ANNUAL AND SUSTAINABILITY REPORT 2023

Contents

LETTER FROM THE CHAIR

Transformation and Positive Development in Difficult Times

In 2023, Ukrgasbank and the entire Ukrainian Banking system successfully navigated the challenges posed by the second year of the full-scale armed aggression.

Despite the extraordinary circumstances, the financial sector has demonstrated unwavering adaptability. The regulator's decisive actions in managing macroeconomic stability and the financial system during this crisis have been instrumental.

Banks remain steadfast in providing uninterrupted services, preserving their networks, and bolstering capital reserves. 2023 was a transformative year prompting a strategic reassessment of the bank's role in these turbulent times as well as strengthening of corporate governance.

Since the first days of the war, the Supervisory Board clearly defined the wartime mission for the Bank – to support active financing of the economy. Therefore, the Bank's strategic objective in 2023 was to provide financial support to strategic sectors of the economy and critical infrastructure enterprises, in particular, the energy, agriculture, petroleum, food, textile, and medical industries.

The Bank returned to profitability generating additional value for shareholders. UGB ranked third among Ukrainian banks in terms of corporate lending.

The Bank invested substantial efforts in strengthening corporate governance and internal controls. This included enhancing the succession process and implementing key appointments to the Supervisory and Management Boards. Four new independent non-executive directors joined the Supervisory Board, while the Management Board welcomed new members to strengthen expertise in compliance, finance, retail, and IT. We enhanced diversity on our boards recognizing the benefits of a mix of genders, backgrounds, origins, skills, knowledge, and experience.

Upholding high ethical standards and promoting transparency, UGB invested significant efforts to advance its practices in financial reporting, internal controls, risk management, compliance, AML and internal audit. This commitment aims to preserve and grow the shareholder value during these difficult times and in a longer term. Dedication to transparency and integrity enhances trust and credibility of the Bank.

Building on our continued efforts, we successfully returned to pre-war performance and achieved a sustainable 19 per cent return on equity in 2023. As a systemic bank, we remain dedicated to providing our customers with comprehensive, 24/7 access to the banking products and services they need. This is reflected in our ongoing investment in modern technologies and the development of robust remote service channels.

Looking ahead, the Bank will apply its leading expertise in sustainable finance to drive positive change. We see support for "green" projects as a cornerstone of Ukraine's post-war reconstruction and long-term sustainable development. Moving beyond traditional green banking, we're expanding our focus to pursue a broader sustainability agenda, including the medical sector, infrastructure recovery initiatives, and the circular economy.

I would like to note that despite the unprecedented wartime conditions for the banking system, customer confidence in UGB has strengthened. This is supported by uninterrupted operation of UGB, which is achieved due to dedicated efforts of thousands of its employees, also in the territories close to the front line.

Working closely with our team, I am confident that we will continue to create long-term, sustainable value for all stakeholders. In 2024 onwards, we will closely monitor execution of this strategy to ensure that it accomplishes the intended customer benefits, operating efficiencies, and clarity in external reporting.

I would like to thank the Bank's customers, shareholders, partners and employees for their trust and cooperation extended to us in 2023. We remain fully committed to further strengthen this fruitful cooperation with all stakeholders despite the challenges that lie ahead.

Sincerely,

Sanela Pašić
Chairperson of the Supervisory Board

LETTER FROM THE CEO

All our achievements in 2023 wouldn't have been possible without our brave team

2023 was a year that tested the unbreakable spirit of Ukraine. In the face of the ongoing conflict, our nation has demonstrated remarkable strength, and so has Ukrgasbank.

We have adapted to the extraordinary economic landscape, remaining a pillar of support for our clients in their time of need. We achieved a record high operating profit, improved return on equity and efficiency ratios, whilst maintaining a strong capital position. Our diversified income streams across business lines enabled us to deliver well-balanced growth.

The results reflect our efforts to optimize the balance sheet, improve efficiency, and prudently manage our portfolios. Ukrgasbank's operating profit rose by 47% to UAH 4.7bn vs the losses of 2022 triggered by the full-scale war. The net interest margin improved to 5.1% vs 4.3% a year earlier.

The cost to income ratio further strengthened to a sound 48.2% compared to 56.9% in 2022. The Bank maintained a healthy level of liquidity and capital. The regulatory capital adequacy ratio stood at 15.8%, exceeding the prudential level of 10%.

Our assets grew by 34%, up to UAH 176bn, yielding the Bank the 5th position in the banking market. The loan portfolio, despite the war, remained stable and totaled UAH 76bn at YE2023.

We adapted our lending strategies to address the current challenges and expanded strategic lending initiatives channeling resources towards vital economic sectors, including infrastructure, energy, agriculture, medicine, and manufacturing. This targeted approach ensured that critical industries received the necessary financial backing to maintain operations and contribute to Ukraine's economy.

Recognizing the importance of supporting business and stimulating economic growth, the Bank actively participated in the State Affordable Loans 5-7-9% programme. This initiative provided small and medium-sized enterprises with access to credit facilities at affordable interest rates helping to create new jobs. IFIs and DFIs also played a crucial role in supporting Ukrainian business. Their dedicated programs implemented via Ukrgasbank helped channel the much needed international aid to recipients throughout Ukraine.

Our leadership in facilitating IFI trade programs ensured uninterrupted financing for vital imports and sustained support for domestic exporters – all critical to maintaining Ukraine's wartime economy. For the second year in a row, Ukrgasbank was recognized the best trade finance bank in Eastern Europe according to Global Trade Review. The latter also awarded Ukrgasbank's deal on vessel insurance in the Black Sea as offering a viable alternative to the collapsed "grain corridor" and speeding up recovery of vital exports.

Despite the ongoing challenges, the Bank remains committed to green banking and sustainable development. Our forward-thinking focus on green finance since 2016 has proven especially valuable now, as russia's attacks on conventional energy facilities highlight the urgent need for alternative energy solutions and their diversification.

I am firmly convinced that Ukraine's post-war reconstruction must prioritize sustainability, laying the foundation for a green economic future. UGB is committed to leading this transformation, making sure that the rebuilt infrastructure and assets are efficient, emissions-free, and powered by modern technologies.

In 2023, we worked hard to improve Ukrgasbank's operations. We made our infrastructure stronger, our IT systems - more modern and resilient to external threats. These changes lead to a better banking experience for our customers.

All our achievements in 2023 wouldn't have been possible without our brave team to which I am deeply grateful. Let me also thank our esteemed clients, valued partners, and the shareholders for their backing. Together, we stand united in our unwavering belief in a brighter future for Ukraine.

Glory to Ukraine!

