«COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY

FINANCIAL STATEMENTS
MANAGEMENT REPORT
Together with the independent auditor's report
for the year ended December 31, 2022

CONTENT

Statement on management responsibility for the preparation and approval of financial statements for the year ended December 31, 2022

The statement below, which should be considered together with the description of the obligations of the independent auditors contained in the attached Report of the independent auditor, is made for the purpose of distinguishing the responsibilities of the management and independent auditors in relation to the financial statements of the «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY (hereinafter – the Bank).

The Bank's management is responsible for the preparation of financial statements that accurately reflect the Bank's financial position as at December 31, 2022, the results of its activities and cash flows for the year ended December 31, 2022, in accordance with International Financial Reporting Standards (hereinafter - IFRS). When preparing financial statements, the Bank's management is responsible for:

- selection of appropriate accounting principles and their consistent application;
- application of reasonable estimates and calculations;
- compliance with IFRS requirements or disclosure and explanation of all significant deviations from IFRS in financial statements;
- preparation of financial statements based on the assumption that the Bank will continue its activities in the future, except for cases when such an assumption is illegitimate.

The Bank's management is responsible for:

- development, implementation and ensuring the functioning of an effective and reliable internal control system of the Bank;
- keeping relevant accounts, which reveal with a sufficient degree of accuracy information about the Bank's financial condition, and which allow to ensure compliance of the Bank's financial statements with the requirements of IFRS;
- ensuring compliance of accounting with the requirements of legislation and accounting standards adopted in Ukraine;
- taking measures reasonably available to him to ensure the preservation of the Bank's assets;
- detection and prevention of fraud and other violations.

Financial statements for the year ended December 31, 2022, approved and signed on behalf of the Bank:

«26» April 2023

Україна
м.Київ
«КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК»
Ідентифікаційний код 35960913
Публічне акціонерне товариство

Chairman of the Board __________ Rudniev Oleksii

Chief Accountant __________ Litosh Oksana

INDEPENDENT AUDITOR'S REPORT

LLC «AF «ACTIVE-AUDIT»
regarding the audit of annual financial statements

«COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY

at the end of the day 31.12.2022

This Auditor's report is addressed to:

- the Management Board of «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY;
- National Bank of Ukraine;
- the National Securities and Stock Market Commission;
- all other possible users of the annual financial statements of «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY

Report on the audit of financial statements

Opinion

We have audited the annual financial statements of «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY (hereinafter - «CB «ACCORDBANK» PuJSC, The Bank), which consists of the Financial Statement as at December 31, 2022, the Statement of profit and loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year that ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, its financial results and cash flows

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Registration number in the register of auditors and audit entities 2315

for the year that ended, in accordance with International Financial Reporting Standards (IFRS), and meets the requirements of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» dated July 16, 1999 №. 996-XIV, concerning the preparation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility in accordance with these standards described in section «Auditor's responsibility for the audit of financial statements» in our report. We are independent in relation to the Bank in accordance with Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable in Ukraine to our audit of financial statements, as well as fulfill other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we receive is sufficient and acceptable to use as the basis for our opinion.

Material uncertainty related to going concern

The annual financial statements were prepared on the basis of the assumption that the Bank is able to continue its activities on a going concern basis. We draw attention to Note 3 to the financial statements, which discloses that there is a material uncertainty related to the currently unforeseeable impact of ongoing hostilities on the territory of Ukraine on the assumptions underlying management's estimates, which may subject doubts about the Bank's ability to continue its activities on a going concern basis, and therefore, it will not be able to realize its assets and repay its liabilities in the ordinary course of business. Information on this matter is properly disclosed in the financial statements. Our opinion on this matter has not been modified.

Key audit matters

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

In addition to the matter described in the section «Material uncertainty relating to going concern», we have determined that the key audit matter to be disclosed in our report is judgments and evaluations regarding customer loans and debts.

Judgments and evaluations regarding customer loans and debts

We identified this area as a key audit matter, as the assessment of the amount of the provision for impairment of customer loans was a key area of professional judgment of the Bank's management. As of the reporting date, customer loans and debts make up 8.4% of the Bank's total assets and have a significant impact on its financial condition, cash flows and results of operations.
The Bank's management makes significant judgments regarding the financial condition of borrowers, the amount of expected future cash flows for loans, the market value of collateral for credit transactions, and the level of probability of default.

Our audit procedures specifically included:

• consideration and evaluation of the depreciation methodology, and verification of the appropriateness and accuracy of the input data used by the Bank when calculating reserves;
• evaluation and verification of key assumptions adopted by the management staff when assessing a significant increase in credit risk, probability of default, losses in case of default and estimation of expected credit losses on customer loans;
• an independent assessment of the size of created reserves for the impairment of loans to clients based on a review of information contained in credit files, including an assessment of borrowers' financial condition, timeliness of debt payments, analysis of future cash flow forecasts, etc.

Information on customer loans and the extent of their impairment is provided in Note 7 to the annual financial statement. Information on significant accounting estimates used in determining the book value of customer loans and expected credit losses on them is provided in Notes 4, 27 to the annual financial statement.

Information other than the Financial Statements and Auditor's Report Thereon

Management personnel are responsible for other information. Other information consists of information/reports we have received prior to the date of this independent auditor's report, but are not the financial statements and our auditor's report thereon:
- from the information contained in the Management Report (hereinafter - the Management Report) and in the Report on Corporate Governance, which is an appendix to the Management Report, «CB «ACCORDBANK» PuJSC for 2022;
- from other information that is included in the Annual Information of the issuer of securities «CB «ACCORDBANK» PuJSC for the year 2022.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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. We have nothing to report in this regard, including facts of inconsistency of financial information in the Management Report and/or Annual Information of the issuer of securities with financial statements and/or with other information obtained by us during the audit.

In accordance with the requirements of Art. 127 of the Law of Ukraine «On Capital Markets and Organized Commodity Markets», we report the following.

We checked the information contained in the «Corporate Governance Report» of the Management Report regarding:
• compliance by the Bank with the provisions of the Corporate Code,
• held during the reporting period of the general meeting of shareholders of the Bank and adopted at the meeting of decisions,
• the personal composition of the Supervisory Board and the Management Board of the Bank, the committees of the Bank's Management Board and the Supervisory Board of the Bank, the meetings and decisions taken by them,

and did not establish significant inconsistencies with the information set forth in the Principles (code) of corporate governance of «CB «ACCORDBANK» PuJSC (approved by the decision of the General Meeting of Shareholders dated 12.28.2021, minutes No. 2021122801), other provisions/policies adopted by the Bank in terms of corporate governance, other information or our knowledge obtained during the audit.

We have considered the issues contained in the Corporate Governance Report regarding:
• the main characteristics of the Bank's internal control and risk management system;
• a list of persons who directly or indirectly own a significant block of shares in the Bank;
• information on any restrictions on the rights of participation and voting of shareholders at the General Meeting of the Bank;
• the procedure for appointing and dismissing officials of the Bank;
• powers of the Bank's officials,
and express our opinion that this information was disclosed by management in compliance with current legislation, in particular the Laws of Ukraine «On capital markets and organized commodity markets» and «On Financial Services and State Regulation of Financial Services Markets», consistent with other parts of the annual report and not established material contradicts the information obtained by us during the audit of the financial statements of the Bank.

The responsibility of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of financial statements according to IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparation of financial statements, management is responsible for assessing the Bank's ability to continue its operations on an ongoing basis, disclosing, where applicable, business continuity issues, and using assumptions of continuity as a basis for accounting, except when the management plans to liquidate the Bank or cease its activities, or has no other real alternatives to it.

Those charged with governance (the Supervisory Board) are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibility for audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain material misstatement due to fraud or error and the issuance of an auditor's report containing our opinion. Reasonable confidence is a high level of certainty, but it does not guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement when it exists. Misstatement may be the result of fraud or error; they are considered to be material if, individually or in aggregate, they are reasonably expected to affect the economic decisions of users that are taken on the basis of these financial statements.

As part of an audit in accordance with the requirements of ISA, we use professional judgments and professional skepticism throughout the audit engagement. In addition, we:

• Identify and assess the risks of material misstatement of financial statements as a result of fraud or error, develop and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and acceptable to use as the basis for our opinion. The risk of non-disclosure of material misstatement due to fraud is higher than for distortion due to a mistake, as fraud may involve collusion, forgery, intentional omission, incorrect statements or neglect of internal control measures;

• Obtain an understanding of the internal control activities related to the audit, to develop audit procedures that are appropriate to the circumstances, rather than to express an opinion on the effectiveness of the internal control system;

• Evaluate the appropriateness of accounting policies and the validity of accounting estimates and relevant disclosures made by management;

• Conclude on to the appropriateness of using the assumption of continuity of activities as a basis for accounting by management and, on the basis of audit evidence obtained, we conclude that there is a significant uncertainty about events or conditions that would significantly cast doubt on the Bank's ability to continue its continuous activities. If we conclude that the existence of such significant uncertainty, we should draw attention in our auditor's report to relevant disclosures in the financial statements or, if such disclosures are inappropriate, to modify their views. Our conclusions are based on audit evidence received prior to the date of our auditor's report. However, future events or conditions may force the Bank to cease its activities on an ongoing basis;

• Assess the overall presentation, structure and content of financial statements, including disclosures, as well as whether the financial statements of operations and events underlying its compilation are presented in such a way as to achieve a credible presentation.

We inform the Supervisory Board about the planned volume and time of the audit and audit significant results, including any significant deficiencies of internal controls identified during our audit.

We also submit to the Supervisory Board the assertion that we have met the relevant ethical requirements for independence, and we notify them of all relations and other issues that might reasonably be considered as affecting our independence and, where applicable, regarding the relevant precautionary measures.

From the list of all issues that were provided to the Supervisory Board, we identified those that were most important during the audit of the current financial statements, that is, those that are key issues in the audit. We describe these issues in our auditor's report except when a legislative or regulatory act prohibits public disclosure of the issue or if, in very exceptional circumstances, we determine that such a question should not be covered in our report, as the negative effects of such coverage may be expected to outweigh it utility for the public interest.

Report on the other legal and regulatory requirements

In accordance with the requirements of the Law of Ukraine «On Banks and Banking Activity», the Law of Ukraine «On the Audit of Financial Statements and Audit Activity», Regulations on the Procedure for Submitting an Audit Report to the National Bank of Ukraine on the Results of the Annual Audit of the Financial Statements of the Bank, Banking Group and on Conducting an Audit financial statements of a member of a banking group (approved by the resolution of the Board of the National Bank of Ukraine No. 90 of 02.08.2018, with changes and additions), Requirements for information related to the audit or review of financial statements of participants in capital markets and organized commodity markets, which are supervised by the National Commission on securities and the stock market (approved by the decision of the National Securities and Stock Market Commission No. 555 dated 22.07.2021), we report on other issues related to the Bank's annual financial statements

and our audit. The full text of our «Report on the requirements of other legislative acts» is available at the link:
https://accordbank.com.ua/about/accounting/reporting/.

In carrying out the audit of financial statements for 2022 year, those policies and procedures in the accounting, internal control and risk management systems concerning statements in the financial statements were considered.

Applications:

- Annual financial statements of the Bank

The partner of an audit engagement, resulting in the Report of the independent auditor, is Domarieva Nataliia.

Signed on behalf of the audit firm LIMITED LIABILITY COMPANY «AUDIT FIRM «ACTIVE-AUDIT».

Director
the registration number in the Register of Auditors and Subjects audit activity (issue «Auditors») - 100062

Volodymyr MNISHCHENKO

м. Київ * Україна * Товариство з обмеженою відповідальністю
Аудиторська фірма
«Актив-Аудит»
Ідентифікаційний код 30785437

An audit engagement partner
Director of Audit
the registration number in the Register of Auditors and Subjects audit activity (issue «Auditors») - 100065

Nataliia DOMARIEVA

Location:23-B, General Naumova str., Kyiv
Actual location:4, M. Grinchenko str., Kyiv

27 April 2023

Statement of financial position as at 31 December 2022

UAH, ths.

	Notes	31.12.2022	31.12.2021
ASSETS			
Cash and cash equivalents	6	5 979 171	3 142 051
Loans and debts of customers	7	980 015	1 494 857
Investments in securities	8	4 068 872	10 191 925
Investment Property	9	6 207	6 260
Current income tax receivable		1 198	-
Deferred tax asset	24	5 639	3 576
Fixed assets and intangible assets	10	193 730	105 201
Right-of-use assets	11	219 599	173 994
Other assets	12	259 982	199 276
Total assets		**11 714 413**	**15 317 140**
LIABILITIES			
Bank funds	13	989 965	5 360 249
Customer funds	14	9 996 124	9 228 786
Current income tax liabilities		-	9 507
Provisions for liabilities	15	4 820	12 828
Lease obligations	16	230 377	178 589
Other liabilities	17	111 917	139 667
Total liabilities		**11 333 203**	**14 929 626**
EQUITY			
Share capital	18	284 540	284 540
Reserve and other funds of the bank		103 048	5 634
Revaluation reserves		(711)	(74)
Retained earnings (uncovered loss)		(5 667)	97 414
Total equity		**381 210**	**387 514**
Total liabilities and equity		**11 714 413**	**15 317 140**

Approved for release and signed

«26» April 2023

Chairman of the Board Rudniev Oleksii

Chief Accountant Litosh Oksana

Lebedeva Olena
044 538 18 59

Statement of profit and loss and other comprehensive income for the year ended 31 December 2022

UAH, ths.

	Notes	2022	2021
Interest income	20	1 424 133	1 091 185
Interest expenses	20	(1 013 714)	(540 504)
Net interest income/(Net interest expenses)		**410 419**	**550 681**
Commission income	21	539 147	439 866
Commission expenses	21	(60 316)	(54 746)
Net profit/(loss) from operations with derivative financial instruments		(39 014)	(3 669)
Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income		-	5
Net profit/(loss) from transactions with foreign currency		167 100	122 984
Net profit/(loss) from foreign currency revaluation		102 483	(1 743)
Net profit/(loss) from revaluation of investment real estate objects		(53)	(47 372)
Net loss from impairment of financial assets	6,7,12	(309 034)	(293 262)
Net loss/(profit) from increase/(decrease) in provisions for liabilities	15	8 008	(482)
Net profit/(loss) on derecognition of financial assets carried at amortized cost		1 301	2 922
Other operating income	22	32 080	13 154
Expenses for employee benefits	23	(518 340)	(411 314)
Depreciation and amortization	23	(79 780)	(55 079)
Other administrative and other operating expenses	23	(259 543)	(176 078)
Profit before taxation		**(5 542)**	**85 867**
Income tax expenses	24	(125)	(15 861)
Profit for the reporting period		**(5 667)**	**70 006**
ITEMS THAT WILL BE RECLASSIFIED TO INCOME OR LOSS			
Changes in the results of revaluation of debt financial instruments:		(741)	(29)
net change in fair value		(836)	(17)
net change in fair value transferred to profit or loss		95	(12)
Income tax related to items of other comprehensive income that will be reclassified to profit or loss		104	4
Other comprehensive income that will be reclassified to profit or loss after tax		(637)	(25)
Other comprehensive income after tax		**(637)**	**(25)**
Total cumulative income for the reporting period		**(6 304)**	**69 981**
Profit per share (in UAH):	25		
net and adjusted income per ordinary share		(20,41)	252,18

Approved for release and signed

«26» April 2023

Chairman of the Board — Rudniev Oleksii

Chief Accountant — Litosh Oksana

Lebedeva Olena
044 538 18 59

Statement of changes in equity for the year ended 31 December 2022

UAH, ths.

	Share capital	Reserve and other funds	Revaluation reserves	Retained earnings	Retained earnings
Balance as at 1 January 2021	**284 540**	**5 148**	**(49)**	**27 894**	**317 533**
Profit distribution for 2020	-	486		(486)	-
Total comprehensive income:	-	-	(25)	70 006	69 981
profit for the reporting period	-	-	-	70 006	70 006
other comprehensive income	-	-	(25)	-	(25)
Balance as at 31 December 2021/1 January 2022	**284 540**	**5 634**	**(74)**	**97 414**	**387 514**
Profit distribution for 2021	-	97 414		(97 414)	-
Total comprehensive income:	-	-	(637)	(5 667)	(6 304)
profit for the reporting period	-	-	-	(5 667)	(5 667)
other comprehensive income	-	-	(637)	-	(637)
Balance as at 31 December 2022	**284 540**	**103 048**	**(711)**	**(5 667)**	**381 210**

Approved for release and signed

«26» April 2023

Chairman of the Board Rudniev Oleksii

Chief Accountant Litosh Oksana

Lebedeva Olena
044 538 18 59

Statement of cash flows for the year ended 31 December 2022 (by direct method)

UAH, ths.

	Notes	*2022*	*2021*
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received		1 515 639	918 332
Interest expense paid		(1 008 717)	(537 069)
Commission income received		525 652	438 060
Commission expenses paid		(60 660)	(54 649)
The result of operations with financial derivative instruments		(39 014)	(3 669)
The result of operations with foreign currency		167 100	122 984
Other received operating income		27 682	6 048
Staff maintenance expenses paid		(520 479)	(395 606)
Administrative and other operating expenses paid		(242 405)	(111 297)
Income tax paid		(12 789)	(8 892)
Cash received/(paid) from operating activities before changes in operating assets and liabilities		**352 009**	**374 242**
Net (increase)/decrease in investments in securities		5 989 476	(6 417 316)
Net (increase)/decrease in customer loans and receivables		242 814	(565 164)
Net (increase)/decrease in other financial assets		(66 048)	7 334
Net (increase)/decrease in other assets		10 727	(21 401)
Net increase/(decrease) in bank funds		(4 370 300)	3 280 300
Net increase/(decrease) of customer funds		762 353	5 330 826
Net increase/(decrease) in other financial liabilities		(28 713)	66 265
Net increase/(decrease) in other liabilities		3 144	1 530
Net cash received/ (used) from operating activities		**2 895 462**	**2 056 616**
CASH FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of investments in securities		-	5
Proceeds from the sale of mortgaged property held for sale		-	15 563
Purchase of fixed assets		(124 286)	(69 716)
Purchase of intangible assets		(6 593)	(4 886)
Net cash received/ (used) from investment activities		**(130 879)**	**(59 034)**
CASH FROM FINANCIAL ACTIVITIES			
Payments to repay the obligation to make lease payments		(46 467)	(52 190)
Net cash received/ (used) from financial activities		**(46 467)**	**(52 190)**
The impact of changes in the official exchange rate on cash and their equivalents		**115 661**	**(17 247)**
Net increase/(decrease) in cash and their equivalents		**2 833 777**	**1 928 145**
Cash and their equivalents at the beginning of the period		**3 147 700**	**1 219 555**
Cash and their equivalents at the end of the period	5	**5 981 477**	**3 147 700**

Approved for release and signed

«26» April 2023

Chairman of the Board Rudniev Oleksii

Chief Accountant Litosh Oksana

Україна * Публічне акціонерне товариство «КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК» м.Київ Ідентифікаційний код 35960913

Lebedeva Olena
044 538 18 59

Notes to financial statements

Note 1. Information about the bank

«COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY (hereinafter - the Bank) was registered on June 3, 2008. Abbreviated name of «CB «ACCORDBANK» PuJSC.

The bank was registered by the National Bank of Ukraine on June 4, 2008, under registration number 324 in the State Register of Banks.

Organizational and legal form – Public joint stock company.

«CB «ACCORDBANK» PuJSC is a universal banking institution.

The main counterparties of the Bank are non-banking institutions, small and medium-sized enterprises, and natural persons. The bank raises funds from the population and business entities, issues loans, transfers payments in Ukraine and abroad, conducts operations with foreign currency funds, provides banking services to its commercial and retail clients.

As at December 31, 2022, «CB «ACCORDBANK» PuJSC is represented by 148 sales points - the Main Bank and 147 branches - in the following regions of Ukraine

- Kyiv – 28 (including the Head Office)
- Kyiv region - 3
- Dnipropetrovsk region - 19
- Donetsk region - 2
- Zhytomyr region – 3
- Zaporizhzhia region - 6
- Kirovohrad region – 3
- Lviv region - 7
- Odesa region - 16
- Poltava region - 9
- Sumy region - 8
- Kharkiv region – 10
- Kherson region – 1
- Ivano-Frankivsk region – 4
- Volyn region - 2
- Rivne region – 3
- Khmelnytskyi region – 5
- Cherkasy region - 6
- Chernivtsi region - 1
- Vinnytsia region – 3
- Mykolayiv region – 3
- Ternopil region – 1
- Luhansk region -1
- Zakarpattia region -3
- Chernihivska region - 1

As of December 31, 2022, the activities of 14 branches are suspended due to hostilities and temporary occupation, namely:

- Zaporizhzhia region-2
- Donetsk region- 2
- Luhansk region -1
- Odesa region-1
- Mykolayiv region -1
- Kharkiv region-6
- Kherson region-1

The Bank's location: Ukraine, 04136, Kyiv, st. Stetsenko, building 6.

The strategic goal of the Bank is to increase the market value of the banking institution in the interests of shareholders. The main goal for the management of «CB «ACCORDBANK» PuJSC is to create and reliably operate a competitive, financially stable credit institution with advanced technologies for interaction with clients, capable of meeting the requirements and providing a wide range of banking services to legal entities and private clients at the level of international banks.

«CB «ACCORDBANK» PuJSC is a member of the Individual Deposit Guarantee Fund (Certificate of Fund Member No. 198, registration date 14.08.2008).

The bank carries out banking operations in accordance with banking license No. 245, issued by the National Bank of Ukraine on November 7, 2011 (https://bank.gov.ua/files/Licences_bank/380634.pdf), to which, as at 15.07.2021, funds collection services and transportation of currency values.

«CB «ACCORDBANK» PuJSC has the following licenses and decisions to carry out activities on the stock market:

- License of the National Securities and Stock Market Commission, series AE No. 263225 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Brokering activity) ». The validity period of the license is unlimited from 29.08.2013;
- License of the National Securities and Stock Market Commission, series AE No. 263226 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Dealing activity) ». The validity period of the license is unlimited from 29.08.2013;
- License of the National Securities and Stock Market Commission, AE series No. 263227 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Underwriting)». The validity period of the license is unlimited from 29.08.2013;
- Decision of the National Securities and Stock Market Commission regarding the issuance of the license «Professional activity on the stock market - depository activity (depository activity of a depository institution) » No. 614 dated 16.10.2019. The validity period of the license is unlimited from 16.10.2019.

Membership in international money transfer systems:

The Bank sends and pays out funds through the international money transfer systems «MoneyGram», «INTELEXPRESS», «Welsend», «RIA», «MY TRANSFER», «R360»:

MoneyGram	The Bank has been working with the system since 27.05.2016 as a sub-agent of the system based on the Agreement on Participation in the International Payment System (through PJSC «UFG»)
INTELEXPRESS	The bank has been working with the system since 11.01.2016 as a direct participant of the system based on the Agreement on making money transfers
Welsend	The bank has been working with the system since 07.09.2016 as an agent of the system on the basis of the Agreement with AB «UKRGAZBANK»
RIA	The bank has been working with the system since 15.05.2017 as a direct participant of the system based on the Agreement on Joining the Payment System
MY TRANSFER	The Bank has been working with the system since 30.05.2019 as a direct participant of the system on the basis of Participation Agreement No. 1 dated 08.05.2018
R360	The bank has been working with the system since 29.12.2022 as a direct participant of the system on the basis of the Agreement on money transfers No. 1 dated 03.10.2022

Membership in international payment systems:

The bank is an Affiliate member of IPS MasterCard WorldWide. Services for operations with cards of the international payment system MasterCard are carried out in accordance with the agreement of the principle member of the MasterCard International Payments System, the bank - sponsor JSC «PUMB».

The bank has the following licenses:

• a license to issue Mastercard payment system cards,
• a license to carry out cash-acquiring within Mastercard,
• a license to carry out trade acquiring within Mastercard.

Since 2020, the Bank has been a member of the National Payment System «Ukrainian Payment Space» - a retail payment system in which payments for goods and services, cash withdrawals and other operations with the national currency are carried out using electronic means of payment, namely PROSTIR payment cards.

Membership in interbank unions, exchanges, associations:

«CB «ACCORDBANK» PuJSC is a member:

• *Professional Association of Participants of Capital and Derivatives Markets (PARD);*
• *PJSC «FB «PERSPECTIVE";*
• *Independent Association of Banks of Ukraine (IABU);*
• *Ukrainian interbank association of members of payment systems «EMA».*

As at December 31, 2022, the management of «CB «ACCORDBANK» PuJSC owned shares of the Bank as follows:

Chairman of the Board Rudniev Oleksiy Mykolayovych	9.900936%
Member of the Supervisory Board Kot Zinaida Petrivna	9.666426%

As at December 31, 2022, the following participants have a significant stake (more than 10 percent) in the Bank:

Volynets Danylo Mefodiiyovych (permit of the National Bank of Ukraine to acquire a si the bank dated April 24, 2017 No. 129)	74.771253%

Foreign investors do not have shares in the authorized capital of «CB «ACCORDBANK» PuJSC.

The annual financial statements of «CB «ACCORDBANK» PuJSC for the year ended December 31, 2022, were approved for release by the decision of the Bank's Management Board dated April 26, 2023.

Note 2. The economic environment in which the bank carries out its activities

In 2022, the economy of Ukraine was under the negative influence of a full-scale war unleashed by the russian federation.

In early 2022, economic growth continued thanks to the record harvest of the 2020/2021 marketing year and further revival of consumer and investment demand. However, the risks of russia's military aggression had a negative impact on economic activity, increasing devaluation pressure on the hryvnia and complicating access to foreign capital markets. After February 24, 2022, due to russia's full-scale attack on Ukraine, business activity in Ukraine decreased sharply. The hostilities led to significant destruction of infrastructure and industrial capacities, disruption of supply and production chains between the regions and the rest of the world, and large-scale population migration. So, in March, 10 oblasts and the city of Kyiv, which previously produced about 55% of GDP, were covered by active hostilities. A sharp decrease in economic activity was also observed in relatively calm areas. As a result, according to the operational assessment of the State Statistics Service of Ukraine, the reduction of real GDP in the 1st quarter amounted to 15.1% compared to the corresponding quarter of the previous year and deepened to 37.2% in the 2nd quarter. However, already at the end of the II quarter, economic activity began to revive to some extent after the shock of the first months of the war. Despite the difficult and changing conditions, business and the population demonstrated the ability to adapt rather quickly to the challenges of wartime.

According to the results of 2022, consumer prices in Ukraine increased by 26.6%. At the same time, during the last three months, the inflation rate in annual terms almost did not change. Stabilization of inflationary pressure was facilitated by de-occupation of territories, expansion of food supply and weaker consumer demand in the conditions of russia's energy terror. Fixed tariffs for housing and communal services, a fixed exchange rate of the hryvnia, and the establishment of logistics kept inflation at bay. The NBU's measures, in particular the introduction of deposit instruments for currency risk hedging, as well as the limited amount of budget monetization contributed to the stabilization of the situation on the cash currency market at the end of 2022.

The NBU predicts a slowdown in inflation to 18.7% in 2023. This will be facilitated by the preservation of tight monetary conditions, a decrease in global inflation and weaker consumer demand in the context of a deficit of electric power. Receiving the announced volumes of international aid and joint actions of the NBU and the government to activate the domestic debt market will make it possible to avoid emission financing of the budget deficit and balance the currency market.

As a result of energy terror on the part of russia, the decline of Ukraine's GDP deepened at the end of 2022 (up to 35% in annual terms). Businesses in trade and the service sector adapted to power outages quite quickly. The impact on the agricultural sector was also limited. Instead, industry, in particular metallurgy, suffered significant losses in output. At the same time, thanks to the better results of the 3rd quarter and the rapid adaptation of part of the business and population to the new conditions, the estimate of the drop in real GDP in 2022 has been improved to 30.3%. The NBU expects a slight increase in real GDP in 2023 – by 0.3%.

During the last months, the export of Ukrainian goods remained stable, despite massive missile attacks and obstruction of the work of the "grain corridor" by russia. Instead, imports increased significantly compared to previous periods due to the need to purchase alternative sources of energy and fuel as a result of the energy terror. This led to an increase in the negative trade balance. The trade deficit was compensated by the receipt of official funding, including grants, and stable remittances from labor migrants. As a result, the balance of the current account at the end of 2022 was combined with a surplus. In general, despite the difficult and changing conditions, business and the population have demonstrated the ability to adapt to new challenges quite quickly.

A significant current account deficit is expected in 2023. First, the trade deficit in goods will expand rapidly. Exports will decrease due to poor harvests and electricity shortages, while imports will increase due to increased demand for energy carriers and goods that ensure energy independence. Second, the costs of forced migrants abroad will be higher due to longer persistence of security risks.

In 2022, Ukraine received more than 32 billion USD international aid, of which more than 14 billion USD were grants. Thanks to this, it was possible to finance most of the deficit of the consolidated budget (more than 27% of GDP without taking into account grants), as well as to increase international reserves to 28.5 billion USD at the end of the year. The current level of reserves is estimated to be sufficient to ensure the stability of the foreign exchange market.

The accounting rate has been kept at an unchanged level of 25% since June 2022. At the same time, the NBU additionally increased the requirements for mandatory reserves of banks. It is expected that these measures will help reduce the liquidity surplus in the banking system. This, in turn, will encourage banks to compete more actively for depositors' time funds and, accordingly, will contribute to an increase in rates for hryvnia assets and an increase in the share of time deposits. As a result, the stability of the foreign exchange market to situational factors will increase, and the NBU will be able to ease administrative restrictions for business and the population in the future. The forecast of the National Bank of Ukraine also foresees maintaining the discount rate at the level of 25% at least until the end of the first quarter of 2024. The NBU declares its readiness to apply further measures, if necessary, to avoid emission financing of the budget deficit, increase the attractiveness of hryvnia assets, strengthen the stability of the foreign exchange market, and create appropriate prerequisites for easing administrative restrictions.

