry	313	-	197	-
Social sector	278	-	359	-
Chemical complex	162	-	170	-
Processing of agricultural products	151	-	89	-
Aviabuilding	141	-	136	-
Financial sector	4	-	5	-
Autobuilding	1	-	2	-
Other	110	-	497	-
<b>Total loans and advances to customers, gross</b>	<b>250,496</b>	<b>100</b>	<b>242,568</b>	<b>100</b>

In 2022, the Group changed its approach for the classification of loans by economic and business sectors in accordance with the segmentation approaches used by the Group for setting of credit limits. Comparative information as at 31 December 2021 has been reclassified to conform to the 2022 presentation.

As at 31 December 2022, the gross aggregate amount of loans to top 10 borrowers of the Group, other than those managed as a separate portfolio, amounted to UAH 2,240 million (31 December 2021: UAH 2,114 million) or 3% of the gross amount of loans less loans managed as a separate portfolio (31 December 2021: 3%). Allowance for expected credit losses related to these borrowers was UAH 595 million (31 December 2021: UAH 884 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 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
<b>Finance lease payments receivables as at 31 December 2022</b>	<b>10,288</b>	<b>531</b>	<b>-</b>	<b>10,819</b>
Unearned finance income	(181)	(56)	-	(237)
<b>Present value of finance lease payments receivables as at 31 December 2022</b>	<b>10,107</b>	<b>475</b>	<b>-</b>	<b>10,582</b>
Less: Allowance for expected credit losses	(9,298)	(64)	-	(9,362)
<b>Total finance lease receivables</b>	<b>809</b>	<b>411</b>	<b>-</b>	<b>1,220</b>

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 2021 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
<b>Finance lease payments receivables as at 31 December 2021</b>	<b>9,033</b>	<b>2,516</b>	<b>3</b>	<b>11,552</b>
Unearned finance income	(360)	(270)	-	(630)
<b>Present value of finance lease payments receivables as at 31 December 2021</b>	<b>8,673</b>	<b>2,246</b>	<b>3</b>	<b>10,922</b>
Less: Allowance for expected credit losses	(7,193)	(1,098)	-	(8,291)
<b>Total finance lease receivables</b>	<b>1,480</b>	<b>1,148</b>	<b>3</b>	<b>2,631</b>



## 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					
In millions of Ukrainian hryvnias												
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 between UAH 1-100 million	-	-	29	373	13	-	7	-	-	-	-	422
Loans 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)

Analysis by credit quality of loans outstanding at 31 December 2021 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													
			In millions of Ukrainian hryvnias																	
			With estimate of allowance for 12 month ECL																	
Not overdue, including:																				
Loans to large borrowers	-	1,417	-	-	-	-	-	-	-	-	-	1,417								
Loans to medium size borrowers	-	1,473	-	-	-	-	-	4,557	91	-	525	6,646								
Loans to small borrowers	-	23	-	-	-	-	-	6,079	6	-	375	6,483								
Loans between UAH 1-100 million	-	-	45	582	26	3	12	-	-	11	-	679								
Loans less than UAH 1 million	1	-	41,746	2,508	319	5,275	8	-	-	463	-	50,320								
Less than 30 days overdue	-	-	421	14	2	14	-	29	-	8	2	490								
Total loans and advances to customers with estimate of allowance for 12 month ECL																				
	1	2,913	42,212	3,104	347	5,292	20	10,665	97	482	902	66,035								
With estimate of allowance for lifetime ECL																				
not overdue	-	79	62	359	18	3	-	642	169	212	94	1,638								
less than 30 days overdue	-	-	3	18	2	-	-	21	-	15	2	61								
31 to 90 days overdue	-	-	253	10	-	7	-	9	-	4	-	283								
Total loans and advances to customers with estimate of allowance for lifetime ECL																				
	-	79	318	387	20	10	-	672	169	231	96	1,982								
Credit-impaired loans																				
not overdue	650	-	34	16	-	2	-	13	-	1	3	719								
less than 30 days overdue	-	-	19	6	-	-	-	2	-	-	-	27								
31 to 90 days overdue	-	136	27	3	-	-	-	2	-	-	-	168								
91 to 180 days overdue	31	-	313	11	-	8	-	14	-	3	-	380								
181 to 360 days overdue	-	1	485	15	-	3	-	23	1	2	3	533								
over 361 days overdue	162,831	962	1,906	6,316	27	28	63	512	-	16	63	172,724								
Total impaired loans and advances to customers																				
	163,512	1,099	2,784	6,367	27	41	63	566	1	22	69	174,551								
Less: Allowance for 12 month ECL																				
	-	(48)	(943)	(32)	(15)	(25)	-	(173)	(1)	(4)	(13)	(1,254)								
Less: Allowance for lifetime ECL																				
	-	(2)	(161)	(49)	(2)	(4)	-	(23)	(8)	(14)	(2)	(265)								
Less: Allowance for ECL on credit-impaired loans																				
	(162,322)	(1,070)	(2,460)	(6,242)	(27)	(39)	(62)	(536)	-	(19)	(68)	(172,845)								
Less: Allowance for ECL on purchased/originated credit-impaired loans																				
	-	-	-	14	-	-	-	-	-	-	-	14								
Total loans and advances to customers																				
	1,191	2,971	41,750	3,549	350	5,275	21	11,171	258	698	984	68,218								

## 8 Loans and Advances to Customers (Continued)

*Modified and restructured loans and advances to customers.* The table below includes loans with estimate of allowance for lifetime ECL and credit-impaired loans that were modified during the year, with the recognition of respective loss on modification.

<i>In millions of Ukrainian hryvnias</i>	31 December 2022	31 December 2021
<b>Loans modified during the period</b>		
Amortised cost before modification	3,723	139
Amortised cost after modification	3,668	138
Net modification loss/gain	(55)	(1)

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 387 million (31 December 2021: UAH 1231 million), issue of which did not require any collateral.

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

The effect of collateral at 31 December 2021:

<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	1,142	2,612	49	-
Corporate loans	2,555	5,464	416	93
Loans to individuals – mortgage	3,512	10,711	37	5
Loans to individuals – auto	350	722	-	-
Loans to individuals – other	21	56	-	-
Loans to SME	6,276	17,395	3,664	664
Finance lease receivables	1,921	3,941	19	16

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 2022			31 December 2021		
	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	95,716	6.00	September 2028 - January 2032	93,096	6.00	September 2028 - January 2032
<b>Total investment securities at FVPL</b>	<b>95,716</b>			<b>93,096</b>		
<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	46,159	8.91 - 30.00	August 2023 - December 2032	59,388	8.91 - 12.49	August 2023 - December 2032
Medium-term government bonds	29,859	10.29 - 27.00	February 2023 - May 2026	20,341	10.29 - 13.19	February 2022 - May 2026
Medium-term government bonds denominated in foreign currency	17,921	3.74 - 5.06	March 2023 - October 2023	6,810	2.45 - 6.15	April 2022 - October 2023
Short-term government bonds	28,094	10.20 - 22.29	January 2023 - July 2023	17,352	10.79 - 12.81	February 2022 - May 2022
Short-term government bonds denominated in foreign currency	21,887	3.03 - 4.31	May 2023 - June 2023	25,183	1.74 - 5.35	January 2022 - December 2022
<b>Total investment securities at FVOCI</b>	<b>143,920</b>			<b>129,074</b>		
<i>Investment securities at AC:</i>						
Long-term bonds issued by the State Mortgage Institution	303	18.96	December 2023	283	18.96	December 2023
Less: Allowance for expected credit losses	(187)			(176)		
<b>Total investment securities at AC</b>	<b>116</b>			<b>107</b>		

Long-term government bonds with an embedded option is 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 (as at 31 December 2021: in the amount of UAH 283 million) were classified as impaired financial assets (at 31 December 2021: impaired financial assets).

All other investment securities at FVOCI are classified as follows at 31 December 2022 :

- securities with carrying value 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 downgrade of Ukraine's sovereign rating;
- securities with carrying value amount of UAH 54,293 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 downgrade of Ukraine's sovereign rating, therefore, credit risk on such securities has increased significantly since the date of initial recognition.

As at 31 December 2021, all other investment securities at FVOCI were classified as financial assets with estimate of allowance for 12 month ECL.

## 9 Investment Securities (Continued)

Since the beginning of martial law, international rating agencies have significantly downgrade Ukraine's sovereign rating, which led to the recognition of allowance for ECL on securities at FVOCI in the amount of UAH 3,453 million as at 31 December 2022. The overall impact of a full-scale war is disclosed in Note 2.

As at 31 December 2022 long-term government debt securities at FVOCI with carrying value UAH 25,049 million were pledged against unused credit limit in accordance with the general lending agreement with the NBU (31 December 2021: none).

As at 31 December 2022 long-term government debt securities at FVOCI with carrying value UAH 226 million were pledged as collateral under the affordable mortgage lending program (31 December 2021: none).

As at 31 December 2022 long-term government debt securities at FVOCI with carrying value in the amount of UAH 12,791 million were pledged under the contract of responsible storage of the NBU's cash at the Group's cash desks (31 December 2021: UAH 17,350 million).

As at 31 December 2022 long-term government debt securities at FVPL with carrying value UAH 2,648 million were pledged under the contract of responsible storage of the NBU's cash at the Group's cash desks (31 December 2021: UAH 2,504 million).

## 10 Investment Properties

*In millions of Ukrainian hryvnias*

	Investment properties
<b>Carrying amount at 31 December 2020</b>	<b>2,933</b>
Additions	2
Disposals	(73)
Loss on revaluation	(873)
<b>Carrying amount at 31 December 2021</b>	<b>1,989</b>
Disposals	(101)
Loss on revaluation	(31)
Gains on revaluation	298
<b>Carrying amount at 31 December 2022</b>	<b>2,155</b>

As at 31 December 2022 and 2021, the Group had restrictions on sale of investment properties with carrying value of UAH 303 million (31 December 2021: UAH 293 million).

During 2022, the Group received income from the rental of investment property in the amount of UAH 93 million (2021: UAH 138 million).

In December 2022 investment property were revalued at fair value. The valuation was carried out by independent evaluators that hold a suitable professional qualification and have recent experience in valuation of assets of similar location and category. The basis of valuation of investment property was observable market prices.