Sincerely,

Rodion Morozov
Acting Chief Executive Officer

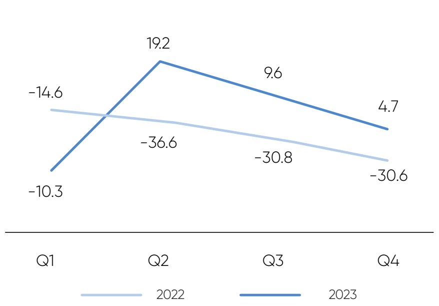
Our Environment

Adapting to Ukraine's Economic Challenges

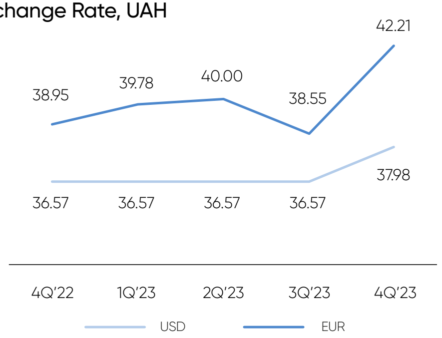
- Macroeconomic Overview & Risks 2023 – 1Q 2024
- Ukrainian Banking Sector
- Ukraine's Energy Sector and Green Energy Commitment

MACROECONOMIC OVERVIEW & RISKS 2023 – 1Q 2024

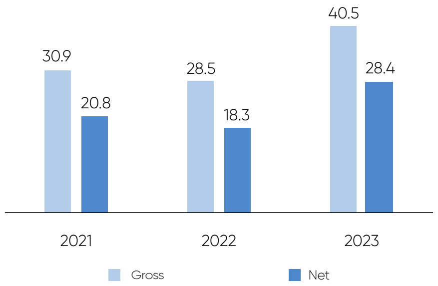
Real GDP Dynamics, %



Exchange Rate, UAH



NBU International Reserves, USD bn



Key Drivers of GDP Growth

In the challenging landscape of 2023, Ukraine's resilience and adaptability were tested amidst economic recovery and ongoing security concerns. Despite the severe recession in 2022, with a 28.8% drop in real GDP, 2023 saw a 5.3% growth displaying our collective determination.

Challenges remain, however, the government's proactive measures - including a significant surge in spending reaching nearly 42% of GDP - alongside a rise in private consumption fueled by increased real income, helped to buoy the economy. It is important to note that the rise in the number of Ukrainian migrants abroad put some limitations on domestic consumer demand.

Investment growth - both from the government and private sectors focused on critical areas such as logistic capacities, energy infrastructure, and autonomous energy supply, reflecting a strategic approach to address long-standing challenges.

Export constraints, notably impacting the "grain corridor," prompted development of alternative routes such as Danube ports. Additionally, the establishment of a new maritime corridor, supported by defense forces and international partners, proved to be a viable alternative. Favorable weather boosted agricultural yields, contributing to growth in the GDP.

The National Bank of Ukraine played a crucial role in maintaining macroeconomic stability, alongside businesses' resilience and judicious fiscal policies.

It is projected that GDP growth will continue in 2024, supported by fiscal policies, international aid, and improved business and household outlooks. However, risks from the conflict, security threats, and potential weather-related crop yield reductions persist. Preliminary data for the first quarter of 2024 suggest a steady continuation of GDP growth, bolstered by ongoing recovery efforts and strategic investments.

Inflation and Reserves

In 2023, the National Bank of Ukraine (NBU) transitioned to a managed float exchange rate regime supporting a strategy of easing currency constraints and returning to inflation targeting. This move increased attractiveness of hryvnia deposits and government bonds.

The NBU actively intervened in the foreign exchange market compensating for the structural deficit of foreign currency and stabilizing the exchange rate. The rapid decline in inflation in 2023 was a result of the NBU's measures to stabilize the currency market and curb market prices.

The government's successful efforts in the domestic debt market in 2023 were key to ensuring macroeconomic stability. Through collaborative efforts with the NBU, the government promoted funds mobilization via domestic bonds and implemented mechanisms to enhance the market's investment attractiveness.

Tariff fixation for certain services and good harvests contributed to reduced administrative and food prices, counterbalancing effects of rising business costs. In the first quarter of 2024, the NBU's proactive measures continued to yield positive results, with further stabilization of the currency market and a sustained decline in inflation rates, indicating effectiveness of its managed float exchange rate regime.

Thanks to external support, Ukraine's international reserves grew by 42% in 2023. International aid and USD-denominated domestic government bonds (up to USD 4.5bn) helped offset the NBU currency market interventions, finance state debt servicing and repayment, and boost reserves to a level sufficient to maintain exchange rate stability.

International Financial Support

In 2023, international aid remained the primary source of capital inflows into Ukraine. It is anticipated that a reduction in security risks will contribute to a decrease in the need for external financing, but international support will remain one of the key constituents of the macroeconomic stability.

In February 2024, EU leaders finalized a four-year EUR 50bn aid package for Ukraine, with the first EUR 4.5bn disbursed in March. The US Senate approved a USD 61bn aid package for Ukraine in April 2024, with USD 8bn allocated for non-military assistance. Such crucial support from our partners instils confidence in Ukraine's capacity to ensure macroeconomic stability throughout 2024.

Labor Market

There was dynamic growth in demand for labor, particularly in the trade and services sectors in 2023. Despite positive trends, high security instability in 2024, migration and mobilization have complicated the situation in the labor market. Companies are increasingly facing shortage of qualified workers, indicating structural changes and imbalances.

UKRAINIAN BANKING SECTOR

Ukraine's banking sector is dominated by government-owned banks, which account for 53.6% of the system's assets, alongside banks with international investments. At the end of 2023, 63 banks were operating within the sector. The asset-to-GDP ratio of Ukraine's banking sector was in 2023 relatively low at 50.1%. This ratio is comparable to that of Romania but significantly lower than those of Poland and Hungary.

Assets

The total assets of Ukraine's banking sector showed the substantial increase of 22% in 2023. Holdings of NBU certificates of deposit (CDs) – including the three-month CDs introduced in April – and domestic government debt securities experienced the most growth during the year.

The net corporate loan portfolio in the local currency declined by 0.7% in 2023. However, the fastest growth was observed in local currency loans to SMEs, which increased by 12.4%. Currently, SME loans account for 57% of the net portfolio of business loans in the local currency. Local currency loans were predominantly issued under the 5-7-9% Program, with total loans granted under this program increasing by 34%.

The volume of net retail loans in the local currency increased by 20.3% in 2023, driven primarily by strong card lending. Net mortgage loans grew at a record pace, rising by nearly 50% over the year, fueled by the UAH 9bn in loans issued under the eOselia program.