Under these conditions, «CB «ACCORDBANK» PuJSC carried out measures to ensure the stability of customer transactions, maintain a high level of liquidity, ensure the energy independence of the regional network and the bank's software and technical means. Thus, highly liquid assets in the structure of the Bank's balance sheet, which were formed at the expense of OVDP bonds, money and their equivalents, deposit certificates of the NBU, make up 86% of assets as of December 31, 2022 (10,048 billion UAH in equivalent).

At the end of the reporting period, the network of bank branches amounted to 148 points of sale (147 branches and GO) and increased significantly (+38%) in comparison with 2021 (31.12.2021: 107) due to the opening of new branches in the premises of banks that exited the banking market. The regional network operates taking into account the safety factors for customers and employees, the work of some branches is temporarily suspended in the areas of hostilities and temporarily occupied territories (9% of temporarily non-working branches).

In 2022, the Bank generally complied with all standards established by the NBU; the exception was the exceeding of the norm of the maximum amount of credit risk per counterparty in the period from 25.02.2022 to 04.03.2022 and a short-term violation of the limit of the total long open currency position at the beginning of March and in April 2022, which were caused by the military aggression of the russian federation and established because of this restrictions of the NBU on the work of banks. The Bank's liquidity standards during 2020 significantly exceeded the limit values set by the regulator.

In the reporting period, the Bank had high rates of growth of key items of commission and trading income. Thus, the Bank's net interest income at the end of 2022 compared to the same period of 2021 decreased by 25% and amounted to 410,4 million UAH due to the increase in the cost of funding, caused in particular by a significant increase in the second half of 2022 of the NBU discount rate at the fixed yield of the asset portfolio, in particular OVDP. But due to the "transactional" business model of the Bank, which showed its stability even in the conditions of martial law, the presence of an extensive network of branches and its own collection service, which ensured high-quality cash flow, the Bank's commission income for 2022 increased by 22% compared to 2021 up to 539,1 million UAH. Net profit from operations with foreign currency increased by 36% to 167,1 million UAH. Client funds for 2022 increased by 8% and as of December 31, 2022 amounted to 9,996 billion. UAH eq.

«CB «ACCORDBANK» PuJSC received an operating profit for 2022, and after reflecting the depreciation of assets located in combat zones (motor vehicles handed over to the Armed Forces of Ukraine), and the Bank providing charitable assistance in the form of monetary contributions to charitable and other organizations for the general the amount of 18798 ths. UAH, depreciation of assets lost by the Bank, or over which the Bank lost control as a result of hostilities, for a total amount of 715 ths. UAH. The Bank has a loss in the amount of 5,667 million UAH in 2022.

Note 3. Basis of financial reporting presentation

Compliance statement

The financial statements as at December 31, 2022 were prepared in accordance with the provisions of the International Financial Reporting Standards (hereinafter - IFRS), which are valid for the financial statements for the year ended on December 31, 2022, in accordance with the requirements of the National Bank of Ukraine for the preparation and publication of financial statements reporting of banks of Ukraine and the Law of Ukraine «On accounting and financial reporting in Ukraine».

Information on changes in going concern assumptions

These financial statements have been prepared on the assumption that the Bank will be able to continue as a going concern for the near future.

In connection with the military aggression of the russian federation against Ukraine and the introduction of martial law in Ukraine in accordance with the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022 «On the introduction of martial law in Ukraine», approved by the Law of Ukraine dated February 24, 2022 No. 2102 -IX, the Chamber of Commerce and Industry recognizes the military aggression of the russian federation against Ukraine as force majeure.

With the beginning of martial law, the Bank carries out its activities in accordance with the resolution of the National Bank of Ukraine «On the operation of the banking system in conditions of martial law» dated 24.02.2022 No. 18 and other resolutions of the National Bank of Ukraine, which introduce restrictions on the operation of the banking system. The Bank supports sanctions against the aggressor country. In addition, the Bank's activity does not depend on the russian and belarusian markets, the Bank has no assets in the russian federation and belarus, the balances on the bank accounts in the russian and belarusian banks are not significant and consist exclusively of customer balances, the concentration of customer balances and the number of customers who are residents of the russian federation and belarus are small. The Bank has no related parties, and the Bank's ownership structure does not include owners who have direct or indirect connections with known politically significant persons (PSP) or organizations with a hidden connection with russian or belarusian legal entities and individuals. which are subject to sanctions. All operations with accounts in russian and belarusian rubles have been suspended.

In February 2022, the Bank received a blank loan to support liquidity, which was later returned. In addition, after the National Bank of Ukraine made a decision to increase the discount rate to 25%, which in turn led to an increase in the cost of refinancing loans obtained from the NBU against the collateral of government securities, the Bank is gradually reducing such credit debt to the National Bank by repaying previously received loans and timely and in full pays interest for the use of these funds.

As of December 31, 2022, balances under refinancing loans obtained from the National Bank secured by state securities decreased to 990 million UAH.

During 2022, the Bank was able to adapt most of its business and internal processes to operating conditions during martial law, in particular:

- the work of branches has been restored and adjusted where possible - if at the beginning of March 2022, 87 branches out of 107 were working, then by the end of 2022 - 134 branches in all regions of Ukraine, except temporarily occupied and in the zone of active hostilities.

Decisions on the resumption of branch operations are made daily, taking into account the current situation in one or another region. In addition, the Bank continued to develop its network of branches, taking into account the support of the Bank's "transactional" business model, which proved its effectiveness in wartime conditions. Thus, during 2022, the Bank opened 41 new branches and entered the TOP-10 banks by regional network. New branches were opened with minimal own investment on the basis of bank branches that were withdrawn from the market recently.

- the network of ATMs and terminals is optimized taking into account the conditions in one or another region, customer demand, the possibility of their collection;

- collection works in all regions where it is possible. Collection routes are updated depending on the current conditions in the region, interregional collection is established and the collection process on the ground is optimized. The number of clients to whom the Bank provides collection services has increased significantly.

- The Bank conducted negotiations with lessors of real estate and movable property leased by the Bank for branch operations and agreed on a reduction in monthly lease payments (the lease concession is from 30% to 100% of the monthly payment).

The Bank's management is aware of the risks caused by the military actions of the Russian Federation against Ukraine, therefore the collegial bodies (Supervisory Board, Board and Committees of the Supervisory Board and the Board) continue to properly perform their functions and fully ensure their performance without losing control and stopping vital processes of the Bank's activity.

The Bank daily monitors liquidity within the framework of operational and strategic liquidity risk management in order to ensure compliance with prudential liquidity standards, compliance of the actual volume of asset liquidity with their required level, as well as ensuring long-term liquidity security. The bank continues its work without violating economic regulations and with a sufficient reserve of liquidity.

As a result of military actions and the occupation of a certain territory of Ukraine, access to a number of branches of the Bank is limited. Based on the available information, the Bank conducted an analysis of potential losses and damages. Based on the results of such an analysis, during 2022 the Bank formed a reserve for cash balances in the Bank's branches and ATMs in the amount of 841 thousand UAH, and also recognized the depreciation of the Bank's fixed assets and other property in the amount of 14,464 million UAH.

Starting from February 24, 2022, the Bank incurred other additional costs related to military actions on the territory of Ukraine, in particular:

- costs for recognition of reserves for expected credit losses on financial assets and credit liabilities due to increased credit risks and collateral damage assessments;
- expenses for support of operational activity in emergency conditions.

The Bank carefully monitors the repayment of loans by the Bank's clients and studies potential threats associated with non-repayment of loans. Following the recommendations of the National Bank, the Bank developed restructuring scenarios for individuals for consumer and card loans, leaving the possibility of early recovery of partial or full debt repayment. The Bank works individually with legal entities regarding repayment of credit debt. Most of the clients continue to service the loan debt. Unpaid amounts of accrued interest on loans refer to customers who experienced financial difficulties in connection with military aggression, whose business and place of work were located in temporarily occupied territories or territories where hostilities are ongoing, and to those who received payment deferrals interest on loans for the period agreed with the Bank.

Customer service is provided both remotely and directly at the Bank's branches, taking into account the current situation in a specific region.

The Bank has no unfulfilled or deferred obligations. The bank continues to conduct active operations within the existing credit limits of existing customers and lends to new customers (lending resumed from June-July 2022 within the framework of revised credit risk appetites and stricter approaches to the assessment of potential customers and their verification), which makes it possible to resume the operating cycle for many clients – legal entities and non-profit organizations that stopped their business with the start of hostilities.

Summarizing the above, the Bank's Management believes that the Bank's activities in the near future will be characterized by further business rates. The Bank has sufficient grounds for drawing up this financial statement in compliance with the principle of continuity of the Bank's activities. These financial statements do not contain any adjustments that would be necessary if the Bank were unable to continue its activities in the future.

However, material uncertainty exists due in large part to the unpredictable impact of hostilities on the territory of Ukraine, and therefore to factors that the Bank is unable to predict or control, and which may affect the assumptions underlying Management's estimates, which may cast doubt on the Bank's ability to continue as a going concern and, therefore, it will not be able to realize its assets and repay its liabilities in the ordinary course of business.

Functional and Presentation Currency

The Bank maintains its accounting records in hryvnia, as required by national accounting rules. Based on the economic essence of operations and circumstances of activity, the Bank has determined the hryvnia as a functional currency. Based on this, operations in currencies other than hryvnia are considered as operations in foreign currencies. The hryvnia is also defined as the currency for submitting financial statements. All amounts in this financial statement are presented in thousands of hryvnias (unless otherwise stated).

Note 4. Principles of accounting policy

Basics of evaluating financial statements:

These financial statements are individual financial statements of the Bank, which were prepared on the basis of the principle of valuation at historical cost, with the exception of the valuation of individual financial instruments in accordance with IFRS 9 «Financial Instruments» (hereinafter - IFRS 9). The Bank does not prepare consolidated financial statements.

Initial recognition of financial instruments

Financial assets and financial liabilities are reflected in the statement of financial position when the Bank becomes a party to the contract in relation to the relevant financial instrument. The Bank reflects the acquisition and sale of financial assets and financial liabilities on standard terms by the date of the agreement.

All transactions for the purchase or sale of financial assets, which provide for delivery within the period determined by legislation or market conditions, are reflected on the settlement date, that is, on the date when the asset will be transferred to the Bank.

All financial assets and liabilities are initially valued at acquisition cost, which is the fair value of the funds expended. Costs and other payments directly related to the acquisition or issuance are added to the acquisition cost, with the exception of financial assets and liabilities measured at fair value through profit or loss. The bank reflects these costs in the accounting records of the discount (premium) accounts for this financial instrument.

The Bank, during the initial recognition of financial instruments accounted for at fair value with recognition of revaluation due to gains/losses, evaluates them at fair value without taking into account transaction costs. The Bank reflects in its accounting the costs of transactions for the acquisition of such financial assets according to cost accounts on the date of their implementation.

The Bank, upon initial recognition of a financial asset, shall, at its discretion, classify it, without the right to further reclassify it, as being accounted for at fair value with revaluation through profit/loss, if such classification makes it possible to eliminate or significantly reduce the inconsistency in the valuation of assets or liabilities, or the recognition of related gains and losses.

The Bank classifies financial assets at the time of their initial recognition.

During the initial recognition of a financial instrument, the Bank reflects in accounting the difference between the fair value of the financial asset or financial liability and the contract price as follows:

- for transactions with shareholders - in equity;
- for other transactions - in profits or losses.

In the process of applying the Bank's accounting policy when determining the assets recognized in the financial statements, the Bank's management used judgments and estimates, the most significant of which are presented below.

Fair value of financial instruments

The fair value of financial instruments that are in active circulation on organized financial markets as of the reporting date is determined by market quotations or dealer prices (the buyer's price for a long position and the seller's price for a short position) without any deduction for transaction costs.

The fair value of all other financial instruments that are not actively traded in the market is determined using appropriate valuation methods with the maximum use of market data. Valuation techniques include the use of net present value, comparisons with similar instruments for which market price information is available, option pricing models and other valuation techniques.

Classification - financial assets

IFRS 9 provides an approach to the classification and valuation of financial assets that reflects the business model used to manage these assets and the characteristics of the associated cash flows.

IFRS 9 contains three main categories by which financial assets are classified, namely financial assets measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

The Bank evaluates and reflects in the accounting records a debt financial asset ***at amortized cost***, if the following conditions are simultaneously met:

- ✓ the financial asset is held within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows;
- ✓ the contract for a financial asset provides for the receipt of cash flows on specified dates, which are exclusively payments to the account of the principal amount and interest on the outstanding part of the principal amount.

The Bank evaluates and reflects in the accounting records a debt financial asset ***at fair value with revaluation recognized in other comprehensive income***, if the following conditions are met at the same time:

- ✓ the financial asset is held within the framework of a business model, the purpose of which is achieved both by obtaining contractual cash flows and by selling financial assets;
- ✓ the contract for the financial asset provides for the receipt of cash flows on specified dates, which are exclusively payments on account of the principal amount and interest on the outstanding part of the principal amount.

The Bank recognizes profits or losses for such a financial asset as part of other comprehensive income until the date of termination of its recognition or reclassification, except for profits or losses from its depreciation, interest income and profits or losses from changes in the official exchange rate of the hryvnia to foreign currencies.

The Bank evaluates and reflects in accounting all other debt financial assets ***at fair value with recognition of revaluation through profit/loss***, if such financial assets do not meet the criteria for their further evaluation at amortized cost or at fair value with recognition of revaluation through other comprehensive income.

Assessment of the business model

The Bank has assessed the purpose of the business model under which the assets are held at the level of portfolios of financial instruments, as this best reflects the way the business is managed and information is provided to management personnel.

At the same time:

• policies and goals established for portfolios of financial assets are focused on obtaining the interest income provided for in the contract, maintaining a certain structure of interest rates, ensuring compliance of the maturity dates of financial assets with the maturity dates of financial liabilities used to finance these assets;

• the performance of portfolios is evaluated in accordance with the received interest income.

Assessment of whether the contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal amount" is defined as the fair value of the financial asset at its initial recognition. "Interest" is defined as compensation for the time value of money, for the credit risk of principal remaining outstanding over a period of time, and for other major risks and costs associated with lending (such as liquidity risk and administrative costs), as well as the profit margin.

When assessing whether the cash flows provided for in the contract are exclusively payments of the principal amount and interest on the outstanding part of the principal amount (SPPI criterion), the Bank analyzed the contractual terms of the financial instrument.

During the assessment, the Bank analyzed:

• contingent events that may change the timing or amount of cash flows;

• conditions for early repayment and extension of validity period;

• conditions that limit the Bank's claims to cash flows from stipulated assets - for example, financial assets without the right of recourse;

• conditions that cause changes in compensation for the time value of money - for example, periodic revision of interest rates.

All the Bank's loans contain conditions for early repayment. The prepayment condition meets the SPPI criterion given that the amount to be paid at prepayment represents essentially the outstanding portion of the principal amount and interest on the outstanding amount.

Diminution of usefulness and the principle of formation of reserves for expected credit losses

The Bank is guided by the requirements of IFRS 9 when determining impairment and assessing expected credit losses for financial assets. The application of the impairment model in accordance with IFRS 9 requires the Bank to exercise significant professional judgment on how changes in economic factors affect the expected credit losses recognized by weighing the probability of their occurrence.

The impairment model is applied to financial assets, which are debt financial instruments, financial receivables.

In accordance with IFRS 9, the Bank recognizes provisions for expected credit losses in an amount equal to either expected credit losses for 12 months (stage 1) or expected credit losses for the entire term of the instrument (stage 2 and stage 3).

Expected credit losses over the life of the instrument are the expected credit losses arising from all possible default events during the entire expected life of the financial instrument, while

12-month expected credit losses represent a significant portion of expected credit losses arising from default events possible within 12 months after the reporting date.

The Bank recognizes provisions for expected credit losses in an amount equal to expected credit losses for the entire term of the instrument, except for financial instruments for which there has been no significant increase in credit risk since the initial recognition. For such financial instruments, the amount of recognized provision will be equal to expected credit losses for 12 months.

The Bank applies a simplified approach to estimating expected credit losses for financial receivables. The bank estimates the provision for losses for such assets in an amount equal to the expected credit losses for the entire life of the financial asset, using the matrix provisioning approach depending on the number of days past due.

The impairment requirements of IFRS 9 are complex and require the application of judgments and assumptions, especially regarding whether there has been a significant increase in credit risk on a financial instrument since its initial recognition, as well as regarding the inclusion of forecast information in the assessment of credit losses.

The reserve for expected credit losses is formed by allocating the corresponding amount to expenses as part of the item «Net loss/gain from impairment of financial assets».

Assessment of expected credit losses

Expected credit losses represent an estimate weighted by the probability of credit losses. They are evaluated as follows:

• for financial assets that are not credit-impaired as of the reporting date: as the present value of all expected shortfalls in cash (i.e. the difference between the cash flows that belong to the Bank in accordance with the agreement and the cash flows that the Bank expects to receive);

• regarding financial assets that are credit-impaired as of the reporting date: as the difference between the gross book value of assets and the present value of expected future cash flows;

The Bank recognizes a provision for expected credit losses on financial instruments in one of 3 stages, the description of which is disclosed in Note 27 of this financial report.

On the date of the transaction, financial assets, with the exception of purchased or created initially depreciated financial assets, are in the 1st stage of impairment.

Initially impaired financial assets are financial assets for which there is objective evidence of impairment at the date of initial recognition.

Financial assets that are credit-impaired at initial recognition are classified as purchased or created financial assets. The bank does not recognize the valuation reserve for purchased or created credit-impaired financial assets on the date of initial recognition - the gross book value is its fair value. Initially expected credit losses on such a financial asset are included in the effective interest rate adjusted for credit risk. Any change in expected credit losses is recognized in profit or loss, even if such a change exceeds the value of the previously established provision for such financial asset. For purchased or created credit-impaired financial assets, losses are always recognized for the entire term of the instrument.

Definition of default

In accordance with IFRS 9, a financial asset is classified by the Bank as a financial asset with which an event of default has occurred in the following cases:

• it is unlikely that the borrower's credit obligations to the Bank will be repaid in full without the Bank taking such actions as the realization of collateral (if available) or

• the borrower's debt for any of the Bank's material credit obligations is overdue for more than 90 days.

Qualitative and quantitative indicators developed within the Bank are taken into account when assessing the occurrence of a default event on the Bank's borrower's obligations.

The main considerations in the analysis of the impairment of loans include determining whether payments of principal or interest on the loan are overdue for more than 90 days (for legal entities and individuals) and 31 days (for banks).

When assessing the occurrence of an event of default on the borrower's obligations, the Bank takes into account the following indicators:

• qualitative: for example, violation of the restrictive terms of the contract (covenants);

• quantitative: for example, the status of overdue debt and non-payment under another obligation of the same issuing Bank, as well as

• based on data independently developed within the Bank and obtained from external sources.

Additional evidence of credit impairment of a financial instrument (default) is, in particular, the following observational data:

• significant financial difficulties of the borrower or the issuer;

• restructuring of the loan by the Bank on terms that the Bank would not consider under other circumstances (that is, with a worsening of the creditor's conditions);

• probability of bankruptcy or liquidation of the borrower;

• the probability of the Bank applying such actions as the implementation of collateral (if available) or the forgiveness/sale of the loan at a discount;

• for resident banks: declaring the bank insolvent and introducing a temporary administration;

• for non-resident banks, the reduction of the international rating (according to the bulletin of rating agencies such as Standard & Poor's, Moody's, FitchRating) to the level of default, limited default.

The signs of termination of default are considered to be the elimination of all the above-mentioned signs of impairment, and the fulfillment of contractual obligations by the client within at least 180 calendar days after the elimination of all signs of default.

The inputs to the assessment of the occurrence of an event of default on a financial instrument and its social significance may change over time to reflect changes in bequests.

Significant increase in credit risk

To assess a significant increase in credit risk, the Bank detects whether there has been a significant increase in credit risk compared to the probability of default since the initial recognition of the financial instrument.

In accordance with IFRS 9, when determining whether there has been a significant increase in credit risk (i.e. risk of default) for a financial instrument since its initial recognition, the Bank considers reasonable and confirmed information that is current and available without excessive costs and efforts, including both quantitative and qualitative information, as well as analysis based on the Bank's historical experience, expert monetary assessment of credit quality and forecast information.

The Bank will first identify whether there has been a significant increase in credit risk for items exposed to credit risk by comparing:

• the probability of default for the remaining term of the financial instrument as of the reporting date, and

• probability of default for the rest of the entire term, calculated for a given moment in time and determined upon initial recognition of positions subject to credit risk.

A change in the contractual terms of a financial instrument may also affect this assessment.

Determination of a significant increase in credit risk

The Bank has developed an assessment methodology that includes both quantitative and qualitative information to determine a significant increase in credit risk for a specific financial instrument since its initial recognition. This methodology is consistent with the Bank's internal credit risk management process. The criteria for determining a significant increase in credit risk will vary by portfolio and will include a maturity «limiter».

When assessing the increase in credit risk, the expected credit losses for the remaining term of the financial instrument are adjusted to take into account changes in the maturity date.

In some cases, applying expert credit quality assessment and, where appropriate, relevant historical experience, the Bank may determine that there has been a significant increase in credit risk for an item subject to credit risk, if specific quality indicators indicate this, and these indicators cannot be fully taken into account in a timely manner within the framework of quantitative analysis. As a «limiter», taking into account the requirements of IFRS 9, the Bank will roughly consider that a significant increase in credit risk occurs no later than the moment when the number of days of overdue debt for the asset exceeds 30 days. The bank determines the number of days of overdue debt by counting the number of days, starting from the earliest day, on which payment was not received in full.

The Bank reviews the effectiveness of the criteria used to identify significant increases in credit risk through regular reviews to ensure that:

• due to the application of the criteria, it is possible to detect a significant increase in credit risk before the position exposed to credit risk defaults;

• the criteria do not coincide with the time when payment for the asset is overdue for more than 30 days;

• the average time between the detection of a significant increase in credit risk and default is considered reasonable;

• risky transactions do not go directly from the composition of the assessment of expected credit losses for 12 months to the composition of credit-impaired;

• there is no unjustified volatility of the valuation reserve for losses when moving from the composition of expected credit losses for 12 months to the composition of expected credit losses for the entire term of the credit instrument.

Input data in estimating expected credit losses

The Bank determined the structures of the following variables as the main input data for the assessment of expected credit losses:

- probability of default («PD») is an estimate of the probability of default over a certain period of time.
- exposure at default («EAD») is an estimate of the impact on the future date of default, taking into account expected changes in exposure after the reporting date, including repayment of principal and interest, as well as expected reductions in invested funds.
- loss given default («LGD») is an estimate of losses arising in the event of default. It is based on the difference between the amount of contractual cash flows and such flows that the bank expects to receive, including any collateral, expressed as a percentage of EAD.

These indicators are derived from internal statistical models and other historical data used in the models for calculating regulatory capital, from available external data and the Bank's expert assessment. They are adjusted to reflect the forecast information below.

Probability of default (PD) scores are calculated on the basis of statistical rating models and assessed using assessment tools adapted to different categories of counterparties and positions exposed to credit risk. These statistical models are based on internal accumulated data and external information, including both quantitative and qualitative factors. If a counterparty or position exposed to credit risk migrates between rating levels, this will lead to a change in the assessment of the corresponding probability of default. The probability of default is estimated taking into account the contractual repayment terms of items subject to credit risk.

The loss given default (LGD) value is estimated taking into account collateral.

Estimates of the size of the loss in case of default are calibrated taking into account various economic scenarios. They are calculated based on discounted cash flows using the effective interest rate as the discount factor.

The amount at risk in case of default represents the expected value of the position subject to credit risk on the date of default. This indicator is calculated based on the current value of EAD and its possible changes, permissible under the contract, including depreciation and early repayment. For a financial asset, EAD is the gross book value in the event of default.

When limiting its own historical data on the main types of assets, the Bank may use comparative information from external sources as additional information to determine the variables for estimating expected credit losses.

The sources of such information can be studies of leading rating agencies (Standard&Poor's, Moody's, Fitch Ratings) regarding the probability of counterparty default.

Forecast information

In accordance with IFRS 9, the Bank includes forecast information both in its assessment of a significant increase in credit risk since initial recognition and in its assessment of expected credit losses. The Bank uses its own expert assessment to assess forecast information. These estimates are based, including on external information. External information may include economic data and forecasts published by state and monetary regulatory bodies, such as the National Bank of Ukraine, the Ministry of Economic Development, the Ministry of Finance, or individual and scientific forecasts.

The Bank will also periodically conduct stress testing (back-testing) in order to adjust its approach to determining these representative scenarios.

The bank identified and formalized the main factors of credit risk and credit losses for each portfolio of financial instruments, and used the analysis of historical data, assessed the relationship between macroeconomic variables, credit risk and credit losses.

Reclassification of financial assets

The Bank regularly assesses the business model it uses to manage financial assets for the purpose of generating cash flows. The Bank reclassifies debt financial assets only in the event of a change in the business model used to manage financial assets, with the exception of financial assets whose accounting is determined by the Bank at fair value with recognition of revaluation through gains/losses at the time of initial recognition.

The Bank reclassifies financial assets prospectively from the date of reclassification. The Bank does not recalculate previously recognized gains, losses (including gains or losses from impairment) or interest.

The bank calculates interest, amortizes the discount/premium, revaluation and adjusts the valuation reserve for expected credit losses on the date of reclassification of a financial asset from one category to another.

Derecognition of financial assets

The Bank stops recognizing a financial asset or a group of financial assets if:

• the term of validity of the rights to cash flows from the financial asset, determined by the terms of the contract, expires;

• the transfer of a financial asset meets the criteria for derecognition;

• there was a write-off at the expense of the reserve.

The bank transfers a financial asset if one of the following conditions is met:

• The bank transfers the rights to receive cash flows from the financial asset provided for in the contract;

• The bank retains the rights to receive cash flows from the financial asset provided for in the transfer agreement, but undertakes to pay the cash flows to one or more recipients under the agreement that meets such conditions:

- The Bank has no obligation to pay amounts to final buyers until the equivalent amounts are received from the original asset;

- the terms of the contract prohibit the Bank from selling or pledging the original financial asset, except for its transfer to the final recipients as a security for the obligation to pay cash flows;

- The Bank has an obligation to transfer any cash flows it receives on behalf of the final recipients without significant delay.

The Bank does not exercise control over the transferred asset, if the party to whom this asset is transferred has a real opportunity to sell it to an unrelated third party, it can carry out this sale unilaterally without the need to set additional restrictions on such transfer.

Write-off of financial assets

Financial assets, the full or partial repayment of which is impossible, are written off at the expense of the formed reserve for expected credit losses after the completion of all necessary procedures for the recovery of the asset, when there are no reasonable expectations for the return of contractual cash flows.

The Bank determines the absence of reasonable expectations regarding the recovery of a financial asset, if the reserve for expected credit losses has been formed for such an asset in the full amount of its gross book value and one or more of the following main criteria are met:

• overdue repayment of the debt amount or its part (principal amount of the debt and/or accrued income) for the financial asset is more than 36 months;

• for the previous 36 months, the bank did not receive significant payments for the financial asset;

• for a financial asset secured by a pledge/collateral, the bank did not receive significant cash flow income from the realization of the pledge / foreclosure on the collateral or the bank did not have access / the right to redeem the collateral / foreclosure during the previous 36 months;

• the bank failed to sell a financial asset in three consecutive attempts through an open auction(s) using electronic trading systems or in another way;

• the bank has information that the debt for the financial asset against the debtor has been written off by another bank.

An additional criterion for writing off a depreciated financial asset may be the recognition by the Bank of the debt for such an asset as hopeless according to the criteria established by the Tax Code of Ukraine.

Modification of financial assets

A modified financial asset is an asset for which the cash flows provided for in the contract have been revised or modified by agreement of the parties.

If the terms of a financial asset change, the Bank assesses whether the cash flows of such modified asset differ significantly. If the cash flows differ significantly («significant modification of conditions-30%»), then it is considered that the term of validity of the rights to the contractual cash flows for the original financial asset has expired. In this case, the original financial asset is derecognized, and the new financial asset is recognized at fair value plus all permitted transaction costs.

All commissions received as part of the modification are accounted for as follows:

• commissions taken into account to determine the fair value of the new asset and commissions representing the reimbursement of authorized transaction costs are included in the initial valuation of the asset; and

• other fees are included in profit or loss as a gain or loss on derecognition.

The bank makes a quantitative and qualitative assessment of whether the modification of conditions is significant, that is, whether the cash flows of the original financial asset and the cash flows of the modified asset or the financial asset that replaced it differ significantly. The Bank carries out a quantitative and qualitative assessment of the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. If the cash flows differ significantly, then it is considered that the period of validity of the rights to the contractual cash flows for the original financial asset has expired.

The Bank concludes that the modification of terms is significant, based on the following qualitative factors:

• changes in the currency of the financial asset;

• changes in the borrower, except changes due to the death of the borrower;

If the modification of the terms of the credit agreement (amendment) was so significant that it leads to the recognition of a new asset and at the same time the asset fulfills the conditions for classification before the state of default, the new asset is classified as initially impaired.