## 11 Property, Plant and Equipment and Intangible Assets Other than Goodwill

Property, plant and equipment excluding assets from the right-of-use:

	Premises	Land	Computers	Motor vehicles	Office furniture and equipment	Electronic systems	Other	Total
<i>In millions of Ukrainian hryvnias</i>								
<b>Carrying amount at 1 January 2021</b>	<b>1,669</b>	<b>11</b>	<b>2,422</b>	<b>241</b>	<b>226</b>	<b>159</b>	<b>296</b>	<b>5,024</b>
Cost or revalued cost at 1 January 2021	1,695	11	5,386	473	1,023	362	374	9,324
Accumulated depreciation and amortisation at 1 January 2021	(26)	-	(2,964)	(232)	(797)	(203)	(78)	(4,300)
Additions	56	-	417	30	438	68	118	1,127
Disposals of cost or revalued cost	(3)	-	(258)	(7)	(121)	(19)	(27)	(435)
Disposals of accumulated depreciation and amortisation	2	-	225	7	104	17	21	376
Depreciation and amortisation charge	(45)	-	(655)	(41)	(458)	(29)	(95)	(1,323)
Impairment charge to profit or loss	(65)	-	-	-	-	-	-	(65)
Revaluation recognized in other comprehensive income	(32)	-	-	-	-	-	-	(32)
Initial cost adjustments related to impairment	(45)	-	-	-	-	-	-	(45)
Amortisation adjustments related to impairment	45	-	-	-	-	-	-	45
Reclassification to/from assets held for sale	(6)	-	-	(1)	-	-	-	(7)
Reclassifications (initial cost)	14	(1)	4	(3)	112	(1)	(127)	(2)
Reclassifications (depreciation)	(2)	-	1	6	(1)	(1)	3	6
<b>Carrying amount at 31 December 2021</b>	<b>1,588</b>	<b>10</b>	<b>2,156</b>	<b>232</b>	<b>300</b>	<b>194</b>	<b>189</b>	<b>4,669</b>
Cost or revalued cost at 31 December 2021	1,614	10	5,549	492	1,452	410	338	9,865
Accumulated depreciation and amortisation at 31 December 2021	(26)	-	(3,393)	(260)	(1,152)	(216)	(149)	(5,196)
<b>Carrying amount at 31 December 2021</b>	<b>1,588</b>	<b>10</b>	<b>2,156</b>	<b>232</b>	<b>300</b>	<b>194</b>	<b>189</b>	<b>4,669</b>
Cost or revalued cost at 31 December 2021	1,614	10	5,549	492	1,452	410	338	9,865
Accumulated depreciation and amortisation at 31 December 2021	(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 related to impairment	(42)	-	(17)	(16)	(16)	(9)	-	(100)
Amortisation adjustments 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)
<b>Carrying amount at 31 December 2022</b>	<b>1,603</b>	<b>8</b>	<b>1,631</b>	<b>174</b>	<b>231</b>	<b>213</b>	<b>132</b>	<b>3,992</b>
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)

As at 31 December 2022, intangible assets include internally generated intangible assets with the carrying amount of UAH 1140 million (31 December 2021: UAH 846 million).

As at 31 December 2022, «other» includes leasehold improvements with the carrying amount of UAH 133 million (31 December 2021: UAH 191 million).

In December 2022 premises were revalued at fair value. The valuation was carried out by independent evaluators that hold a suitable professional qualification and have recent experience in valuation of assets of similar location and category. The basis of valuation of premises was observable market prices.

As at 31 December 2022, included in carrying value of premises was UAH 1,035 million of revaluation surplus, on which a deferred tax liability of UAH 140 million was recognised (31 December 2021: UAH 973 million and UAH 150 million respectively).

**11 Property, Plant and Equipment and Intangible Assets Other than Goodwill (Continued)**

At 31 December 2022 the carrying amount of premises would have been UAH 1,404 million (31 December 2021: UAH 1,490 million) had the assets been carried at cost less depreciation.

As at 31 December 2022, the cost or revaluation of fully depreciated fixed assets and intangible assets that were still in use was UAH 3,029 million (31 December 2021: UAH 2,523 million).

**Right-of-use assets**

<i>In millions of Ukrainian hryvnias</i>	<b>Right-of-use assets (premises)</b>	<b>Right-of-use assets (other)</b>	<b>Total right-of-use assets</b>
<b>Carrying amount at 1 January 2021</b>	<b>1,736</b>	<b>2</b>	<b>1,738</b>
<b>Cost at 1 January 2021</b>	<b>2,607</b>	<b>4</b>	<b>2,611</b>
<b>Accumulated depreciation at 1 January 2021</b>	<b>(871)</b>	<b>(2)</b>	<b>(873)</b>
Additions	335	-	335
Disposals:			
- cost	(512)	(2)	(514)
- accumulated depreciation	233	1	234
Depreciation charge	(586)	(1)	(587)
Modification of assets:			
- cost	464	-	464
- accumulated depreciation	(180)	-	(180)
<b>Carrying amount at 31 December 2021</b>	<b>1,490</b>	<b>-</b>	<b>1,490</b>
<b>Cost at 31 December 2021</b>	<b>2,894</b>	<b>2</b>	<b>2,896</b>
<b>Accumulated depreciation at 31 December 2021</b>	<b>(1,404)</b>	<b>(2)</b>	<b>(1,406)</b>
<b>Carrying amount at 1 January 2022</b>	<b>1,490</b>	<b>-</b>	<b>1,490</b>
<b>Cost at 1 January 2022</b>	<b>2,894</b>	<b>2</b>	<b>2,896</b>
<b>Accumulated depreciation at 1 January 2022</b>	<b>(1,404)</b>	<b>(2)</b>	<b>(1,406)</b>
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)
<b>Carrying amount at 31 December 2022</b>	<b>1,316</b>	<b>-</b>	<b>1,316</b>
<b>Cost at 31 December 2022</b>	<b>2,703</b>	<b>1</b>	<b>2,704</b>
<b>Accumulated depreciation at 31 December 2022</b>	<b>(1,387)</b>	<b>(1)</b>	<b>(1,388)</b>

**11 Property, Plant and Equipment and Intangible Assets Other than Goodwill (Continued)**

Modification of an asset includes all types of contract modifications, except those resulting in recognition of a new asset.

The disclosure line «Property, plant and equipment» of the consolidated statement of financial position includes property, plant and equipment and right-of-use assets.

Intangible assets other than goodwill:

<i>In millions of Ukrainian hryvnias</i>	<b>Intangible assets</b>
<b>Carrying amount at 1 January 2021</b>	<b>958</b>
Cost at 1 January 2021	1,419
Accumulated depreciation and amortisation at 1 January 2021	(461)
Additions	627
Disposals of cost or revalued cost	(16)
Disposals of accumulated depreciation and amortisation	4
Depreciation and amortisation charge	(277)
Reclassifications (initial cost)	(2)
Reclassifications (depreciation)	(3)
<b>Carrying amount at 31 December 2021</b>	<b>1,291</b>
Cost at 31 December 2021	2,028
Accumulated depreciation and amortisation at 31 December 2021	(737)
<b>Carrying amount at 31 December 2021</b>	<b>1,291</b>
Additions	677
Disposals of cost or revalued cost	(304)
Disposals of accumulated depreciation and amortisation	170
Depreciation and amortisation charge	(442)
Reclassifications (initial cost)	(3)
Reclassifications (depreciation)	3
<b>Carrying amount at 31 December 2022</b>	<b>1,392</b>
Cost at 31 December 2022	2,398
Accumulated depreciation and amortisation at 31 December 2022	(1,006)
<b>Carrying amount at 31 December 2022</b>	<b>1,392</b>

**12 Other Financial Assets**

<i>In millions of Ukrainian hryvnias</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
Guarantee deposits	3,879	2,325
Settlement with clients	440	340
Accrued income receivable	300	215
Other	40	43
Less: Allowance for expected credit losses	(341)	(250)
<b>Total other financial assets</b>	<b>4,318</b>	<b>2,673</b>

In 2022 and 2021 according to IFRS 9, the Group applied a simplified approach for estimation of expected credit losses on other financial assets (except guarantee deposits). As at 31 December 2022 financial assets were classified as assets with an assessment of credit losses within the term of the financial instrument (as at 31 December 2021: 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 2022:

	Allowance for expected credit losses at 1 January 2022	Written off for the year	Changes 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
<b>Total allowance for expected credit losses</b>	<b>250</b>	<b>(37)</b>	<b>98</b>	<b>30</b>	<b>341</b>

The table below presents an analysis of changes in the allowance for expected credit losses of other financial assets at 31 December 2021:

	Allowance for expected credit losses at 1 January 2021	Written off for the year	Changes allowance for expected credit losses for the reporting period	Exchange differences	Allowance for expected credit losses at 31 December 2021
<i>In millions of Ukrainian hryvnias</i>					
Guarantee deposits	49	-	(7)	(2)	40
Settlement with clients	55	-	23	42	120
Accrued income receivable	101	-	(11)	-	90
Other	216	(211)	-	(5)	-
<b>Total allowance for expected credit losses</b>	<b>421</b>	<b>(211)</b>	<b>5</b>	<b>35</b>	<b>250</b>

**13 Other Non-financial Assets**

	31 December 2022	31 December 2021
<i>In millions of Ukrainian hryvnias</i>		
Receivables on conversion of liabilities to equity	8,881	8,881
Reposessed collateral	425	615
Inventory	181	389
Prepayments for services	83	78
Precious metals	24	123
Prepaid taxes other than income tax	13	65
Other	434	367
Less: Allowance for other non-financial assets impairment	(852)	(803)
<b>Total other non-financial assets</b>	<b>9,189</b>	<b>9,715</b>

Receivables originated on conversion of liabilities to equity of UAH 8,881 million (31 December 2021: UAH 8,881 million) were recorded by the Group as a result of conversion of customer accounts to equity at the nationalisation in 2016. Management of the Group expects to recover this amount less allowance in full in the amount of UAH 734 million (31 December 2021: UAH 734 million).

## 14 Customer Accounts

<i>In millions of Ukrainian hryvnias</i>	31 December 2022	31 December 2021
<b>Individuals</b>		
- Term deposits	88,584	88,128
- Current/demand accounts	251,748	141,222
<b>Legal entities</b>		
- Term deposits	14,177	12,455
- Current/settlement accounts	116,747	82,972
<b>Government organizations</b>		
- Current/settlement accounts	607	242
<b>Total customer accounts</b>	<b>471,863</b>	<b>325,019</b>

As at 31 December 2022 term deposits of legal entities and individuals included UAH 10,530 million and UAH 146 million, respectively (31 December 2021: UAH 7,845 million and UAH 109 million), and current accounts of legal entities and individuals included UAH 293 million and UAH 46 million, respectively (31 December 2021: UAH 237 million and UAH 34 million) of customer accounts of Cyprus Branch, that were subject to conversion of liabilities to equity at nationalisation in 2016 (Note 30). In 2022 the Group recognized losses from foreign exchange translation on these customer accounts in the amount of UAH 2,790 million for 2022 (31 December 2021: gains from foreign exchange translation in the amount of UAH 312 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 Group and on-going litigations in respect of these amounts. As at 31 December 2022 Group did not complete an analysis of whether criteria for derecognition were met in respect of certain amounts due to customers that were subject to conversion into equity.

The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done in cases either as stipulated by the deposit agreement or in accordance with the current legislation.

Economic sector concentrations within customer accounts are as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2022		31 December 2021	
	Amount	%	Amount	%
Individuals	340,332	72	229,350	71
Services	50,760	11	39,053	12
Manufacturing	33,196	7	22,831	7
Trade	30,461	7	22,219	7
Agriculture	5,685	1	4,583	1
Transport and communication	5,162	1	3,218	1
Machinery	1,663	-	1,626	-
Government organizations	607	-	242	-
Other	3,997	1	1,897	1
<b>Total customer accounts</b>	<b>471,863</b>	<b>100</b>	<b>325,019</b>	<b>100</b>

At 31 December 2022 included in customer accounts were deposits of UAH 1,132 million (31 December 2021: UAH 1,302 million) held as collateral for loans and advances to customers issued by the Group of UAH 1,132 million (31 December 2021: UAH 1,302 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>	<b>31 December 2022</b>	<b>31 December 2021</b>
Loans from financial institutions	128	
<b>Total due to others banks</b>	<b>128</b>	<b>-</b>

As at 31 December 2022, loans from financial institutions included loans granted to the Group by a state financial company in accordance with the state program "eOselya" in hryvnia at a rate of 3% per annum with maturity until October 2043.