Funding

Liabilities of banks exceeded their 2022 levels by 24%. Customer deposits continued to grow throughout the year, having increased by 28%. The share of customer deposits in total liabilities remained at record highs – around 91% – and the share of NBU refinancing fell to its lowest level since 2006, reaching just 0.1%.

Hryvnia retail deposits increased by 21% over the year, with growth accelerating in the fourth quarter. Although the beginning of 2024 saw traditional seasonal outflows from retail accounts, this does not pose a threat to stability of the banks' funding.

New deposits in the local currency predominantly had the maturity of three to six months. In 2023, households' foreign currency (FX) deposits at banks grew by 6%. FX term deposits declined by 4% throughout the year, partly due to lifting of some currency restrictions at the year's end, which reduced the demand for purchasing foreign currency for term deposits.

Local currency corporate deposits increased by 51% over 2023. FX corporate deposits grew more modestly, by 3% quarter-on-quarter, with notable increases recorded only at state-owned and private banks—11.2% and 9.1%, respectively.

Stability and Profitability

As of April 2023, after evaluating stability of banks and the overall banking system, the NBU determined that banks had sufficient capital and the system showed a high level of resilience. The assessment of asset quality, performance, and capital indicators showed an adequate assessment of the credit risk.

With high interest rates, strong operational efficiency, and moderate provisioning, the sector generated UAH 87bn in net profit in 2023. The increase in profitability was driven by a rise in net interest income, particularly from investments in NBU CDs and domestic government bonds.

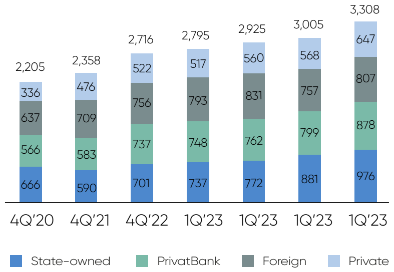
The Ukrainian banking system experienced easing of inflationary pressures, leading to several reductions in the NBU key policy rate from July to December 2023, with them reaching 15%. However, higher rates on NBU deposit certificates and increased reserve requirements for current funds prompted banks to attract term deposits from households, which slowed the decrease in deposit rates.

Prospects and Risks

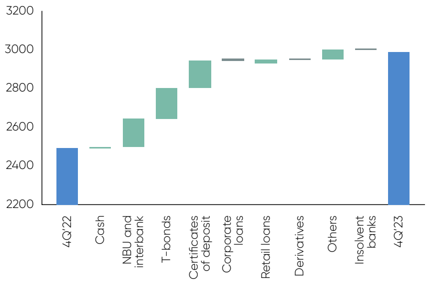
The 2023 stability assessment results revealed sufficient capital and a substantial margin of safety in the system as a whole, setting the stage for further restoration and tightening of capital requirements. Starting in May 2024, banks will update their operational risk calculations based on their latest financial statements – that's the first update since February 2022.

From August 2024, banks must comply with the updated capital structure requirements and include market risk in their capital adequacy ratio calculations. Additionally, the NBU plans to establish a schedule for introducing capital conservation and systemic importance buffers. Accumulated profits will help the sector meet these requirements, potentially easing restrictions on dividend payments.

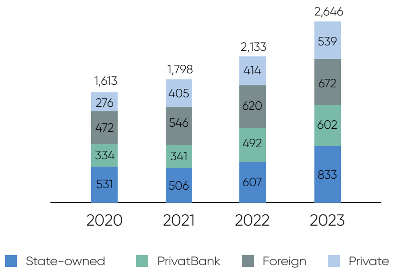
Banks' Total Assets, UAH bn



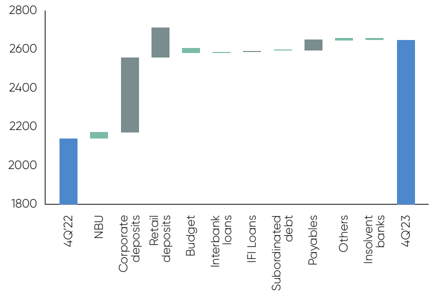
Change in Assets by Components 2023, UAH bn



Liabilities by Groups of Banks, UAH bn



Change in Liabilities by Components 2023, UAH bn



In the first quarter of 2024, the labor market remained under pressure, with significant unemployment rates persisting due to limited labor supply resulting from the ongoing security instability exacerbating structural imbalances and affecting wage dynamics in the private sector.

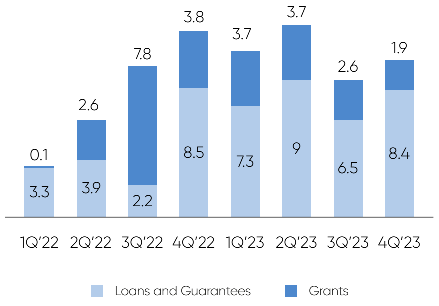
Ukraine War Damage and Needs Assessment

In February 2024, the Third Ukraine Rapid Damage and Needs Assessment, covering the period from February 24, 2022 to December 31, 2023 was published. The assessment was jointly prepared by the World Bank, the Government of Ukraine, the European Union, and the United Nations, in coordination with humanitarian and development partners, academia, civil society organizations, and the private sector. The data from this assessment were used in this section.

As of December 31, 2023, direct damage from the war reached almost USD 152bn. The most affected sectors are housing (37% of total damage), transport (22%), commerce and industry (10%), agriculture (7%), and energy (7%). The damage is concentrated in the Donetsk, Kharkiv, Luhansk, Zaporizhzhia, Kherson, and Kyiv regions.

The recovery and reconstruction needs are estimated at almost USD 487bn, considering an ambitious 10-year period for their fulfillment. These significant needs arise from the prolonged war that has impacted a large geographical area, including urban settlements. These needs cover critical steps for short-term recovery, as well as medium-term reconstruction aimed at introducing modern standards that meet low-carbon and climate-resilient requirements. The principles of "better recovery" are in line with the reforms and investments envisaged in the Government of Ukraine's Plan and by the EU for Ukraine. These efforts are guided by the Sustainable Development Goals, which ensure inclusive and equitable human development.

International Financial Aid, USD bn



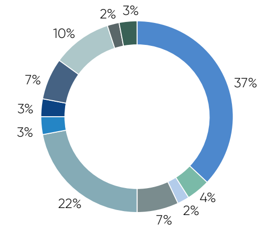
Shelling has become a core russian tactic, causing widespread destruction of homes, especially near active battlefronts. By December 2023, damage to the housing sector was estimated at USD 55.9bn, with 250,000 housing units destroyed or damaged. Regular missile attacks continue to inflict further damage nationwide.

Infrastructure facilities have also become prime targets for russian attacks. The damage in infrastructure sectors is estimated at USD 55.2bn. The transport sector suffered the most significant losses, estimated at USD 33.6 bn, due to the disrupted Black Sea port access, blocked aviation industry, and damaged roads and railways.