Changes in the amount of cash flows for existing financial assets are not considered a modification of the terms, if they are provided for in the original terms of the contract. As part of credit risk management activities, the Bank revises the terms of loans to customers who have financial difficulties («the practice of reviewing the terms of loan agreements»), which is mainly caused by the desire to maximize the return on the original loan agreement, rather than creating a new asset. If the Bank plans to change the terms of a financial asset in such a way that this change will lead to the forgiveness of part of the existing cash flows provided for in the contract, then part of the asset is written off until an assessment is made for the significance of the modification of the terms. As a result, it is likely that the value of the remaining contractual cash flows, which at the time of modification continue to be recognized under the original financial asset, will be equivalent to the value of the new modified contractual cash flows. The Bank carries out a qualitative assessment of the significance of this modification of terms.

If the modification of a financial asset measured at amortized cost or at fair value through other comprehensive income does not result in derecognition of the financial asset, the Bank first recalculates the gross carrying amount of the financial asset at the original effective interest rate and recognizes the resulting adjustment as profit or loss from a modification in profit or loss. With respect to financial assets with a floating interest rate, the original effective interest rate used in calculating the gain or loss on the modification is adjusted to reflect current market conditions at the time of the modification. Expenses and fees incurred and fees received adjust the carrying amount of the modified financial asset and are amortized over the life of the modified financial asset. For loans, the terms of which provide for the borrower's right to early repayment at nominal value without significant penalties, the modification of the interest rate to the market level in response to a change in market conditions is taken into account by the Bank in a similar way to the accounting procedure for instruments with a floating interest rate, i.e. the interest rate is reviewed prospectively.

Classification - financial liabilities

Financial liabilities are classified as either financial liabilities measured at amortized cost or at fair value through profit/loss.

After initial recognition, the Bank evaluates and reflects in accounting all financial liabilities at amortized cost, with the exception of:

- financial liabilities accounted for at fair value with recognition of revaluation due to gains/losses;
- financial liabilities that arise if the transfer of a financial asset does not meet the conditions for derecognition or the principle of continued participation is applied;
- contracts of financial guarantee, avala, guaranty;
- loan liabilities at a rate lower than the market rate;
- conditional compensation recognized by the buyer during a business combination, to which International Financial Reporting Standard 3 «Business Combination» is applied. Such contingent consideration is subsequently measured at fair value with recognition of revaluation through gains/losses.

The Bank does not reclassify financial liabilities.

Derecognition of financial liabilities and modification

The Bank ceases to recognize a financial liability or its part in the balance sheet if such liability is repaid, canceled or the term of its performance has expired.

The exchange between the borrower and the creditor of debt financial obligations under significantly different terms is reflected as repayment of the original financial obligation and recognition of a new financial obligation. Similarly, significant changes in terms (modification) of a financial liability or its part are reflected in accounting as repayment of the original financial liability and recognition of a new financial liability.

The following conditions are significantly different, according to which:

the net present value of cash flows under new conditions, discounted using the original effective interest rate (for a financial liability with a floating interest rate - the effective interest rate calculated at the time of the last change in the nominal interest rate), differs by at least 10% from the discounted the present value of cash flows remaining until the maturity of the original financial obligation.

Any costs or fees are derecognition income/expenses if the change in terms of the financial liability is reflected in the accounting records as the settlement of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of the financial liability (or part of the financial liability) settled or transferred to another party and the amount of compensation paid is income/expense from derecognition.

If an exchange of debt financial liabilities or a change in their terms (modification) does not result in derecognition, any costs and fees from the exchange/modification adjust the carrying amount of the financial liability and are amortized over the term of the new liability (effective rate interest is not recalculated but is adjusted to reflect the specified costs/rewards).

Cash and cash equivalents

Cash and cash equivalents are cash on hand, unrestricted balances on correspondent accounts at the National Bank of Ukraine and other banks, interbank loans and overnight deposits at other banks, as well as deposit certificates issued by the National Bank of Ukraine.

In order to maintain a minimum level of liquidity to ensure the fulfillment of its obligations to clients, the Bank maintains a mandatory current balance on a correspondent account with the NBU, which ensures compliance with the mandatory provisioning standard.

Cash and cash equivalents are recorded at the balance sheet date at amortized cost.

Banknotes and cash coins in cash registers and ATMs, the presence of which is unconfirmed and over which control has been lost, are recognized as other financial assets, and the reserve for them is a provision for cash losses. The formation of such provision is reflected in the financial results in the Statement of profit and loss and other comprehensive income.

Loans and debts of customers

Loans to customers include non-derivative financial assets with fixed payments that are not entered into for immediate or short-term resale. Loans to customers are held by the Bank within the framework of a business model, the purpose of which is to hold assets to obtain the contractual cash flows, namely, only the principal amount and interest on the outstanding part of the principal amount.

Loans originally granted to customers are recorded at acquisition cost, which is the fair value of the funds provided. In the future, loans granted to clients are accounted for at amortized cost. The amortized cost is based on the fair value of the loan amount, calculated taking into account the market interest rates for similar loans effective on the date of the loan. Gains and losses are reflected in profit or loss upon modification, derecognition or impairment of loans and receivables, as well as in the process of recognizing interest income.

Loans to customers are recorded in the accounts, starting from the moment of disbursement of funds to borrowers.

Indebtedness of other banks

The Bank adopts an accounting policy that applies to loans to customers and reserves for the reduction of the usefulness of loans to customers, as well as to the Bank's funds placed in other banks.

Investments in securities

Depending on the chosen business model, the Bank classifies investments in securities according to one of three categories, namely, securities valued at amortized cost, at fair value with the result of revaluation reflected in other comprehensive income, and at fair value with the result of revaluation reflected through earnings / losses.

Securities valued at amortized cost

This category includes market-quoted debt securities with fixed payments and fixed maturity dates that the Bank has the intention and ability to hold until maturity. The Bank holds these assets within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows, which are exclusively payments on account of the principal amount and interest on the outstanding part of the principal amount. Management determines the classification of securities at amortized cost upon initial recognition and analyzes the appropriateness of such classification as of each reporting date.

Securities measured at fair value with recognition of revaluation through other comprehensive income

Financial assets measured at fair value through other comprehensive income are non-derivative financial assets in the form of securities that management intends to hold for an indefinite period of time to receive contractual cash flows that are solely payments of principal and interest on the outstanding principal amount, and which may be sold depending on liquidity requirements or changes in interest rates, exchange rates or securities prices. The Bank's management classifies securities into the appropriate category at the time of their acquisition.

Securities measured at fair value through other comprehensive income are initially measured at acquisition cost equal to the fair value of the funds expended. Transaction costs directly related to the acquisition of a financial asset are added to the initial cost. After initial measurement, financial assets measured at fair value through other comprehensive income are measured at fair value based on quotes to purchase. Some financial assets valued at fair value with recognition of revaluation through other comprehensive income, for which there are no quotes from external independent sources, may be valued by the Bank's management at fair value based on the results of recent sales of similar financial assets to unrelated third parties, on the analysis of other information, such as discounted cash flows and financial information about the investment object, as well as on the application of other valuation methods.

Unrealized income and expenses arising from changes in the fair value of financial assets measured at fair value with recognition of revaluation through other comprehensive income are reflected in other comprehensive income. When debt financial assets are disposed of, the corresponding accumulated unrealized income and expenses are included in net income, and in relation to equity financial assets, accumulated unrealized income and expenses increase retained earnings. Interest income on financial assets valued at fair value with recognition of revaluation through other comprehensive income is calculated on the basis of the effective interest rate method and is reflected in the statement of profit and loss and other comprehensive income as part of the article Interest income. Dividends received on securities valued at fair value with the recognition of revaluation through other comprehensive income are reflected in the statement of profit and loss and other comprehensive income as part of the article Dividends received at the time of establishing the right of the Bank to receive the corresponding payments and on the condition that there is a probability receiving dividends.

The Bank recognizes profits or losses for such a financial asset as part of other comprehensive income until the date of termination of its recognition or reclassification, except for profits or losses from its depreciation, interest income and profits or losses from changes in the official exchange rate of the hryvnia to foreign currencies.

Securities measured at fair value with recognition of revaluation through gains/losses

The Bank evaluates and reflects in accounting all other debt securities at fair value with recognition of revaluation through profit/loss, if such securities do not meet the criteria for their further evaluation at amortized cost or at fair value with recognition of revaluation through other comprehensive income.

Gains or losses from securities measured at fair value through revaluation through gains/losses are recorded in profit or loss.

Financial assets that, at the time of initial recognition, the Bank, at its own discretion, classified as financial assets measured at fair value with revaluation through profit/loss, so that such classification made it possible to eliminate or significantly reduce the inconsistency in the assessment of assets or liabilities, or the recognition of related gains and losses are not reclassified after initial recognition

Financial liabilities reflected at amortized cost

Financial liabilities stated at amortized cost using the effective interest rate method include amounts owed to other banks, customer funds and issued debt securities. Eligible expenses are recorded as interest expense in the statement of profit and loss and other comprehensive income using the effective interest method.

Funds of other banks. The funds of other banks are reflected starting from the moment of providing funds or other assets to the Bank by counterparty banks.

Customer funds. Customer funds represent non-derivative financial obligations to individuals, government and corporate customers.

Issued debt securities. Issued debt securities may include promissory notes, bonds and certificates of deposit issued by the Bank. If the Bank acquires its own issued debt securities, they are excluded from the statement of financial position, and the difference between the book value of the obligation and the paid amount is included in the income from the early settlement of the debt.

Subordinated debt. Subordinated debt is a long-term loan agreement that, in the event of the Bank defaulting on its obligations, will be secondary to its main debt obligations. Subordinated debt is initially recognized at fair value less transaction costs. The subordinated debt is subsequently carried at amortized cost, with any difference between its cost and the redemption price recognized in the statement of profit and loss and other comprehensive income using the effective interest method.

Offsetting of financial instruments

Financial assets and liabilities are netted, and the statement of financial position shows a net amount only in those cases where there is a statutory right to set off offsets, as well as an intention to either set off or simultaneously realize the asset and settle the liability.

Derivative financial instruments

In the normal course of business, the Bank deals with derivative financial instruments (in particular, foreign currency swaps, interest rate swaps). Such financial instruments are trading in nature and are valued at fair value. The calculation of fair value is based on a valuation model that takes into account the existing market value, the contractual value of the instrument being valued, as well as other factors. Derivatives are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in fair value are immediately recognized in the statement of profit and loss and other comprehensive income as income/loss as a result of revaluation of derivative financial instruments. Income from the revaluation of derivative financial instruments is recognized as the difference in the increase in their value between the indicators at the end and the beginning of the reporting period.

Investment Property

Investment property - property (land or building, or part of a building, or a combination thereof) held (by an owner or lessee as a right-of-use asset) for the purpose of receiving rental payments or capital appreciation, or both, and not for production use whether during the supply of goods, provision of services or for administrative purposes; or sales in the ordinary course of business.

The bank mainly uses objects that are not used in the bank's activities to receive rent and recognizes them as investment real estate.

Investment real estate includes:

1) land held for long-term capital growth and not for short-term sale in the ordinary course of business;

2) land held for future but as yet undetermined use (if the bank has not yet determined whether it will use the land as owner-occupied real estate or for short-term sale in the ordinary course of business, then the land is considered held for capital appreciation);

3) a building that is the property of a bank (or a right-of-use asset related to a building held by this bank) and leased under one or more operating lease agreements;

4) a building that is not occupied, but is held for lease under one or more operating lease agreements;

5) real estate that is being built or improved for future use as investment real estate.

During the initial recognition of investment real estate, the Bank evaluates and reflects it in accounting at the original cost. After the initial recognition of investment real estate objects, they are subsequently measured at fair value, which reflects market conditions on the reporting date, without recognition of amortization for impairment.

The fair value of an investment property is the price that would be received from the sale of the asset in an ordinary transaction, net of transaction costs.

The fair value of the Bank's investment real estate is determined based on the reports of independent appraisers.

Gains or losses resulting from changes in the fair value of investment properties are recognized in the statement of profit and loss and other comprehensive income as gains less revaluation losses on investment properties in the year in which they arise.

Expenses for current maintenance of investment real estate are recognized as expenses at the time of their occurrence.

Costs for the improvement of investment real estate objects, which lead to an increase in the initially expected benefits from their use, increase the initial cost of these objects.

The rental income received is reflected in the Statement of Profit and Loss and other comprehensive income as part of other operating income.

Investment property that begins to be held for sale is classified as an asset held for sale.

Derecognition of investment real estate is carried out in the event of a change in the method of its functional use.

Fixed assets and intangible assets

Fixed assets and intangible assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of purchased fixed assets and intangible assets consists of acquisition costs and costs of bringing them to a usable state.

Intangible assets of the Bank mainly include software and licenses for the right to use software products and are shown at original cost, which consists of the actual costs of acquisition (production) and bringing them to a state in which they are suitable for use in accordance with the planned purpose. An individual term of use is set for each intangible asset, which is determined by the Bank independently (if the term is not specified in the contract), based on the following criteria: the Bank's experience with similar assets, current trends in the development of software products, operational characteristics.

Amortization (depreciation) of fixed assets and intangible assets begins from the month following the month in which the objects of fixed assets or intangible assets are put into operation and ends on the first day of the month after disposal or for fully depreciated assets (in the latter case, the term of beneficial use is reviewed and adjusted as necessary).

Depreciation is calculated using the straight-line method based on the useful life of the asset. Depreciation rates are established based on the useful life of the asset, during which it is expected to be used by the Bank. Capitalized costs of leased property are amortized over the expected useful life, but not longer than the lease term.

Below are the terms of useful use of fixed assets and intangible assets (in years):

Vehicles	10
Equipment and computers	5-10
Furniture and office equipment	5-10
Others	3-10
Intangible assets	2-10

Capital investments in property, plant and equipment and intangible assets include unfinished costs for the acquisition, improvement of property, plant and equipment and intangible assets. Upon completion of construction and/or commissioning, the assets are transferred to the composition of property, plant and equipment / intangible assets and are recorded at original cost. Depreciation is not charged on capital investment objects and land.

Costs for improving objects of fixed assets and intangible assets, which lead to an increase in the initially expected benefits from their use, are included in the cost of such objects. Expenditures incurred to maintain objects of fixed assets and intangible assets in a usable condition and to receive initially determined future economic benefits from the use of these objects are reflected in the Statement of Profit and Loss and other comprehensive income in the period in which such expenses have been incurred, except when such expenses are subject to capitalization.

Costs for replacement of fixed parts or components of fixed assets are capitalized, and the residual value of the replaced part is attributed to expenses in the Statement of Profit and Loss and other comprehensive income of the reporting period.

The result from the sale of fixed assets, which is calculated as the difference between the amount of funds received and the book value of assets, is recognized as part of financial results in the Statement of Profit and Loss and other comprehensive income.

The liquidation value, depreciation methods and useful lives of fixed assets and intangible assets are reviewed at the end of each financial year and, if necessary, adjusted.

In 2022, the terms of useful use and depreciation rates of fixed assets and intangible assets did not change.

At each annual balance sheet date (once a year), the Bank recognizes a decrease in the value of non-current assets if there is evidence of a possible loss of economic benefit.

In 2022, the Bank recognized a decrease in the value of cars transferred to the needs of the Armed Forces and non-current assets located in the occupied territory of Ukraine for the total amount of 14,464 ths. UAH.

Impairment of intangible assets was not recognized in 2022.

Accounting of lease operations

<u>A lease in which the Bank acts as a lessee</u>

In accordance with the provisions of IFRS 16 «Leases», the Bank, as a lessee, assesses at the beginning of the lease whether the contract is a lease or whether the contract contains a lease. The bank recognizes the lease agreement as a whole or individual components as a lease agreement, if the following criteria are met at the same time:

- ➢ the underlying asset is identifiable (clearly specified in the contract).
- ➢ the contract gives the Bank the right to receive practically all economic benefits during the period of use of the asset;
- ➢ the contract gives the Bank the right to control the use of the identified asset during the period of use of the asset (that is, the right to control how and for what purpose the underlying asset is used) in exchange for compensation;
- ➢ the lessor has no substantial right to replace the asset during the period of use.

The right of the lessor to replace the asset is essential if the following conditions are present at the same time:

• the lessor is practically able to replace the asset during the period of use (for example, the Bank cannot prevent the lessor from replacing the asset, and the lessor has alternative assets for replacement or can find them in a reasonable time);

• the lessor will receive an economic benefit from exercising its right to replace the asset (i.e., the economic benefits associated with replacing the asset are expected to exceed the costs associated with replacing the asset).

If the Bank cannot readily determine whether the lessor has a material right of substitution for the asset, the Bank must assume that any right of substitution is not material.

The bank defines the lease term as the non-failure lease period together with both of the following periods:

• periods for which the right to extend the lease is extended in the event that the Bank is reasonably confident that it will exercise such an option;

• periods for which the right to terminate the lease applies if the Bank is reasonably confident that it will not exercise such an option.

In order to determine the term of the lease, the Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, including any expected changes in factors and circumstances from the date the lease begins to the date of realization of such an opportunity. In particular, the following factors are taken into account:

• terms of the contract regarding such periods of possible extension or termination of the lease compared to market rates, such as:

a) the amount of lease payments in any of the periods of possible extension or termination of the lease;

b) the amount of any variable lease payments or other contingent payments, such as payments towards lease termination penalties or liquidation value guarantees; and

c) the terms of any options that may be exercised after the initial lease extension or termination option periods (for example, a purchase option that may be exercised at the end of the lease extension period at a rate that is currently below market rates);

• significant improvements to the underlying asset have been made (or are expected to be made) during the term of the contract, which are expected to provide a significant economic benefit to the lessee when the option to extend or terminate the lease or purchase the underlying asset can be exercised;

• costs associated with lease termination, such as costs associated with negotiations, relocation costs, costs of identifying another underlying asset that meets the lessee's needs, costs associated with integrating the new asset into the lessee's operations, or fines for termination of the lease or other similar costs, including costs associated with the return of the underlying asset to the condition provided for in the contract or to the place provided for in the contract;

• the importance of the underlying asset to the lessee's operations, taking into account, in particular, whether the underlying asset is a specialized asset, the location of the underlying asset and the availability of suitable alternatives;

• the conditions associated with the exercise of the option to extend or terminate the lease (i.e., when the option can only be exercised if one or more conditions are met), and the likelihood that those conditions will exist.

After the lease commencement date, the Bank will reassess the lease term upon the occurrence of a significant event or significant change in circumstances within the lessee's control that affects whether the lessee is reasonably certain that it will exercise an option that was not previously included in its determination of the lease term, or that he does not exercise an option that was previously included in his determination of the lease term.

In particular, examples of significant events or changes in circumstances can be:

- significant improvements to the leased asset not contemplated at the lease inception date that are expected to result in significant economic benefit to the lessee when the option to extend or terminate the lease or purchase the underlying asset can be exercised;
- a significant modification or adjustment of the underlying asset that was not anticipated at the lease inception date;
- commencement of sublease of the underlying asset for a period beyond the predetermined lease term;
- the lessee's business decision, which directly relates to the implementation or non-implementation of a certain opportunity (for example, the decision to get rid of a business unit in which an asset with the right to use is used).

The Bank applies simplifications (exclusions) regarding the separate accounting of lease components specified in the contract. In the event that individual components (land rent tax, VAT, compensation for the payment of utilities) are separate and are paid on separate accounts or at a separate amount established by the lease agreement, such individual components, which are not rent, are accounted for in accordance with other standards under types of expenses incurred in accordance with their economic content.

If, under the terms of the contract, the Bank cannot separate such components separately, they are recognized as one component of the lease.

Initial assessment

On the lease commencement date, the Bank as the lessee recognizes a right-of-use asset and a lease liability under the lease agreement, except when the Bank uses the simplified method for lease agreements.

As a lessee, the Bank applies the simplified method for leases under which the underlying asset:

✓ has a low value (less than or equal to $5000), which is calculated at the NBU exchange rate on the date of such assessment;

✓ and/or the lease term is less than or equal to 12 months (365(6) days inclusive).

In the case of applying the simplified method, the bank recognizes lease payments as expenses on a straight-line basis during the lease term, with a reflection in the accounting under account 7395 «Expenses for leasing (rent)».

A right-of-use asset is initially recognized at cost (cost), which includes:

• the amount of the initial assessment of the lease obligation;

• lease payments made on or before the lease start date, less lease incentives received;
• initial direct costs incurred by the Bank
• expenses that will be incurred by the Bank for dismantling, moving, bringing the basic asset to the condition required by the lease terms.

On the lease commencement date, the Bank recognizes a lease liability at the present value of lease payments not paid on such date. Lease payments are discounted at the interest rate specified in the lease agreement. If such a rate cannot be easily determined, the Bank applies the rate of additional borrowing (the rate for OVDP (government bonds) for a term of 3-5 years).

Further evaluation

After the lease commencement date, the Bank values the right-of-use asset, other than those that meet the definition of investment property, using the cost model. The Bank is liable for such costs either on the lease commencement date or as a result of the use of the underlying asset during a certain period.

The Bank calculates the depreciation of the right-of-use asset at least once a month using the straight-line method during the period determined by the Bank based on its professional judgment, but not less than the lease term determined by the contract and/or until the end of the lease term (early termination).

Interest on lease obligations is recognized by the Bank at least once a month as part of interest expenses in the Statement of Profit and Loss and other comprehensive income.

Variable lease payments not included in the assessment of the lease liability after the lease commencement date are recognized by the Bank as part of other operating expenses in the period in which the event or conditions that caused such payments occurred.

The Bank also revalues the lease liability on each reporting date by discounting the revised lease payments using the original discount rate in such cases:

• a change in the amounts expected to be paid under the liquidation value guarantee;
• a change in future lease payments due to a change in the index or rate (other than a floating rate) used to determine such payments.

The bank recognizes the amount of the revaluation of the lease liability as an adjustment of the right-of-use asset (unless the book value of the right-of-use asset is reduced to zero). In the event that the carrying amount of the right-of-use asset has decreased to zero, the further decrease in the lease liability is recognized as part of profit.

Modifications of the lease agreement

The bank considers the modification of the lease agreement as a separate lease agreement, if the conditions are met:

• the modification expands the scope of the lease agreement by adding the right to use one or more underlying assets;
• compensation under the contract is increased by an amount corresponding to the price of a separate contract for the increased volume with appropriate adjustments reflecting the circumstances of the specific contract.

For the modification of the lease agreement, which is not considered as a separate lease agreement, on the effective date of the modification, the Bank:

• distributes the compensation specified in the modified lease agreement;
• determines the terms of the modified lease;
• remeasures the lease liability by discounting the revised lease payments using the revised discount rate.

The revised discount rate is defined as the interest rate specified in the lease for the remaining term of the lease or as the tenant's additional borrowing rate on the effective date of the lease modification if the interest rate specified in the lease cannot be readily determined.

For the modification of the lease agreement, which is not considered as a separate lease agreement, on the date of entry into force of the modification, the Bank:

• reduces the book value of the right-of-use asset by the amount of partial or full termination of the lease for modification, which reduces the scope of the lease agreement; any profit or loss related to the partial or full termination of the lease is reflected under the item "Other administrative and operating expenses" of the Statement of Profit and Loss and other comprehensive income;
• reflects the right-of-use asset adjustment for all other lease modifications.

A lease in which the Bank is the lessor

As a lessor, the bank classifies each of its leases as either an operating lease or a finance lease.

Lease classification is based on the extent to which the risks and rewards of ownership of the underlying asset are shared between the lessee and the lessor. The classification of the lease depends on the essence of the transaction, not on the form of the contract.

A lease is classified as financial if:

• the lease transfers ownership of the underlying asset to the lessee at the end of the lease term;

• the lessee has an option to purchase the underlying asset at a price that is expected to be less than the fair value on the date the option can be exercised and is sufficient to provide reasonable assurance at the inception of the lease that the option will be exercised;

• the lease term makes up the majority (at least 75%) of the asset's economic exploitation term, even if ownership is not transferred;

• at the beginning of the lease, the present value of the minimum lease payments is equal to the acceptance in principle of not less than 90% of the entire fair value of the leased asset;

• the underlying assets are of such a special nature that only the lessee can use them without significant modification.

There are cases that, individually or in combination, may also lead to the classification of a lease as a finance lease:

• if the lessee can cancel the lease agreement, the lessor's losses related to the cancellation shall be borne by the lessee;

• gains or losses from fluctuations in the fair value of the balance accrue to the lessee (for example, in the form of rent discounts equal to a majority of the sale proceeds at the end of the lease);

• the tenant has the option to extend the lease for an additional period at a rent significantly lower than the market rent.

If a lease does not meet the above criteria, it is classified as an operating lease.

Classification of the lease by the lessor is carried out on the date of commencement of the lease, re-evaluation is carried out only in case of modification of the lease. Changes in preliminary estimates (for example, changes in preliminary estimates of the economic life or liquidation value of the leased property) or changes in circumstances (for example, default by the lessee) do not lead to a new classification of the lease for accounting purposes.

The bank leases its investment real estate, which includes land plots, as well as part of the leased real estate. The Bank classifies these contracts as operating leases because it does not actually transfer all the risks and rewards of ownership of the assets.

The Bank reflects rental income in the period of their occurrence in the Income Statement and other comprehensive income as part of other operating income.

In 2022, the terms of amortization of the right-of-use assets under occupation were changed from 5 years to the expiration date of the contract.

In 2022, depreciation of assets from the right of use, located in the temporarily occupied territories of the country, in the amount of 80 ths. UAH were reflected.

Property transferred to the bank as a pledge holder

Collateral property transferred to the Bank's ownership is financial and non-financial assets received by the Bank in the settlement of overdue loans. These assets are initially recognized at fair value (but do not exceed the book value of repaid overdue loans) and are included in fixed assets, other financial assets or other assets, depending on their nature, as well as the Bank's intentions to recover the value of these assets, and are subsequently accounted for accordingly to the accounting policy for these asset categories.

Non-current assets acquired by the bank through the exercise of the right of the mortgagee and held for the purpose of further sale, which do not meet the criteria for recognizing them as non-current assets held for sale, and cannot be recognized as non-current assets for use in current activities or investment real estate, the Bank recognizes current assets (inventories). In accounting on the valuation date, such assets are recognized at the lower of two values: cost or net realizable value. Depreciation is not recognized for such assets.

Non-current assets held for sale

The Bank recognizes non-current assets as held for sale if the carrying amount of the asset will be recovered primarily as a result of a sale transaction rather than current use.

To define non-current assets as held for sale, the assets must be available for immediate sale and this sale must be highly probable.

Non-current assets recognized as held for sale are measured at the lower of carrying amount or fair value less costs to sell. If the book value of the objects on the date of recognition as held for sale exceeds their fair value after deducting the costs of sale, then a preliminary valuation of such objects is carried out.

Depreciation is not accrued on non-current assets held for sale.

Operations in foreign currency

Transactions in foreign currency are converted into the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities, which in the financial statements as of the reporting date were accounted for by the Bank in foreign currency, are presented in hryvnias at the official exchange rate of the National Bank of Ukraine as at the reporting date. Exchange differences on monetary items are the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest rate and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities in foreign currency valued at fair value are translated into the functional currency at the exchange rate on the date of such valuation.

As at December 31, 2021 and 2020, the main official exchange rates established by the National Bank of Ukraine, which were used to revalue foreign currency account balances into hryvnias, were as follows:

	2022	**2021**
USD	36,5686	27,2782
EURO	38,951	30,9226

Taxation

The amount of current income tax is determined in accordance with the tax legislation of Ukraine. Income tax expense in the financial statements consists of current tax and changes in deferred tax amounts.

Income tax expenses are reflected in net income, excluding those amounts that are directly included in other comprehensive income.

Deferred tax amounts are calculated using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the recognized deferred tax assets will be realized.

Deferred tax assets and liabilities are calculated in accordance with the tax rate that will be in effect in the period in which the asset is realized or the liability is settled, based on the legal regulations in effect at the reporting date.

Other existing taxes in Ukraine, which are accrued and paid by the Bank in the course of its activities in accordance with current legislation, are taken into account in the Statement of Profit and Loss and other comprehensive income in the item "Other operating and administrative expenses".

The basis for determining the taxable profit is the financial result, determined according to accounting rules in accordance with IFRS, taking into account possible adjustments provided by the Tax Code of Ukraine, by which the financial result before taxation increases or decreases. The income tax rate remains unchanged at 18%.

The bank has no tax losses and unused tax benefits.

The bank has no subsidiaries and associated companies.

During the reporting year 2022 and as at December 31, 2022, any activity of the Bank was not terminated, therefore there is no amount of income tax expenses (income) related to profit (loss) from the discontinued activity.

Pension and other payment obligations

The Bank pays contributions to the state pension system of Ukraine, the implementation of which involves current accruals and payment by employers of such contributions, which are calculated as a percentage of the total amount of wages. In the Statement of Profit and Loss and Other Comprehensive Income, expenses from such contributions refer to the period in which the corresponding amount of wages is accrued to the employee. The Bank does not have other pension schemes and does not have additional retirement benefit programs or other significant compensation programs that would require additional accruals in the financial statements.

Statutory capital and share premium

Share capital is divided into ordinary registered shares. Contributions to share capital are recorded at their fair value on the date of the transaction. External costs directly related to the issue of new shares are paid by shareholders. Any excess of the fair value over the par value of the issued shares is recognized as issue income. Stock dividends are recognized in equity as a deduction in the period in which they are declared. Information about dividends declared after the date of the financial statements is disclosed in the notes to the financial statements.

Own shares bought back from shareholders

Own repurchased shares are accounted for at the cost of the actual repurchase. Profits and losses from the sale of own repurchased shares are reflected in capital (issue differences).

During 2022, the Bank did not buy back shares from shareholders.

Reserve and other funds

The Bank forms a Reserve Fund to cover unforeseen losses on all items of assets and off-balance sheet liabilities. Deductions to the Reserve Fund from the profit of the reporting year are made after the approval of the annual financial statements by the General Assembly and the decision on the distribution of profit. The amount of annual deductions to the Reserve Fund must be at least 5 percent of the Bank's profit until they reach 25 percent of the Bank's regulatory capital. Based on the profits received as a result of its statutory activity, the Bank may, including but not limited to create the following funds: dividend payment fund; bank development fund; financial incentive fund.