**16 Other Financial Liabilities**

Other financial liabilities comprise the following:

<i>In millions of Ukrainian hryvnias</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
Lease liabilities	1,434	1,593
Accounts payable	442	566
Settlements	16	1,057
Other	755	608
<b>Total other financial liabilities</b>	<b>2,647</b>	<b>3,824</b>

As at 31 December 2021, the item Settlements included balances under the Bonus+ program in the amount of UAH 997 million. According to the Bonus+ program, the Group's customers could use the accumulated bonuses transferred to the Group by merchants participating in the program for their purchases in the network of program participants. At the beginning of May 2022, the Group closed the program. The Group centrally directed funds for the needs of the army and the restoration of Ukraine in the amount of UAH 615 million in March 2022, and subsequently UAH 350 million were independently directed by clients to the needs of the army.

**17 Provisions**

<i>In millions of Ukrainian hryvnias</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
Provisions for loan commitments and financial guarantee contracts	1,280	373
Other provisions:		
Provision for legal cases	3,665	2,604
Provision associated with cessation of operations in Crimea	859	674
<b>Total provisions</b>	<b>5,804</b>	<b>3,651</b>

Contingencies related to respective lawsuits are disclosed in Note 30.

The table below shows change in the provision for legal cases during 2022 year:

<i>In millions of Ukrainian hryvnias</i>	<b>Provision for legal cases at 1 January 2022</b>	<b>Using the provision during the year</b>	<b>Changes provision for legal cases for the reporting period</b>	<b>Exchange differences</b>	<b>Provision for legal case at 31 December 2022</b>
Provision associated with cessation of operations in Crimea	674	(111)	296	-	859
Provision for legal cases	2,604	(68)	589	540	3,665
<b>Total provision for legal cases</b>	<b>3,278</b>	<b>(179)</b>	<b>885</b>	<b>540</b>	<b>4,524</b>

**17 Provisions (Continued)**

The table below shows change in the provision for legal cases during 2021 year:

	Provision for legal cases at 1 January 2022	Using the provision during the year	Changes provision for legal cases for the reporting period	Exchange differences	Provision for legal case at 31 December 2022
<i>In millions of Ukrainian hryvnias</i>					
Provision associated with cessation of operations in Crimea	<b>1,193</b>	(250)	(269)	-	<b>674</b>
Provision for legal cases	<b>9,165</b>	(77)	(6,195)	(289)	<b>2,604</b>
<b>Total provision for legal cases</b>	<b>10,358</b>	<b>(327)</b>	<b>(6,464)</b>	<b>(289)</b>	<b>3,278</b>

## 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 commitments	Derecognition of commitments	Other changes in commitments 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
<b>Total loan commitments and financial guarantee contracts, gross</b>	<b>153,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,734</b>	<b>(20,803)</b>	<b>(3,956)</b>	<b>165</b>	<b>145,086</b>

## 17 Provisions (Continued)

The table below shows change in the credit related commitments for 12 month 2021:

	Amount at 1 January 2021	Transfer to category		Credit- impaired	New Derecognition recognized commitments	Derecognition of commitments	Other changes in commitments for the reporting period	Exchange differences	Amount at 31 December 2021
		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	658	21	(31)	-	1,125	(1,009)	(5)	(19)	740
Avals granted	21	7	(8)	-	27	(37)	2	-	12
Undrawn loan commitments	117,112	1,096	(1,082)	(115)	32,431	(24,070)	27,312	(18)	152,666
<i>With estimate of allowance for lifetime ECL</i>									
Guarantees issued	18	(21)	31	-	16	(36)	-	-	8
Avals granted	25	(7)	8	-	6	(21)	(7)	-	4
Undrawn loan commitments	683	(1,074)	1,087	(9)	529	(850)	30	-	396
<i>Credit-impaired</i>									
Guarantees issued	56	-	-	-	49	(49)	-	(6)	50
Undrawn loan commitments	78	(22)	(5)	124	34	(148)	9	-	70
<b>Total loan commitments and financial guarantee contracts, gross</b>	<b>118,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,217</b>	<b>(26,220)</b>	<b>27,341</b>	<b>(43)</b>	<b>153,946</b>

## 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		Credit- impaired	NewDerecognition recognized commitments	Other changes of 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					
<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	100
Undrawn loan commitments	6	(578)	246	(5)	20	(44)	925	571
<i>Credit-impaired</i>								
Guarantees issued	48	-	-	-	-	-	13	61
Undrawn loan commitments	-	-	-	5	-	(6)	-	-
<b>Total provisions for loan commitments and financial guarantee contracts</b>	<b>373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>(108)</b>	<b>897</b>	<b>1,280</b>

## 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 2021:

	Amount at 1 January 2021	Transfer to category		Credit- impaired	NewDerecognition recognized commitments	Other changes of in provision for the reporting period	Exchange differences	Amount at 31 December 2021
		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	13	-	-	-	20	(15)	(4)	14
Undrawn loan commitments	252	6	(3)	-	73	(52)	29	305
<i>With estimate of allowance for lifetime ECL</i>								
Guarantees issued	1	-	-	-	-	(2)	1	-
Undrawn loan commitments	10	(6)	3	-	6	(8)	1	6
<i>Credit-impaired</i>								
Guarantees issued	53	-	-	-	49	(48)	-	48
<b>Total provisions for loan commitments and financial guarantee contracts</b>	<b>329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148</b>	<b>(125)</b>	<b>27</b>	<b>373</b>

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 2022	31 December 2021
Payables for contributions to Deposit Guarantee Fund	744	513
Liabilities for bonuses	684	407
Accrued expenses on unused vacation days	579	516
Taxes other than income tax	127	220
Accrued salaries	7	25
Other	133	122
<b>Total other non-financial liabilities</b>	<b>2,274</b>	<b>1,803</b>

## 19 Issued Capital, Reserve and Other Funds of a group

### *Issued Capital*

The nominal registered amount of the Bank's issued capital at 31 December 2022 was UAH 206,060 million (31 December 2021: UAH 206,060 million). The total authorised number of ordinary shares was 735.93 million shares (31 December 2021: 735.93 million shares) with a par value of UAH 280 per share (31 December 2021: UAH 280 per share). All issued ordinary shares are fully paid and registered. Each ordinary share carries one vote.

As at 31 December 2022 the Government of Ukraine represented by the Cabinet of Ministers of Ukraine is the ultimate controlling party of the Group (31 December 2021: represented by the Cabinet of Ministers of Ukraine).

### *Result from transactions with the shareholder*

On 31 December 2022 and 2021, 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 11,449 million as at 31 December 2022 (31 December 2021: UAH 9,696 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 2022 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 2021 year, the Bank paid dividends in the amount of UAH 28,040 million or UAH 38.10 per share (2021: UAH 19,442 million or UAH 26.42 per share) and, according to the Tax Code of Ukraine, the Bank paid UAH 5,047 million (2021: UAH 3,318 million) of income tax advance payment. In addition, the Bank's subsidiaries paid dividends to the shareholder in the amount of UAH 206 million (2021: UAH 124 million).

**20 Interest Income and Expense**

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Interest income</b>		
<i>Interest income at effective interest rate</i>		
Loans and advances to individuals	15,634	17,949
Investment securities at FVOCI	12,712	9,596
Loans and advances to banks	6,857	1,190
Loans to small and medium enterprises (SME)	2,816	1,837
Loans and advances to legal entities	523	238
Cash and cash equivalents	343	5
Investment securities at AC	21	58
<b>Total interest income at effective interest rate</b>	<b>38,906</b>	<b>30,873</b>
<i>Other interest income</i>		
Investment securities at FVPL	4,440	4,440
Finance lease	341	544
<b>Total other interest income</b>	<b>4,781</b>	<b>4,984</b>
<b>Total interest income</b>	<b>43,687</b>	<b>35,857</b>
<b>Interest expense</b>		
Term deposits of individuals	3,198	4,611
Due to the NBU	165	-
Lease liabilities	157	208
Current/settlement accounts	134	1,519
Term deposits of legal entities	110	194
Due to others banks	3	-
Other	-	1
<b>Total interest expense</b>	<b>3,767</b>	<b>6,533</b>
<b>Net interest income</b>	<b>39,920</b>	<b>29,324</b>

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>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	6	451	(1)
Loans and advances to customers	8	10,511	686
Investment securities at AC	9	(21)	116
Investment securities at FVOCI	9	3,492	-
Other financial assets	12	98	5
Credit related commitments	17	865	50
<b>Total (impairment loss) impairment gain and reversal of impairment loss determined in accordance with IFRS 9</b>		<b>15,396</b>	<b>856</b>

**22 Commission Income and Expense**

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Commission income</b>		
Settlement transactions	11,488	9,982
Cash withdrawal	7,891	7,130
International payment systems	6,633	6,625
Acquiring transactions	5,514	9,018
Cash transactions	46	78
Other	1,373	2,224
<b>Total commission income</b>	<b>32,945</b>	<b>35,057</b>
<b>Commission expenses</b>		
International payment systems	11,980	11,277
Settlement transactions	139	389
Cash transactions	385	174
Other	1	-
<b>Total commission expense</b>	<b>12,505</b>	<b>11,840</b>
<b>Net commission income</b>	<b>20,440</b>	<b>23,217</b>

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>	<b>2022</b>	<b>2021</b>
Contributions to Deposit Guarantee Fund	2,529	2,052
Professional services	2,312	2,586
Maintenance of fixed assets	995	918
(Reversal of provision) recognition of provision for legal cases	885	(6,464)
Taxes other than on income	883	780
Utilities and household expenses	572	622
Mail and telecommunication	502	517
Rent	306	289
Security	285	320
Transportation	196	177
Insurance expenses	121	36
Losses from the disposal of repossessed collatera, non-current assets as held for sale and inventory	89	-
Advertising and marketing	81	151
Impairment charge of property, plant and equipment	71	65
Losses from disposal of investment properties	23	-
Other	660	368
<b>Total other administrative and operational expenses</b>	<b>10,510</b>	<b>2,417</b>

Rent expenses includes expenses on unidentifiable assets in the amount of UAH 219 million (2021: UAH 198 million), non-recoverable VAT (and therefore not included in the right-to-use assets and financial liabilities) in the amount of UAH 49 million (2021: UAH 48 million) and other variable rental expenses in the amount of UAH 37 million (2021: UAH 42 million).

Information on other administrative and operational expenses from transactions with related parties is disclosed in Note 33.

In 2022 the Group incurred expenses caused by the war in the amount of UAH 394 million related to the transfer of the data center to the European Union (classified and presented above in line "Maintenance of fixed assets"), impairment charge of property, plant and equipment in the amount of UAH 71 million (separate item), charity and other expenses in the amount of UAH 107 million (classified and presented above in line "Other").