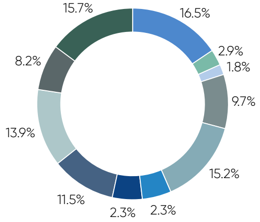
Commerce and industry - key pillars of Ukraine's pre-war economy - contributed about one-third of GDP and supported 6 million jobs. However, from 2022 to December 2023, these sectors sustained an estimated USD 15.6 bn damage, with industry accounting for a staggering 83.6% of the total. The actual number is likely higher due to unreported damage in occupied territories.

The agriculture sector hasn't been spared either. While total damage in this sector amounted to USD 10.3bn, losses reached a staggering USD 69.8bn.

Total Damage*, USD 152 bn



Total Recovery Needs*, USD 487 bn



* Values are for the period between February 24, 2022 and December 31, 2023

These losses include damage to agricultural machinery, elevators and other grain storage facilities, livestock, and perennial crop plantations.

Before February 2022, Ukraine's energy sector was crucial for economic growth and national security, contributing 7-8% of GDP. The russian aggression has severely impacted electricity generation and transmission, with targeted attacks causing over USD 7.5bn damage. According to the Prime Minister of Ukraine, all coal-fired and hydroelectric power plants under Ukrainian control, along with 13 combined heat and power plants, have been affected since the invasion began. Further details on the war's impact on Ukraine's RES sector are discussed in the next section.

Risk Analysis

The main macroeconomic risks that could greatly affect the economy are high security risks, the uncertainty regarding the war's ending. This could trigger reduced business and consumer confidence, higher exchange rates and inflation expectations, strain on government finances, and labor market challenges. Anticipation of this risk will likely lead to lower potential economic growth and higher inflationary pressure.

Furthermore, there are risks of systematic failures in international aid inflows and significant reduction in their volumes. Additional risks include budgetary requirements for defense, ongoing infrastructure damage, and worsening negative migration trends. Another decisive risk is the continued destruction of energy assets and infrastructure, which persisted from March to May 2024. The issue of developing distributed generation in the short term remains urgent.

The rapid expansion of alternative export routes in 2023 allowed for compensation of losses from the halt of the "grain corridor," thereby preserving positive trends with larger export volumes. Improvements in currency supervision efficiency will facilitate faster economic recovery, support exchange rate stability, and alleviate currency constraints.

The international aid package received in the first half of 2024 - totaling EUR 50bn from the EU and USD 61bn from the US - significantly bolstered Ukraine's macroeconomic stability. This infusion of funds not only increased substantial contributions for both military purposes and essential government operations, but also reduced the risk of instability.

UKRAINE'S ENERGY SECTOR AND GREEN ENERGY COMMITMENT

The energy sector, critical to Ukraine's economic growth and modernization, accounted for 8% of GDP and provided complete electricity access for population. Ukraine's electricity sector functioned through a well-defined market structure unbundled as generation, wholesale market operations, transmission systems, and distribution and supply. In 2019, a crucial step towards a more competitive market was achieved by transitioning to a system with bilateral contracts, day-ahead and intraday markets, and ancillary services. This move was aligned with the EU's Third Energy Package, demonstrating Ukraine's commitment to be part of Europe.

UkrEnergo, Ukraine's state-owned national electricity company owns and operates the United Energy System of Ukraine (UES) and its interconnections, also providing technical and information support to Energorynok. As a critical move towards energy independence, UES synchronized with the European power grid and disconnected from the ex-USSR energy systems of Russia and Belarus in early 2022.

By the end of 2021, the total installed capacity of the UES of Ukraine was 56.2 GW. Of this capacity, 49.7% is related to thermal power plants (TPPs, CHPs, modular plants), 24.6% to nuclear power plants, 11.2% to hydropower and pumped storage power plants, and 14.5% to generation units running on renewable energy sources (WPPs, SPPs, BioPPs).

Green Energy Commitment

The war with russia has significantly impacted Ukraine's energy sector, including its renewable energy (RE) infrastructure. However, Ukraine has a long history of commitment to clean energy and possesses vast potential for further development. RE development is one of the government's priorities due to its potential to reduce natural gas dependency and enhance energy security.

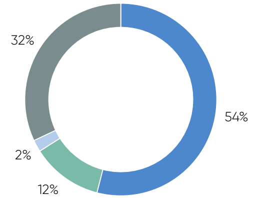
The generous guaranteed feed-in tariffs for electricity produced from RE source were thus designed to promote this development. Since 2019, investments in new renewable energy projects in Ukraine have been consistently higher than in fossil fuel projects. Within the decade leading up to February 2022, international and Ukrainian RES investors invested more than USD 12bn in the Ukrainian economy, and the share of foreign investors in the installed RE capacity as of the end of 2021 exceeded 35%.

From the outset of the invasion, russian troops have targeted critical energy generation capacities and infrastructure, including renewable energy power plants. According to the Energy Charter Secretariat, as of June 2023, 2.5 GW of renewable energy facilities are under occupation, and about 6% of the total installed capacity has been destroyed or damaged.

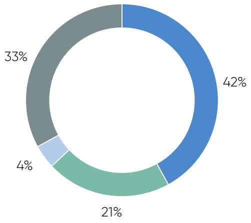
Wind power plants have suffered the most damage, as almost all of them were built in the southern regions near the Azov and Black Sea coasts (Kherson and Zaporizhzhia regions), where conditions for wind power generation are optimal. With the russian occupation of southern Ukraine, approximately 80% of the country's wind generation capacity is now in occupied territories, and at least 10 wind turbines have been damaged or destroyed in the course of the hostilities by the russian army.

Despite the ongoing war, Ukraine continues to build new renewable energy generation capacities. In 2022-2023, 457 MW were put into operation, including 220 MW of prosumer PV installations and 188 MW of wind capacity. In May 2023, one of Ukraine's largest private energy companies completed phase I of Tyligulska Wind Power Plant, located just 100 km from the frontline in Mykolaiv region. The plant has 19 turbines with a total installed capacity of 114 MW.

Renewable Electricity Capacity*, 14.8GW, 2022



Renewable Electricity Generation*, 17.1TWh, 2022



*The International Renewable Energy Agency (IRENA)

Solar | Wind | Bioenergy | Hydro/marine

Ukraine's Renewable Perspectives

According to the 2015 analysis by IRENA, Ukraine's annual technically achievable energy potential from renewable energy sources is approximately 98 million tons of fuel equivalent. This amount could replace about half of Ukraine's total energy consumption.

Ukraine has a total wind potential between 16 GW and 24 GW, with 16 GW deemed economically feasible. The southern and south-western regions are the most promising ones for wind energy development.