Contingent assets and liabilities

Contingent assets are not reflected in the statement of financial position, while information about them is disclosed in the financial statements in those cases when the receipt of economic benefits associated with them is probable.

Contingent liabilities are not reflected in the statement of financial position, while information about them is disclosed in the financial statements, except when the disposal of resources in connection with their repayment is unlikely.

Liabilities of credit character

In the course of carrying out ordinary activities, the Bank provides guarantees in the form of letters of credit, guarantees and acceptances. Guarantee contracts are initially recognized in the financial statements at fair value. They are then analyzed at each reporting date and adjusted to reflect the current best estimate. The best estimate of the costs necessary to fulfill an existing obligation is the amount that the Bank would have paid to fulfill the obligation on the reporting date or transferred to a third party on that date. The increase in the liability related to the financial guarantee contracts is reflected in profit or loss. The commission received is recognized as part of profit or loss on a straight-line basis over the term of the guarantee contract.

Reserves for liabilities

Reserves are recognized if, as a result of a certain event in the past, the Bank has legal or voluntarily assumed obligations, the settlement of which with a greater degree of probability will require an outflow of resources containing future economic benefits, and which can be estimated with a sufficient degree of reliability.

Reserves for expected credit losses on liabilities are formed by allocating the appropriate amount to expenses as part of the item Net loss/(profit) from increase/(decrease) in reserves for liabilities of the Statement of Profit and Loss and other comprehensive income.

Recognition of income and expenses

Income is recognized when it is highly probable that economic benefits will flow to the Bank and the revenue can be measured reliably. The following criteria must be met in order to recognize income in financial statements:

Interest and similar income and expenses

For all financial instruments measured at amortized cost, as well as for interest-bearing financial instruments classified at fair value through other comprehensive income, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts expected future payments and cash inflows over the expected life of the financial instrument or a shorter period, where applicable, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, the right to early repayment) and all fees or additional costs that are directly related to the financial instrument and are an integral part of the effective interest, but do not take into account future losses on loans. For purchased or created impaired financial assets, the Bank calculates the effective interest rate adjusted for credit risk, taking into account initially expected credit losses in cash flows, during initial recognition. The book value of a financial asset or financial liability is adjusted when the Bank revises its assessment of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate, and changes in the carrying amount are recorded as interest income or expense.

The Bank recognizes interest income using the original effective interest rate on the gross book value of financial assets for which a valuation allowance is recognized at the first and second stages of impairment, and on the amortized cost (reduced by the amount of the reserve) of such assets for which a valuation allowance is recognized at 3 stages of depreciation.

Interest income calculated using the effective interest method presented in the Statement of Profit and Loss and other comprehensive income includes:

• Interest income on financial assets, which are accounted for at amortized cost;

• Interest income on debt securities (bonds) that are accounted for at fair value through other comprehensive income

Interest expense presented in the Statement of Profit and Loss and other comprehensive income includes the cost of financial liabilities measured at amortized cost.

Commission income and expenses

The bank receives commission income from several types of services provided to clients. Commission income in particular belongs to the following category:

- Commission income received for the provision of services during a certain period

Commission income received from the provision of services during a certain period is accrued during that period. Such items include commission income and fees for asset management, custody and other management and advisory services. Fees on loan commitments that are likely to be used and other fees related to the provision of loans are carried forward (together with any additional costs) and recognized as an adjustment to the effective interest rate on the loan.

- Commission income from the provision of services for carrying out operations

Commission income received for carrying out or participating in negotiations for the implementation of a transaction on behalf of a third party, for example, concluding an agreement for the purchase of shares or other securities or the purchase or sale of a company, is recognized upon completion of the relevant transaction. Commissions or part of commissions related to certain indicators of profitability are recognized after meeting the relevant criteria.

Commission income/expenses are recorded, as a rule, according to the accrual method depending on the degree of completion of a specific transaction as services are provided/received and are recognized in the Statement of Profit and Loss and other comprehensive income.

Profit per share

The Bank presents data on basic and adjusted earnings per share for its common shares. Basic earnings per share is calculated as the ratio of profit or loss attributable to ordinary shares to the weighted average number of ordinary shares outstanding during the year. Adjusted earnings per share is determined by adjusting earnings per common share and weighted average number of common shares for the dilutive effect of potential common shares.

Information by operating segments

A segment is a separable component of a bank that provides products or services (operating segment) or is engaged in providing products or services in a separate economic region (geographic segment) and is subject to risks and provides returns different from those inherent in other segments. Information on segments that receive most of their income from third parties and whose income, performance or assets are at least ten percent of all segments is presented separately from other segments.

Within these financial statements, the bank did not display geographical segments, as the bank does not operate outside of Ukraine.

The main format of presentation of information by segments of the bank's activity is presentation of information by operational segments.

The Bank conducts its activities in the following main operating segments:

- Services to clients - individuals - provision of banking services to private clients: maintenance of current accounts of individuals, including with the use of payment cards, acceptance of deposits (deposits), services of responsible storage, provision of loans.
- Servicing of corporate clients – settlement and cash operations on current accounts of legal entities and individual entrepreneurs, acceptance of deposits, provision of overdrafts, loans and other lending services, foreign currency operations, etc.
- Transactions with banks - opening and maintaining bank correspondent accounts, transactions on the purchase and sale of cash and non-cash foreign currency at the Ministry of Foreign

Affairs, transactions on the placement (attraction) of funds, purchase and sale of state and other securities from banks, cash collection services, etc.

Assets of a reporting segment are recognized as assets that are used to perform normal activities and that can be directly attributed to this segment or reasonably allocated to this segment. Segment assets do not include income tax assets.

Segment liabilities are liabilities arising from the ordinary activities of the segment that are directly attributable to the segment or can be reasonably allocated to the segment. Segment liabilities do not include income tax liabilities.

Estimates and judgments used in the preparation of financial statements

The principles of preparation of financial statements require the Bank's management to use estimates and assumptions that may affect the reflected amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of financial statements, as well as the calculated amounts of profit for the reporting period. These estimates and assumptions are based on information available at the date of the financial statements. Although these estimates are based on management's best understanding of current events and operations, actual results may differ materially from these estimates and assumptions.

The main reasons for the uncertainty of estimates are as follows:

Decrease in the usefulness of loans and receivables

Management assesses impairment by assessing the probability of repayment of loans based on an analysis of individual borrowers for individually significant loans and, in the aggregate, for loans with similar terms and risk characteristics.

Factors considered when evaluating individual loans include repayment history, the borrower's current financial condition, the timeliness of payments and collateral, if any. To determine the amount of impairment, the management evaluates the amounts and terms of future payments for repayment of principal and interest and proceeds from the sale of collateral, if any. These cash flows are then discounted using the original effective rate for the position. Actual principal and interest payments depend on the borrower's ability to generate cash flow from operations or obtain alternative financing and may differ from management's estimates.

Factors taken into account when assessing the impairment of loans assessed in the aggregate include accumulated credit loss assessment experience, the percentage of delinquent debt in the loan portfolio and general economic conditions. Note 7 provides information on the book value of loans to customers and the amount of recognized provisions for impairment. If the actual repayment amounts were lower than management estimates, the Bank would have to record additional impairment charges.

Rent

In the course of determining the lease terms, the Bank applies judgments that take into account the bank's strategy regarding the purpose of maintaining individual leased properties, plans regarding the procedure for opening and closing bank divisions, the Bank's practice in drawing up lease agreements, and historical data regarding their maintenance.

According to long-term lease contracts, which provide for an extension period, the Bank has already leased the premises for a certain period and there is confidence that the Bank will continue to lease in the future, the term is set at -5 years (60 months).

For new lease agreements (new branches), the Bank can set a period for discounting lease payments - no longer than the lease term.

On the lease commencement date, the Bank recognizes a lease liability at the present value of lease payments not paid on such date. Lease payments are discounted at an acceptable rate of interest in the lease if such rate can be readily determined. If such a rate cannot be easily determined, the Bank applies the additional borrowing rate.

To discount the present value of lease payments, when forming a lease obligation, the Bank accepts the average rate of return on domestic state loan bonds for the relevant term (3-5 years) in hryvnia, adjusted for the Bank's credit risk, which is approved by the Board's decision.

The bank revises the rate twice a year - as at January 1 and July 1.

Tax legislation

Due to the presence of provisions in the Ukrainian economic and, in particular, tax legislation, which allow more than one interpretation option, as well as due to the practice that has developed in a generally unstable economic environment due to the arbitrary interpretation by tax authorities of various aspects of economic activity, the Bank may be forced recognize additional tax liabilities, fines and penalties in case the tax authorities question a certain interpretation based on the judgment of the Bank's management. Tax records remain open for review by tax authorities for three years.

Note 5. Transition to new and revised standards

The adopted accounting policy corresponds to the accounting policy applied in the previous reporting year, with the exception of the adopted new standards that came into force on January 1, 2022.

The Bank has not early applied any standards, clarifications or amendments that have been issued but have not yet entered into force.

The following are the new standards and amendments to the standards that have become mandatory for the Bank since January 1, 2022:

Annual Improvements to IFRS, cycle 2018-2020 are a comprehensive package of changes to IFRS, which includes, in particular:

Amendments to IFRS 1 "First-time Adoption of IFRS", which means that a subsidiary that first applies IFRS later than its parent company can measure accumulated exchange differences across all foreign divisions in its financial statements at book value, in which they were included in the consolidated financial statements of the parent company. An associated company and a joint venture have a similar opportunity.

Previously, before the corresponding amendments to IFRS 1, the subsidiary company had to reflect the accumulated exchange differences as part of other comprehensive income with subsequent transfer to profit or loss upon disposal of a foreign division or consider them equal to zero upon transition to IFRS and adjust them upon disposal of a foreign division.

That is, the above-mentioned changes to IFRS 1 exempt the subsidiary from additional calculations and adjustments, allowing the use of exchange rate differences that are already reflected in the parent company's IFRS reporting.

Amendments to IFRS 9 "Financial Instruments" – clarify which fees should be taken into account when applying the "10 percent" test in paragraph B3.3.6 of IFRS 9 to assess whether a financial liability should be derecognized.

The terms of a financial liability are considered materially different if the discounted present value of the cash flows on the new terms, including any fees paid less any fees received and discounted at the original effective interest rate, differs by at least 10% from the discounted present value the value of residual cash flows for the original financial obligation. When determining the amount of commission payments after deducting commissions received, the borrower takes into account only the sums of commission remuneration paid or received between this borrower and the relevant creditor, including commissions paid or received by the borrower or the creditor on behalf of each other.

Amendments to IAS 41 "Agriculture". From January 1, 2022, the requirement to exclude tax flows of funds in the assessment of fair value in paragraph 22 of IAS 41 was canceled. Now the requirements of IAS 41 regarding the determination of fair value fully correspond to the provisions of IFRS 13 "Fair Value Measurement".

To determine a more accurate fair value of a biological asset, reporting entities independently decide which to apply: types of discount rates - before or after taxation; cash flows - with or without tax expenses.

Companies that have biological assets need to review and align their methodologies, models for calculating the fair value of biological assets and accounting policies for measuring the fair value of biological assets in accordance with the amendments.

Amendments to IFRS 3 "Business Combinations" relate to references to the new version of the Conceptual Framework for Financial Reporting (hereinafter - the Conceptual Framework), in particular, the reference to the Conceptual Framework in the norm, which defines the conditions for recognition of identified acquired assets and assumed liabilities, has been changed acquisition Such assets and liabilities must meet the definition of assets and liabilities in the Conceptual Framework.

In addition, there is an exception where, for certain liabilities and contingent liabilities, the acquirer must apply IAS 37 to determine whether a past event liability exists at the acquisition date.

It is determined that the buyer cannot recognize a contingent asset at the date of acquisition.

For obligatory payments within the scope of IFRIC 21 Obligatory Payments, the acquirer should apply this IFRIC to determine whether an obligating event has occurred before the acquisition date that gives rise to the obligation to pay mandatory payment.

Amendments to IFRS 16 "Property, plant and equipment" concern the accounting and disclosure of information regarding income from property, plant and equipment before their intended use. In particular, it is prohibited to exclude from the cost of fixed assets the amounts received from the sale of products produced during the period of preparation of the asset for its intended use. Such sales revenue and related expenses should be recognized in profit or loss.

Entities must apply these changes retrospectively, but only to those items of property, plant and equipment that have been delivered to the location and brought to the condition necessary for operation in a manner determined by management on or after the date of commencement of the earliest of presented in the financial statements of the period in which these changes are first applied. Entities should recognize the cumulative effect of the initial application of these changes as an adjustment to the opening balance of retained earnings (or other component of equity) at the beginning date of that earliest period presented.

Amendments to IAS 37 "Collateral, Contingent Liabilities and Contingent Assets" specify exactly which costs should be included in the assessment of the costs of fulfilling obligations under the contract in order to determine it as onerous. On January 1, 2022, it was established that contract execution costs include costs that are directly related to this contract and include: additional costs for the execution of this contract, for example, direct costs for labor and materials; and distributed other costs directly related to the performance of contracts, for example, the distributed part of the costs of depreciation of the fixed asset object, which is used for the performance, among others, of this contract.

These changes did not affect the Bank's financial statements.

The new standards and interpretations that will be mandatory for the Bank's application in the future are listed below.

The following separate new standards and interpretations have been issued that will be mandatory for the Bank to apply in reporting periods beginning on or after January 1, 2023. The Bank did not apply these standards and interpretations before their mandatory application.

From January 1, 2023, the following new IFRS and amendments to IFRS will enter into force:

- IFRS 17 "Insurance contracts";
- Amendments to IAS 1 "Presentation of Financial Statements", to Practical Guide No. 2 of IFRS "Formation of judgments about materiality";
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates;
- Amendments to IFRS 17 "Insurance Contracts" - First application of IFRS 17 and IFRS 9.

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

The main innovations of IFRS 17 include: classification of insurance and investment contracts; mandatory separation of non-insurable components; determining the profitability of insurance contracts at initial recognition (for example, whether insurance contracts are onerous); requirements for aggregating contracts: by risk level, profitability, date of issue and other requirements of the standard; expansion of requirements for disclosure of information in financial reporting in the structure of the balance sheet and the report on financial results; actuarial calculations through various liability assessment methods.

IFRS 17 is applied retrospectively.

It should be noted that the initial version of IFRS 17 was amended in June 2020, which provided for: postponement of the date of initial application of IFRS 17 to 01.2023, as well as the postponement of the expiration of the temporary exception provided for by IFRS 4 regarding the application of IFRS 9 to this date; additional exclusion from the scope of IFRS 17 of credit card contracts that provide for insurance coverage, as well as exclusion (as an option) of credit agreements that provide for the transfer of insurance risk; permission to apply IFRS 17 regarding interim financial statements in accordance with the choice of accounting policy at the level of the business entity; the requirement for an economic entity, which on the date of initial recognition recognizes losses under issued onerous insurance contracts, to also recognize profit from retained reinsurance contracts; simplified presentation of information on insurance contracts in the Statement of Financial Position (assets and liabilities for portfolios of insurance contracts, not groups); simplification regarding the transition to the application of IFRS 17 in business combinations and regarding the date of application of the risk reduction option and the approach of applying the fair value model.

It is expected that these changes will not affect the Bank's financial statements.

Changes to IAS 1 "Presentation of Financial Statements" consist in replacing requirements for organizations to disclose their "significant accounting policies" with the requirement to disclose "material accounting policies".

Information is material if its omission, misrepresentation or obfuscation could, in accordance with reasonable expectations, affect the decisions taken by the main users of general purpose financial statements on the basis of such statements, which provide financial information about a particular reporting entity.

In addition, guidance has been added on how entities should apply the concept of materiality when making accounting policy disclosure decisions.

Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” clarify the difference between changes in accounting policies and accounting estimates, and also define accounting estimates as monetary amounts in financial statements about which there is estimation uncertainty.

The IFRS Council clarifies that changes in accounting estimates due to new information or developments are not corrections of errors. In addition, the results of changes in inputs or valuation techniques are changes in accounting estimates unless they result from adjustments to prior period errors.

Changes in accounting estimates may affect only current period profits/losses or current and future periods. The amendments are effective for annual periods beginning on or after January 1, 2023, for changes in accounting policies and changes in accounting estimates that occur on or after that date.

Currently, the Bank is evaluating the impact of these amendments, which they may have on the disclosure of information about the Bank's accounting policy.

Amendments to IFRS (IAS) 12 “Income Taxes” clarify how entities should account for deferred taxes on transactions such as leases and disposal obligations.

In certain circumstances, IAS 12 provides entities with an exemption from the recognition of deferred taxes if they relate to the initial recognition of assets and liabilities. However, there was uncertainty about whether to apply the exemption to transactions such as leases and disposal obligations, transactions for which entities recognize both assets and liabilities.

The amendments clarify that the exemption from initial recognition does not apply to transactions in which, upon initial recognition, equal amounts of deductible and taxable differences arise. Organizations need to recognize deferred taxes on these transactions.

An entity must apply the above Amendments to transactions that occur at the beginning of or after the earliest comparative period.

It is expected that these changes will not affect the Bank's financial statements.

Amendments to IFRS 17 “Insurance Contracts” – First-time application of IFRS 17 and IFRS 9 entities must apply IFRS 17 from the date of initial application. When applying the requirements for the classification of financial assets provided by the Amendments, entities provide comparative information as if the requirements of IFRS 9 regarding classification and evaluation were applied in the comparative period. Impairment requirements (clause 5.5 of IFRS 9) may not apply.

The approach is applied to reporting periods from the date of transition to IFRS 17 to the date of first application of IFRS 17.

Individual application is provided for each instrument, as well as additional requirements for the disclosure of qualitative information regarding the scope of application of classification requirements and to what extent the requirements of IFRS 9 on impairment are applied (clause 5.5 of IFRS 9).

It is expected that these amendments will not affect the Bank's financial statements.

From **January 1, 2024,** the following amendments to IFRS will enter into force:

- Changes to IAS 1 "Presentation of financial statements" - Classification of liabilities as current and non-current;
- Amendments to IAS 1 "Presentation of financial statements" - "Non-current liabilities with additional conditions".

The effective date of the **Amendments to IAS 1 "Presentation of Financial Statements" - Classification of liabilities as current and non-current** has been finally postponed to January 1, 2024 from the originally planned January 1, 2022 and changed to January 1, 2023.

It is clarified that a liability is classified as non-current if the entity has the right to defer settlement of the liability for at least 12 months – this right must exist at the end of the reporting period.

The right to defer settlement of the liability for at least 12 months after the end of the reporting period must be real and must exist at the end of the reporting period.

If the right to postpone the settlement of the obligation depends on the organization fulfilling certain conditions, then such a right exists at the end of the reporting period only if the organization has fulfilled these conditions at the end of the reporting period. It is necessary to fulfill these conditions on the date of the end of the reporting period, even if the verification of their fulfillment is carried out by the creditor later.

The classification of the liability is not affected by the probability that the entity will exercise its right to defer settlement of the liability for at least 12 months after the end of the reporting period. If a liability meets the criteria of paragraph 69 of IAS 1, it is classified as non-current, even if management intends or expects to settle this liability within 12 months after the end of the reporting period, or even if the entity settles this liability in the period between the end of the reporting period and date of approval of financial statements for publication. However, in any case, it may be necessary to disclose information about the timing of the settlement of the liability to enable users of the financial statements to understand the effect of these circumstances on the financial position of the entity.

Amendments to IAS 1 "Presentation of financial statements" - "Non-current liabilities with additional conditions" provide that if the right of the organization to delay the settlement of the liability is subject to additional conditions (covenants) within 12 months after the reporting date, the organization must disclose in the notes additional information that will enable users of financial statements to understand the risk that liabilities will have to be paid within 12 months from the reporting date. In particular, it will be necessary to disclose: information about the substance of the covenants, when the entity must fulfill these additional conditions, the carrying amount of the relevant obligations and facts and circumstances that indicate that the entity may have glass

Currently, the Bank is analyzing the possible impact of these amendments on the current classification of obligations and the need to revise the terms of existing contracts.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(UAH, ths.)

		31.12.2022	31.12.2021
1	Cash funds	1 519 468	937 703
2	Funds in the National Bank of Ukraine	549 537	52 105
3	Deposit certificates of the National Bank of Ukraine	3 134 946	1 750 300
4	Correspondent accounts, deposits and overnight loans in banks:	781 472	408 922
4.1	Ukraine	781 472	240 396
4.2	other countries	-	168 526
5	Reserve for depreciation of cash	(6 252)	(6 979)
6	**Total cash and cash equivalents**	**5 979 171**	**3 142 051**

The following data were used for the purposes of compiling the Cash Flow Statement

(UAH, ths.)

		31.12.2022	31.12.2021
1	Cash and cash equivalents	5 979 171	3 142 051
2	An increase in the amount of reserves for the depreciation of cash	6 252	6 979
3	Reduction by the amount of accrued income	(3 946)	(1 330)
4	**Total cash and cash equivalents to form the Cash Flow Statement**	**5 981 477**	**3 147 700**

Table 6.2. Analysis of changes in reserves for depreciation of cash and their equivalents for 2022

(UAH, ths.)

		Correspondent accounts in banks	Total
1	**Balance as at January 1, 2022:**	**(6 979)**	**(6 979)**
2	Reclassification to the article "Other assets"	5 056	5 056
3	Increase/(decrease) in the provision for impairment during the reporting period	(4 175)	(4 175)
4	Exchange rate differences	(154)	(154)
5	**Balance as at December 31, 2021**	**(6 252)**	**(6 252)**

Table 6.3. Analysis of changes in reserves for depreciation of cash and their equivalents for 2021

(UAH, ths.)

		Correspondent accounts in banks	**Total**
1	**Balance as at January 1, 2021:**	**(2 558)**	**(2 558)**
2	Increase/(decrease) in the provision for impairment during the reporting period	(4 642)	(4 642)
3	Exchange rate differences	221	221
4	**Balance as at December 31, 2021**	**(6 979)**	**(6 979)**

During the reporting period of 2022 and 2021, the gross book value of cash and cash equivalents changed only through the initiation and repayment of financial assets.

As of December 31, 2022, the amount of funds in correspondent accounts of banks in other countries, on which restrictions have been imposed in accordance with NBU Resolution No. 18 of February 24, 2022 and other regulatory acts in connection with the military aggression of the russian federation against Ukraine, and exactly 16,657 ths.UAH, the Bank classifies it as cash with a limited right of use as part of the article "Other assets".

Table 6.4. Analysis of the credit quality of cash and cash equivalents as at December 31, 2022

(UAH, ths.)

		Funds in the National Bank of Ukraine	Correspondent accounts	**Total**
1	High rating	3 684 483	781 472	4 465 955
2	Cash and cash equivalents before deducting reserves	3 684 483	781 472	4 465 955
3	Reserve for depreciation of cash and their equivalents	-	(6 252)	(6 252)
4	**Total cash and cash equivalents (except cash) less reserves**	**3 684 483**	**775 220**	**4 459 703**

Table 6.5. Analysis of the credit quality of cash and cash equivalents as at December 31, 2021

(UAH, ths.)

		Funds in the National Bank of Ukraine	Correspondent accounts	**Total**
1	High rating	1 802 405	240 396	2 042 801
2	Standard rating	-	168 526	168 526
3	Cash and cash equivalents before deducting reserves	1 802 405	408 922	2 211 327
4	Reserve for depreciation of cash and their equivalents	-	(6 979)	(6 979)
5	**Total cash and cash equivalents (except cash) less reserves**	**1 802 405**	**401 943**	**2 204 348**

Note 7. Customers loans and debts

Table 7.1. Customers loans and debts, which are accounted for at amortized cost

(UAH, ths.)

		31.12.2022	31.12.2021
1	Loans granted to legal entities	1 392 384	1 466 870
2	Loans granted to individuals - entrepreneurs	331	645
3	Mortgage loans	56 239	60 573
4	Loans granted to individuals for current needs	320 108	446 828
5	Loan impairment reserve, which is accounted for at amortized cost	(789 047)	(480 059)
6	**Total loans accounted for at amortized cost less reserves**	**980 015**	**1 494 857**

Table 7.2. Analysis of the credit quality of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2022

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	Customers loans and debts, which are accounted for at amortized cost	553 271	408 387	807 404	1 769 062
1.1	Minimal credit risk	117 570	-	-	117 570
1.2	Low credit risk	58 060	209 335	-	267 395
1.3	Average credit risk	377 641	131 085	-	508 726
1.4	High credit risk	-	67 967	170 044	238 011
1.5	Default assets	-	-	637 360	637 360
2	Total gross book value of customer loans and debts, which are accounted for at amortized cost	553 271	408 387	807 404	1 769 062
3	Reserves for impairment of customer loans and debts, which are accounted for at amortized cost	(30 633)	(23 338)	(735 076)	(789 047)
4	**Total of customer loans and debts, which are accounted for at amortized cost**	**522 638**	**385 049**	**72 328**	**980 015**

Table 7.3. Analysis of the credit quality of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2021

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	Customers loans and debts, which are accounted for at amortized cost	1 370 758	137 573	466 585	1 974 916
1.1	Minimal credit risk	87 259	-	-	87 259
1.2	Low credit risk	387 883	-	-	387 883
1.3	Average credit risk	895 616	49 318	-	944 934
1.4	High credit risk	-	88 255	138 578	226 833

1.5	Default assets	-	-	328 007	328 007
2	Total gross book value of customer loans and debts, which are accounted for at amortized cost	1 370 758	137 573	466 585	1 974 916
3	Reserves for impairment of customer loans and debts, which are accounted for at amortized cost	(73 816)	(13 110)	(393 133)	(480 059)
4	**Total of customer loans and debts, which are accounted for at amortized cost**	**1 296 942**	**124 463**	**73 452**	**1 494 857**

The gross book value of loans to the 10 largest customers as at December 31, 2022 is 755 959 thousand UAH (as at December 31, 2021, 677 579 thousand UAH). The amount of income accrued under such loans for 2022: 63 147 thousand UAH (2021: 79 757 thousand UAH).

Table 7.4. Analysis of changes in reserves for expected credit losses for customer loans and debts, which are accounted for at amortized cost, as at December 31, 2022

(UAH, ths.)

		Stage 1	**Stage 2**	**Stage 3**	**Total**
1	**Balance as at January 1, 2022**	**(73 816)**	**(13 110)**	**(393 133)**	**(480 059)**
2	(Increase)/decrease in provision during the period	42 116	(46)	(321 899)	(279 829)
3	The general effect of the transfer between stages	1 067	(9 470)	(13 751)	(22 154)
3.1	Transfer to/from stage 1*	9 409	(6 154)	(10 456)	(7 201)
3.2	Transfer to/from stage 2*	(6 566)	77	(1 472)	(7 961)
3.3	Transfer to/from stage 3*	(1 776)	(3 393)	(1 823)	(6 992)
4	Adjustment of interest income accounted for at amortized cost	-	-	(10 067)	(10 067)
5	Write-off of financial assets at the expense of the reserve	-	-	3 774	3 774
6	Exchange rate differences	-	(712)	-	(712)
7	**Balance as at December 31, 2022**	**(30 633)**	**(23 338)**	**(735 076)**	**(789 047)**

* Includes both expected credit losses on assets at the time of transition between stages and changes in credit loss estimates after transition between stages.

Table 7.5. Analysis of changes in reserves for expected credit losses for customer loans and debts, which are accounted for at amortized cost, as at December 31, 2021

(UAH, ths.)

		Stage 1	**Stage 2**	**Stage 3**	**Total**
1	**Balance as at January 1, 2021**	**(104 991)**	**(45 792)**	**(41 287)**	**(192 070)**
2	(Increase)/decrease in provision during the period	21 007	26 454	(347 911)	(300 450)
3	The general effect of the transfer between stages	10 128	6 228	(4 611)	11 745
3.1	Transfer to/from stage 1*	10 782	(101)	(1 815)	8 866
3.2	Transfer to/from stage 2*	(209)	6 350	(3 010)	3 131
3.3	Transfer to/from stage 3*	(445)	(21)	214	(252)
4	Adjustment of interest income accounted for at amortized cost	-	-	(8 564)	(8 564)
5	Write-off of financial assets at the expense of the reserve	-	-	861	861

6	Sale of assets	40	-	8 303	8 343
7	Exchange rate differences	-	-	76	76
8	**Balance as at December 31, 2021**	**(73 816)**	**(13 110)**	**(393 133)**	**(480 059)**

* Includes both expected credit losses on assets at the time of transition between stages and changes in credit loss estimates after transition between stages.

Table 7.6. Analysis of changes in the gross book value for impairment of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2022

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2022**	**1 370 758**	**137 573**	**466 585**	**1 974 916**
2	Purchased/initiated financial assets	279 866	44 109	109 157	433 132
3	Financial assets whose recognition has been discontinued or repaid (except written-off)	(1 070 134)	(158 338)	(72 958)	(1 301 430)
4	Transfer to/from stage 1*	(96 872)	262 658	263 939	429 725
5	Transfer to/from stage 2*	45 868	(1 761)	41 576	85 683
6	Transfer to/from stage 3*	1 961	69 660	120	71 741
7	Write-off of financial assets at the expense of reserves	-	-	(3 774)	(3 774)
8	Exchange rate differences	21 824	54 486	2 759	79 069
9	**Gross book value as at December 31, 2022**	**553 271**	**408 387**	**807 404**	**1 769 062**

* Includes both the book value of assets at the time of transfer between stages and changes in book value after transfer between stages

Table 7.7. Analysis of changes in the gross book value for impairment of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2021

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2021**	**1 255 663**	**237 901**	**75 152**	**1 568 716**
2	Purchased/initiated financial assets	978 582	61 980	357 236	1 397 798
3	Financial assets whose recognition has been discontinued or repaid (except written-off)	(773 478)	(156 417)	(19 443)	(949 338)
4	Transfer to/from stage 1*	(87 372)	677	23 420	(63 275)
5	Transfer to/from stage 2*	2 061	(6 017)	49 056	45 100
6	Transfer to/from stage 3*	3 517	152	(8 242)	(4 573)
7	Write-off of financial assets at the expense of reserves	-	-	(861)	(861)

8	Sale of assets	(40)	-	(8 303)	(8 343)
9	Exchange rate differences	(8 175)	(703)	(1 430)	(10 308)
10	**Gross book value as at December 31, 2021**	**1 370 758**	**137 573**	**466 585**	**1 974 916**

* Includes both the book value of assets at the time of transfer between stages and changes in book value after transfer between stages

Table 7.8. The structure of loans by types of economic activity

(UAH, ths.)