**23 Other administrative and operational expenses (Continued)**

In 2022, the Group took part in a survey on the level of salaries in the banking market of Ukraine and other industries, conducted by Ernst & Young LLC, based on the results of which each participant is provided with a general report on the review of the level of salaries.

In 2021, Ernst & Young LLC provided advisory services of conduction of a high-level survey on professional insurance personal income tax taxation in the foreign countries, namely member states of the Organisation for Economic Co-operation and Development (38 jurisdictions).

**24 Other income**

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
Other income received from payment systems	1,559	195
Reimbursement of court costs	317	-
Fines received	154	192
Other	926	1,225
<b>Total other income</b>	<b>2,956</b>	<b>1,612</b>

**25 Income Taxes**

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
Current tax	5,941	58
Deferred tax	(1,455)	-
<b>(Income tax expense) income tax benefit</b>	<b>4,486</b>	<b>58</b>

In 2022 the income tax rate applicable to the Group's income was 18% (2021: 18%).

As at 31 December 2022 current tax assets of UAH 9,079 million consisted of UAH 12,051 million advance income tax (related to the payment of dividends) less the current tax liability for 2022 UAH -2,972 million (31 December 2021: advance payment for income tax (related to the payment of dividends) in the amount of UAH 9,978 million).

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Profit before tax</b>	<b>34,740</b>	<b>35,300</b>
Theoretical expense at statutory rate (2022: 18%; 2021: 18%)	6,253	6,354
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	208	63
- Income that is not subject to taxation	(551)	(1,216)
Change in unrecognised deferred tax assets	(1,087)	(3,179)
Changes in estimates of permanent and temporary differences	(337)	(1,964)
<b>(Income tax expense) income tax benefit</b>	<b>4,486</b>	<b>58</b>

**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>	<b>1 January 2022</b>	<b>(Charged)/ credited to profit or loss</b>	<b>(Charged)/ credited directly to other compre- hensive income</b>	<b>31 December 2022</b>
<b>Tax effect of deductible temporary differences</b>				
Allowance for expected credit losses	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
<b>Gross deferred tax asset</b>	<b>1,945</b>	<b>368</b>	<b>2,144</b>	<b>4,457</b>
Less unrecognised deferred tax assets	(1,945)	1,087	(2,144)	(3,002)
<b>Recognised deferred tax asset</b>	<b>-</b>	<b>1,455</b>	<b>-</b>	<b>1,455</b>
<b>Tax effect of taxable temporary differences</b>				
Investment securities at FVOCI	(8)	-	(207)	(215)
Property, Plant and Equipment (revaluation of premises)	(150)	16	(6)	(140)
<b>Net deferred tax liability</b>	<b>(158)</b>	<b>16</b>	<b>(213)</b>	<b>(355)</b>
<b>Net deferred tax (liability)/ asset</b>	<b>(158)</b>	<b>1,471</b>	<b>(213)</b>	<b>1,100</b>

<i>In millions of Ukrainian hryvnias</i>	<b>1 January 2021</b>	<b>(Charged)/ credited to profit or loss</b>	<b>(Charged)/ credited directly to other compre- hensive income</b>	<b>31 December 2021</b>
<b>Tax effect of deductible temporary differences</b>				
Allowance for expected credit losses	59	8	-	67
Tax loss carried forward	4,157	(3,227)	-	930
Property, Plant and Equipment - other differences (depreciation method and historical cost)	50	40	-	90
Investment securities at FVOCI	528	-	330	858
<b>Gross deferred tax asset</b>	<b>4,794</b>	<b>(3,179)</b>	<b>330</b>	<b>1,945</b>
Less unrecognised deferred tax assets	(4,794)	3,179	(330)	(1,945)
<b>Tax effect of taxable temporary differences</b>				
Investment securities available-for-sale	(6)	-	(2)	(8)
Property, Plant and Equipment (revaluation of premises)	(141)	(15)	6	(150)
<b>Net deferred tax liability</b>	<b>(147)</b>	<b>(15)</b>	<b>4</b>	<b>(158)</b>

**25 Income Taxes (Continued)**

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.

In the 3rd quarter of 2021, the Group completed the current transformation of the corporate banking business segment by changing 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 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.

Activities in the capital markets - this business segment includes trading operations with financial instruments, interbank loans, deposits, foreign currency exchange operations.

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.

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, 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 loan 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.

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 locations 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.

## 26 Segment Analysis (Continued)

**(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.

The overall result of the segment includes allocations of general bank administrative expenses.

**(d) Information about reportable segment profit or loss, assets and liabilities**

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>						
<b>Total segment assets including:</b>	<b>46,955</b>	<b>24,437</b>	<b>11,842</b>	<b>213,744</b>	<b>243,618</b>	<b>540,596</b>
Cash and cash equivalents	-	-	181	3,610	92,589	96,380
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 properties	-	-	2,155	-	-	2,155
Other non-financial assets	271	2	8,418	4	494	9,189
<b>Total segment liabilities including:</b>	<b>341,351</b>	<b>121,393</b>	<b>14,599</b>	<b>708</b>	<b>4,756</b>	<b>482,807</b>
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 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>						
<b>2022</b>						
Interest income	15,829	3,391	94	14,387	9,985	43,686
Interest expense	(3,450)	(149)	-	(4)	(165)	(3,768)
<b>Revenues from/(expenses on) other segments</b>	<b>5,900</b>	<b>858</b>	<b>(47)</b>	<b>(6,332)</b>	<b>(379)</b>	<b>-</b>
<b>Net interest income</b>	<b>18,279</b>	<b>4,100</b>	<b>47</b>	<b>8,051</b>	<b>9,441</b>	<b>39,918</b>
Commission income	22,514	9,912	3	190	326	32,945
Commission expenses	(10,099)	(1,892)	-	(40)	(474)	(12,505)
<b>Net comission income</b>	<b>12,415</b>	<b>8,020</b>	<b>3</b>	<b>150</b>	<b>(148)</b>	<b>20,440</b>
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)
<b>Segment result</b>	<b>20,126</b>	<b>7,560</b>	<b>(10,308)</b>	<b>8,929</b>	<b>3,891</b>	<b>30,198</b>



## 26 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended at 31 December 2021 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>						
<b>Total segment assets including:</b>	<b>53,951</b>	<b>15,496</b>	<b>12,452</b>	<b>108,703</b>	<b>210,694</b>	<b>401,296</b>
Cash and cash equivalents	-	-	-	4,672	48,163	52,835
Loans and advances to banks	-	31	-	26,212	-	26,243
Loans and advances to customers	51,644	15,386	1,188	-	-	68,218
Investment securities including:	-	-	-	77,739	144,538	222,277
- at fair value through profit or loss	-	-	-	-	93,096	93,096
- at fair value through other comprehensive income	-	-	-	77,632	51,442	129,074
- at amortized cost	-	-	-	107	-	107
Investment properties	-	-	1,989	-	-	1,989
<b>Total segment liabilities including:</b>	<b>231,232</b>	<b>88,252</b>	<b>10,965</b>	<b>640</b>	<b>3,592</b>	<b>334,681</b>
Due to others banks	-	-	-	3	-	3
Customer accounts	228,686	88,074	8,543	-	-	325,303

## 26 Segment Analysis (Continued)

Segment information for 12 months 2021, 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>						
<b>2021</b>						
Interest income	18,162	2,179	232	5,543	9,738	35,854
Interest expense	(6,278)	(242)	(2)	(15)	-	(6,537)
<b>Revenues from/(expenses on) other segments</b>	<b>5,715</b>	<b>1,243</b>	<b>(770)</b>	<b>(3,184)</b>	<b>(3,004)</b>	<b>-</b>
<b>Net interest income</b>	<b>17,599</b>	<b>3,180</b>	<b>(540)</b>	<b>2,344</b>	<b>6,734</b>	<b>29,317</b>
Commission income	21,741	12,996	3	317	-	35,057
Commission expenses	(7,708)	(3,730)	-	(246)	(156)	(11,840)
<b>Net commission income</b>	<b>14,033</b>	<b>9,266</b>	<b>3</b>	<b>71</b>	<b>(156)</b>	<b>23,217</b>
Net increase (decrease) from financial instruments at fair value through profit or loss operations	-	-	-	-	(7,666)	(7,666)
Net increase (decrease) from trading in foreign currencies	2,191	744	3	287	1	3,226
Net increase (decrease) from foreign exchange translation	-	-	593	(158)	582	1,017
Net increase (decrease) from debt financial instruments at fair value through other comprehensive income operations	-	-	-	32	-	32
Net increase (decrease) from revaluation of investment property	-	-	(873)	-	-	(873)
Other income	708	37	374	(1)	168	1,286
Employee benefits expense	(2,816)	(782)	(64)	(824)	(4,418)	(8,904)
Depreciation and amortisation expense	(707)	(287)	(9)	(75)	(1,105)	(2,183)
Other administrative and operational expenses including:	(9,724)	(2,303)	3,577	717	5,385	(2,348)
- direct costs of the segment in addition to personnel costs and depreciation	(3,334)	(432)	(2,884)	(277)	(1,885)	(8,812)
- redistribution of costs of centralized functions to business segments	(6,361)	(1,871)	(27)	994	7,265	-
- reversal of provision (recognition of provision) for legal cases	(29)	-	6,488	-	5	6,464
Other gains (losses) - losses from modification of financial assets	(138)	(11)	-	-	38	(111)
Gains (losses) on initial recognition of financial assets at interest rates above or below market rates	(164)	-	-	-	-	(164)
Gain (loss) arising from derecognition of financial assets measured at amortised cost	4	6	-	67	-	77
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(97)	286	(926)	(115)	(4)	(856)
<b>Profit before tax</b>	<b>20,889</b>	<b>10,136</b>	<b>2,138</b>	<b>2,345</b>	<b>(441)</b>	<b>35,067</b>
Income tax expense (income tax benefit)	-	-	-	-	(17)	(17)
<b>Segment result</b>	<b>20,889</b>	<b>10,136</b>	<b>2,138</b>	<b>2,345</b>	<b>(458)</b>	<b>35,050</b>

**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 2022:

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Total revenues for reportable segments</b>	<b>79,446</b>	<b>72,197</b>
(a) Consolidation adjustments	142	329
<b>Total consolidated revenues</b>	<b>79,588</b>	<b>72,526</b>

Reconciliation of reportable profit or loss for the year ended 31 December 2022:

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Total reportable segment result</b>	<b>34,672</b>	<b>35,067</b>
(a) Consolidation adjustments	68	233
<b>Profit before tax</b>	<b>34,740</b>	<b>35,300</b>

Reconciliation of reportable assets for the year ended 31 December 2022:

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Total reportable segment assets</b>	<b>540,596</b>	<b>401,296</b>
(a) Consolidation adjustments	62	89
<b>Total consolidated assets</b>	<b>540,658</b>	<b>401,385</b>

Reconciliation of reportable liabilities for the year ended 31 December 2022:

<i>In millions of Ukrainian hryvnias</i>	<b>2022</b>	<b>2021</b>
<b>Total reportable segment liabilities</b>	<b>482,807</b>	<b>334,681</b>
(a) Consolidation adjustments	(88)	(211)
<b>Total consolidated liabilities</b>	<b>482,719</b>	<b>334,470</b>