Large hydropower in Ukraine has a technically feasible potential of 21.5 TWh annually. Regarding small hydropower, its annual technically achievable potential is 20.1 TWh, with small rivers in western regions accounting for nearly 28% of the total SHP potential. SHP can help save fuel, decentralize energy production, and enhance energy security, especially in remote areas.

Ukraine possesses significant potential for solar energy. The annual solar irradiation ranges from 1,070 kWh/m² in the north to 1,400 kWh/m² in southern regions, and is higher in the Crimea. Studies indicate a 4 GW potential for solar power, mainly through photovoltaic (PV) devices. Solar PV equipment operates efficiently year-round, with peak performance from April to October in the south and from May to September in the north.

Biomass has substantial potential for electricity and heat generation in Ukraine. The economically feasible potential exceeds 800 PJ/yr, equivalent to a quarter of Ukraine's total final energy consumption. By 2030, biomass potential for electricity generation could reach up to 1,780 PJ, driven by agricultural residues, biogas, wood residues, and energy crops. Biomass can significantly contribute to heat generation by utilizing abundant agricultural and forestry waste.

Ukraine has the industrial capacity and scientific expertise to locally manufacture RE equipment, meeting domestic demands, and creating export opportunities. The RE sector's growth will support energy security, especially in remote areas, and contribute to national energy independence. Ukraine's renewable energy potential positions it as a key energy resource center for Europe. The EU faces multiple energy challenges, including energy shortages due to reduced energy exports from russia, variability of solar and wind power, insufficient domestic production and storage, and a growing demand for energy. By harnessing its renewable energy resources, Ukraine can significantly contribute to the EU's energy needs while enhancing its own energy security and economic growth.

Given almost daily shelling of energy infrastructure by the russian federation and the significant damage incurred, Ukraine needs a strategic plan to restore the sector. To achieve this, the country is actively collaborating with the EU and international organizations for cost-effective restoration of the energy infrastructure in view of the clean energy transition, the necessity to develop distributed generation and balancing capacities, energy storage systems while ensuring energy security.

UGB's extensive experience in collaborating with IFIs and DFIs in Ukraine, supporting sustainable development and businesses, positions us as a crucial player in rebuilding Ukraine's energy sector post-war. The Bank prioritizes restoration of the energy infrastructure using modern, small to medium-sized distributed generation, green energy solutions, and storage systems. This aligns with Ukraine's strategy to rebuild better and greener leveraging our expertise in attracting investments for sustainable economic recovery during and after the conflict.

About Ukrgasbank

Building a Greener Economy Together

- Who We Are
- Key Milestones
- Performance Highlights
- How We Support Ukraine

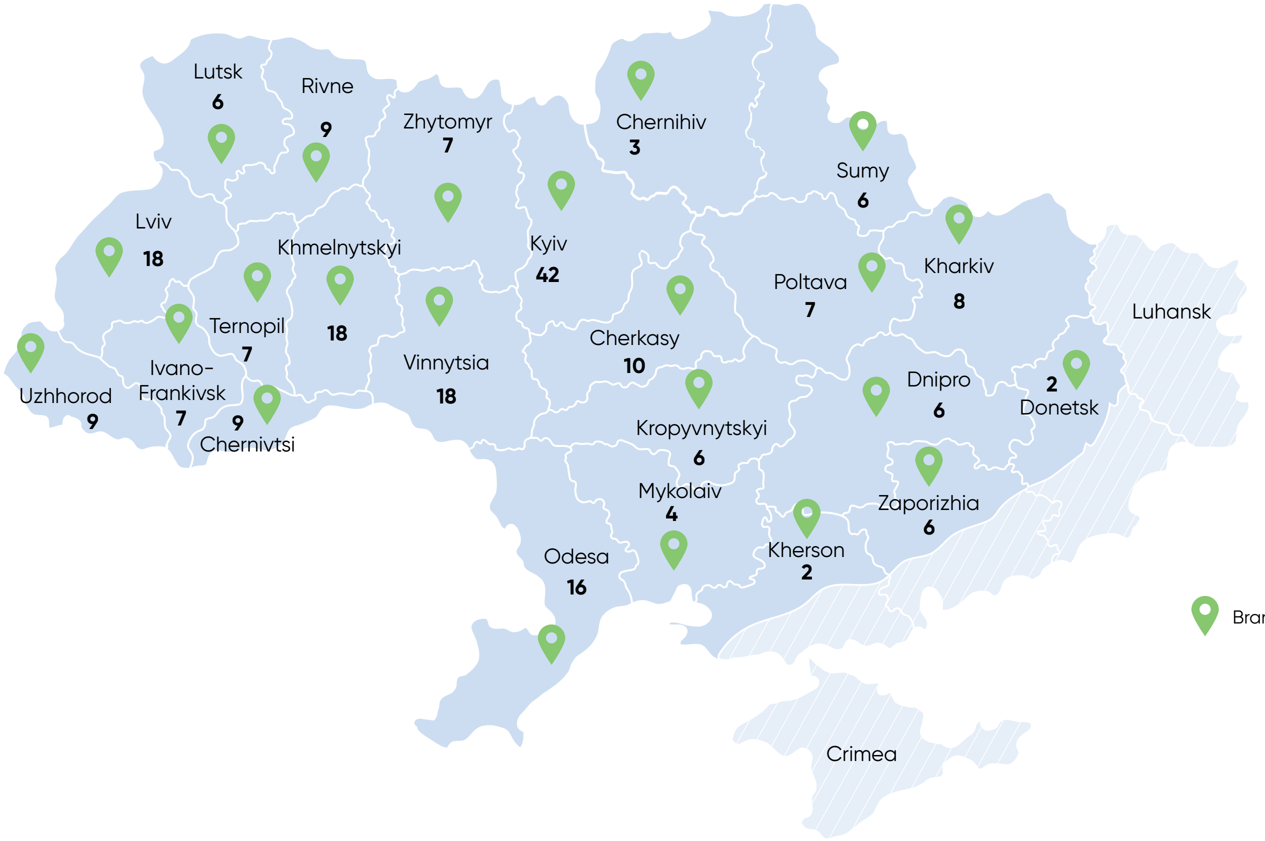
WHO WE ARE

Ukrgasbank (UGB) is a leading Ukrainian universal bank with a focus on green finance and a strong commitment to supporting the country's economic growth. As a systemically important state-owned bank and one of the top 5 Ukrainian banks by assets, we play a vital role in the nation's financial landscape.

Founded in 1993, UGB has grown to serve over 1.5 million business and retail customers, becoming a leading provider of corporate lending and financial solutions. While business clients may be fewer in number compared to retail customers, they represent a significant portion of the Bank's overall portfolio.