	Type of economic activity	31.12.2022 amount	31.12.2022 %	31.12.2021 amount	31.12.2021 %
1	Extraction of other minerals and development of quarries	41 163	2,33	41 825	2,12
2	Production	94 735	5,35	151 432	7,67
3	Wholesale and retail trade	557 004	31,48	546 989	27,69
4	Auxiliary activities in the fields of financial services and insurance; provision of financial services, except for insurance and pension provision	79 681	4,51	84 179	4,27
5	Real estate transactions	191 642	10,83	169 429	8,58
6	Activities of travel agencies, travel operators, provision of other reservation services	30 304	1,72	31 656	1,61
7	Supply of electricity, gas, steam and air conditioning	201 530	11,39	193 670	9,80
8	Extraction of metal ores	-	-	49 862	2,52
9	Construction of buildings; construction of buildings; specialized construction works	23 325	1,32	77 630	3,93
10	Computer programming, consulting and related activities	65 073	3,68	65 073	3,30
11	Individuals	323 390	18,28	450 771	22,82
12	Others	161 215	9,11	112 400	5,69
13	**Total loans and customer debts without reserves**	**1 769 062**	**100**	**1 974 916**	**100**

The bank lends to business entities for many types of economic activity. The concentration of credit risk is focused on trade, electricity supply and real estate transactions.

Table 7.9. Information about loans by type of collateral as at December 31, 2022

(UAH, ths.)

		Loans granted to legal entities	Loans granted to individuals - entrepreneurs	Mortgage loans	Loans granted to individuals for current needs	Total
1	Unsecured loans	647 082	3	-	298 996	946 081
2	Secured loans:	745 302	328	56 239	21 112	822 981
2.1	in cash	105 335	-	-	-	105 335
2.2	real estate	376 936	328	56 239	10 747	444 250
2.2.1	including residential purposes	42 203	-	3 282	9 550	55 035

2.3	other assets	263 031	-	-	10 365	273 396
3	**Total customer loans and debts without reserves**	**1 392 384**	**331**	**56 239**	**320 108**	**1 769 062**

Table 7.10. Information about loans by type of collateral as at December 31, 2021

(UAH, ths.)

		Loans granted to legal entities	Loans granted to individuals - entrepreneurs	Mortgage loans	Loans granted to individuals for current needs	Total
1	Unsecured loans	794 645	48	-	416 086	1 210 779
2	Secured loans:	672 225	597	60 573	30 742	764 137
2.1	in cash	17 064	-	-	-	17 064
2.2	real estate	364 773	597	60 573	12 670	438 613
2.2.1	including residential purposes	50 756	-	3 943	11 304	66 003
2.3	other assets	290 388	-	-	18 072	308 460
3	**Total customer loans and debts without reserves**	**1 466 870**	**645**	**60 573**	**446 828**	**1 974 916**

These tables show the amount of loans secured by collateral, not the fair value of the collateral itself.

The bank provides loans on the territory of Ukraine. Borrowers' ability to repay their debts depends on a number of factors, including the general financial condition of individual borrowers and the state of Ukraine's economy. In the event of the borrower's inability to repay debts, the Bank, acting within the framework of current legislation and the terms of concluded contracts (loans, pledges, mortgages, etc.), may apply the following methods in relation to the pledged property:

- acceptance of the subject of pledge (mortgage) into the ownership of the Bank in order to repay the debt;
- sale of the subject of pledge (mortgage) by the Bank to a third party;
- execution of a notary's writ of execution on foreclosure on pledged property and realization of the subject of pledge (mortgage) through the enforcement service.

Only if it is impossible to resolve the issue of debt collection out of court, the Bank applies to the court with a claim for debt collection and/or foreclosure on the subject of the pledge (mortgage), since the process of considering the case in court is quite long in time and in the further implementation of the court decision is related to the professionalism of executive services, that is, it no longer fully depends on the actions of the Bank.

Table 7.11. Impact of collateral value on credit quality as at December 31, 2022

(UAH, ths.)

		Book value	Expected cash flows from the realization of the pledged security	Impact of collateral
1	Loans granted to legal entities	1 392 384	2 027 863	(635 479)
2	Loans granted to individuals - entrepreneurs	331	1 201	(870)
3	Mortgage loans	56 239	67 283	(11 044)
4	Loans granted to individuals for current needs	320 108	84 390	235 718
5	**Total credits**	**1 769 062**	**2 180 737**	**(411 675)**

Table 7.12. Impact of collateral value on credit quality as at December 31, 2021

(UAH, ths.)

		Book value	Expected cash flows from the realization of the pledged security	Impact of collateral
1	Loans granted to legal entities	1 466 870	2 168 739	(701 869)
2	Loans granted to individuals - entrepreneurs	645	1 297	(652)
3	Mortgage loans	60 573	93 610	(33 037)
4	Loans granted to individuals for current needs	446 828	102 639	344 189
5	**Total credits**	**1 974 916**	**2 366 285**	**(391 369)**

Security in the form of real estate (residential and other), other property is evaluated by independent experts accredited by the Bank. Security in the form of property rights to funds is accepted in an amount sufficient to cover the loan and interest.

Note 8. Investments in securities

Table 8.1. Investments in securities

(UAH, ths.)

		31.12.2022	31.12.2021
1	Securities accounted for at amortized cost	4 049 469	10 166 574
2	Securities at fair value through other comprehensive income	19 403	25 351
3	**Total securities**	**4 068 872**	**10 191 925**

Table 8.2. Investments in securities that are accounted for at amortized cost

(UAH, ths.)

		31.12.2022	31.12.2021
1	Debt securities:	4 049 469	10 166 574
1.1	Domestic state loan bonds	4 049 469	10 029 458
1.2	Local loan bonds	-	137 116
2	**Total debt securities accounted for at amortized cost**	**4 049 469**	**10 166 574**

As at December 31, 2022, domestic government loan bonds include long-term interest-bearing OVDP denominated in hryvnias, medium-term interest-bearing OVDP denominated in hryvnias and US dollars.

Table 8.3. Investments in securities carried at fair value through other comprehensive income

(UAH, ths.)

		31.12.2022	31.12.2021
1	Debt securities:	19 403	25 351
1.1	Domestic state loan bonds	19 403	25 351
2	**Total securities accounted for at fair value through other comprehensive income less reserves**	**19 403**	**25 351**

As at December 31, 2022, Domestic State Loan Bonds include medium-term interest and long-term interest OVDP denominated in hryvnias and US dollars.

As of December 31, 2022, all existing domestic state loan bonds are classified as financial assets with minimal credit risk (stage 1), reserves for expected credit losses are not recognized for these financial assets as of the reporting date.

The balance sheet value of OVDP bonds, provided by the Bank as collateral to ensure the fulfillment of obligations under refinancing loans received from the National Bank of Ukraine, amounts to 1 289 746, ths. UAH.

As of December 31, 2022, the Bank owns securities with unfixed income, namely shares of JSC «SE «PFTS», which are accounted for at fair value through other comprehensive income and have a nominal value of UAH 60, ths and zero book value**.**

Note 9. Investment property

Table 9.1. Investment property is valued using the fair value method:

(UAH, ths.)

		31.12.2022	31.12.2021
1	**Fair value of investment property at the beginning of the period**	**6 260**	**24 564**
2	Proceeds as a result of foreclosure on the subject of collateral to repay loan debt	-	168 713
3	Transfer to the category "Property transferred to the bank as a mortgagee"	-	(124 082)
4	Disposal due to sale	-	(15 563)
5	Losses from revaluation to fair value	(53)	(47 372)
6	**Fair value of the investment property at the end of the period**	**6 207**	**6 260**

As at December 31, 2022, investment real estate includes seventeen plots of land with a total area of 109.3743 hectares, which the Bank acquired through foreclosure in order to repay debt under loan agreements and are used by the Bank for lease.

The bank accounts for investment real estate at fair value. As at December 31, 2022, the fair value of investment real estate is determined according to level II of the fair value hierarchy. The Bank regularly monitors the fair value of investment real estate and re-evaluates it at least once a year based on the assessment of independent professional appraisers using comparative, income and cost valuation methods within the limits of assumptions and restrictive conditions as at the date of acquisition on the Bank's balance sheet.

Table 9.2. Amounts recognized in the article "Other operating income" of the Statement of profit and loss and other comprehensive income:

(UAH, ths.)

		31.12.2022	31.12.2021
1	Income from the rental of investment real estate	224	245

Table 9.3. Information on the minimum amounts of future lease payments under a no-failure operating lease, if the bank is the lessor.

(UAH, ths.)

		31.12.2022	31.12.2021
1	Up to 1 year	245	245
2	From 1 to 5 years	806	979
3	More than 5 years	-	71
4	**Total**	**1 051**	**1 295**

The Bank acts as the lessor of seventeen land plots with a total area of 109.3743 hectares, to which the Bank acquired ownership rights. A separate lease agreement for a period of 7 years has been concluded for each plot. The terms of the contracts provide for early termination of the contracts by both the Lessee and the Lessor, but the Bank has confidence in the operational lease, since the land plots are used for the production of agricultural products. The contracts provide for the preservation of the condition of land plots, their use for their intended purpose. The lessee has a priority right to acquire land plots in the event of their sale.

Note 10. Fixed assets and intangible assets

Table 10.1. Fixed assets and intangible assets

(UAH, ths.)

		Buildings, constructions	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Unfinished capital investments in fixed assets and intangible assets	Intangible assets	Total
1	**Book value as at January 1, 2021:**	-	**9 086**	**4 876**	**1 685**	**8 096**	**1 596**	**3 013**	**16 457**	**44 809**
1.1	**Original (revalued) cost**	-	**17 180**	**5 355**	**4 737**	**12 967**	**20 927**	**3 013**	**26 408**	**90 587**
1.2	**Depreciation on January 1, 2021:**	-	**(8 094)**	**(479)**	**(3 052)**	**(4 871)**	**(19 331)**	**-**	**(9 951)**	**(45 778)**
2	Earnings	30 551	3 232	4 250	1 734	6 445	13 348	118 335	3 361	181 256
3	Improvement of fixed assets and improvement of intangible assets	-	186	17	-	268	38	-	1 690	2 199
4	Disposal of fixed assets and intangible assets	(30 551)	(16)	-	(14)	(47)	-	-	-	(30 628)
4.1	Original (revalued) cost	(30 551)	(327)	-	(35)	(231)	(5 673)	-	-	(36 817)
4.2	Depreciation	-	311	-	21	184	5 673	-	-	6 189
5	Reclassification from unfinished capital investments to the corresponding group of fixed assets to intangible assets	-	-	-	-	-	-	(72 036)	-	(72 036)
6	Depreciation deductions	-	(1 986)	(662)	(417)	(1 971)	(11 926)	-	(3 437)	(20 399)
7	**Book value as at December 31, 2021/January 1, 2022**	-	**10 502**	**8 481**	**2 988**	**12 791**	**3 056**	**49 312**	**18 071**	**105 201**
7.1	**Original (revalued) cost**	-	**20 271**	**9 622**	**6 436**	**19 449**	**28 640**	**49 312**	**31 459**	**165 189**
7.2	**Depreciation on December 31, 2021/January 1, 2022**	-	**(9 769)**	**(1 141)**	**(3 448)**	**(6 658)**	**(25 584)**	**-**	**(13 388)**	**(59 988)**
8	Earnings	-	8 689	60 728	1 805	13 720	14 991	135 328	3 836	239 097
9	Improvement of fixed assets and improvement of intangible assets	-	84	232	102	669	114	-	2 684	3 885
10	Disposal of fixed assets and intangible assets	-	-	-	-	(2)	(416)	(1 000)	-	(1 418)
10.1	Impairment losses due		(97)	(13 829)	(26)	(438)	(74)			(14 464)

		Buildings, constructions	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Unfinished capital investments in fixed assets and intangible assets	Intangible assets	Total
	to financial results	-								
10.2	Original (revalued) cost	-				(52)	(2 595)	(1 000)	-	(3 647)
10.3	Depreciation	-				50	2 179	-	-	2 229
11	Reclassification from unfinished capital investments to the corresponding group of fixed assets to intangible assets	-	-	-	-	-	-	(108 456)	-	(108 456)
12	Depreciation deductions	-	(2 975)	(5 041)	(676)	(3 373)	(13 673)	-	(4 377)	(30 115)
13	**Book value as at December 31, 2022**	**-**	**16 203**	**50 571**	**4 193**	**23 367**	**3 998**	**75 184**	**20 214**	**193 730**
13.1	Original (revalued) cost	**-**	**29 044**	**70 582**	**8 343**	**33 786**	**41 150**	**75 184**	**37 979**	**296 068**
13.2	**Depreciation on December 31, 2022**	-	**(12 841)**	**(20 011)**	**(4 150)**	**(10 419)**	**(37 152)**	**-**	**(17 765)**	**(102 338)**

There are no main means with regard to which there are restrictions on ownership, use and disposal provided by law.

As at December 31, 2022, the bank did not pledge fixed assets and intangible assets.

The bank does not have such fixed assets that are temporarily unused or withdrawn from operation for sale.

The original cost of fully depreciated fixed assets as at December 31, 2022 is 43 544 thousand UAH (as at December 31, 2021: 30 260 thousand UAH), intangible assets - 5 983 thousand UAH (as at December 31, 2021: 5 544 thousand UAH). The bank continues to use these assets.

As at the end of the day on December 31, 2022, there were no ownership restrictions on intangible assets in the Bank.

Intangible assets were not created.

In connection with the state of war and the impossibility of access to non-current assets located in the temporarily occupied territories, in order to establish their actual availability, the Bank decided to recognize a 100% decrease in value of certain non-current assets in the amount of 635 thousand UAH. The Bank also recognized 100 % reduction in value of collector cars transferred in accordance with current legislation during martial law to the Armed Forces and other formations, in the amount of 13 829 thousand UAH.

Note 11. Assets with right of use

(UAH, ths.)

		31.12.2022	31.12.2021
1	The initial value of the right-of-use asset	292 630	212 130
2	Depreciation of the right-of-use asset	(73 031)	(38 136)
3	**Book value of the right-of-use asset**	**219 599**	**173 994**

Movements in right-of-use assets for the period ended December 31, 2022 were as follows:

(UAH, ths.)

Cost	Buildings	Vehicles	Total
January 1, 2022 in accordance with IFRS 16	210 752	1 378	212 130
Arrival	132 058	129	132 187
Disposal	(51 687)	-	(51 687)
December 31, 2022	291 123	1 507	292 630
Accumulated depreciation			
January 1, 2022 in accordance with IFRS 16	(37 998)	(138)	(38 136)
Charged for the period	(86 101)	(287)	(86 388)
Disposal	51 493	-	51 493
December 31, 2022	(72 606)	(425)	(73 031)

Residual value			
January 1, 2022 in accordance with IFRS 16	172 754	1 240	173 994
December 31, 2022	218 517	1 082	219 599

Movements in right-of-use assets for the period ended December 31, 2021 were as follows:

(UAH, ths.)

Cost	Buildings	Vehicles	Total
January 1, 2021 in accordance with IFRS 16	135 025	-	135 025
Arrival	168 155	1 378	169 533
Disposal	(92 428)	-	(92 428)
December 31, 2021	210 752	1 378	212 130
Accumulated depreciation			
January 1, 2021 in accordance with IFRS 16	(30 517)	-	(30 517)
Charged for the period	(90 889)	(138)	(91 027)
Disposal	83 408	-	83 408
December 31, 2021	(37 998)	(138)	(38 136)

Residual value			
January 1, 2021 in accordance with IFRS 16	104 508	-	104 508
December 31, 2021	172 754	1 240	173 994

The bank used the option to extend the contract in such a way that the total term of all contracts in accordance with IFRS 16 is 60 months. The option for early termination of contracts was not applied. For right-of-use assets located in temporarily occupied territories, the Bank decided to revise the lease term from 5 years to the term until the contract expires. There is no guarantee of liquidation value and sale of property with subsequent (reverse) lease in the contracts. Leased objects are leased by the Bank for statutory activities.

As at December 31, 2022, according to the Bank's standard, 144 contracts are accounted for, including 2 contracts with variable lease payments that depend on inflation indexation, and 2 contracts under which the monthly rent calculation depends on the US dollar exchange rate. When calculating lease obligations under contracts with variable lease payments, the latest officially published inflation index is used for future cash expenditures. The impact of a change in the inflation index on future expected lease obligations is insignificant.

Note 12. Other assets

Table 12.1. Other assets

(UAH, ths.)

		Notes	**31.12.2022**	**31.12.2021**
1	*Other financial assets*		*145 462*	*65 919*
1.1	Accounts receivable for transactions with payment cards		25 932	6 503
1.2	Monetary funds with limited right of use		93 727	49 981
1.3	Cash, the availability of which is unconfirmed		841	-
1.4	Accounts receivable for transactions with customers		4 906	6 249
1.5	Accounts receivable for transactions with banks		3 375	-
1.6	Accrued income from banking transactions		16 681	3 186
2	Provision for impairment of other financial assets		(8 018)	(1 082)
3	***Total other financial assets minus reserves***		***137 444***	***64 837***
4	*Other non-financial assets*		*124 150*	*137 091*
4.1	Accounts receivable for the purchase of assets and prepayment for services		14 581	28 137
4.2	Accounts receivable for business operations		1 454	1 653
4.3	Reserves		3 777	617
4.4	Property transferred to the bank as a pledge holder		104 338	106 684
5	Provision for impairment of other non-financial assets		(1 612)	(2 652)
6	***Total other non-financial assets minus reserves***		***122 538***	***134 439***
7	Total reserve for impairment of other assets		(9 630)	(3 734)
8	**Total other assets minus reserves**		**259 982**	**199 276**

The Bank refers to monetary funds with a limited right of use as amounts of cash coverage placed in JSC «PUMB», JSCB «KONKORD» and the National Bank of Ukraine to ensure settlements for transactions with payment cards, as well as funds in correspondent accounts of banks in other countries, on which restrictions have been imposed in accordance with NBU resolution No. 18 of 24.02.2022 and other legal acts in connection with the military aggression of the russian federation against Ukraine.

Table 12.2. Analysis of changes in the provision for impairment of other financial assets for 2022

(UAH, ths.)

	Reserve movement	Monetary funds with limited right of use	Cash, the availability of which is unconfirmed	Accrued income from banking transactions	Accounts receivable for transactions with customers	Accounts receivable for transactions with banks	Total
1	**Balance as at January 1, 2022**	**(409)**	**-**	**(556)**	**(117)**	**-**	**(1 082)**
2	(Increase)/decrease in the provision for impairment during the reporting period	(2 024)	(382)	(1 170)	-	(3 375)	(6 951)
3	Write-off of assets due to reserves	-	-	133	-	-	133
4	Exchange rate difference	(78)	-	-	(40)	-	(118)
5	**Balance as at December 31, 2022**	**(2 511)**	**(382)**	**(1 593)**	**(157)**	**(3 375)**	**(8 018)**

During 2022, bad debts written off against the reserve for other financial assets were repaid in the amount of 1 thousand UAH and bad debt for other financial assets, written off in previous reporting periods, in the amount of 1 thousand UAH which is reflected by reducing the net loss from the impairment of financial assets in the Statement of Profit and Loss and other comprehensive income..

Table 12.3. Analysis of changes in the provision for impairment of other financial assets for 2021

(UAH, ths.)

	Reserve movement	Monetary funds with limited right of use	Accrued income from banking transactions	Accounts receivable for transactions with customers	Total
1	**Balance as at January 1, 2021**	**(508)**	**(219)**	**(122)**	**(849)**
2	(Increase)/decrease in the provision for impairment during the reporting period	91	(337)	-	(246)
3	Exchange rate difference	8	-	5	13
4	**Balance as at December 31, 2021**	**(409)**	**(556)**	**(117)**	**(1 082)**

Table 12.4. Analysis of changes in the provision for impairment of other non-financial assets for 2022

(UAH, ths.)

	Reserve movement	Accounts receivable for the purchase of assets and prepayment for services	Accounts receivable for business operations	Total
1	**Balance as at January 1, 2022**	**(2 231)**	**(421)**	**(2 652)**
2	(Increase)/decrease in the provision for impairment during the reporting period	1 174	-	1 174
3	Write-off of assets due to reserves	9		9
4	Exchange rate difference	-	(143)	(143)

5	**Balance as at December 31, 2022**	**(1 048)**	**(564)**	**(1 612)**

Table 12.5. Analysis of changes in the provision for impairment of other non-financial assets for 2021

(UAH, ths.)

	Reserve movement	Accounts receivable for the purchase of assets and prepayment for services	Accounts receivable for business operations	Total
1	**Balance as at January 1, 2021**	**(601)**	**(436)**	**(1 037)**
2	(Increase)/decrease in the provision for impairment during the reporting period	(1 655)	-	(1 655)
3	Write-off of assets due to reserves	25	-	25
4	Exchange rate difference	-	15	15
5	**Balance as at December 31, 2021**	**(2 231)**	**(421)**	**(2 652)**

Table 12.6. Analysis of the credit quality of other financial assets as at December 31, 2022

(UAH, ths.)

		Accounts receivable for transactions with payment cards	Cash, the availability of which is unconfirmed	Monetary funds with limited right of use	Accounts receivable for transactions with customers	Accounts receivable for transactions with customers	Accounts receivable for transactions with banks	Total
1	Unexpired and unvalued debt:	25 932	-	100	4 749	-	12 202	42 983
1.1	Small companies	25 932	-	-	4 749	-	12 202	42 883
1.2	Indebtedness of financial institutions	-	-	100	-	-	-	100
2	Overdue but unvalued debt	-	-	-	-	-	3	3
3	Debt is impaired on a group basis:	-		-	-	-	1 091	1 091
3.1	with payment delay from 0 to 7 days	-		-	-	-	69	69
3.2	with a payment delay of 8 to 30 days	-		-	-	-	42	42
3.3	with payment delay from 31 to 60 days	-		-	-	-	130	130
3.4	with a payment delay of 61 to 80 days	-		-	-		75	75
	with a payment delay of 81 to 90 days	-		-	-	-	62	62
3.5	with a payment delay of more than 90 days	-		-	-		713	713
4	Debt is written down on an	-	841	93 627	157	3 375	3 385	101 385

	individual basis							
5	All other financial assets before deducting the reserve	25 932	841	93 727	4 906	3 375	16 681	145 462
6	Provision for impairment of other financial assets	-	(382)	(2 511)	(157)	(3 375)	(1 593)	(8 018)
7	**All other financial assets minus the reserve**	**25 932**	**459**	**91 216**	**4 749**	**-**	**15 088**	**137 444**

Table 12.7. Analysis of the credit quality of other financial assets as at December 31, 2021

(UAH, ths.)

		Accounts receivable for transactions with payment cards	**Monetary funds with limited right of use**	**Accounts receivable for transactions with customers**	**Accrued income from banking transactions**	**Total**
1	Unexpired and unvalued debt:	6 503	100	6 132	2 262	14 997
1.1	Small companies	6 503	-	6 132	2 262	14 897
1.2	Indebtedness of financial institutions	-	100	-	-	100
2	Overdue but unvalued debt	-	-	-	2	2
3	Debt is impaired on a group basis:	-	-	-	596	596
3.1	with payment delay from 0 to 7 days	-	-	-	45	45
3.2	with a payment delay of 8 to 30 days	-	-	-	10	10
3.3	with payment delay from 31 to 60 days	-	-	-	78	78
3.4	with a payment delay of 61 to 80 days	-	-	-	46	46
3.5	with a payment delay of more than 90 days	-	-	-	417	417
4	Debt is written down on an individual basis	-	49 881	117	326	50 324
5	All other financial assets before deducting the reserve	6 503	49 981	6 249	3 186	65 919
6	Provision for impairment of other financial assets	-	(409)	(117)	(556)	(1 082)
7	**All other financial assets minus the reserve**	**6 503**	**49 572**	**6 132**	**2 630**	**64 837**

Table 12.8. Property transferred to the bank as a pledge holder

(UAH, ths.)

		31.12.2022	**31.12.2021**
1	Real Estate	106 684	124 082
2	Revaluation of property	(2 346)	(17 398)
3	**All property that has passed into the ownership of the bank as a pledge**	**104 338**	**106 684**

holder

The property, which became the property of the Bank as a mortgagee, consists of four non-residential real estate objects (garages) with a total area of 76.1 sq.m. with an estimated value of 4 047 thousand UAH and two objects of residential real estate (apartments) with a total area of 395.5 sq.m. with an estimated value of 101 576 thousand UAH for which the Bank has levied foreclosure to repay the debt under the credit agreement.

According to the conclusions of independent valuation entities, the fair value of the property transferred to the Bank as a pledgee as of December 31, 2022 is 105 623 thousand UAH.

Note 13. Funds of banks

Table 13.1. Funds of banks

(UAH, ths.)

		31.12.2022	31.12.2021
1	Funds received from the National Bank of Ukraine	989 965	5 360 249
2	**Total funds of other banks**	**989 965**	**5 360 249**

To ensure the fulfillment of the Bank's obligations under the refinancing loans received from the National Bank of Ukraine, the Bank provided collateral in the form of a pool of OVDP, the book value of which as at December 31, 2022 1 289 747 is thousand UAH. (December 31, 2021: 6 212 252 thousand UAH).

Note 14. Customer funds

Table 14.1. Customer funds

(UAH, ths.)

		31.12.2022	31.12.2021
1	Other legal entities	7 085 701	7 149 250
1.1	Current accounts	6 625 383	4 770 082
1.2	Term funds	460 318	2 379 168
2	Individuals:	2 910 423	2 079 536
2.1	Current accounts	772 271	702 383
2.2	Term funds	2 138 152	1 377 153
3	**Total customer funds**	**9 996 124**	**9 228 786**

Accrued expenses for interest on current accounts and time deposits of legal entities in the amount of 3 229 thousand UAH are recorded as part of debt to customers. (December 31, 2021: 2 794 thousand UAH), and individuals in the amount of 15 643 thousand UAH (December 31, 2021: 10 947 thousand UAH).

Remaining funds with limited right of use (seized) amount to 9 598 thousand UAH.

Table 14.2. Distribution of customers' funds by types of economic activity

(UAH, ths.)

	Type of economic activity	31.12.2022		31.12.2021	
		amount	%	amount	%
1	Agriculture, forestry and fishing	52 984	0,53%	413 373	4,48%
2	Production of food products, beverages and tobacco products	71 890	0,72%	18 808	0,20%
3	Production of basic pharmaceutical products and pharmaceutical preparations	25 560	0,26%	10 276	0,11%

4	Production of rubber and plastic products, other non-metallic mineral products	128 441	1,28%	40 342	0,44%
5	Production of electrical equipment	123 430	1,23%	118 078	1,28%
6	Production of machines and equipment, not elsewhere specified or included	7 432	0,07%	18 291	0,20%
7	Production of vehicles	152 621	1,53%	88 108	0,96%
8	Supply of electricity, gas, steam and air conditioning	925 030	9,25%	670 253	7,26%
9	Construction	269 245	2,69%	441 277	4,78%
10	Transport, warehousing, postal and courier activities	147 861	1,48%	91 752	1,00%
11	Wholesale and retail trade; repair of motor vehicles and motorcycles	1 420 623	14,21%	767 057	8,31%
12	Publishing activity, radio broadcasting and television	3 239	0,03%	16 919	0,18%
13	Financial and insurance activities	497 476	4,98%	1 018 865	11,04%
14	Real estate transactions	160 936	1,61%	328 744	3,56%
15	Activities in the field of law, accounting, architecture and engineering, technical testing and research	80 091	0,80%	101 958	1,10%
16	Other professional, scientific and technical activities	829 295	8,30%	24 847	0,27%
17	Activities in the field of administrative and auxiliary services	59 852	0,60%	133 385	1,45%
18	Arts, entertainment and recreation	443 981	4,44%	169 662	1,84%
19	Non-resident legal entities	1 257 336	12,58%	2 377 940	25,77%
20	Individuals	2 910 423	29,12%	2 079 536	22,53%
21	Others	428 378	4,29%	299 315	3,24%
22	**Total customer funds:**	**9 996 124**	**100%**	**9 228 786**	**100%**

Table 14.3. Funds on customer accounts provided to secure liabilities under credit transactions

(UAH, ths.)

		31.12.2022	**31.12.2021**
1	Lending:	159 660	17 868
1.1	funds of individuals	24 715	16 818
1.2	funds of legal entities	134 945	1 050
2	Guarantees:	68 208	105 451
2.1	funds of legal entities	66 600	104 586
2.2	funds of individuals	1 608	865
3	Aval of the promissory note:	10 258	10 157
3.1	funds of legal entities	10 258	10 157
4	**Total**	**238 126**	**133 476**

Note 15. Reserves for liabilities

Table 15.1. Changes in reserves for liabilities in 2022

(UAH, ths.)