Reconciliation of material items of income for the year ended 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	<b>Interest income</b>	<b>Other income</b>
<b>Total amount for all reportable segment</b>	<b>43,686</b>	<b>2,815</b>
(a) Consolidation adjustments	1	141
<b>As reported under IFRS</b>	<b>43,687</b>	<b>2,956</b>

**26 Segment Analysis (Continued)**

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
<b>Total amount for all reportable segment</b>	<b>(3,768)</b>	<b>(10,096)</b>	<b>(10,473)</b>
(a) Consolidation adjustments	1	(33)	(37)
<b>As reported under IFRS</b>	<b>(3,767)</b>	<b>(10,129)</b>	<b>(10,510)</b>

Reconciliation of material items of income for the year ended 31 December 2021 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Interest income	Other income
<b>Total amount for all reportable segment</b>	<b>35,854</b>	<b>1,286</b>
(a) Consolidation adjustments	3	326
<b>As reported under IFRS</b>	<b>35,857</b>	<b>1,612</b>

Reconciliation of material items of expense for the year ended 31 December 2021 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Interest expense	Employee benefits expense	Other administrative and operational expenses
<b>Total amount for all reportable segment</b>	<b>(6,537)</b>	<b>(8,904)</b>	<b>(2,348)</b>
(a) Consolidation adjustments	4	(27)	(69)
<b>As reported under IFRS</b>	<b>(6,533)</b>	<b>(8,931)</b>	<b>(2,417)</b>

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
<b>Total amount for all reportable segment</b>	<b>4,309</b>	<b>5,228</b>	<b>1,389</b>
(a) Consolidation adjustments	9	80	3
<b>As reported under IFRS</b>	<b>4,318</b>	<b>5,308</b>	<b>1,392</b>

Reconciliation of material liabilities as at 31 December 2022 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial liabilities	Customer accounts
<b>Total amount for all reportable segment</b>	<b>2,634</b>	<b>471,970</b>
(a) Consolidation adjustments	13	(107)
(c) Other adjustments	-	-
(f) Swap and spot operations at fair value	-	-
(g) Reclassifications	-	-
<b>As reported under IFRS</b>	<b>2,647</b>	<b>471,863</b>

**26 Segment Analysis (Continued)**

Reconciliation of material assets as at 31 December 2021 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial assets	Property, plant and equipment	Intangible assets other than goodwill
<b>Total amount for all reportable segment</b>	<b>2,644</b>	<b>6,074</b>	<b>1,288</b>
(a) Consolidation adjustments	29	85	3
<b>As reported under IFRS</b>	<b>2,673</b>	<b>6,159</b>	<b>1,291</b>

Reconciliation of material liabilities at 31 December 2021 is as follows:

<i>In millions of Ukrainian hryvnias</i>	Other financial liabilities	Customer accounts
<b>Total amount for all reportable segment</b>	<b>3,770</b>	<b>325,303</b>
(a) Consolidation adjustments	54	(284)
(c) Other adjustments	-	-
(f) Swap and spot operations at fair value	-	-
(g) Reclassifications	-	-
<b>As reported under IFRS</b>	<b>3,824</b>	<b>325,019</b>

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 counterparty for which the revenue was more than 10% of the total revenue for 2022 and 2021 is the Group's Shareholder. See Note 33.

**(f) Geographical information**

Revenues for each individual country for which the revenues are material:

<i>In millions of Ukrainian hryvnias</i>	2022	2021
Ukraine	79,568	72,480
Other	20	46
<b>Total consolidated revenues</b>	<b>79,588</b>	<b>72,526</b>

## 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. Under the conditions of the full-scale military aggression of the Russian Federation, which began in February 2022, the Group's key tasks are to support the country's economy by continued financing of key sectors of the economy, ensuring the continuity of cash circulation and settlement services for customers, and recoveries of the Group's activities in the territories where it was interrupted through hostilities and temporary occupation, therefore, such limits were adjusted during 2022 and may be adjusted further.

### **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;
- Audit Committee of the 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 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 bank, committees and other collegial bodies of the Management Board of the Bank;
- 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 Audit Committee of the Supervisory Board** is collegial body that serves as a support of the Supervisory Board for its functions, specifically:

- verifies the efficiency of the risk management system;
- controls the independence, impartiality, competence of the Chief Internal Auditor, the efficiency of exercising internal audit;
- advise the Supervisory Board on the selection, appointment, dismissal of the Chief Internal Auditor.

**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.

---

**27 Financial Risk Management (Continued)*****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.

***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. To do this, it 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 in October 2021 which sets targets for reducing the level and volume of problem assets on a gross basis and less provisions.

All functions, responsibilities, powers related to the management of distressed assets are clearly divided between the divisions of the Distressed Assets Division. Direction Security Service, Direction of collection of bad debts, Direction of asset management and restructuring, Direction of real estate management, Direction of strategies and communications for settlement of problem assets.

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, credit holidays were introduced for all credit products of the Group in the period from 24.02.2022 to 01.07.2022. To restore solvency after termination of the credit holidays, the standardized 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 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, standardized conditions of settlement with partial debt write off apply.

## 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 can not 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 borrowers, searching for collateral and leased property, their seizure;
- litigation, execution of notary enforcements, out-of-court collection of mortgages and pledges, support of enforcement proceedings;
- interaction with law enforcement agencies regarding assets that are considered fraudulent.

The fourth stage - timely and correct accounting of the collected property, preparation of the collected property for sale and its further sale.

The Group writes off debts against recognised allowance in accordance with the internal Regulation 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 2022			31 December 2021		
	Monetary financial assets	Monetary financial liabilities	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	397,612	333,867	63,745	306,738	239,777	66,961
US Dollars	84,789	109,947	(25,158)	44,982	68,170	(23,188)
Euros	29,119	29,871	(752)	20,000	20,162	(162)
Other	849	952	(103)	524	737	(213)
<b>Total</b>	<b>512,369</b>	<b>474,637</b>	<b>37,732</b>	<b>372,244</b>	<b>328,846</b>	<b>43,398</b>

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.

## 27 Financial Risk Management (Continued)

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 2022		31 December 2021	
	Impact on profit or loss (before tax)	Impact on equity	Impact on profit or loss (before tax)	Impact on equity
US Dollar strengthening by 20%	(5,533)	(5,533)	(5,066)	(5,066)
US Dollar weakening by 5%	1,383	1,383	1,266	1,266
Euro strengthening by 10%	(75)	(75)	(16)	(16)
Euro weakening by 5%	38	38	8	8
Other strengthening by 5%	(5)	(5)	(11)	(11)
Other weakening by 5%	5	5	11	11

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity 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 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 2022 and 2021, 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	Total
<b>31 December 2022</b>						
Total financial assets	204,880	27,024	89,657	190,808	2	512,371
Total financial liabilities	400,289	30,485	41,592	2,271	1	474,638
<b>Net interest sensitivity gap at 31 December 2022</b>	<b>(195,409)</b>	<b>(3,461)</b>	<b>48,065</b>	<b>188,537</b>	<b>1</b>	<b>37,733</b>
<b>31 December 2021</b>						
Total financial assets	84,915	14,293	59,059	213,977	2	372,246
Total financial liabilities	253,543	28,328	45,887	1,088	-	328,846
<b>Net interest sensitivity gap at 31 December 2021</b>	<b>(168,628)</b>	<b>(14,035)</b>	<b>13,172</b>	<b>212,889</b>	<b>2</b>	<b>43,400</b>

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 2022				31 December 2021			
	USD	UAH	Euro	Other	USD	UAH	Euro	Other
<b>Assets</b>								
Correspondent accounts and overnight deposits with banks	2	-	1	-	-	-	-	-
Deposit certificates of the National Bank of Ukraine	-	23	-	-	-	8	-	-
Amounts due to banks in escrow accounts with the NBU	4	-	-	-	-	-	-	-
Finance lease receivable	-	-	-	-	-	19	-	-
Loans and advances to legal entities	8	12	4	6	8	12	5	5
Loans and advances to individuals	15	42	13	-	17	42	18	-
Investment securities at FVPL	-	6	-	-	-	6	-	-
Investment securities at FVOCI	4	12	3	-	4	11	3	-
Investment securities at AC	-	19	-	-	-	19	-	-
<b>Liabilities</b>								
Loans from international and other financial institutions	-	3	-	-	-	-	-	-
Customer accounts								
- current accounts of customers	-	0	-	-	-	0	-	-
- term deposits of legal entities	-	4	0	-	-	3	0	-
- term deposits of individuals	0	6	0	-	0	7	0	-
Debt securities in issue	-	15	-	-	-	15	-	-

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)

**Geographical risk concentrations.** The geographical concentration of the Group's financial assets and liabilities at 31 December 2022 is set out below:

<i>In millions of Ukrainian hryvnias</i>	<b>Ukraine</b>	<b>OECD</b>	<b>Non-OECD</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	36,052	58,097	2,231	96,380
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	18	4,318
<b>Total financial assets</b>	<b>447,883</b>	<b>62,107</b>	<b>2,381</b>	<b>512,371</b>
<b>Non-financial assets</b>	<b>20,035</b>	<b>99</b>	<b>8,153</b>	<b>28,287</b>
<b>Total assets</b>	<b>467,918</b>	<b>62,206</b>	<b>10,534</b>	<b>540,658</b>
<b>Liabilities</b>				
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
<b>Total financial liabilities</b>	<b>459,888</b>	<b>11,885</b>	<b>2,865</b>	<b>474,638</b>
<b>Non-financial liabilities</b>	<b>6,083</b>	<b>4</b>	<b>1,994</b>	<b>8,081</b>
<b>Total liabilities</b>	<b>465,971</b>	<b>11,889</b>	<b>4,859</b>	<b>482,719</b>
<b>Net position</b>	<b>1,947</b>	<b>50,317</b>	<b>5,675</b>	<b>57,939</b>
<b>Credit related commitments (Note 17)</b>	<b>143,739</b>	<b>2</b>	<b>65</b>	<b>143,806</b>

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 2021 is set out below:

<i>In millions of Ukrainian hryvnias</i>	<b>Ukraine</b>	<b>OECD</b>	<b>Non-OECD</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	26,986	24,128	1,721	52,835
Loans and advances to banks	26,243	-	-	26,243
Loans and advances to customers	67,806	2	410	68,218
Investment securities at FVPL	93,096	-	-	93,096
Investment securities at FVOCI	129,072	2	-	129,074
Investment securities at AC	107	-	-	107
Other financial assets	199	2,461	13	2,673
<b>Total financial assets</b>	<b>343,509</b>	<b>26,593</b>	<b>2,144</b>	<b>372,246</b>
<b>Non-financial assets</b>	<b>20,984</b>	<b>1</b>	<b>8,154</b>	<b>29,139</b>
<b>Total assets</b>	<b>364,493</b>	<b>26,594</b>	<b>10,298</b>	<b>401,385</b>
<b>Liabilities</b>				
Due to others banks	3	-	-	3
Due to customers	314,272	8,309	2,438	325,019
Other financial liabilities	2,838	894	92	3,824
<b>Total financial liabilities</b>	<b>317,113</b>	<b>9,203</b>	<b>2,530</b>	<b>328,846</b>
<b>Non-financial liabilities</b>	<b>4,293</b>	<b>4</b>	<b>1,327</b>	<b>5,624</b>
<b>Total liabilities</b>	<b>321,406</b>	<b>9,207</b>	<b>3,857</b>	<b>334,470</b>
<b>Net position</b>	<b>43,087</b>	<b>17,387</b>	<b>6,441</b>	<b>66,915</b>
<b>Credit related commitments (Note 17)</b>	<b>153,515</b>	<b>4</b>	<b>54</b>	<b>153,573</b>

**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.

**27 Financial Risk Management (Continued)**

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.