UGB has a strong record of implementing joint programs with IFIs and DFIs in Ukraine, promoting sustainable development and providing financial support to businesses.

The Bank covers the entire territory of Ukraine through a vast network of branches and advanced digital solutions.



1.4M	85K	220+	3.5K	6%	95%
retail customers	business customers	branches	employees	market share (by assets)	owned by State of Ukraine

Our Mission

The Bank's mission is twofold:

Drive Sustainable Growth

The Bank is dedicated to financing a greener future for Ukraine by supporting the development of the country's renewable energy sector and environmentally friendly practices.

Empower the Ukrainian Economy

We are a steadfast partner for Ukrainian individuals, businesses, and critical infrastructure, providing essential financial services and actively supporting the nation's economic resilience, especially during times of hardship.

Our Values

Sustainability

We champion environmentally responsible practices and promote a green economy.

Reliability

Bank is a trusted partner, committed to providing our customers with stability and security.

Innovation

We continuously seek new solutions to meet the evolving needs of our clients.

Partnership

We foster strong collaborations with local and international partners to maximize our positive impact.

Resilience

We overcome challenges and remain dedicated to supporting Ukraine's economic well-being.

KEY MILESTONES

A Legacy of Transformation

Since its inception in 1993, the Bank has undergone a progressive transformation from a corporate lending institution focused on financing Ukraine's energy sector to diversified bank with balanced business model. A pivotal moment arrived in 2009 when the global financial crisis impacted Ukraine. Upholding its commitment to financial stability, the Ukrainian government recapitalized UGB.

Embracing a Sustainable Future

The year 2016 marked a turning point for the Bank. Recognizing the growing importance of environmental responsibility, we embarked on a transformative journey to become a leader in green finance. This strategic shift involved partnership with International Finance Corporation (IFC): In 2016, we collaborated with the IFC to develop a comprehensive green banking strategy. This partnership proved instrumental in propelling our green finance initiatives and has become a starting point for the development of ongoing cooperation with other international and development financial institutions.

To confirm its commitment to sustainability, UGB has become the first bank in Ukraine and Eastern Europe to join the UNEP FI Principles for Responsible Banking back in 2019.

The Bank's dedication to environmental consciousness was acknowledged by Euromoney that recognized UGB as Central and Eastern Europe's best bank for sustainable finance in 2019.

As the nation's leading green bank, we were the largest investor in Ukraine's green economy – financing approximately one-third of the country's renewable energy projects. This focus on sustainability coincided with strong financial performance and a top-5 position in the Ukrainian market.

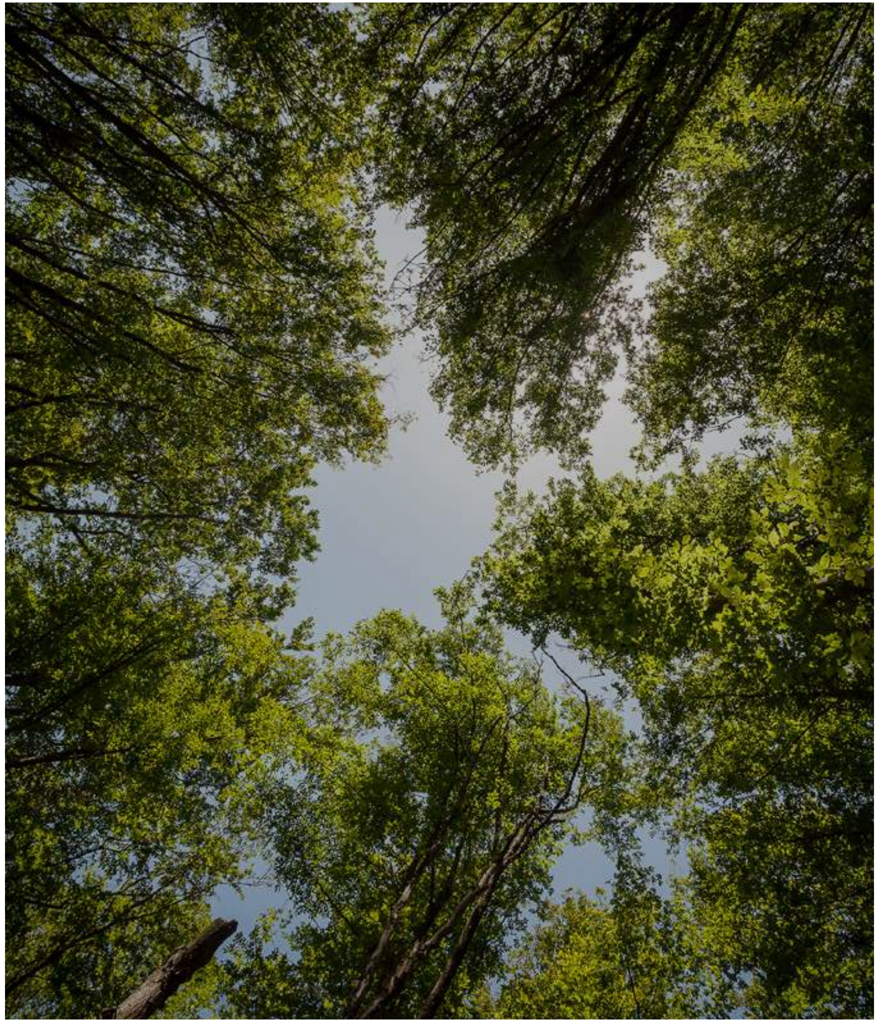
But all this was before the war...

Wartime Adaptation

The war of 2022 brought profound challenges. UGB has been at the forefront of supporting Ukrainian businesses and people. Being designated as a systemically important bank by the NBU, the Bank has played a crucial role in maintaining the stability of the national financial system. Demonstrating remarkable resilience during these challenging times, UGB has swiftly returned to profitability while remaining fully operational throughout the entire period. We prioritize providing critical financing to agricultural producers, facilitating essential imports, and supporting critical infrastructure projects.

The war has affected the bank's credit ratings: Fitch Ratings has assigned UGB Long-Term Foreign-Currency Issuer Default Rating at CCC- capped by the sovereign ceiling.

Throughout the conflict, the Bank remained steadfast in its commitment to the Ukrainian economy. Despite the prevailing challenges, the Bank's retail deposit base increased, and the corporate client base remained stable, reflecting the confidence placed in us by our customers.