	Movement of reserves	Credit liabilities	Total
1	**Balance as at January 1, 2022**	**12 828**	**12 828**
2	Formation and/or increase of the reserve	(8 008)	(8 008)
3	**Balance as at December 31, 2022**	**4 820**	**4 820**

Table 15.2. Changes in reserves for liabilities in 2021

(UAH, ths.)

	Movement of reserves	Credit liabilities	Total
1	**Balance as at January 1, 2021**	**12 346**	**12 346**
2	Formation and/or increase of the reserve	482	482
3	**Balance as at December 31, 2021**	**12 828**	**12 828**

The bank formed reserves for credit liabilities, namely, liabilities for overdraft loans of individuals and legal entities, as well as for guarantees provided to corporate clients.

Note 16. Lease liabilities

Table 16.1. Lease liabilities

(UAH, ths.)

		31.12.2022	31.12.2021
1	Recognized lease liabilities	227 777	177 260
2	Accrued interest expenses on lease liabilities	2 600	1 329
3	**The book value of the lease liabilities at the end of the reporting period**	**230 377**	**178 589**

Using the principle of consistency, the Bank in the conditions of martial law in Ukraine, as well as during the pandemic (COVID-19), believes that lease concessions do not lead to the modification of the right-of-use asset, but only affect the reduction of the recognized lease obligations, provided IFRS 16 "Leases". The Bank recognizes the change in the amount of lease payments as "Other operating income" in the Statement of Profits and Losses. As of the end of the day on December 31, 2022, the rental concession is 21 243 thousand UAH (December 31, 2021: 922):

COVID-19	81 thousand UAH
martial law	21 162 thousand UAH

Note 17. Other liabilities

Table 17.1. Other liabilities

(UAH, ths.)

		31.12.2022	31.12.2021
1	***Other financial liabilities***	**70 302**	**99 189**
1.1	Accounts payable for transactions with customers	43 721	53 641
1.2	Accounts payable for transactions with payment cards	21 914	40 467
1.3	Accounts payable for off-balance sheet	4 404	4 644

	operations		
1.4	Accounts payable under leasing (rent)	185	15
1.5	Accrued expenses for bank transactions	78	422
2	***Other non-financial liabilities***	**41 615**	**40 478**
2.1	Accounts payable for settlements with bank employees	27 009	29 015
2.2	Deferred income	2 153	4 287
2.3	Accounts payable for taxes and duties other than income tax	8 267	5 407
2.4	Accounts payable for the purchase of assets	1 085	190
2.5	Accounts payable for services	3 101	1 579
3	**Total other liabilities**	**111 917**	**139 667**

Note 18. Statutory capital and emissive differences (share premium)

The Bank's registered and paid-up share capital as at December 31, 2022 is 284 540 thousand UAH (31.12.2021: 284 540 thousand UAH), it is divided into ordinary registered shares in the amount of 277 600 shares with a nominal value of 1 025 UAH each.

During the reporting period, there were no changes in the Bank's share capital. The share capital of the Bank is presented as follows:

(UAH, ths.)

		Number of shares in circulation (thousands of units)	**Ordinary shares**	**Total**
1	**Balance as at January 1, 2021**	**278**	**284 540**	**284 540**
2	**Balance as at December 31, 2021/ January 1, 2022**	**278**	**284 540**	**284 540**
3	**Balance as at December 31, 2022**	**278**	**284 540**	**284 540**

Note 19. Analysis of assets and liabilities by their maturity dates

(UAH, ths.)

			31.12.2022			31.12.2021		
		Notes	**Less than 12 months**	**More than 12 months**	**Total**	**Less than 12 months**	**More than 12 months**	**Total**
ASSETS								
1	Cash and cash equivalents	6	5 979 171	-	**5 979 171**	3 142 051	-	**3 142 051**
2	Loans and debts of customers	7	787 184	192 831	**980 015**	1 053 909	440 948	**1 494 857**
3	Investments in securities	8	2 590 625	1 478 247	**4 068 872**	7 055 182	3 136 743	**10 191 925**
4	Investment property	9	-	6 207	**6 207**	-	6 260	**6 260**
5	Current income tax receivable		1 198	-	**1 198**	-	-	-
6	Deferred tax asset	25	5 639	-	**5 639**	3 576	-	**3 576**
7	Fixed assets and intangible assets	10	-	193 730	**193 730**	-	105 201	**105 201**
8	Right-of-use assets	11	-	219 599	**219 599**	-	173 994	**173 994**
9	Other assets	12	155 644	104 338	**259 982**	92 592	106 684	**199 276**
10	**Total assets**		**9 519 461**	**2 194 952**	**11 714 413**	**11 347 310**	**3 969 830**	**15 317 140**
LIABILITIES								
11	Bank funds	13	-	989 965	**989 965**	-	5 360 249	**5 360 249**
12	Customer funds	14	9 985 859	10 265	**9 996 124**	9 218 631	10 155	**9 228 786**
13	Current income tax liability		-	-	**-**	9 507	-	**9 507**
14	Provisions for liabilities	15	4 511	309	**4 820**	12 007	821	**12 828**
15	Lease obligations	16	54 368	176 009	**230 377**	38 890	139 699	**178 589**
16	Other liabilities	17	111 303	614	**111 917**	139 667	-	**139 667**
17	**Total liabilities**		**10 156 041**	**1 177 162**	**11 333 203**	**9 418 702**	**5 510 924**	**14 929 626**

Note 20. Interest income and expenses

(UAH, ths.)

		2022	2021
	INTEREST INCOME CALCULATED AT THE EFFECTIVE INTEREST RATE		
	Interest income on financial assets that are accounted for at amortized cost:		
1	Loans and debts of customers	281 272	370 608
2	Deposit certificates of the NBU	258 932	32 589
3	Debt securities	880 257	683 570
4	Funds in other banks	279	2 372
5	Correspondent accounts in other banks	126	398
6	**Total interest income on financial assets that are accounted for at amortized cost**	**1 420 866**	**1 089 537**
	Interest income on financial assets that are accounted for at fair value through other comprehensive income		
7	Debt securities	3 267	1 648
8	Total interest income on financial assets that are accounted for at fair value through other comprehensive income	3 267	1 648
9	**Total interest income calculated at the effective interest rate**	**1 424 133**	**1 091 185**
10	**Total interest income**	**1 424 133**	**1 091 185**
	INTEREST EXPENSES CALCULATED AT THE EFFECTIVE INTEREST RATE		
	Interest expense on financial liabilities that are accounted for at amortized cost		
11	Term funds of legal entities	(25 978)	(25 408)
12	Term funds of individuals	(107 736)	(96 868)
13	Term funds of other banks	(638 832)	(327 451)
14	Current accounts	(214 145)	(63 172)
15	Others	(2 171)	(8 700)
16	**Total interest expense calculated at the effective interest rate**	**(988 862)**	**(521 599)**
17	Lease obligations	(24 852)	(18 905)
18	**Total interest expenses**	**(1 013 714)**	**(540 504)**
19	**Net interest income/(expenses)**	**410 419**	**550 681**

Note 21. Commission income and expenses

(UAH, ths.)

		2022	2021
COMISSION INCOME:			
1	Settlement and cash transactions	437 566	344 998
2	Credit service	3 103	6 525
3	For operations on the foreign exchange market	86 785	70 211
4	Provided guarantees	10 546	16 681
5	Others	1 147	1 451
6	**Total commission income**	**539 147**	**439 866**
COMISSION EXPENSES:			
7	Settlement and cash transactions	(46 047)	(41 313)
8	Settlement bank services for PC operations	(11 475)	(11 921)
9	Others	(2 794)	(1 512)
10	**Total commission expenses**	**(60 316)**	**(54 746)**
11	**Net commission income/expenses**	**478 831**	**385 120**

Note 22. Other operating income

(UAH, ths.)

		2022	2021
1	Income from operating leasing (rent) *including income from the rental of investment real estate*	2 185 *224*	2 040 *245*
2	Income from sublease	563	1 090
3	Income from agency agreements	527	893
4	Income from disposal of fixed assets and intangible assets	-	106
5	Income from the sale of mortgaged property	-	2
6	Revaluation (depreciation) of the right-of-use asset and the lease obligation, *including lease concession*	25 177 *21 243*	6 069 *922*
7	Income from derecognition of financial liabilities that are accounted for at amortized cost	653	2 247
8	Fines, penalties for credit transactions	2 315	-
9	Others	660	707
10	**Total operating income**	**32 080**	**13 154**

Note 23. Administrative and other operating expenses

Table 23.1. Expenses and employee benefits

(UAH, ths.)

		2022	2021
1	Salary and bonuses	443 781	359 177
2	Charges to the wage fund	70 137	50 340
3	Other payments to employees	4 422	1 797
4	**Total expenses for maintaining staff**	**518 340**	**411 314**

Table 23.2. Depreciation expenses

(UAH, ths.)

		2022	2021
1	Depreciation of fixed assets	25 737	16 963
2	Depreciation of software and intangible assets	4 378	3 437
3	Depreciation of the right-of-use asset	49 665	34 679
4	**Total depreciation expenses**	**79 780**	**55 079**

Table 23.3. Other administrative and other operating expenses

(UAH, ths.)

		2022	2021
1	Expenses for maintenance of fixed assets and intangible assets, telecommunications and other operational services	66 032	26 993
2	Expenses for operational leasing (rent)	7 494	2 199
3	Professional services	2 280	4 907
4	Marketing and advertising expenses	8 255	3 106
5	Insurance costs	35 269	43 921
6	Security costs	11 894	2 531
7	Payment of other taxes and mandatory payments, except for income tax	20 092	18 059
8	Business expenses	11 293	7 614
9	Expenses for communal services	13 335	7 478
10	Costs for collection and transportation of valuables	985	7 994
11	Depreciation of the property transferred to the bank as a mortgagee	2 372	17 398
12	Expenses under agency agreements	44 245	23 405
13	Royalty	3 116	3 662
14	Expenses from the modification of financial assets	13 592	-
15	Fines	169	33
16	Lease concession	1 264	1
17	Impairment losses due to financial results	14 464	-
18	Other expenses	3 392	6 777
19	**Total administrative and other operating expenses**	**259 543**	**176 078**

Note 24. Income tax expense

Table 24.1. Income tax expenses

(UAH, ths.)

		2022	2021
1	Current income tax	2 084	16 328
2	Change in deferred income tax related to:	(1 959)	(467)
2.1	arising or writing off temporary differences	(1 959)	(467)
3	**Total income tax expense**	**125**	**15 861**

Table 24.2. Reconciliation of the amount of accounting profit (loss) and the amount of tax profit (loss)

(UAH, ths.)

		2022	2021
1	Profit before taxation	(5 542)	85 867
2	Theoretical tax deductions at the relevant tax rate	(998)	15 456
ADJUSTMENT OF ACCOUNTING PROFIT (LOSS):			
3	The impact of expenses that are not included in the amount of expenses for the purpose of calculating tax profit, but are recognized in accounting	7 693	2 651
4	The impact of expenses that are included in the amount of expenses for the purpose of calculating tax profit, but are not recognized in accounting	(4 611)	(1 779)
5	**Amount of income tax (loss)**	**2 084**	**16 328**

Table 24.3. Tax Consequences of Recognizing Deferred Tax Assets and Deferred Tax Liabilities for 2022

(UAH, ths.)

		Balance as at 01.01.2022	Recognized in earnings/ losses	Recognized in earnings/ losses	Balance as at 31.12.2022
1	Tax impact of temporary differences that reduce (increase) the amount of taxation and tax losses carried forward for future periods	3 576	1 959	104	5 639
1.1	Fixed assets and intangible assets	710	3 343	-	4 053
1.2	Other assets	542	57	-	599
1.3	Other liabilities	2 309	(1 441)	-	868
1.4	Revaluation of securities at fair value with revaluation through other comprehensive income	15	-	104	119
2	**Net deferred tax asset (liability)**	**3 576**	**1 959**	**104**	**5 639**
3	**A recognized deferred tax asset**	**3 576**	**1 959**	**104**	**5 639**

Table 24.4. Tax Consequences of Recognizing Deferred Tax Assets and Deferred Tax Liabilities for 2021

(UAH, ths.)

		Balance as at 01.01.2021	**Recognized in earnings/ losses**	**Recognized in earnings/ losses**	**Balance as at 31.12.2021**
1	Tax impact of temporary differences that reduce (increase) the amount of taxation and tax losses carried forward for future periods	3 105	467	4	3 576
1.1	Fixed assets and intangible assets	626	84	-	710
1.2	Other assets	243	299	-	542
1.3	Other liabilities	2 225	84	-	2 309
1.4	Revaluation of securities at fair value with revaluation through other comprehensive income	11	-	4	15
2	**Net deferred tax asset (liability)**	**3 105**	**467**	**4**	**3 576**
3	**A recognized deferred tax asset**	**3 105**	**467**	**4**	**3 576**

Note 25. Profit/(loss) per ordinary share

Table 25.1. Net and adjusted earnings/(loss) per ordinary share

(UAH, ths.)

		2022	**2021**
1	Profit belonging to the owners of ordinary shares of the bank	(5 667)	70 006
2	Profit for the reporting period	(5 667)	70 006
3	Average annual number of ordinary shares in circulation (thousands)*	278	278
4	**Net and adjusted profit per common share (in hryvnias per share)**	**(20,41)**	**252,18**

* During 2022, the average annual number of ordinary shares in circulation was 277 600 units.

The bank has no dilutive potential ordinary shares, so the net profit indicator does not differ from the adjusted profit indicator.

Note 26. Operating segments

Information by operating segments:

A segment is a separable component of a bank that provides products or services (operating segment) or is engaged in providing products or services in a separate economic region (geographic segment) and is subject to risks and provides returns different from those inherent in other segments. Information on segments that receive most of their income from third parties and whose income, performance or assets are at least ten percent of all segments is presented separately from other segments.

Within this financial statement, the bank did not display geographical segments, as the bank does not operate outside of Ukraine.

The main format of presentation of information by segments of the bank's activity is presentation of information by operational segments.

The Bank conducts its activities in the following main operating segments:

- Services to clients - individuals - provision of banking services to private clients: maintaining current accounts of individuals, including using payment cards, accepting deposits, safekeeping services, providing loans.

- Servicing of corporate clients – settlement and cash operations on current accounts of legal entities and individual entrepreneurs, acceptance of deposits, provision of overdrafts, loans and other lending services, foreign currency operations, etc.
- Transactions with banks - opening and maintenance of bank correspondent accounts, transactions on the purchase and sale of cash and non-cash foreign currency at the Ministry of Foreign Affairs, transactions on placement (attraction) of funds, purchase and sale of state and other securities from banks, cash collection services, etc.

Assets of a reporting segment are recognized as assets that are used to perform normal activities and that can be directly attributed to this segment or reasonably allocated to this segment. Segment assets do not include income tax assets.

Segment liabilities are liabilities arising from the ordinary activities of the segment that are directly attributable to the segment or can be reasonably allocated to the segment. Segment liabilities do not include income tax liabilities.

Presentation of segment information is based on the method of accrual of income and expenses, as this approach is used in management accounting.

Table 26.1. Revenues, expenses and results of reporting segments for 2022

(UAH, ths.)

		The name of the reporting segments			**Other segments and operations**	**Total**
		Services to corporate clients	**Services to individuals**	**Services to banks**	**Unallocated**	
1	Interest income	180 354	100 918	1 142 861	-	1 424 133
2	Interest expenses	(238 736)	(111 316)	(639 675)	(23 987)	(1 013 714)
3	Transfer	608 991	136 930	(745 921)	-	-
4	**Net interest income**	**550 609**	**126 532**	**(242 735)**	**(23 987)**	**410 419**
5	Commission income	226 672	145 227	167 248	-	539 147
6	Commission costs	(14 171)	(30 931)	(15 214)	-	(60 316)
7	Other operating income	1 305	2 386	720	27 669	32 080
8	Net profit/(loss) from operations with derivative financial instruments	-	-	(39 014)	-	(39 014)
10	Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income	-	99 227	67 873	-	167 100
11	Net profit/(loss) from transactions with foreign currency	-	107	102 376	-	102 483
12	Net gain/(loss) from foreign currency revaluation	-	-	-	(53)	(53)
13	Net profit/(loss) from revaluation of investment real estate objects	(285 292)	(17 403)	(4 750)	(1 589)	(309 034)
14	Net loss from impairment of financial assets	7 846	162	-	-	8 008
15	Net loss/(gain) from increase/(decrease) in provisions for liabilities	654	470	177	-	1 301
16	Net gain/(loss) on derecognition of financial assets carried at amortized cost	(53 380)	(272 327)	(192 633)	-	(518 340)
17	Expenses for employee benefits	-	-	-	(79 780)	(79 780)
18	Depreciation and amortization	(71 043)	(78 312)	(110 188)	-	(259 543)

19	**SEGMENT RESULT: Profit before tax**	**363 200**	**(24 862)**	**(266 140)**	**(77 740)**	**(5 542)**

Table 26.2. Revenues, expenses and results of reporting segments for 2021

(UAH, ths.)

		The name of the reporting segments			**Other segments and operations**	**Total**
		Services to corporate clients	**Services to individuals**	**Services to banks**	**Unallocated**	
1	Interest income	235 010	135 598	720 577	-	1 091 185
2	Interest expenses	(88 878)	(105 270)	(327 451)	(18 905)	(540 504)
3	Transfer	101 770	88 443	(190 213)	-	-
4	**Net interest income**	**247 902**	**118 771**	**202 913**	**(18 905)**	**550 681**
5	Commission income	229 549	203 020	7 297	-	439 866
6	Commission costs	(13 844)	(34 548)	(6 354)	-	(54 746)
7	Other operating income	3 257	2 122	119	7 656	13 154
8	Net profit/(loss) from operations with derivative financial instruments	-	-	(3 669)	-	(3 669)
9	Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income	-	-	5	-	5
10	Net profit/(loss) from transactions with foreign currency	-	55 506	67 478	-	122 984
11	Net gain/(loss) from foreign currency revaluation	-	(3 851)	2 108	-	(1 743)
12	Net profit/(loss) from revaluation of investment real estate objects	-	-	-	(47 372)	(47 372)
13	Net loss from impairment of financial assets	(280 958)	(7 651)	(4 322)	(331)	(293 262)
14	Net loss/(gain) from increase/(decrease) in provisions for liabilities	(181)	(301)	-	-	(482)
15	Net gain/(loss) on derecognition of financial assets carried at amortized cost	1 205	1 645	72	-	2 922
16	Expenses for employee benefits	(82 662)	(292 803)	(35 849)	-	(411 314)
17	Depreciation and amortization	-	-	-	(55 079)	(55 079)
18	Other administrative and other operating expenses	(51 545)	(108 345)	(16 188)	-	(176 078)
19	**SEGMENT RESULT: Profit before tax**	**52 723**	**(66 435)**	**213 610**	**(114 031)**	**85 867**

Table 26.3. Assets and liabilities of reporting segments as at December 31, 2022

(UAH, ths.)

	The name of the reporting segments			**Other segments and operations / Unallocated**	**Total**
	Services to corporate clients	**Services to individuals**	**Services to banks**		

SEGMENT ASSETS						
1	Segment assets	758 278	221 737	8 619 791	2 114 607	11 714 413
2	**Total assets**	**758 278**	**221 737**	**8 619 791**	**2 114 607**	**11 714 413**
SEGMENT LIABILITIES						
3	Segment liabilities	7 089 819	2 911 125	989 965	342 294	11 333 203
4	**Total liabilities**	**7 089 819**	**2 911 125**	**989 965**	**342 294**	**11 333 203**

Table 26.4. Assets and liabilities of reporting segments as at December 31, 2021

(UAH, ths.)

		The name of the reporting segments			Other segments and operations / Unallocated	Total
		Services to corporate clients	**Services to individuals**	**Services to banks**		
SEGMENT ASSETS						
1	Segment assets	1 119 395	375 462	12 445 845	1 376 438	15 317 140
2	**Total assets**	**1 119 395**	**375 462**	**12 445 845**	**1 376 438**	**15 317 140**
SEGMENT LIABILITIES						
3	Segment liabilities	7 161 214	2 080 400	5 360 249	327 763	14 929 626
4	**Total liabilities**	**7 161 214**	**2 080 400**	**5 360 249**	**327 763**	**14 929 626**

Note 27. Financial risk management

In «CB «ACCORDBANK» PuJSC has been created a risk management system that corresponds to the size, business model, scale of operations, types, and complexity of the bank's operations and provides detection, measurement (estimation), monitoring, reporting, control and mitigation of all significant bank risks in order to determine the amount of capital required by the bank to cover all significant risks inherent in its activities.

The process of risk management consists in identifying (identifying) risks, assessing their magnitude, controlling risk positions, as well as continuous monitoring of risks to ensure timely response in view of their dynamics.

Risk management in the Bank is based on the following basic principles:

- efficiency – ensuring an objective assessment of the size of the bank's risks and the completeness of risk management measures with optimal use of financial resources, personnel and information systems for the bank's risk management;
- timeliness – ensuring timely (at an early stage) detection, measurement, monitoring, control, reporting and mitigation of all types of risks at all organizational levels;
- structuredness – a clear distribution of functions, responsibilities and risk management powers between all structural units and employees of the bank, and their responsibilities in accordance with such distribution;
- segregation of duties (separation of the control function from the execution of bank operations) – avoiding a situation in which the same person carries out bank operations and performs control functions;
- versatility and comprehensiveness – coverage of all types of bank activity at all organizational levels and in all its structural divisions, assessment of the mutual impact of risks;
- proportionality – compliance of the risk management system with the bank's business model, its systemic importance, as well as the level of complexity of operations carried out by the bank;
- independence – freedom from circumstances that pose a threat to the impartial performance of the risk management unit and the compliance control unit of their functions;

- confidentiality – restricting access to information that must be protected from unauthorized access;
- transparency – disclosure by the bank of information on the risk management system and risk profile.

The internal regulatory framework for risk management, which meets internal and external requirements for modern risk management, is based on domestic and foreign practice and is constantly updated. The main task of the internal regulatory framework for risk management is the formation of a methodological basis for the implementation of risk management in the Bank.

The organizational structure of the Bank's risk management system is based on the division of responsibilities between the Bank's divisions using the model of three lines of protection:

1) **on the first line of defense** are the bank's business units and support units. They are the owners of all risks arising in the area of their responsibility. These divisions are responsible for identifying and assessing risks, taking management measures and reporting on such risks;

2) **on the second line of defense**, the Department of Risk Management and the Department of Control over Observance of Norms (Compliance), which manage risks;

3) **on the third line of defense**, the Internal Audit Office assesses the effectiveness of the risk management system by units of the first and second levels of protection.

The organizational structure of the risk management system in the Bank is defined in the internal document «Regulations on the organizational structure of the risk management system of «CB «ACCORDBANK» PuJSC, which defines the distribution of functions, responsibilities and powers of risk management between all subjects of the risk management system and other employees Bank, and the order of interaction between them.

The system of identification and assessment of certain types of risks assumed by the Bank is based on uniform principles for certain types of risks and modern risk assessment methodology. The main task of the system of identification and assessment of certain types of risks is to ensure timely detection of risks and assessment of their level as an information base for making management decisions regarding risk management. The system includes methods and procedures for identification and assessment of certain types of risks, methods of stress testing of certain types of risks.

The Bank carries out a comprehensive assessment of the following significant types of risks inherent in its activities:

- credit risk;
- liquidity risk;
- interest rate risk of the bank book;
- market risk;
- operational risk;
- compliance risk;
- strategic risk.

A system of risk reporting, control and monitoring, the main tasks of which are:

- regularly informing the Bank's management about the level of risks;
- determination of the Bank's tolerance levels for certain types of risks, which is expressed in the establishment of a system of normative values of indicators or their limits, and their constant updating;
- ensuring compliance with internal risk regulations and NBU regulations through appropriate risk control and monitoring mechanisms.

Limits are set and the departments responsible for their implementation are determined at the ALMC meeting based on the proposals of the Risk Management Department. Approval of these limits is carried out at the meeting of the Supervisory Board of the Bank at the request of the Committee of the Supervisory Board on Risk Management.

Risk management is the basis of banking business and an essential component of banking operations. The main risks inherent in the Bank's operations are risks related to granting loans, liquidity, market fluctuations of interest rates and exchange rates, as well as operational risks.

Credit risk

As the main risk, the Bank identifies and accepts credit risk, namely the risk of the Bank incurring losses as a result of non-performance, untimely or incomplete performance by the debtor/counterparty of financial obligations to the Bank in accordance with the terms of the contract. Credit risk in the Bank is determined and managed on the basis of internal bank provisions, credit risk assessment models, including those developed in accordance with the standards of the Basel Committee on Banking Supervision, in accordance with the requirements of NBU Board Resolution No. 351 (Basel II standards), NBU Board Resolution No. 64 , Resolutions of the Board of the NBU No. 97.

The Bank's credit risk management involves the Supervisory Board, the Supervisory Board Committee on Risk Management, the Management Board, the Asset and Liability Management Committee, the Credit Committee, the Risk Management Department, the Internal Audit Department, the Treasury Operations Department, the Credit Department, the Corporate Products Department and service, the Department of Card

Business Development and Consumer Credit, the Department of Investment Business, the Department of Security, the Department of Financial Monitoring, units responsible for accounting and reporting.

The credit risk management system is governed by the Bank's Credit Risk Management Policy, the Regulation on the Procedure for Calculation of the Amount of Credit Risk Based on Active Banking Operations, the Methodology for Assessing the Bank's Financial Status and Determining the Class of the Bank's Debtor (Counterparty), the Bank's Collateral Property Management Policy and other internal bank documents.

During credit risk management, the Bank:

- calculates the amount of credit risk by assets on an individual and group basis;
- determines the value of each of the credit risk components (PD, LGD and EAD);
- determines quantitative indicators of risk appetite for credit risk;
- measures the risk of concentration;
- establishes credit acceptance criteria;
- establishes the value of credit risk limits;
- applies internal control mechanisms;
- defines a clear process of making credit decisions, taking into account the powers of collegial bodies to make relevant decisions;
- determines the list of documents and information necessary for making credit decisions;
- creates documentation for each credit decision;
- grants loans to persons associated with the Bank on terms that do not differ from the terms of granting such types of loans to other persons;
- does not involve members of the Supervisory Board of the Bank or collegial bodies who have the right to make a credit decision, but who are related persons to the borrower, in the approval of the decision on granting loans.

The Bank's credit risk management process is continuous and based on the following principles:

- compliance with credit risk standards established by the National Bank of Ukraine;
- distribution of functions and responsibilities for risk management;
- formation of reporting on credit risk on an ongoing basis;
- establishment of normative values of risk indicators and regular monitoring of their compliance;
- regularity of revision of credit risk standards (at least once a year);
- regularity of informing the bank's management about the level of credit risk;
- development of a system for estimating and forecasting expected credit losses (NBU Resolution No. 351), formation of necessary reserves for expected credit losses (IFRS);
- regularity of stress testing of the credit portfolio.

When managing credit risk, the Bank is guided by the following approaches:

- when assessing credit risk, it is divided into individual and portfolio;
- a separate analysis of the risk of concentration of assets;
- analytical validity of decisions on granting loans;
- adequacy of the information base for adequate administration and monitoring of loans;
- proper work with problem assets.

The bank uses the following credit risk management methods:

- risk prevention as a method of credit risk management allows you to protect yourself from possible random events by taking preventive actions;
- risk identification – recognition and understanding of existing risks or risks that may arise in connection with new business initiatives;
- risk measurement is the basis for risk control and monitoring. Risk assessment tools must be adequate to the complexity and level of risks assumed by the bank;
- risk control is carried out by establishing restrictions and bringing them to the executors by means of provisions, standards and/or procedures that determine the duties and powers of employees;
- risk monitoring to ensure timely tracking of risk levels and exceptions to certain rules.

The maximum indicators of credit risk for the articles of the Statement of Financial Position are reflected as accurately as possible in their book value:

(UAH, ths.)