The management reporting on the liquidity status with compliance 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 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 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 311.01% in multicurrency (LCRBB) and 260.14% in foreign currency (LCRIB) as at 31 December 2022 (31 December 2021: 258.85% and 200.36% respectively) with regulatory limit established by the NBU not less than 100% in multicurrency (LCRBB) and in foreign currency (LCRIB) (31 December 2021: not less than 100% in multicurrency (LCRBB) and 100% in foreign currency (LCRIB));
- net stable funding ratio (NSFR). NSFR was 182.24% as at 31 December 2022 with regulatory limit established by the NBU not less than 90% (31 December 2021: 156.57% not less than 90%).

The table below shows liabilities at 31 December 2022 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including and 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.



**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>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
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
<b>Total contractual future payments for financial liabilities</b>	<b>401,418</b>	<b>30,530</b>	<b>41,773</b>	<b>2,457</b>	<b>225</b>	<b>476,403</b>
<b>Credit related commitments (Note 17)</b>	<b>143,462</b>	<b>14</b>	<b>120</b>	<b>210</b>	<b>-</b>	<b>143,806</b>

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

<i>In millions of Ukrainian hryvnias</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Liabilities</b>						
Due to others banks	3	-	-	-	-	3
Due to customers	252,327	28,406	45,605	203	-	326,541
Other financial liabilities	2,291	129	569	1,288	15	4,292
<b>Total contractual future payments for financial liabilities</b>	<b>254,621</b>	<b>28,535</b>	<b>46,174</b>	<b>1,491</b>	<b>15</b>	<b>330,836</b>
<b>Credit related commitments and financial guarantees, gross (Note 17)</b>	<b>152,874</b>	<b>49</b>	<b>290</b>	<b>360</b>	<b>-</b>	<b>153,573</b>

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 2022:

<i>In millions of Ukrainian hryvnias</i>	<b>Less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 9 months</b>	<b>From 9 to 12 months</b>	<b>From 12 months to 1 to 5 years</b>	<b>Over 5 years</b>	<b>Not defined</b>	<b>Total</b>
<b>Assets</b>									
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	64,697	12,599	1,020	12,348	126,380	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, current tax assets and deferred income tax asset	24	-	-	-	-	-	-	20,049	20,073
<b>TOTAL ASSETS</b>	<b>210,948</b>	<b>27,486</b>	<b>75,208</b>	<b>14,217</b>	<b>11,029</b>	<b>35,388</b>	<b>140,898</b>	<b>31,527</b>	<b>546,701</b>
<b>Liabilities</b>									
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
- legal entities and organizations	31,523	11,846	5,879	1,447	3,182	18,179	47,964	10,918	130,938
- individuals	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
<b>TOTAL LIABILITIES</b>	<b>119,046</b>	<b>55,489</b>	<b>40,106</b>	<b>14,377</b>	<b>14,530</b>	<b>37,626</b>	<b>189,993</b>	<b>17,745</b>	<b>488,912</b>
Cumulative GAP	91,902	63,899	99,001	98,841	95,340	93,102	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	As reported under IFRS
<i>In millions of Ukrainian hryvnias</i>						
Cash and cash equivalents	96,969	-	(780)	191	-	96,380
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	9	4,382
<b>TOTAL ASSETS</b>	<b>546,701</b>	<b>(5,399)</b>	<b>(780)</b>	<b>74</b>	<b>62</b>	<b>540,658</b>
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
<b>TOTAL LIABILITIES</b>	<b>488,912</b>	<b>(5,399)</b>	<b>(780)</b>	<b>74</b>	<b>(88)</b>	<b>482,719</b>

**27 Financial Risk Management (Continued)**

The Group controls the repayment terms, which are shown in the table below as at 31 December 2021:

<i>In millions of Ukrainian hryvnias</i>	<b>Less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 6 months</b>	<b>From 6 to 9 months</b>	<b>From 9 to 12 months</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Not defined</b>	<b>Total</b>
<b>Assets</b>									
Cash and cash equivalents	52,181	-	-	-	-	-	-	1,623	53,804
Loans and advances to banks	26,243	-	-	-	-	-	-	-	26,243
Loans and advances to customers	11,999	9,866	9,534	7,516	5,897	15,252	7,271	883	68,218
Investment securities including:	2,261	12,028	29,558	3,245	15,910	16,483	142,790	2	222,277
- at fair value through profit or loss	-	636	264	-	-	-	92,196	-	93,096
- at fair value through other comprehensive income	2,261	11,392	29,294	3,245	15,910	16,377	50,593	2	129,074
- at amortized cost	-	-	-	-	-	107	-	-	107
Investments in an associate	-	-	-	-	-	-	-	30	30
Property, Plant and Equipment and intangible assets, investment properties and repossessed collateral	-	-	-	-	-	-	-	9,351	9,351
Other financial assets	5,024	-	-	-	2	-	1,973	713	7,712
Other non-financial assets and current tax assets	305	-	-	-	-	-	-	19,317	19,622
<b>TOTAL ASSETS</b>	<b>98,013</b>	<b>21,894</b>	<b>39,092</b>	<b>10,761</b>	<b>21,809</b>	<b>31,735</b>	<b>152,034</b>	<b>31,919</b>	<b>407,257</b>
<b>Liabilities</b>									
Due to banks and other financial institutions	3	-	-	-	-	-	-	-	3
Customer accounts:	70,413	38,473	29,809	14,514	10,904	5,333	143,996	8,266	321,708
- individuals	21,139	5,704	2,028	850	710	1,540	55,203	8,160	95,334
- legal entities and organizations	49,273	32,769	27,781	13,664	10,193	3,793	88,793	106	226,372
Other financial liabilities	11,311	156	247	264	319	471	2	556	13,326
Other non-financial liabilities, current and deferred tax liability	1,674	-	-	-	-	-	-	280	1,954
Provisions	-	-	-	-	-	-	-	3,651	3,651
<b>TOTAL LIABILITIES</b>	<b>83,401</b>	<b>38,629</b>	<b>30,056</b>	<b>14,778</b>	<b>11,223</b>	<b>5,804</b>	<b>143,998</b>	<b>12,753</b>	<b>340,642</b>
Cumulative GAP	14,612	(2,123)	6,913	2,896	13,482	39,413	47,449	-	

## 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 2021:

	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) reclassification of balances of the loyalty bonus program for clients	(e) Reclassifications	As reported under IFRS
<i>In millions of Ukrainian hryvnias</i>							
Cash and cash equivalents	53,804	-	(1,011)	42	-	-	52,835
Other non-financial assets, current tax assets and deferred income tax asset	19,622	-	-	69	-	2	19,693
Investments in subsidiaries, joint ventures and associates	30	-	-	-	-	(30)	-
Property, Plant and Equipment and intangible assets, investment properties and repossessed collateral	9,351	-	-	-	-	88	9,439
Other financial assets	7,712	(4,944)	-	(117)	-	29	2,680
<b>TOTAL ASSETS</b>	<b>407,257</b>	<b>(4,944)</b>	<b>(1,011)</b>	<b>(6)</b>	<b>-</b>	<b>89</b>	<b>401,385</b>
Due to customers	321,708	4,330	161	101	(997)	(284)	325,019
Other financial liabilities	13,326	(9,274)	(1,172)	(107)	997	54	3,824
Other liabilities, current tax liability and deferred tax liability	1,954	-	-	-	-	19	1,973
<b>TOTAL LIABILITIES</b>	<b>340,642</b>	<b>(4,944)</b>	<b>(1,011)</b>	<b>(6)</b>	<b>-</b>	<b>(211)</b>	<b>334,470</b>

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 2022 (as of 31 December 2021: had in the category from 1 to 3 months).

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. See Note 27 "Financial Risk Management" for the Group's contractual undiscounted repayment obligations.

<i>In millions of Ukrainian hryvnias</i>	31 December 2022			31 December 2021		
	Less 12 month	Over 12 month	Total	Less 12 month	Over 12 month	Total
Cash and cash equivalents	96,380	-	96,380	52,835	-	52,835
Loans and advances to banks	103,837	-	103,837	26,212	31	26,243
Loans and advances to customers	39,415	28,669	68,084	44,705	23,513	68,218
Investment securities including:	101,055	138,697	239,752	63,003	159,274	222,277
- at fair value through profit or loss	913	94,803	95,716	901	92,195	93,096
- at fair value through other comprehensive income	100,026	43,894	143,920	62,101	66,973	129,074
- at amortized cost	116	-	116	1	106	107
Current tax assets	9,079	-	9,079	-	9,978	9,978
Investment properties	-	2,155	2,155	-	1,989	1,989
Intangible assets other than goodwill	-	1,392	1,392	-	1,291	1,291
Property, plant and equipment	-	5,308	5,308	-	6,159	6,159
Other financial assets	636	3,682	4,318	396	2,277	2,673
Other non-financial assets	-	9,189	9,189	-	9,715	9,715
Deferred income tax asset	-	1,100	1,100	-	-	-
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	-	64	64	7	-	7
<b>Total assets</b>	<b>350,402</b>	<b>190,256</b>	<b>540,658</b>	<b>187,158</b>	<b>214,227</b>	<b>401,385</b>
Due to others banks	-	-	-	3	-	3
Due to customers	471,457	406	471,863	324,685	334	325,019
Other borrowed funds	1	127	128	-	-	-
Current tax liability	-	3	3	-	12	12
Deferred tax liability	-	-	-	-	158	158
Other financial liabilities	1,086	1,561	2,647	2,383	1,441	3,824
Provisions including:	-	5,804	5,804	-	3,651	3,651
- provisions for loan commitments and financial guarantee contracts	-	1,280	1,280	-	373	373
- other provisions	-	4,524	4,524	-	3,278	3,278
Other non-financial liabilities	-	2,274	2,274	-	1,803	1,803
<b>Total liabilities</b>	<b>472,544</b>	<b>10,175</b>	<b>482,719</b>	<b>327,071</b>	<b>7,399</b>	<b>334,470</b>

## 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 have 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>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Tier 1 capital</b>	<b>71,713</b>	<b>69,713</b>
<b>Tier 2 capital (a portion not exceeding 100% of Tier 1)</b>	<b>(15,168)</b>	<b>(4,091)</b>
<b>Total capital</b>	<b>56,545</b>	<b>65,622</b>
<b>Risk Weighted Assets</b>		
Banking book	319,116	306,007
Trading book	26,037	23,686
<b>Risk Weighted Assets</b>	<b>345,153</b>	<b>329,693</b>
<b>Tier 1 capital ratio</b>	<b>20.78%</b>	<b>21.14%</b>
<b>Capital adequacy ratio (%)</b>	<b>16.38%</b>	<b>19.90%</b>

b) As at 31 December 2022, the National Bank of Ukraine required banks to maintain a capital adequacy ratio at least 10% of risk weighted assets calculated in accordance with the regulations of the National Bank of Ukraine (31 December 2021: at least 10%).