PERFORMANCE HIGHLIGHTS

Delivering Strong Results, Empowering Our Customers

Record net operating income achieved through improved balance sheet structure and efficiency enhancements	Strong asset growth to UAH 176 billion reinforces our robust market position.	Highly liquid & actively managed funding portfolio	Comprehensive financial support to businesses for the benefit of society
UAH 4.7bn Profit before income tax	**6.1%** Market share by assets	**UAH 153bn** Customer deposits	**UAH 76bn** Gross customer loans
UAH 1.9bn Profit vs 2022 loss of ₴ 3.8bn	**#5** By assets	**190%** Liquidity Coverage Ratio	**UAH 3bn** Taxes paid
19% Return on Equity	**₴ 176bn** Assets		

In 2023, the Bank achieved record net operating income following the losses of 2022. This success was driven by optimizing the balance sheet and improvement of internal processes efficiency.

The Bank's commitment to being clients-oriented resulted in strong asset growth, solidifying our position as a top 5 bank by assets with a 6.1% market share. UGB actively supported businesses and households with UAH 76bn in gross customer loans at YE2023, promoting growth and resilience among our clients and community.

Our commitment to generating sustainable profits for our shareholders allows us to invest in the development of the Bank, community and Ukraine.

2023 has been a clear demonstration of our strategic vision — delivering exceptional value to customers while achieving sustainable growth for all stakeholders.

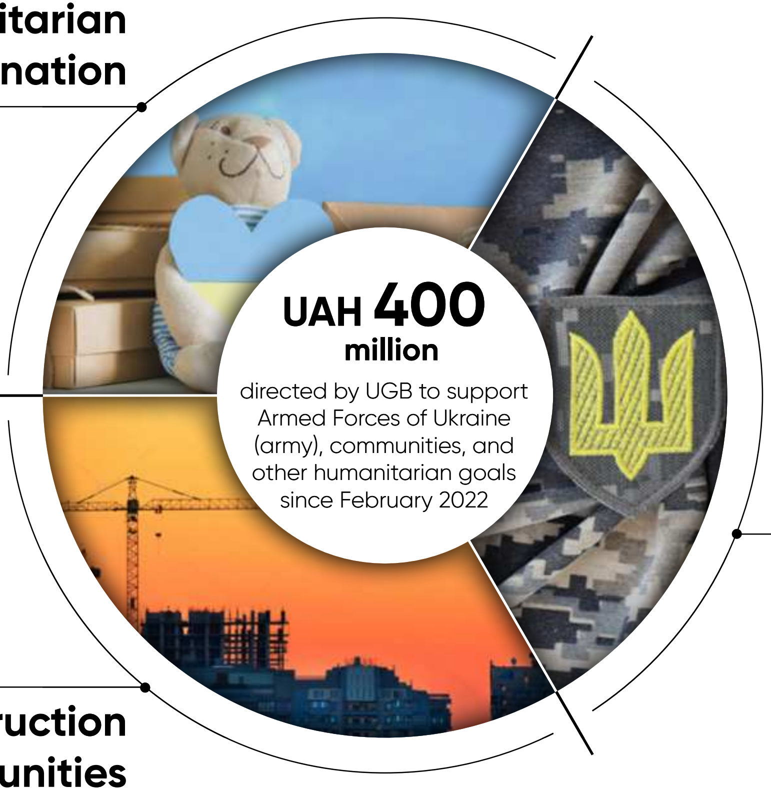
HOW WE SUPPORT UKRAINE

The Bank recognizes its crucial role in the country's development. This is accomplished by offering financial assistance and guidance to businesses and individuals alike. Beyond monetary aid, UGB places significant emphasis on trust and responsible banking practices. The bank's prosperity is intricately tied to the well-being of the community it serves. We advocate for a society built on principles of inclusivity, respect, equality, and the responsible management of resources.

Humanitarian aid donation

UAH 2.4 million transferred for supporting the population and humanitarian projects.

UAH 1 million transferred for the elimination of consequences of the attack on Kakhovka HPP



Reconstruction of communities

UAH 6.2 million transferred for community reconstruction

UAH 1.9 million transferred within the charitable deposit "Rebuilding the City Together"

UAH 4.3 million transferred for the reconstruction of Okhtyrka, Chernihiv, Bucha, Zaporizhzhia, and Makariv

Military Bonds

UAH **16.7**bn
bought during 2023

UAH **30.8**bn
invested by client

Paid corporate income tax to the budget

UAH **3.7**bn

Support for the army

UAH 390 million directed to support the army

11 vehicles handed over to army and paramedics

Communication equipment, flak jackets, and other equipment provided for the needs of the army

2023 Milestone Deal

OPENING EXPORT ROUTES

Ukrgasbank Facilitates Vessel Insurance in the Black Sea

Ukrgasbank's Maritime Export Initiative Awarded Top Deal of 2024 by GTR

UGB has partnered in a unique vessel insurance agreement aimed at making the Black Sea route more accessible for exporters. This comes as a result of a collaboration between Ukrainian authorities, the UK government, international insurance companies, and Marsh, the world's leading insurance broker, to establish a special mechanism for insuring vessels navigating the Black Sea corridor.

This new insurance deal will not only benefit agricultural companies but will also facilitate the transportation of a wide range of products by Ukrainian exporters. Unlike the previous grain corridor, this mechanism is not limited to agricultural goods, opening up the sea route to a wider range of industries.

The insurance mechanism covers vessels and their cargo traveling through the Black Sea ports, including protection against risks inherent in such transportation. This initiative is crucial, particularly in the current context of war, as it enables free navigation in the Black Sea, which is of strategic importance for fostering economic growth and resilience in Ukraine.

Strategy

Navigating Towards a Stronger Future

STRATEGIC VISION

- **The Bank that actively supports Ukraine's resilience, finances businesses and communities, and is positioned to contribute to post-war recovery through strong domestic and international business relationships and market understanding.**
- **A trusted partner understanding customers' unique financial needs, providing tailored solutions and superior banking services.**
- **A market leader in impact-oriented banking, generating sustainable returns for the shareholder and long-term value for the society.**

The Ukrainian banking system remains heavily influenced by state-owned institutions, which currently control over half of the banking system assets. The government has expressed a clear intention to reduce its presence in this sector through privatization, including the potential sale of UGB. This objective is fully aligned with the IMF-Ukraine Memorandum.

War with russia remains the key decisive factor standing behind shaping of the bank's strategy in the near to medium term horizon. Resilience and adaptability of the Ukrainian economy in the face of new challenges turned out to be higher than expected.

Consequently, UGB's strategic development plan has been prepared, with potential privatization as a key factor, as well as the state-owned bank's 2022 strategy for the wartime period that responds to challenges of the war and envisages support to the economy and businesses during the wartime.