	31.12.2022	**31.12.2021**
Financial statement		
Balances on bank accounts at the NBU and banks	**4 465 955**	**2 211 327**
Customer credits and debts	**1 769 062**	**1 974 916**

Investments in securities	**4 068 872**	**10 191 925**
Other financial assets	**145 462**	**65 919**
	10 449 351	**14 444 087**
Off-balance sheet items		
Credit liabilities	**1 127 063**	**1 438 463**

In order to control the level of portfolio credit risk, the bank has established internal limits for the structure of the loan portfolio, the quality of the loan portfolio, the structure of collateral for loans, the structure of lending industries, and others. As at December 31, 2022, their actual values are as follows:

	Limit value	**31.12.2022**	**31.12.2021**
1. Limits of the credit portfolio structure			
- specific weight of overdrafts in the loan portfolio	**< 20%**	**13,47%**	**16,59%**
- specific weight of the provided guarantees in the loan portfolio	**< 25%**	**19,53%**	**19,43%**
2. Credit portfolio quality limits			
– the share of expected losses (losses) on active banking operations due to the realization of credit risk	**< 30%**	**28,50%**	**15,5%**
– the share of negatively classified assets (NPA) in the loan portfolio	**< 20%**	**28,64%**	**13,4%**
– the maximum volume of NPA in % of the corresponding portfolio of loans in terms of types of economic activity	**No limit**	**100,00%**	**100,0%**
3. Limits of the loan collateral structure			
– specific weight of blank loans in the Bank's loan portfolio	**< 55%**	**46,20%**	**53,33%**
– including the specific weight of blank loans of **legal entities** in the Bank's loan portfolio	**< 30%**	**31,45%**	**35,67%**
– including the specific weight of blank loans of **individuals** in the Bank's loan portfolio	**< 25%**	**14,75%**	**17,66%**
–the specific weight of loans with collateral in the form of goods in circulation	**< 30%**	**1,95%**	**0,00%**
– specific weight of loans secured by movable property	**< 40%**	**17,02%**	**20,30%**
– specific weight of loans secured by real estate	**< 80%**	**28,81%**	**25,58%**
4. Concentration limits by branch structure of the credit portfolio			
– the specific weight of loans to trade enterprises in the Bank's loan portfolio	**< 40%**	**32,31%**	**39,9%**
– specific weight of loans to construction enterprises in the Bank's loan portfolio	**< 15%**	**4,04%**	**3,4%**
– the specific weight of loans to industrial enterprises in the Bank's loan portfolio	**< 40%**	**18,68%**	**17,7%**
– specific weight of loans to individuals in the Bank's loan portfolio	**<30%**	**15,78%**	**18,5%**
– the maximum volume of geographical concentration of the loan portfolio as a percentage of the total volume of the loan portfolio	**<15% CP (except Kyiv)**	**3,72%**	**4,3%**
5. Limits of maximum credit risk of borrowers			
– the maximum risk for one borrower or a group of related borrowers	**< 25% RC**	**20,71%**	**16,6%**
- the maximum volume of large loans	**< 300% RC**	**126,99%**	**174,5%**
– the total maximum risk of borrowers associated with the Bank	**< 25% RC**	**3,75%**	**6,5%**
– the maximum amount of debt for one debtor/group of related counterparties, in % of the total amount of the	**< 7% CP**	**4,82%**	**4,0%**

loan portfolio			
- the maximum volume of the loan portfolio by loan products as a percentage of the total volume of the loan portfolio	**No limit**	**81,70%**	**77,0%**
6. Limits of active investments			
– the share of the portfolio of securities in assets (except for government securities and certificates of deposit of the NBU)	**< 10%**	**0,0%**	**0,9%**
– the share of receivables in assets	**< 5%**	**0,3%**	**0,2%**

As at December 31, 2022, the values of the main economic standards (according to accounting data without taking into account annual corrective postings) were:

- H7 (the norm of the maximum amount of credit risk per counterparty) was 20,71% (2021: 16.57%), with a norm not higher than 25%;
- H8 (the norm of large credit risks) was 126,99% (2021: 174.5%), with a norm not higher than 800%.
- H9 (the norm of the maximum amount of credit risk for transactions with persons related to the bank) was 3,75% (2021: 6.5%), with a norm not higher than 25% of the regulatory capital

Among the methods of credit risk coverage, the Bank uses the following in its activities - obtaining security (collateral/mortgage, cash coverage, sureties).

As at December 31, 2022, provision for the total amount of 2 271 755 thousand UAH is recorded on off-balance sheet accounts. (2021: 2 479 602 thousand UAH)

In accordance with the requirements of internal bank regulatory documents, in order to implement a comprehensive system for working with collateral/mortgage, the following measures are implemented:

- assessment of the market (fair) value of collateral at the stage of making a decision regarding the implementation of an active transaction;
- registration of bank encumbrances on mortgaged property in relevant state registers;
- periodic revaluation of the market value of the pledge/mortgage on a periodic basis;
- monitoring the availability and condition of the property before making a decision on the implementation of an active operation and during the entire period of lending on a periodic basis;
- property insurance in an insurance company accredited by the bank for the term and conditions agreed by the bank.

Work with pledged property must comply with the following principles:

- the principle of unimpeded recovery;
- the principle of fair assessment;
- the principle of preservation;
- the principle of availability;
- the principle of proper protection of the bank's interests as a creditor.

The limits of the loan collateral structure have been established and are being followed. In particular, as of December 31, 2022, the specific weight of loans secured by movable property is (2021: 20.3%), subject to a limit of no more than 40%; the specific weight of loans secured by real estate - 28.8% (2021: 25.6%), with a limit of no more than 80%; the specific weight of blank loans in the Bank's loan portfolio is 53.5% (2021: 61.3%).

The main principles and conditions of acceptance, assessment, reassessment and monitoring of property offered (accepted) to support active operations in the bank are regulated by the Policy on Pledged Property Management of «CB «ACCORDBANK» PuJSC.

Credit quality by asset class related to credit-related statement of financial position items based on external ratings and the Bank's credit rating system is disclosed in Notes 6 and 7.

The Bank estimates expected credit losses on a financial instrument in a way that reflects: an objective and probability-weighted amount determined by evaluating a certain range of possible outcomes, taking into account the time value of money, contains reasonably necessary and verifiable information about past events, current conditions and forecasts of future economic conditions that can be obtained without undue cost or effort as at the reporting date.

In 2021, the global economy, the economy of Ukraine, and the banking sector of Ukraine, in particular, were affected by the COVID-19 pandemic. The spread of the new strain of Omicron held back the growth of the world economy. There was a significant reduction in production volumes, a deterioration in the conditions of cooperation between business entities, a reduction in profits, an increase in the unemployment rate, as well as a loss of income by individual entrepreneurs. Despite the state quarantine restrictions introduced to prevent the spread of the pandemic, and inflationary pressure, during 2021, the economy of Ukraine showed growth of approximately 3.2% of real GDP, which was the result of the country's economy adapting to new challenges. At the beginning of 2022, economic growth continued.

Under the guise of military exercises in January - February 2022, russian troops and military equipment were pulled to the borders with Ukraine, and on February 24, 2022, the terrorist country launched an armed invasion of Ukraine, which led to a full-scale war throughout Ukraine. Many Ukrainian settlements suffered significant damage due to constant rocket attacks and artillery shelling, as a result of which thousands of people were killed and thousands more were damaged. The fighting led to significant destruction of infrastructure, forced displacement of a large number of people and disruption of economic activity in Ukraine. All ports in the Black Sea ceased to work, and export operations through seaports were completely suspended. Transportation of goods to and from Ukraine was carried out by rail and trucks. Airports, many roads and bridges were closed, damaged or destroyed, further damaging transportation and logistics processes.

On February 24, 2022, martial law was introduced in Ukraine by Presidential Decree. Since the beginning of the war, the Verkhovna Rada, the Government and the NBU have introduced a set of temporary anti-crisis measures and launched an intensive campaign to establish cooperation with a number of international organizations and governments of other countries to obtain financial, military, political and informational support for Ukraine and strengthen financial sanctions and political isolation of russia and belarus, from whose territory shelling of Ukraine was also carried out. The situation remains unstable and further developments are uncertain. The country's economy has suffered serious consequences. The government has introduced a number of emergency measures to stabilize the economy.

In 2022, according to the NBU, the decline in real GDP was 29.1% in annual terms. This is the deepest annual economic decline in the history of Ukraine. After a significant fall at the beginning of the war, Ukraine's economy gradually began to recover due to the liberation of the occupied territories, the adaptation of enterprises and households to the conditions of war, the development of logistics ties, and the improvement of business and consumer sentiment. The Ukrainian government receives funding and donor contributions from international organizations, including individual countries, and charitable contributions to support financial stability, social benefits and military needs.

Expected credit losses are measured by the Bank based on the risk of default according to one of two-time horizons, depending on whether the borrower's credit risk has significantly increased since the initial recognition of the financial asset. Expected credit losses (valuation allowance) for those financial assets whose credit risks have not significantly increased since initial recognition (the first stage of impairment, **«Stage 1»**) are based on 12-month expected credit losses. Expected credit losses (estimation reserve) for such financial assets that have experienced a significant increase in credit risk («Stage 2» and «Stage 3») are based on expected credit losses during the entire life of the financial asset.

Stage 2 – Financial instruments with a significant increase in credit risk, but without signs of default, on which credit losses are calculated for the entire term of their validity;

Stage 3 – Financial instruments in default, based on which expected credit losses are calculated for the entire term of their validity (including credit-impaired financial assets - **ROSI** from Eng. "purchased or originated credit-impaired assets").

The bank defines the risk of a financial asset as low if the debtor-counterparty has a high ability to fulfill its contractual obligations in the short term, the probability of changes (including objective and subjective) that will negatively affect the received cash flows, is assessed as not having a clearly expressed character, while the risk of default is low.

Signs indicating a significant increase in credit risk, and at the same time a condition for transition to Stage 2, are:

- restructuring (except for financial restructuring) of the debt of the counterparty debtor, related to the debtor's financial difficulties, including carried out without complying with the requirement regarding the previous full repayment of credit debt on the date of restructuring. Restructuring related to the extension of the general credit term (does not apply to individual tranches), reduction of the interest rate by more than 15% of the original rate;
- the presence of overdue debt on a financial asset: 31 or more calendar days for debtors – legal entities (except banks) and individuals, 5 or more calendar days for debtor banks;
- presence of negative dynamics of financial performance indicators of debtors - legal entities (except banks). Such indicators, in particular, should include the presence of a loss (or a negative EBIDTA value), the absence of "net" income on the accounts of debtors - legal entities (except banks) and individual entrepreneurs, or their insignificant amount (does not exceed 1.5 times the amount credit debt; the total amount of "net" income is calculated for the 12 calendar months preceding the calculation), etc.;
- assignment of the counterparty debtor to classes 9-10 (debtors - legal entities, except for banks, budgetary institutions and legal entities - debtors under a loan for an investment project) / to classes 4-5 (other debtors) in accordance with Regulation 351 (as amended and additions) and internal bank regulatory documents on credit risk assessment, taking into account the possibility of a situation where, based on the results of the assessment/reassessment, the class determined by the bank for one debtor for

several financial assets differs (change for one of the assets). At the same time, the bank determines the class of such a debtor/counterparty based on the lowest (worst) of them for all financial assets – credit risk growth;

- a significant decrease in the value of the provided security during the period of existence of the financial asset and/or the presence of other encumbrances (except for the Bank's encumbrances) on the security during the period of existence of this asset. Materiality is determined by each type of security, including immovable property - decrease in property value by more than 35%, movable property - by more than 50%;
- negative dynamics of external ratings determined by the agencies Standard & Poor's, Fitch Ratings, Moodys Investors Service and additionally by the Credit-Rating agency - for resident banks.

Qualitative and quantitative indicators developed by the Bank are taken into account when assessing the occurrence of an event of default on the obligations of the debtor/counterparty of the Bank.

Signs of asset impairment (presence of at least one of the following factors), which is a condition for moving to Stage 3:

- overdue credit debt for a financial asset: 91 or more calendar days for debtors – legal entities (except banks) and individuals, 91 or more calendar days for debtor banks;
- the presence of any overdue debt on the restructured financial asset, which on the date of restructuring was classified as NPL (in accordance with the requirements of Regulation 351);
- the availability of information in the Bank regarding the occurrence of default events, in particular, the debtor/counterparty has declared bankruptcy, the debtor/counterparty has been declared bankrupt/the procedure for liquidation (termination) of a legal entity has been initiated in accordance with the procedure established by law/the debtor bank has been classified as insolvent by the decision of the National Bank/ the banking license has been revoked, the rating of the debtor banks is defined as RD and/or D;
- debt restructuring (taking into account the indications of assigning the asset to Stage 2), related to the financial difficulties of the debtor-counterparty, which includes, in particular:
  - ✓ remission of part of the debt;
  - ✓ capitalization or replacement of accrued and unpaid interest (commissions) with another asset;
  - ✓ extension of the general term of lending, carried out with worsening conditions for the creditor, and without zeroing the debt;
  - ✓ changes in the interest rate under the credit agreement by more than 30% from the initial rate.

The signs of termination of default are considered to be the elimination of all the above-mentioned signs of impairment, and the fulfillment of contractual obligations by the client within at least 180 calendar days after the elimination of all signs of default.

For Stage 1 loans, the bank calculates a reserve based on 12-month expected credit losses at the individual and portfolio level. To calculate the reserve, the Bank divides the portfolio of financial instruments into groups with similar characteristics. Expected credit losses are determined by taking into account the following information: losses in the portfolio over a 12-month horizon in previous periods, current economic conditions, the corresponding period of time until the moment of possible loss in the future.

For loans belonging to Stage 2, Stage 3 and/or credit-impaired loans (primarily impaired), the Bank determines the amount of the reserve for expected credit losses, taking into account the signs of materiality and the specific type of lending individually or on a portfolio basis. The following factors are relevant: current economic conditions, availability of prerequisites for the implementation of the business plan, analysis of forecasted cash flows, receipt of funds from the sale of collateral, losses in the portfolio during previous periods.

Risks related to war were included in the estimation of expected credit losses in order to ensure a sufficient level of provisioning. When calculating expected credit losses, the bank excluded or significantly revised the value of collateral located in temporarily occupied territories and/or damaged as a result of military aggression, and/or lost due to military actions. The Bank's experts identified the most vulnerable industry segments of the credit portfolio, including consumer lending, machine building, and certain areas of wholesale trade, and made changes to the forecast of expected credit losses. Thus, to take into account the impact of the war, increasing coefficients were introduced as a multiplier to the existing level of expected credit losses:

- for all borrowers of the retail credit portfolio;
- in foreign currency - for all clients of corporate business.

Among other things, during 2022, within the framework of the developed Customer Service/Support Rules in connection with the introduction of martial law in Ukraine, the Procedure for Restructuring and Refinancing of Credit Debt, the following measures were taken:

- 3,339 consumer loans of individuals with a total debt of 197 922,4 thousand UAH were restructured;
- more than 20 loans granted to business entities were restructured, with a total debt of 801 553,7 thousand UAH;
- the Bank's clients were analyzed and the most sensitive segments were identified: individuals under consumer credit programs (job loss, IDPs, forced emigration, etc.), manufacturing enterprises with lost assets in

temporarily occupied territories (engineering, oil and animal fat production, etc.), asset damage (real estate operations, solar generation facilities, others), lost markets/demand (tour operators, airlines, scrap metal wholesale, development, construction industry, etc.), disrupted logistics chains (agricultural enterprises, wholesale), losses of financial companies (in particular , leasing companies), in respect of which the bank lowered the depreciation stage of such assets to Stage 2/3;

- scheduled/unscheduled actions were taken regarding the revaluation and monitoring of loan collateral, taking into account the assessment of potential risks (monitoring in the territories liberated after the temporary occupation, the location of objects in the territories close to the territories where military operations are taking place, territories/objects , which are exposed to terrorist missile attacks, etc.) and realized risks (damage to property, loss of property), for a timely reflection of the impact on the fair value of such property.

Thanks to the implemented restructurings, it was possible to reduce the level of problem debt of individuals from 60% of the credit portfolio (the indicator was at the end of spring 2022) to no more than 30% of the credit portfolio of individuals.

Restructuring of loans of the corporate segment made it possible to restore the usefulness of loans in the amount of at least 200 million UAH (about 15% of the portfolio of the corporate segment).

The revision of approaches to the assessment of expected credit losses was carried out taking into account the forecast of the fall in the level of real GDP in the country, the weakening of the exchange rate of the hryvnia against key currencies, the stability of the functioning of the banking system and the impact on the real sector of the economy. The Bank takes all appropriate measures to maintain stable operations, although the following unexpected changes, in particular in the business environment, may worsen expectations regarding the Bank's financial condition, the nature and consequences of which cannot be determined at this time. Credit risk management constantly analyzes reserves for expected credit losses in accordance with internal bank regulatory documents.

Market risk

Market risk management is carried out with the aim of limiting the amount of possible losses on open positions that may be incurred by the bank over a specified period of time with a specified probability due to an unfavorable change in currency rates, securities quotations, interest rates, by establishing a system of appropriate limits for each type of transactions carried out, and monitoring compliance with the established system of limits.

The main types of market risk:

- currency risk – the probability of losses associated with an unfavorable exchange rate movement in the presence of an open currency position;
- price risk – the probability of losses associated with an unfavorable change in prices on the stock market, commodity and other markets (if there is an open position);
- interest rate risk – risk of possible losses as a result of unfavorable dynamics of interest rates. Interest rate risk arises when assets and liabilities differ in terms of maturity/revision of rates, a general change in the interest rate curve, a change in interest and placement rates relative to each other, a change in payment flows due to the presence of options (explicit and those embedded in financial instruments).

Control over market risk is carried out through a system of limits and restrictions depending on the type of portfolio and the financial instruments included in it. Based on these indicators, a system of reporting on the amount of market risk is formed.

The authority to make decisions regarding the approval of market positions of relevant persons and units is entrusted in accordance with the principles of currency risk management and interest rate risk management.

- ***currency risk***

By currency risk, the Bank understands the existing or potential risk to profit and capital, which arises as a result of unfavorable changes in exchange rates and prices for bank metals.

The Bank's main tool for currency risk management is limiting. The bank applies this tool by setting limits on:

- the total open currency position of the bank as a whole, in terms of subdivisions and operations;
- the amount of possible losses from exchange rate changes;
- treasury operations (trade operations, non-trade)

Table 27.1. Analysis of currency risk

(UAH, ths.)

		31.12.2022			**31.12.2021**		
		monetary assets	**monetary liabilities**	**net position**	**monetary assets**	**monetary liabilities**	**net position**
1	USD	1 718 762	(1 728 608)	(9 846)	1 161 172	(1 143 373)	17 799

2	EURO	441 599	(437 313)	4 286	967 976	(969 931)	(1 955)
4	Others	28 312	(24 688)	3 624	19 575	(14 398)	5 177
5	Total	**2 188 673**	**(2 190 609)**	**(1 936)**	**2 148 723**	**(2 127 702)**	**21 021**

Table 27.2. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies established at the reporting date, provided that all other variable characteristics remain fixed
The calculation is made for cash balances in currencies different from the functional currency.

(UAH, ths.)

		31.12.2022		**31.12.2021**	
		impact on profit/ (loss)	**impact on equity**	**impact on profit/ (loss)**	**impact on equity**
1	Strengthening of the USD (by 40% in 2022, 40% in 2021)	(3 938)	(3 938)	7 120	7 120
2	20% weakening of the USD	1 969	1 969	(3 560)	(3 560)
3	Strengthening of the EURO (by 40% - 2022, 40% - 2021)	1 715	1 715	(782)	(782)
4	20% weakening of the EURO	(857)	(857)	-	-
5	Strengthening of other currencies and bank metals by 10%	362	362	391	391
6	Weakening of other currencies and bank metals by 20%	(725)	(725)	518	518

Table 27.3. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies, which is set as a weighted average rate, provided that all other variable characteristics remain fixed

(UAH, ths.)

		Average weighted exchange rate of 2022		**Average weighted exchange rate of 2021**	
		impact on profit/ (loss)	**impact on equity**	**impact on profit/ (loss)**	**impact on equity**
1	Strengthening of the USD (by 40% in 2022, 40% in 2021)	(3 483)	(3 483)	7 121	7 121
2	20% weakening of the USD	1 742	1 742	(3 561)	(3 561)
3	Strengthening of the EURO (by 40%-2022, 40%-2021)	1 496	1 496	(817)	(817)
4	20% weakening of the EURO	(748)	(748)	409	409
5	Strengthening of other currencies and bank metals by 10%	331	331	540	540
6	Weakening of other currencies and bank metals by 20%	(661)	(661)	(1080)	(1080)

- interest rate risk of the banking book

Interest rate risk of the banking book arises due to:
- the difference in terms of repayment of assets and liabilities and revaluation of the rate;
- the risk of changing the yield curve;
- the absence of a sufficiently close connection between the adjustment of rates received and paid for different instruments;
- the risk of the right to choose, which arises in the event of the right to refuse the execution of the agreement.

Interest rate risk is measured as the sensitivity of the value of portfolios to changes in the interest rate, that is, as a change in the market value of instruments and portfolios as a result of a parallel shift of the yield curve by a certain number of basis points. Interest rate sensitivity is measured based on scenarios that assume a shift in interest rate curves by a certain amount regardless of instruments or currency. The interest rate risk limit is set based on the sensitivity of the value of the portfolios when the yield curve changes by +/-100 basis points.

Also, interest rate risk management tools are:
- adequate and effective risk assessment procedures - the main assessment methods are the method of coefficients (consists of maintaining a system of indicators that reflect the relationship between the volumes of operations and the correspondingly received/paid revenues and expenses), the method of assessing gaps based on GAP analysis with an assessment of the maximum drop in net interest income (ΔNII) under 5 scenarios of changes in interest rates and assessment of the fall in the economic value of capital (ΔEVE) under 6 scenarios of changes in interest rates;
- risk management control tools - setting limits and restrictions in accordance with the level of the bank's tolerance for this type of risk;
- adequate information system;
- a reporting system for the bank's management bodies regarding interest rate risk.

Table 27.4. General analysis of interest rate risk

(UAH, ths.)

		On demand and less than 1 month	From 1 to 12 months.	More than 1 year	Total
	2022 year				
1	Total financial assets	4 602 999	3 267 711	1 719 426	**9 590 136**
2	Total financial liabilities	3 505 220	6 217 510	1 000 258	**10 722 988**
3	**Net interest rate gap at the end of the period**	**1 097 779**	**(2 949 799)**	**719 168**	**(1 132 852)**
	2021 year				
4	Total financial assets	3 058 556	7 336 563	3 657 814	14 052 933
5	Total financial liabilities	3 365 530	5 699 300	5 370 457	14 435 287
6	**Net interest rate gap at the end of the period**	**(306 974)**	**1 637 263**	**(1 712 643)**	**(382 354)**

The analysis of the interest rate risk of the banking book in 2022 was carried out on the basis of the GAP analysis. Interest gaps, estimates of the decline in net interest income (ΔNII) and the economic cost of capital (ΔEVE) indicated a significant increase in the interest rate risk of the banking book, caused by the state of military aggression, when loan servicing significantly worsened at the same time as the cost of funding sharply increased - from June 2022, the discount rate increased 2.5 times from 10% to 25% per annum. Thanks to the diversification of active investments, in particular, the placement of resources in highly liquid financial instruments refinanced by the National Bank of Ukraine, it was possible to avoid a catastrophic drop in net interest income and to stabilize it.

The interest rate risk was also assessed using the ratio method, within which the net interest margin, the bank's net spread, and the dynamics of the profitability of interest-bearing assets and the value of interest-bearing liabilities are calculated. The net interest margin decreased to 3.8% per annum at the set limit of 4% per annum (2021 - 6.3%), the net spread was 10.8% per annum (2021 - 12.8%).

Table 27.5. Monitoring of interest rates on financial instruments

(% annual)

	2022			**2021**		
	UAH	**USD**	**EURO**	**UAH**	**USD**	**EURO**

	Assets						
1	Funds in other banks	-	-	-	0,2	-	-
2	Loans granted to other banks	-	-	-	8,1	-	-
3	FIs refinanced by the NBU	17,4	3,9	-	11,2	3,5	2,1
4	Customer loans and debts	18,6	8,1	8,9	20,5	8,7	9,2
	Liabilities						
5	Bank funds	25,0	-	-	8,9	-	-
6	Customer funds:	10,3	0,5	0,2	3,5	0,8	0,3
6.1	current accounts	9,4	0,1	0,01	3,2	0,1	0,01
6.2	term funds	14,5	0,9	0,9	3,9	1,7	2,2

Interest on all the above items of assets and liabilities is calculated at a fixed rate. The Bank has no financial assets and liabilities with a floating interest rate, except for refinancing loans, the rate of which changes in accordance with changes in the National Bank's discount rate.

- other price risk

Price risk management is carried out with the aim of limiting the amount of possible losses on open positions that may be incurred by the bank over a specified period of time with a specified probability due to unfavorable changes in currency rates, securities quotations, interest rates, by establishing a system of appropriate limits for each type of transactions. and monitoring compliance with the established system of limits.

The VaR methodology is used to estimate the price market risk. In connection with the regulatory fixation of the official exchange rate from February 2022, caused by military aggression, the use of VaR was ineffective, since the hypothesis about the normality of the distribution of exchange rates was not confirmed. The basis for risk assessment is the dynamics of rates and prices of instruments for a set period of time in the past. In parallel with the application of the VaR methodology, the bank is considering conducting an assessment of market risk based on alternative approaches, adequate for rapidly changing market conditions, with the aim of their possible use in further work.

Geographic risk

At this stage, the Bank operates in 22 regions of Ukraine. In the future, it is planned to expand activities within Ukraine using a client-oriented approach. The expansion of activities will be accompanied by analytical data on geographic concentrations in the relevant reporting, which will be regularly provided to the Bank's management.

Table 27.6. Analysis of geographic concentration of financial assets and liabilities for 2022

(UAH, ths.)

		Ukraine	**OECD**	**Other countries**	**Total**
	Assets				
1	Cash and cash equivalents	5 979 171	-	-	5 979 171
2	Customers loans and debts	980 015	-	-	980 015
3	Investments in securities	4 068 872	-	-	4 068 872
4	Other financial assets	121 667	306	15 471	137 444
5	**Total financial assets**	**11 149 725**	**306**	**15 471**	**11 165 502**
	Liabilities				
6	Bank funds	989 965	-	-	989 965
7	Client funds	8 732 627	870 921	392 576	9 996 124
8	Lease obligations	230 377	-	-	230 377
9	Other financial liabilities	70 167	97	38	70 302
10	**Total financial liabilities**	**10 023 136**	**871 018**	**392 614**	**11 286 768**
11	Net balance sheet position for financial instruments	1 126 589	(870 712)	(377 143)	(121 266)
12	Credit obligations	1 127 063	-	-	**1 127 063**

Table 27.7. Analysis of geographic concentration of financial assets and liabilities for 2021

(UAH, ths.)

		Ukraine	OECD	Other countries	Total
	Assets				
1	Cash and cash equivalents	2 978 581	137 033	26 437	3 142 051
2	Customers loans and debts	1 494 857	-	-	1 494 857
3	Investments in securities	10 191 925	-	-	10 191 925
4	Other financial assets	64 631	96	110	64 837
5	**Total financial assets**	**14 729 994**	**137 129**	**26 547**	**14 893 670**
	Liabilities				
6	Bank funds	5 360 249	-	-	5 360 249
7	Client funds	6 822 055	2 107 271	299 460	9 228 786
8	Lease obligations	178 589	-	-	178 589
9	Other financial liabilities	99 163	12	14	99 189
10	**Total financial liabilities**	**12 460 056**	**2 107 283**	**299 474**	**14 866 813**
11	Net balance sheet position for financial instruments	2 269 938	(1 970 154)	(272 927)	26 857
12	Credit obligations	1 438 463	-	-	**1 438 463**

Concentration of other risks

Concentrations of other risks are within the established limit values.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to fulfill its payment obligations when they fall due under normal or unforeseen conditions. Liquidity risk includes the inability to manage unplanned reductions or changes in funding sources. Liquidity risk also arises from the inability to recognize or account for changes in market conditions that affect the ability to quickly realize assets with minimal loss of value.

Liquidity risk management involves the structuring of the bank's assets and liabilities, in which it would be able to fulfill its obligations in due time and in full.

The bank's liquidity risk management process is continuous and based on the following principles:

- compliance with liquidity standards established by the National Bank of Ukraine;
- division of the risk management process into immediate and long-term liquidity management;
- continuity of instant liquidity management during the operating day;
- assessment of prospective liquidity - based on the analysis of future cash flows in accordance with the real terms of realization of assets and liabilities;
- reporting on liquidity risk on a daily basis;
- establishment of normative values of risk indicators and daily monitoring of their compliance;
- distribution of functions and responsibilities for risk management;
- regular review of the action plan for maintaining liquidity in case of crisis circumstances;
- regularity of revision of internal liquidity standards (at least once a year);
- regularity of informing the bank's management (Supervisory Board, Management Board, ALMC) about the level of liquidity risk.

The liquidity risk management mechanism is based on the methods of GAP analysis and construction of future cash flows. The implementation of GAP-analysis involves the calculation of gaps between assets and liabilities with the corresponding final repayment terms in terms of individual currencies, as well as the establishment of normative values of such gaps and ensuring their implementation. The construction of future cash flows is also carried out on a daily basis by currency, with the calculation of cumulative cash flows for certain time intervals, for which the threshold values for daily execution are also set.

For the purposes of determining liquidity risk, the Bank discloses information on assets and liabilities grouped by terms from the reporting date to the maturity date. Grouping and analysis of maturities of assets and liabilities provides an opportunity to assess sources of funding for active operations and the Bank's ability to maintain liquidity at a level sufficient to fulfill its obligations to depositors and clients.

Table 27.8. Analysis of financial assets and liabilities by maturity based on expected maturity on a discounted basis for 2022

(UAH, ths.)

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	Total
	Assets				
1	Cash and cash equivalents	5 979 171	-	-	5 979 171
2	Customers loans and debts	109 167	678 017	192 831	980 015
3	Investments in securities	29 338	2 561 287	1 478 247	4 068 872
4	Other financial assets	59 470	77 974	-	137 444
5	**Total financial assets**	**6 177 146**	**3 317 278**	**1 671 078**	**11 165 502**
	Liabilities				
6	Bank funds	-	-	989 965	989 965
7	Client funds	6 062 243	3 923 616	10 265	9 996 124
8	Lease obligations	6 330	48 038	176 009	230 377
9	Other financial liabilities	66 340	3 348	614	70 302
10	**Total financial liabilities**	**6 134 913**	**3 975 002**	**1 176 853**	**11 286 768**
11	Net liquidity gap at the end of the day on December 31	42 233	(657 724)	494 225	(121 266)
12	Aggregate liquidity gap at the end of the day on December 31	42 233	(615 491)	(121 266)	-

Table 27.9. Analysis of financial assets and liabilities by maturity based on expected maturity on a discounted basis for 2021

(UAH, ths.)