Regulatory capital in accordance with the NBU's regulations comprises:

<i>In millions of Ukrainian hryvnias</i>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Total regulatory capital</b>	<b>54,524</b>	<b>40,843</b>
Tier 1 capital	27,277	20,437
Tier 2 capital (a portion not exceeding 100% of Tier 1)	27,277	20,437
Deduction	(30)	(30)
<b>Risk weighted assets</b>	<b>137,521</b>	<b>146,289</b>
<b>Open foreign currency position</b>	<b>50,480</b>	<b>35,313</b>
<b>Uncovered credit risk</b>	<b>-</b>	<b>-</b>
<b>Operational risk which is taken into account in capital adequacy</b>	<b>41,254</b>	<b>41,255</b>
<b>Capital adequacy ratio (N2)</b>	<b>23.78%</b>	<b>18.33%</b>
<b>Tier 1 capital adequacy ratio (N3)</b>	<b>11.90%</b>	<b>9.17%</b>

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 2022, provision for legal cases of UAH 3,665 million and provision associated with cessation of operations in Crimea of UAH 859 million have been recorded (31 December 2021: UAH 2,604 million and UAH 674 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, lawsuits related to the nationalization 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. See 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, 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 Group to collect proceeds on transferred loan contracts and transfer them to third party.

Accordingly, the Bank 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 Bank 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 1,569 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 during 2014 – 2016.

As at 31 December 2022, a number of claims were brought by the depositors against the Bank seeking payment of deposits (including interest, fines and penalties) that are pending before courts in Ukraine for the total amount of UAH 859 million (31 December 2021: UAH 674 million). When considering these disputes, in the reporting period certain courts pointed to the circumstances of the invalidity (nullity) of one out of two debt transfer agreements between the Bank and third party regarding transfer of UAH 8,215 million.

The Bank filed appeals or will appeals shortly within the statutory deadlines against judgments in the said cases to the Supreme Court or appellate courts respectively.

As at 31 December 2022, the Group had a contingent liability of UAH 5,791 million, which, according to the Group's estimates based on the limited information available to the management (31 December 2021: UAH 6,011 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 2022 do not exceed UAH 179 million (31 December 2021: UAH 122 million).

**Capital expenditure commitments.** At 31 December 2022, the Group had contractual capital expenditure commitments in respect of construction of premises and acquisition of computers and furniture and equipment totalling UAH 241 million (31 December 2021: UAH 328 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:

	Note	31 December 2022		31 December 2021	
<i>In millions of Ukrainian hryvnias</i>		Asset pledged	Related liability/ commitment	Asset pledged	Related liability/ commitment
Investment securities at FVPLI	9	2,648	-	2,504	-
Investment securities at FVOCI	9	38,066	-	17,350	-

### 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 2022				31 December 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>FINANCIAL ASSETS AT FAIR VALUE</b>								
<b><i>Investment securities at FVPL</i></b>								
Long-term government bonds with an embedded option	-	-	95,716	95,716	-	-	93,096	93,096
<b><i>Investment securities at FVOCI</i></b>								
Long-term government bonds	-	-	46,159	46,159	2	-	59,386	59,388
Medium-term government bonds	-	-	17,921	17,921	-	-	6,810	6,810
denominated in foreign currency	1,218	-	28,641	29,859	5,073	-	15,268	20,341
Short-term government bonds	-	-	28,094	28,094	5	-	17,347	17,352
Short-term government bonds denominated in foreign currency	-	-	21,887	21,887	-	-	25,183	25,183
<b>NON-FINANCIAL ASSETS</b>								
Premises	-	-	1,603	1,603	-	-	1,588	1,588
Investment properties	-	-	2,155	2,155	-	-	1,989	1,989
Non-current assets or disposal groups classified as held for sale or as held for distribution to owners	-	-	64	64	-	-	7	7
<b>TOTAL ASSETS RECCURING FAIR VALUE MEASUREMENT</b>	<b>1,218</b>	<b>-</b>	<b>242,240</b>	<b>243,458</b>	<b>5,080</b>	<b>-</b>	<b>220,674</b>	<b>225,754</b>

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.

## 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
<b>Fair value at 1 January 2021</b>	<b>100,750</b>	<b>101,429</b>
Purchased of investment securities	-	68,150
Total gains (losses) recorded in :		
- other comprehensive income:		
Revaluation of investment securities in other comprehensive income	-	(2,024)
- profit or loss:		
Interest income accrued	4,440	8,817
Revaluation of investment securities in profit or loss	(7,666)	-
Settlements:		
Cash received (repayment), including:	(4,428)	(59,769)
- interest received	(4,428)	(8,869)
Sales of investment securities, including:	-	(9,538)
- the realized result from the sale of securities (gains)	-	(27)
- interest received	-	(144)
Exchange differences	-	(1,814)
Transfer from Level 3	-	(37,841)
Transfer to Level 3	-	56,584
<b>Fair value as at 31 December 2021</b>	<b>93,096</b>	<b>123,994</b>
Purchased of investment securities	-	127,824
Total gains/(losses) recorded in:		
- other comprehensive income:		
Revaluation of investment securities in other comprehensive income	-	(13,784)
Change of expected credit losses		3,453
- profit or loss:		
Interest income accrued	4,440	12,109
Revaluation of investment securities in profit or loss	2,608	-
Change of expected credit losses	-	(3,453)
Settlements:		
Cash received (repayment), including:	(4,428)	(99,595)
- interest received	(4,428)	(9,795)
Sales of investment securities, including:	-	(11,595)
- the realized result from the sale of securities (gains)	-	(100)
- interest received	-	(99)
Exchange differences	-	9,600
Transfer from Level 3	-	(42,706)
Transfer to Level 3	-	36,855
<b>Fair value as at 31 December 2022</b>	<b>95,716</b>	<b>142,702</b>

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 2022 Volatility of the US dollar against the Ukrainian hryvnia comprised 18.38% (31 December 2021: 17.78%). 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 2022, the discount rate ranged from 14.47% per annum for the term 0.09 years before 15.57% per annum for the term 9.08 years (31 December 2021: from 9.99% per annum for the term 0.09 years before 9.85% per annum for the term 10.08 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>	<b>Changes in historical volatility</b>		<b>Changes of fair value</b>	
31 December 2022	+1 p.p.	-1 p.p.	20	(14)
31 December 2021	+1 p.p.	-1 p.p.	156	(136)

<i>In millions of Ukrainian hryvnias</i>	<b>Changes of risk-free USD interest rate</b>		<b>Changes of fair value</b>	
31 December 2022	+0.5 p.p.	-0.5 p.p.	(2,833)	2,944
31 December 2021	+0.5 p.p.	-0.5 p.p.	(2,730)	2,868

<i>In millions of Ukrainian hryvnias</i>	<b>Changes of risk-free UAH interest rate</b>		<b>Changes of fair value</b>	
31 December 2022	+1 p.p.	-1 p.p.	(229)	238
31 December 2021	+1 p.p.	-1 p.p.	(744)	863

## 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 2022, the discount rate ranged from 14.02% per annum for a period of 0.01 years, up to 14.21% per annum for a period of 9.85 years (31 December 2021: from 9.86% per annum for a period of 0.01 years, up to 9.47% per annum for a period of 10.95 years (Nelson-Siegel)). 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>	<b>Changes of risk-free UAH interest rate</b>		<b>Changes of fair value</b>	
31 December 2022				
Long-term government bonds	+1 p.p.	-1 p.p.	(1,662)	1,780
Medium-term government bonds	+1 p.p.	-1 p.p.	(160)	163
Short-term government bonds	+1 p.p.	-1 p.p.	(58)	59
31 December 2021				
Long-term government bonds	+1 p.p.	-1 p.p.	(2,686)	2,913
Medium-term government bonds	+1 p.p.	-1 p.p.	-	-
Short-term government bonds	+1 p.p.	-1 p.p.	(55)	56

**Government bonds denominated in foreign currency at FVOCI**

The fair value of foreign currency debt securities denominated in US dollars is calculated using a model and input data similar to government debt securities with an embedded option, as described above. As of 31 December 2022 and 2021, the growth (decrease) of the risk-free interest rate in hryvnia by 1 percentage point, would increase (decrease) the fair value of such securities by UAH 25 million.

## 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:

<i>In millions of Ukrainian hryvnias</i>	31 December 2022				31 December 2021			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
<b>FINANCIAL ASSETS</b>								
<b><i>Loans and advances to banks</i></b>								
Deposit certificates of the National Bank of Ukraine	-	100,126	-	100,126	-	26,212	-	26,212
Amounts due to banks in escrow accounts with the NBU	-	3,711	-	3,711	-	-	-	-
Finance lease receivable	-	-	-	-	-	31	-	31
<b><i>Loans and advances to customers</i></b>								
Loans and finance lease managed as a separate portfolio	-	-	496	496	-	-	2,039	1,191
Corporate loans	-	-	4,186	4,161	-	-	3,009	2,971
Loans to individuals - cards	-	-	36,552	36,552	-	-	41,750	41,750
Loans to individuals - mortgage	-	-	2,636	2,639	-	-	3,525	3,549
Loans to individuals - auto	-	-	258	252	-	-	373	350
Loans to individuals - consumer	-	-	3,625	3,491	-	-	5,775	5,275
Loans to individuals - other	-	-	13	13	-	-	21	21
Loans to small and medium enterprises (SME)	-	-	19,701	19,546	-	-	11,300	11,171
Finance lease receivables	-	-	950	934	-	-	1,981	1,940
<b><i>Investment securities at AC</i></b>								
Long-term bonds issued by the State Mortgage Institution	-	-	201	116	-	-	142	107
<b><i>Other financial assets</i></b>								
Receivables from operations with customers	-	-	293	293	-	-	191	191
Other	-	-	4,025	4,025	-	-	2,482	2,482
<b>TOTAL</b>	-	103,837	72,936	176,355	-	26,243	72,588	97,241

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 2022				31 December 2021			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
<b>FINANCIAL LIABILITIES</b>								
<b><i>Due to others banks</i></b>								
Correspondent accounts and overnight placements of banks	-	-	-	-	-	3	-	3
<b><i>Due to customers</i></b>								
Term deposits of individuals	-	-	88,594	88,584	-	-	88,128	88,128
Current/demand accounts of individuals	-	251,748	-	251,748	-	141,222	-	141,222
Current/settlement accounts of government organizations	-	607	-	607	-	242	-	242
Current/settlement accounts of legal entities	-	116,747	-	116,747	-	82,972	-	82,972
Term deposits of legal entities	-	-	14,177	14,177	-	-	12,455	12,455
<b><i>Other financial liabilities</i></b>								
Lease liabilities	-	-	1,434	1,434	-	-	1,593	1,593
Funds in the course of settlement	-	-	16	16	-	-	1,057	1,057
Accounts payable	-	-	442	442	-	-	566	566
Other	-	-	755	755	-	-	608	608
Other borrowed funds	-	-	128	128	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>369,102</b>	<b>105,546</b>	<b>474,638</b>	<b>-</b>	<b>224,439</b>	<b>104,407</b>	<b>328,846</b>

The fair values in level 2 and 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 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 2022:

<i>In millions of Ukrainian hryvnias</i>	Assets at AC	Assets at FVPL	Assets at FVOCI	Finance lease receivables	Total
<b>ASSETS</b>					
<b>Cash and cash equivalents</b>	96,380	-	-	-	96,380
<b>Loans and advances to banks</b>					
Deposit certificates of the National Bank of Ukraine	100,126	-	-	-	100,126
Amounts due to banks in escrow accounts with the NBU	3,711	-	-	-	3,711
<b>Loans and advances to customers</b>					
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
<b>Investment securities at AC</b>					
Long-term bonds issued by the State Mortgage Institution	116	-	-	-	116
<b>Investment securities at FVPL</b>					
Long-term government bonds with an embedded option	-	95,716	-	-	95,716
<b>Investment securities at FVOCI</b>					
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
<b>Other financial assets</b>					
Receivables from operations with customers	293	-	-	-	293
Other	4,025	-	-	-	4,025
<b>TOTAL FINANCIAL ASSETS</b>	<b>271,801</b>	<b>95,716</b>	<b>143,920</b>	<b>934</b>	<b>512,371</b>
<b>NON-FINANCIAL ASSETS</b>					<b>28,287</b>
<b>TOTAL ASSETS</b>					<b>540,658</b>

As at 31 December 2022 and 2021 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 2021:

<i>In millions of Ukrainian hryvnias</i>	Assets at AC	Assets at FVPL	Assets at FVOCI	Finance lease receivables	Total
<b>ASSETS</b>					
<b>Cash and cash equivalents</b>	52,835	-	-	-	52,835
<b>Loans and advances to banks</b>					
Deposit certificates of the National Bank of Ukraine	26,212	-	-	-	26,212
Finance lease receivable	31	-	-	-	31
<b>Loans and advances to customers</b>					
Loans and finance lease managed as a separate portfolio	1,191	-	-	-	1,191
Corporate loans	2,971	-	-	-	2,971
Loans to individuals – cards	41,750	-	-	-	41,750
Loans to individuals – mortgage	3,549	-	-	-	3,549
Loans to individuals – auto	350	-	-	-	350
Loans to individuals – consumer	5,275	-	-	-	5,275
Loans to individuals – other	21	-	-	-	21
Loans to small and medium enterprises (SME)	11,171	-	-	-	11,171
Finance lease receivables	-	-	-	1,940	1,940
<b>Investment securities at AC</b>					
Long-term bonds issued by the State Mortgage Institution	107	-	-	-	107
<b>Investment securities at FVPL</b>					
Long-term government bonds with an embedded option	-	93,096	-	-	93,096
<b>Investment securities at FVOCI</b>					
Long-term government bonds without an embedded option	-	-	59,388	-	59,388
Medium-term government bonds denominated in foreign currency	-	-	6,810	-	6,810
Medium-term government bonds	-	-	20,341	-	20,341
Short-term government bonds	-	-	17,352	-	17,352
Short-term government bonds denominated in foreign currency	-	-	25,183	-	25,183
<b>Other financial assets</b>					
Receivables from operations with customers	191	-	-	-	191
Other	2,482	-	-	-	2,482
<b>TOTAL FINANCIAL ASSETS</b>	<b>148,136</b>	<b>93,096</b>	<b>129,074</b>	<b>1,940</b>	<b>372,246</b>
<b>NON-FINANCIAL ASSETS</b>					<b>29,139</b>
<b>TOTAL ASSETS</b>					<b>401,385</b>

### 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 2022 and 31 December 2021 the Group was 100% owned by the Government 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 2022 and 31 December 2021, the outstanding balances with related parties are as follows:

<i>In millions of Ukrainian hryvnias</i>	31 December 2022				31 December 2021			
	Shareholder	Management	Associated	Other related	Shareholder	Management	Associated	Other related
			companies	parties			companies	parties
Cash and cash equivalents	-	-	-	11,456	-	-	-	5,958
Loans and advances to banks (contractual interest rate: 2022 – UAH – 23%; 2021 – UAH – 8-9%)	-	-	-	103,837	-	-	-	26,243
Loans and advances to customers, gross (contractual interest rate: 2022 – UAH – 15%, USD – 5%; 2021 – UAH – 14%, USD – 5%)	-	-	-	162	-	-	-	200
Less: Allowance for expected credit losses	-	-	-	(142)	-	-	-	(111)
Investment securities at FVPL	95,716	-	-	-	93,096	-	-	-
Investment securities at FVOCI	143,918	-	-	-	129,073	-	-	-
Investment securities at AC	-	-	-	116	-	-	-	107
Other financial assets	-	-	-	4	-	-	-	36
Other non-financial assets	-	-	-	5	-	-	-	22
Other borrowed funds	-	-	-	128	-	-	-	-
Customer accounts (contractual interest rate: 2022 UAH – 0%, USD – 0%, EUR – 0%; 2021 UAH – 1%, USD – 0%, EUR – 0%)	-	22	-	14,478	-	13	-	11,767
Other financial liabilities	-	-	-	653	-	-	-	487
Other non-financial liabilities	-	-	-	3	-	-	-	3

The income and expense items with related parties during the 12 months 2022 and 2021 are as follows:

<i>In millions of Ukrainian hryvnias</i>	12 months 2022				12 months 2021			
	Shareholder	Management	Associated	Other related	Shareholder	Management	Associated	Other related
			companies	parties			companies	parties
Interest income	17,153	-	-	6,905	14,049	-	-	1,258
Interest expense	-	-	-	(205)	-	-	-	(316)
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	(3,492)	-	-	16	-	-	-	70
Commission income	-	-	-	178	-	-	-	228
Commission expenses	-	-	-	-	-	-	-	(11)
Items that will be reclassified subsequently to profit or loss:	-	-	-	(4)	-	-	-	-
Net increase (decrease) from financial instruments at fair value through profit or loss operations	2,608	-	-	-	(7,666)	-	-	-
Net increase (decrease) from foreign exchange translation	9,661	-	-	203	(2,038)	-	-	(30)
Other income	-	-	-	4	-	-	-	6
Other administrative and operational expenses, excluding management remuneration	-	-	-	(140)	-	-	-	(119)

**33 Related Party Transactions (Continued)**

Aggregate amounts lent to and repaid by related parties during the period for 12 months 2022 and the period 12 months 2021 are as follows:

<i>In millions of Ukrainian hryvnias</i>	12 months 2022				12 months 2021			
	Shareholder	Management companies	Associated companies	Other related parties	Shareholder	Management companies	Associated companies	Other related parties
Amounts lent to related parties during the period	-	3	-	8,200,540	-	4	-	1,620,845
Amounts repaid by related parties during the period	-	4	-	8,132,080	-	3	-	1,621,796
Loans repaid to related parties during the period	-	-	-	82,521	-	-	-	9,509
Loans lent by related parties during the period	-	-	-	98,545	-	-	-	17,145
Amounts received under investment securities at FVPL	4,428	-	-	-	4,428	-	-	-
Amounts granted by investment securities at FVOCI	130,058	-	-	-	83,625	-	-	-
Amounts received under investment securities at FVOCI	110,158	-	-	-	68,498	-	-	-
Amounts granted by investment securities at AC	100	-	-	-	120	-	-	-
Amounts received under investment securities at AC	101	-	-	32	1,675	-	-	48

For 12 months 2022 the remuneration of the members of the Supervisory Board and Management Board comprised of salaries, pension contributions and other short-term benefits totalling UAH 222 million (for 12 months 2021: UAH 211 million).

**Regulatory criteria for related party identification**

Related party identification criteria of IAS 24 differs from the criteria set forth by the National Bank of Ukraine Regulation "On determination of related parties for banks" № 315 dated 12 May 2015 (as amended) (Regulation № 315).

The loan portfolio, presented as 'Loans and finance lease managed as a separate portfolio', in gross carrying amount of UAH 167,931 million (31 December 2021: UAH 163,513 million), as disclosed in Note 8, is classified as related with previous shareholders according to the Regulation № 315.

**34 Changes in Liabilities Arising from Financial Activities**

<i>In millions of Ukrainian hryvnias</i>	<b>Other borrowed funds</b>	<b>Dividends payable</b>	<b>Lease liabilities</b>
<b>Carrying value as at 1 January 2021</b>	-	-	<b>1,844</b>
Dividends accrual	-	19,566	-
Dividend payment	-	(19,566)	-
Recognition of new lease liabilities during the year, modification of previously recognized liabilities	-	-	475
Repayment of lease liabilities	-	-	(726)
<b>Carrying value as at 31 December 2021</b>	-	-	<b>1,593</b>
Attracting funds	127	-	-
Dividend accrual and liability recognition	-	28,246	-
Payment of dividends, including an advance payment	-	(28,246)	-
Recognition of new lease liabilities during the year, modification of previously recognized liabilities	-	-	494
Repayment of lease liabilities	-	-	(653)
Other	1	-	-
<b>Carrying value as at 31 December 2022</b>	<b>128</b>	-	<b>1,434</b>

**35 Events After the Reporting Date**

After to the reporting date, in January-February 2023, the NBU increased the requirements for the mandatory reserves of banks, which must be kept at a correspondent account with the NBU as follows:

- *in the national currency:*
- demand and current accounts of legal entities – from 0% (as of 10 December 2022) to 10% (as of 11 January 2023);
- demand and current accounts of individuals – from 0% (as of 10 December 2022) to 10% (as of 11 January 2023) and from 10% (as of 11 January 2023) to 20% (as of 11 February 2023);
- funds (deposits) and current accounts of other non-resident banks and loans received from international (except financial) and other non-resident organizations – from 0% (as of 10 December 2022) to 10% (as of 11 January 2023).
- *in foreign currency:*
- demand and current accounts of legal entities – from 10% (as of 10 December 2022) to 20% (as of 11 January 2023);
- demand and current accounts of individuals – from 10% (as of 10 December 2022) to 20% (as of 11 January 2023) and from 20% (as of 11 January 2023) to 30% (as of 11 February 2023);
- funds (deposits) and current accounts of other non-resident banks and loans received from international (except financial) and other non-resident organizations – from 10% (as of 10 December 2022) to 20% (as of 11 January 2023).

In March 2023, the NBU approved another increase of mandatory reserves requirements for time deposits and retail deposits with an initial maturity of up to 92 calendar days (inclusive) by a 20% (that is, the increased requirement was 20% in national currency and 30% in foreign currency). The requirements apply to the period of calculation of the required reserves starting from 11 May 2023.

In addition, as of 1 April 2023, the NBU introduced new change in requirements by inclusion of government debt securities as a coverage for the mandatory reserve requirement.

As at 1 April 2023 (the latest date of calculation), the amount of the mandatory reserve required to be kept by the Bank at its account with the NBU increased to UAH 73,302 million (including government debt securities in the amount of UAH 21,929 million as coverage for the requirement).

**35 Events After the Reporting Date (Continued)**

After the reporting date, on 31 March 2023 the Board of Executive Directors of the International Monetary Fund approved the four-year program for Ukraine "Extended Financing Facility" in the amount of 11.6 billion in special drawing rights, which is about USD 15.6 billion and the first tranche in the amount of USD 2.7 billion.