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total
	Assets					
1	Cash and cash equivalents	3 142 051	-	-	-	3 142 051
2	Customers loans and debts	183 159	870 750	436 947	4 001	1 494 857
3	Investments in securities	538 439	6 516 743	3 136 743	-	10 191 925
4	Other financial assets	12 202	52 635	-	-	64 837
5	**Total financial assets**	**3 875 851**	**7 440 128**	**3 573 690**	**4 001**	**14 893 670**
	Liabilities					
6	Bank funds	-	-	5 360 249	-	5 360 249
7	Client funds	6 009 222	3 209 408	10 156	-	9 228 786
8	Lease obligations	3 014	35 876	139 699	-	178 589
9	Other financial liabilities	89 751	8 286	1 152	-	99 189
10	**Total financial liabilities**	**6 101 987**	**3 253 570**	**5 511 256**	**-**	**14 866 813**
11	Net liquidity gap at the end of the day on December 31	(2 226 136)	4 186 558	(1 937 566)	4 001	26 587
12	Aggregate liquidity gap at the end of the day on December 31	(2 226 136)	1 960 421	22 856	26 587	-

Table 27.10. Analysis of financial liabilities by maturities based on expected maturities on an undiscounted basis for 2022

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	Total
	Liabilities				
1	Bank funds	21 021	226 479	1 590 746	1 838 246
2	Client funds	6 076 298	3 973 258	10 579	10 060 135
3	Lease obligations	6 330	48 038	176 009	230 377
4	Other financial liabilities	66 340	3 348	614	70 302
5	**Total financial liabilities**	**6 169 989**	**4 251 123**	**1 777 948**	**12 199 060**

Table 27.11. Analysis of financial liabilities by maturities based on expected maturities on an undiscounted basis for 2021

(UAH, ths.)

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	Total
	Liabilities				
1	Bank funds	45 959	495 171	6 871 391	7 412 521
2	Client funds	6 019 062	3 240 356	10 464	9 269 882
3	Lease obligations	3 014	35 876	139 699	178 589
4	Other financial liabilities	89 751	8 286	1 152	99 189
5	**Total financial liabilities**	**6 157 786**	**3 779 689**	**7 022 706**	**16 960 181**

Note 28. Capital management

The Bank manages capital to ensure that it will be able to function as a going concern while maximizing shareholder returns by optimizing the ratio of borrowed funds to equity.

The bank covers credit, market and operational risks at the expense of its own funds (capital) in order to ensure financial stability and limit the risk of insolvency.

The capital adequacy ratio is defined as the ratio of the size of own funds to assets weighted by the level of risk.

Capital adequacy calculation is carried out by the Consolidated Balance Sheet and Reporting Department, monitored by the Risk Management Department and provided to the bank's management for decision-making.

Based on the reports and conclusion of the Risk Management Department, the ALMC makes the following decisions:

- about the need to reduce the risks (or the possibility of accepting additional risks) inherent in operations on the credit and financial markets by establishing the following restrictions and limits once a quarter:
    - the ratio of the volume of negatively classified assets to the regulatory capital;
    - the ratio of the amount of involved deposits of individuals to the regulatory capital;
    - the ratio of accrued but actually unpaid revenues to regulatory capital;
- about the need to change the structure of assets to improve the efficiency of capital use;
- about the need to change the authorized capital of the bank.

In the event of a decision on the need for capital increase, the ALMC and/or the Bank's Management Board formulate appropriate proposals for the Bank's Supervisory Board.

Capital increase can be carried out:

- at the expense of internal sources (increase in income from operations, sale of assets with a profit);
- at the expense of external sources (increase in investments in the bank's authorized capital, attracting subordinated debt).

As of the end of the day on December 31, 2022 and, accordingly, on December 31, 2021, the Bank has the following indicators of regulatory capital, calculated in accordance with the requirements of the Instruction on the Procedure for Regulating the Activities of Banks in Ukraine, approved by Resolution of the Board of the NBU dated August 28, 2001 No. 368, based on the daily balance (without taking into account annual adjusting entries):

- the amount of regulatory capital is 412 918 thousand UAH (2021: UAH 416 836 thousand UAH) with a regulatory value of at least 200 million UAH;

- regulatory capital adequacy (H2 - solvency) is 16.76% (2021: 13.28%) with a regulatory value of at least 10%);
- capital adequacy - 14.85% (2021: 8.65%) with a regulatory value of at least 7%.

During the current year, the Bank did not violate the capital sufficiency (adequacy) standards established by the National Bank of Ukraine, did not experience a shortage of funds, settled its obligations in a timely manner, and fulfilled customer payment instructions without interruption.

Table 28. Structure of regulatory capital

The structure of regulatory capital is provided in accordance with the elements included in the calculation of regulatory capital (primary and additional) in accordance with the requirements of the current regulations of the National Bank of Ukraine.

(UAH, ths.)

		2022	**2021**
1.1	**Basic capital (capital of the 1st level):**	**365 984**	**271 375**
1.1.1	The registered authorized capital is actually paid	284 540	284 540
1.1.2	Opened reserves created or increased due to retained earnings	103 048	5 634
1.1.3	Reduction of fixed capital:	(21 604)	(18 799)
1.1.3.1	Intangible assets minus the amount of depreciation	(19 206)	(17 444)
1.1.3.2	Capital investments in intangible assets	(653)	(1 355)
1.1.3.3	Non-core assets	(1 745)	-
1.2	**Additional capital (capital of the 2nd level):**	**46 934**	**145 461**
1.2.1	Estimated profit of the current year	46 934	118 053
1.2.2	Retained earnings of previous years	-	27 408
	Total regulatory capital	**412 918**	**416 836**

The bank does not operate at the international level, it does not report on the full consolidation method, and therefore it does not compile the capital structure calculated on the basis of the Basel Capital Agreement.

Note 29. Potential liabilities of the bank

Consideration of cases in court

In the course of its current activities, the Bank from time to time has to appear as a defendant in lawsuits submitted to judicial authorities in relation to the Bank. During 2022, 2 new lawsuits were filed against the Bank, and decisions were made in favor of the Bank. According to the lawsuits presented to the Bank in previous years (2019 and 2021) - 1 lawsuit was not satisfied during the consideration of the case in 2022, the plaintiff was refused in full; consideration of another claim is ongoing. In 2022, 7 lawsuits were sent to the Bank for cases that were initiated in 2020-2021, of which, during consideration in 2022, the plaintiff's claims to the Bank were partially satisfied in 3 lawsuits, while the other lawsuits are still being considered. The predominant nature of the lawsuits is the collection of money, invalidation of the contract or clause of the contract. According to the Bank's assessment, consideration of these court cases does not entail a negative risk for the Bank's financial condition and stability.

Tax law

Currently, the Tax Code is in force in Ukraine, which includes income tax, value added tax, personal income tax, as well as other taxes and fees. The basis for determining the taxable profit is the financial result determined according to accounting rules in accordance with IFRS. The sections governing these taxes change frequently and their provisions are often unclear. There is also insufficient judicial precedent on these issues. There are different points of view regarding the interpretation of legal norms among government ministries and organizations (for example, the fiscal service and the Ministry of Finance), which causes general uncertainty and creates grounds for conflict situations. The correctness of the preparation of tax declarations, as well as other issues of compliance with the law, are subject to verification and study by a number of regulatory bodies, which are authorized by law to impose fines and penalties in significant amounts. The listed factors determine the presence of tax risks in Ukraine that are significantly greater than those in countries with a more developed tax system.

Management believes that the Bank's activities are carried out in full compliance with the current legislation governing its activities, and that the Bank has calculated all relevant taxes. In cases where there is uncertainty regarding the amounts of taxes to be paid, the calculation is made based on the estimates of the Bank's management based on the analysis of the information at its disposal.

For the calculation of income tax is applied an income tax rate of 18%.

Lending obligations

Table 29.1. The structure of lending obligations

(UAH, ths.)

		31.12.2022	31.12.2021
1	Obligations for "overdraft" lending provided	133 670	232 397
2	Unused lines of credit	484 471	593 063
3	Guarantees issued	498 257	592 689
4	Aval provided	10 665	20 314
5	Reserve for obligations related to lending	(4 820)	(12 828)
6	**Total liabilities related to lending, minus the reserve**	**1 122 243**	**1 425 635**

As at December 31, 2022, the bank had no contingent liabilities related to lending.

Table 29.2 Analysis of credit quality of lending commitments as at December 31, 2022

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	**Total**
1	Lending obligations	**1 067 051**	**28 110**	**31 902**	**1 127 063**
2	Minimal credit risk	487 190	-	-	**487 190**
3	Low credit risk	96 962	26 006	-	**122 968**
4	Average credit risk	482 899	2 093	-	**484 992**
5	High credit risk	-	11	31 862	**31 873**
6	Default assets	-	-	40	**40**
7	Total lending obligations	**1 067 051**	**28 110**	**31 902**	**1 127 063**
8	Provisions for impairment of lending obligations	(4 729)	(54)	(37)	**(4 820)**
9	**Total lending obligations minus reserves**	**1 062 322**	**28 056**	**31 865**	**1 122 243**

Table 29.3 Analysis of credit quality of lending commitments as at December 31, 2021

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	**Total**
1	Lending obligations	**1 417 479**	**20 747**	**237**	**1 438 463**
2	Minimal credit risk	254 933	-	-	**254 933**
3	Low credit risk	362 889	-	-	**362 889**
4	Average credit risk	799 657	20 722	-	**820 379**
5	High credit risk	-	25	-	**25**
6	Default assets	-	-	237	**237**
7	Total lending obligations	**1 417 479**	**20 747**	**237**	**1 438 463**
8	Provisions for impairment of lending obligations	(12 795)	(5)	(28)	**(12 828)**
9	**Total lending obligations minus reserves**	**1 404 864**	**20 742**	**209**	**1 425 635**

Table 29.4. Analysis of changes in provisions for impairment of lending obligations for 2022

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	**Reserve for impairment as at January 1, 2022**	**(12 795)**	**(5)**	**(28)**	**(12 828)**
2	Loan commitments provided	(1 565)	-	-	**(1 565)**
3	Lending obligations, the recognition of which has been suspended or the term of which has expired (except for written-off)	6 370	-	4	**6 374**
4	The general effect of the transfer between stages:	3 261	(49)	(13)	**3 199**
4.1	transfer to stage 1	3 260	-	(1)	**3 259**
4.2	transfer to stage 2	-	(49)	-	**(49)**
4.3	transfer to stage 3	1	-	(12)	**(11)**
5	**Reserve for impairment as at December 31, 2022**	**(4 729)**	**(54)**	**(37)**	**(4 820)**

Table 29.5. Analysis of changes in provisions for impairment of lending obligations for 2021

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	**Reserve for impairment as at January 1, 2021**	**(11 759)**	**(33)**	**(554)**	**(12 346)**
2	Loan commitments provided	(6 025)	-	(1)	**(6 026)**
3	Lending obligations, the recognition of which has been suspended or the term of which has expired (except for written-off)	5 709	27	534	**6 270**
4	The general effect of the transfer between stages:	(720)	1	(7)	**(726)**
4.1	transfer to stage 1	(719)	-	-	**(719)**
4.2	transfer to stage 2	-	1	-	**1**
4.3	transfer to stage 3	(1)	-	(7)	**(8)**
5	**Reserve for impairment as at December 31, 2021**	**(12 795)**	**(5)**	**(28)**	**(12 828)**

Table 29.6 Analysis of the change in the gross book/nominal value for the impairment of lending obligations, for 2022

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2022**	**1 417 479**	**20 747**	**237**	**1 438 463**
2	Loan commitments provided	405 208	-	1	**405 209**
3	Lending obligations whose recognition has been suspended or whose term has expired (except for written-off)	(906 996)	(25 790)	(115)	**(932 901)**
4	Transfer to stage 1	129 718	26 017	31 720	**187 455**
5	Transfer to stage 2	16 384	1 883	-	**18 267**
6	Transfer to stage 3	31	-	59	**90**
7	Exchange rate differences	5 227	5 253	-	**10 480**
8	**Gross book value as at December 31, 2022**	**1 067 051**	**28 110**	**31 902**	**1 127 063**

Table 29.7 Analysis of the change in the gross book/nominal value for the impairment of lending obligations, for 2021

(UAH, ths.)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2021**	**2 096 092**	**59 038**	**2 765**	**2 157 895**
2	Loan commitments provided	846 097	27	147	**846 271**
3	Lending obligations whose recognition has been suspended or whose term has expired (except for written-off)	(1 640 033)	(53 763)	(2 710)	**(1 696 506)**
4	Transfer to stage 1	39 448	-	2	**39 450**
5	Transfer to stage 2	76 000	15 445	-	**91 445**
6	Transfer to stage 3	20	-	33	**53**
7	Exchange rate differences	(145)	-	-	**(145)**
8	**Gross book value as at December 31, 2021**	**1 417 479**	**20 747**	**237**	**1 438 463**

Table. 29.8. Credit obligations in terms of currencies

(UAH, ths.)

		31.12.2022	**31.12.2021**
1	UAH	1 031 315	1 402 452
2	USD	55 255	35 732
3	EURO	40 493	279
4	**Total**	**1 127 063**	**1 438 463**

Pledged assets and assets subject to restrictions on possession, use and disposal

Table. 29.9 Assets pledged without suspension of recognition

(UAH, ths.)

		31.12.2022		**31.12.2021**	
		Pledged assets	Secured liability (related to these assets)	Pledged assets	Secured liability (related to these assets)
1	Financial assets accounted for at amortized cost	1 364 846	989 965	6 256 109	5 360 249
1.1	Financial coverage at JSC «PUMB» to ensure settlements with a tax credit	76 870	-	48 881	-
1.2	OVDP pool	1 287 976	989 965	6 207 228	5 360 249
2	Financial assets accounted for at fair value through other comprehensive income	1 769	-	5 024	-
2.1	OVDP pool	1 769	-	5 024	-
3	**Total**	**1 366 615**	**989 965**	**6 261 133**	**5 360 249**

The fair value of government bonds issued to ensure the fulfillment of the Bank's obligations under refinancing loans received from the National Bank of Ukraine as at December 31, 2022 is 1 218 383 thousand UAH.

Note 30. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The best evidence of fair value is the market price of a financial instrument.

The Bank calculates the fair value of financial instruments based on available market information (if any) and using appropriate valuation methods.

Financial instruments that are accounted for at fair value or whose fair value is disclosed

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments in accordance with the valuation model:

Level 1: market quotations (without adjustments) of identical assets or liabilities in active markets;

Level 2: valuation techniques that use data from open markets, which are obtained directly or indirectly, as basic data affecting fair value;

Level 3: valuation techniques that use non-market data as underlying data affecting fair value.

The fair value estimate at levels 2 and 3 of the fair value hierarchy was calculated using the discounted cash flow method.

- assets whose fair value is approximately equal to the book value

The Bank believes that the fair value of liquid assets, such as cash and cash equivalents, is approximately equal to their book value.

- debts of other banks and to other banks

For assets with a term of up to three months, the fair value is approximately equal to the book value due to the relative short-term nature of these financial instruments.

- ***investments in securities that are accounted for at fair value***

When determining the fair value of securities accounted for at fair value through other comprehensive income, the bank used all available market information.

- financial assets and financial liabilities that are accounted for at amortized cost

The fair value of quoted bonds is based on quotations on the reporting date. The fair value of instruments that are not quoted and the fair value of which does not approach the balance sheet, namely loans to customers, long-term debt to other banks, long-term debt to other banks, customer funds, is estimated by the method of discounting future cash flows using the rates existing at that moment in debts with similar conditions, types of currencies, credit risk and maturity.

Table 30.1. Fair value and hierarchy levels of inputs used for asset and liability valuation techniques in 2022

(UAH, ths.)

		Fair value under different valuation models			Totally fair value	Total book value
		market quotes (level 1)	estimation model using observational data (level 2)	valuation model using indicators not supported by market data (level 3)		
ASSETS						
1	Cash and cash equivalents	-	5 203 951	775 220	5 979 171	5 979 171
1.1	cash		1 519 468	-	1 519 468	1 519 468
1.2	funds in the National Bank	-	549 537	-	549 537	549 537
1.3	deposit certificates of the National Bank of Ukraine	-	3 134 946	-	3 134 946	3 134 946
1.4	correspondent accounts, deposits and overnight loans in banks	-	-	775 220	775 220	775 220
2	Loans that are accounted for at amortized cost	-	-	1 036 468	1 036 468	980 015
2.1	loans to legal entities	-	-	715 480	715 480	707 536
2.2	loans to individual entrepreneurs	-	-	339	339	329
2.3	mortgage loans	-	-	55 915	55 915	53 695
2.4	loans for current needs to individuals	-	-	264 734	264 734	218 455
3	Investments in securities		3 885 832	-	3 885 832	4 068 872
3.1	Domestic state loan bonds		3 885 832	-	3 885 832	4 068 872

4	other financial assets	-	-	137 444	137 444	137 444
4.1	receivables for transactions with payment cards	-	-	25 932	25 932	25 932
4.2	funds with a limited right to use the bank	-	-	91 216	91 216	91 216
4.3	other financial assets	-		20 296	20 296	20 296
5	Investment Property	-	6 207	-	6 207	6 207
6	Property transferred to the bank as a pledge holder	-	104 338	-	104 338	104 338
7	**Total assets**		**9 200 328**	**1 949 132**	**11 149 460**	**11 276 047**
LIABILITIES						
8	Bank funds	-	989 965	-	989 965	989 965
8.1	loans received from the National Bank of Ukraine		989 965	-	989 965	989 965
9	Customer funds		9 995 315	-	9 995 315	9 996 124
9.1	other legal entities	-	7 085 695	-	7 085 695	7 085 701
9.2	individuals	-	2 909 620	-	2 909 620	2 910 423
10	Lease obligations			230 377	230 377	230 377
11	Other financial liabilities	-	-	70 302	70 302	70 302
11.1	accounts payable for transactions with payment cards	-	-	21 914	21 914	21 914
11.2	other financial obligations	-	-	48 388	48 388	48 388
12	**Total liabilities**	**-**	**10 985 280**	**300 679**	**11 285 959**	**11 286 768**

Table 30.2. Fair value and hierarchy levels of inputs used for asset and liability valuation techniques in 2021

(UAH, ths.)

		Fair value under different valuation models			**Totally fair value**	**Total book value**
		market quotes (level 1)	**estimation model using observational data (level 2)**	**valuation model using indicators not supported by market data (level 3)**		
ASSETS						
1	Cash and cash equivalents	-	2 740 108	401 943	3 142 051	3 142 051
1.1	cash		937 703	-	937 703	937 703
1.2	funds in the National Bank	-	52 105	-	52 105	52 105
1.3	deposit certificates of the National Bank of Ukraine	-	1 750 300	-	1 750 300	1 750 300
1.4	correspondent accounts, deposits and overnight loans in banks	-	-	401 943	401 943	401 943
2	Loans accounted for at amortized cost	-	-	1 651 712	1 651 712	1 494 857
2.1	loans to legal entities	-	-	1 097 048	1 097 048	1 062 430
2.2	loans to individual entrepreneurs	-	-	728	728	632
2.3	mortgage loans	-	-	72 330	72 330	60 276
2.4	loans for current needs to individuals	-	-	481 606	481 606	371 519
3	Investments in securities		10 212 114	-	10 212 114	10 191 925
3.1	Domestic state loan bonds		10 074 842	-	10 074 842	10 054 809
3.2	Local loan bonds		137 272	-	137 272	137 116
4	other financial assets	-	-	64 837	64 837	64 837
4.1	receivables for transactions with payment cards	-	-	6 503	6 503	6 503
4.2	funds with a limited right to use the bank	-	-	49 572	49 572	49 572
4.3	other financial assets	-		8 762	8 762	8 762
5	Investment Property	-	6 260	-	6 260	6 260
6	Property transferred to the bank as a pledge holder	-	106 684	-	106 684	106 684
7	**Total assets**		**13 065 166**	**2 118 492**	**15 183 658**	**15 006 614**
LIABILITIES						
8	Bank funds	-	5 360 249	-	5 360 249	5 360 249
8.1	loans received from the National Bank of Ukraine		5 360 249	-	5 360 249	5 360 249
9	Customer funds		9 102 193	-	9 102 193	9 228 786
9.1	other legal entities	-	7 022 506	-	7 022 506	7 149 250
9.2	individuals	-	2 079 687	-	2 079 687	2 079 536
10	Lease obligations			178 589	178 589	178 589
11	Other financial liabilities	-	-	99 189	99 189	99 189
11.1	accounts payable for transactions with payment cards	-	-	40 467	40 467	40 467
11.2	other financial obligations	-	-	58 722	58 722	58 722
12	**Total liabilities**	**-**	**14 462 442**	**277 778**	**14 740 220**	**14 866 813**

Table 30.3. Periodic fair value estimates for 2022

(UAH, ths.)

Assets measured at fair value	level 1	level 2	level 3	Total
Investments in securities at fair value through other comprehensive income	-	19 403	-	19 403
Investment Property	-	6 207	-	6 207
Property transferred to the bank as a pledge holder	-	104 338	-	104 338
Total fair value of assets evaluated on a periodic basis	**-**	**129 948**	**-**	**129 948**

Table 30.4. Periodic fair value estimates for 2021

(UAH, ths.)

Assets measured at fair value	level 1	level 2	level 3	Total
Investments in securities at fair value through other comprehensive income	-	25 351	-	25 351
Investment Property	-	6 260	-	6 260
Property transferred to the bank as a pledge holder	-	106 684	-	106 684
Total fair value of assets evaluated on a periodic basis	**-**	**138 295**	**-**	**138 295**

During the reporting period, the Bank did not make transfers between levels of the fair value hierarchy.

Table 30.5. Valuation methods and inputs used in fair value estimation as at December 31, 2022

(UAH, ths.)

Assets measured at fair value	Fair value	Evaluation method	Used input data
Investments in securities at fair value through other comprehensive income	19 403	Market method	Prices of quoted OVDPs on the market for similar OVDPs
Investment Property	6 207	Market method	Independent evaluator's opinion
Property transferred to the bank as a pledge holder	104 338	Market method	Independent evaluator's opinion
Total estimated fair value on a periodic basis	**129 948**		

Table 30.6. Valuation methods and inputs used in fair value estimation as at December 31, 2021

(UAH, ths.)

Assets measured at fair value	Fair value	Evaluation method	Used input data
Investments in securities at fair value through other comprehensive income	25 351	Market method	Prices of quoted OVDPs on the market for similar OVDPs
Investment Property	6 260	Market method	Independent evaluator's opinion
Property transferred to the bank as a pledge holder	106 684	Market method	Independent evaluator's opinion
Total estimated fair value on a periodic basis	**138 295**		

Note 31. Presentation of financial instruments by rating category

Table 31.1. Financial assets by rating categories as at December 31, 2022

(UAH, ths.)

		Financial assets at amortized cost	Financial assets at fair value with recognition of revaluation as part of other comprehensive income	Total
	ASSETS			
1	Cash and cash equivalents	5 979 171	-	5 979 171
2	Loans and debts of customers:	980 015	-	980 015
2.1	loans to legal entities	707 536	-	707 536
2.2	loans to individuals - entrepreneurs	329	-	329
2.3	mortgage loans	53 695	-	53 695
2.4	loans for current needs to individuals	218 455	-	218 455
3	Investments in securities	4 049 469	19 403	4 068 872
4	Other financial assets:	137 444	-	137 444
4.1	receivables for transactions with payment cards	25 932	-	25 932
4.2	funds with limited right of use	91 216	-	91 216
4.3	other financial assets	20 296	-	20 296
5	**Total financial assets**	**11 146 099**	**19 403**	**11 165 502**

Table 31.2. Financial assets by rating categories as at December 31, 2021

(UAH, ths.)

		Financial assets at amortized cost	Financial assets at fair value with recognition of revaluation as part of other comprehensive income	Total
	ASSETS			
1	Cash and cash equivalents	3 142 051	-	3 142 051
2	Loans and debts of customers:	1 494 857	-	1 494 857
2.1	loans to legal entities	1 062 430	-	1 062 430
2.2	loans to individuals - entrepreneurs	632	-	632
2.3	mortgage loans	60 276	-	60 276
2.4	loans for current needs to individuals	371 519	-	371 519
3	Investments in securities	10 166 574	25 351	10 191 925
4	Other financial assets:	64 837	-	64 837
4.1	receivables for transactions with payment cards	6 503	-	6 503
4.2	funds with limited right of use	49 572	-	49 572
4.3	other financial assets	8 762	-	8 762
5	**Total financial assets**	**14 868 319**	**25 351**	**14 893 670**

All financial obligations of the Bank are recorded at amortized cost.

Note 32. Related party transactions

IAS 24 «Disclosure of information about related parties» provides disclosure in the financial statements of an economic entity of information necessary to draw attention to the possible impact on the financial condition and on the profit or loss of an economic entity caused by the existence of related parties, and as well as transactions and debt balances, including obligations between such parties.

Related parties — parties are considered related if one party has the ability to control the other or exercise significant influence over the other party's financial and operational decisions. A related party transaction is an exchange of resources or liabilities between related parties, whether or not a price is assigned.

When considering the relationship of each possible related party, special attention is paid to the substance of the relationship, and not just to its legal form.

Table 32.1. Balances for transactions with related parties as at December 31, 2022

(UAH, ths.)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Customer loans and debts (contract interest rate 15,66%)	-	19	476
2	Customer funds (contract interest rate 9,17 %)	3 824	15 963	17 968
3	Provisions for liabilities	3	8	1
4	Other liabilities	-	1	2

Interest rates on loans granted to senior management personnel and other related parties, raised with funds from shareholders, senior management personnel and other related persons, were set at the level of normal interest rates for the corresponding credit product and rates for raising funds from individuals.

Table 32.2. Income and expenses from transactions with related parties for 2022

(UAH, ths.)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Interest income	3	1	58
2	Interest expenses	(78)	(449)	(1 059)
3	Commission income	146	45	176
4	Net profit/(loss) from transactions with foreign currency	-	9	(202)
5	Net loss from impairment of financial assets	-	(2)	(16)
6	Net profit/(loss) from increase/(decrease) in provisions for liabilities	(3)	(1)	-
7	Other operating income	-	6	6
8	Administrative and other operating expenses	(7 200)	(101 666)	(14 989)

Table 32.3. Other rights and liabilities under transactions with related parties as at December 31, 2022

(UAH, ths.)

	The largest participants	**Leading management staff**	**Other related parties**

		(shareholders) of the bank		
1	Unutilized credit lines	500	631	45
2	Other liabilities	-	1	2

Table 32.4. Total amount of loans granted to related parties and repaid by related parties for 2022

(UAH, ths.)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	The amount of loans granted to related parties for the reporting period.	-	19	269
2	Amount of loans repaid by related parties during the reporting period.	-	-	139

Table 32.5. Balances for transactions with related parties as at December 31, 2021

(UAH, ths.)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Customers loans and debts (contractual interest rate 26%)	-	-	346
2	Other assets	23 248	34 873	19 413
3	Customer funds (contract interest rate 4.84%)	-	7	1
4	Provisions for liabilities	-	3	2

Interest rates on loans granted to senior management personnel and other related parties, raised with funds from shareholders, senior management personnel and other related persons, were set at the level of ordinary interest rates for the corresponding credit product and rates for raising funds from individuals.

Table 32.6. Income and expenses from transactions with related parties for 2021

(UAH, ths.)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Interest income	-	13	29
2	Interest expenses	(690)	(243)	(895)
3	Commission income	331	168	172
4	Net profit/(loss) from transactions with foreign currency	(4)	(50)	-
5	Net loss from impairment of financial assets	-	32	(26)
6	Net profit/(loss) from increase/(decrease) in provisions for liabilities	-	(4)	2
7	Other operating income	-	5	10
8	Administrative and other operating expenses	(6 825)	(94 237)	(14 560)

Table 32.7. Other rights and liabilities under transactions with related parties as at December 31, 2021

(UAH, ths.)

		The largest participants (shareholders) of the bank	Leading management staff	Other related parties
1	Unutilized credit lines	-	601	35
2	Other liabilities	-	3	2

Table 32.8. Total amount of loans granted to related parties and repaid by related parties for 2021

(UAH, ths.)

		The largest participants (shareholders) of the bank	Leading management staff	Other related parties
1	The amount of loans granted to related parties for the reporting period.	-	-	323
2	Amount of loans repaid by related parties during the reporting period.	-	230	130

Table 32.9. Payments to senior management personnel

(UAH, ths.)

		2022		2021	
		costs	accrued liability	costs	accrued liability
1	Current employee benefits (10 people)	101 666	8 225	94 237	9 328
2	Payments at the time of dismissal (1 person)	-	-	106	-

Note 33. Subsequent events

As of the date of approval of the financial statements, hostilities continue in Ukraine, part of the territories of the south and east are temporarily occupied, the struggle for which continues.

Taking into account the structure and some assets of the Bank, the dynamics and structure of liabilities, the high level of capitalization, liquidity and profitability, etc., as of the date of approval of the report, we estimate the negative impact of the consequences of the armed aggression of the Russian Federation against Ukraine on the stability of the Bank's work as moderate.

The impact on retail and corporate businesses is insignificant, which is confirmed by the high level of service provided by legal and individual borrowers of credit debt, the minimal number of applications for changing loan repayment schedules, and the high level of commission and trading income. The dynamics of client funds, both individuals and legal entities, has been positive since the summer of 2022.

However, taking into account that the negative consequences of the continuation of hostilities may have an impact in the future, in order to assess the situation, build appropriate forecasts in the future, if necessary, the Bank will regularly monitor migration and loan defaults, review the Bank's risk appetite and conduct risk stress testing.

The management of «CB «ACCORDBANK» PuJSC is not aware of any other facts or events after the balance sheet date of December 31, 2022, which could negatively affect further operations, as well as require the adjustment of the Bank's financial statements for 2022.

Approved for release and signed

«26» April 2023

Україна * Публічне акціонерне товариство «КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК» м.Київ Ідентифікаційний код 35960913

Chairman of the Board __________ Rudniev Oleksii

Chief Accountant __________ Litosh Oksana