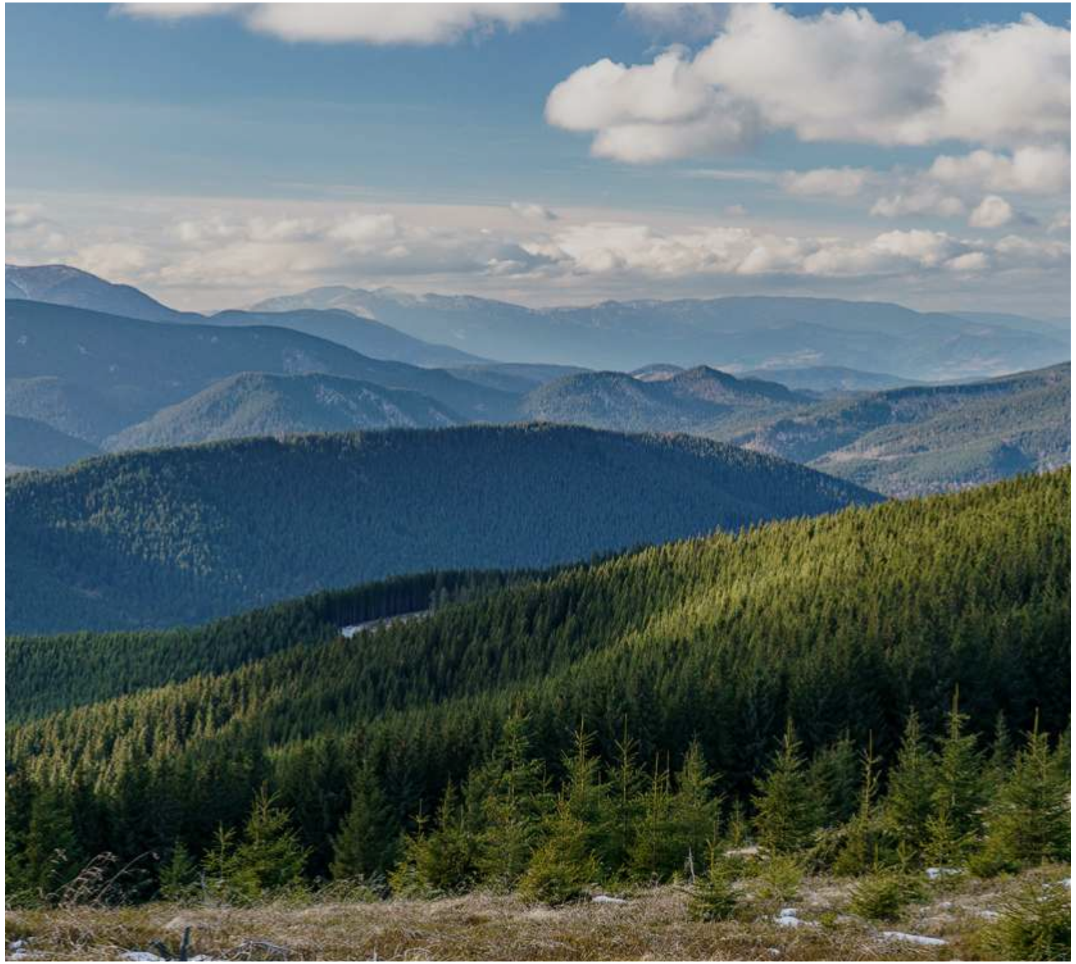
The strategic vision is split into two distinct periods covering the wartime and a post-war phases.

Short-Term Perspective - Resilience

During the war, UGB has been focusing on providing a financial shoulder to critical industries and businesses affected by the war, including energy, agriculture, processing industry, social services, transportation, logistics, and manufacturing. By ensuring access to financial services for a broad range of customers, we contribute to stability and resilience of the financial system.

Simultaneously, we are using this period to enhance our operational excellence, strengthen capital positions, and prepare for post-war reconstruction. This includes investing in digital transformation, upgrading systems, streamlining processes, and actively addressing any identified deficiencies.

Furthermore, recognizing importance of a robust foundation for future growth, we have made significant strides in improving our platform. This includes strengthening our governance frameworks, internal controls, compliance procedures, and anti-money laundering (AML) protocols. These enhancements demonstrate our commitment to maintaining the highest standards of integrity, transparency, and risk management, ensuring that we are well-prepared for the challenges and opportunities that lie ahead in the post-war period.



Medium-to-Long-Term Perspective – Rebuilding and Profitability Growth

Post-war reconstruction will require implementation of numerous large-scale infrastructure projects, the restoration of industrial capacities, financing development of the agricultural sector, which is a strength of Ukraine capable of quickly generating foreign currency revenues for the country.

There will be great potential for investment in such sectors as: energy, agri processing, building materials and furniture, logistics, decarbonisation and green technologies, transport, and manufacturing.

The government strategy for rebuilding Ukraine better and building it green emphasizes use of energy-efficient technologies and green solutions. It will pay special attention to restoring the heavily damaged energy sector relying on modern, small to medium sized distributed generating capacities, green energy solutions, and storages.

UGB's extensive network of international financial partners positions the Bank as a key player in Ukraine's sustainable rebuilding efforts. Our expertise in attracting and leveraging investments will not only be a benefit for the nation's economy during the ongoing war and post-war reconstruction, but will also generate sustainable returns for UGB.

To maintain our position as a preferred employer and financial partner, Ukrgasbank will continue adapting to the evolving operational landscape. This includes focusing on operational excellence, robust risk management, digital transformation, technological innovation, and sustainability. These key areas will shape our strategic priorities moving forward.

Expanding Core Strengths

We capitalize on our broad customer base to bolster our capabilities and market position in corporate, SME, retail and investment banking

Digital Transformation

Driving digitalization in retail and SME banking, we can better meet our customers' evolving needs, and remain their preferred financial partner

Operational Excellence

Continuously optimizing our processes, leveraging technology and automation, and upholding strict regulatory compliance to deliver high-quality, efficient service to our clients

Investing in Our People

We recognize that our employees are our most valuable asset. We are committed to fostering a culture of continuous learning and development, providing our team with the skills and resources needed to excel in their roles and adapt to the changing financial landscape

Strategic Collaboration

Partnering with international financial institutions to deliver support to our clients and promote sustainable finance

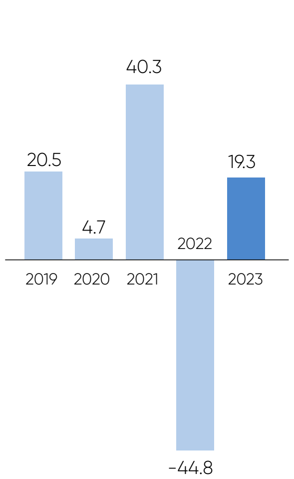
Leading in Sustainability

We strive to be at the forefront of sustainable finance, integrating ESG principles into our business practices and offering innovative products and services that contribute to a more sustainable future

FIVE-YEAR SUMMARY

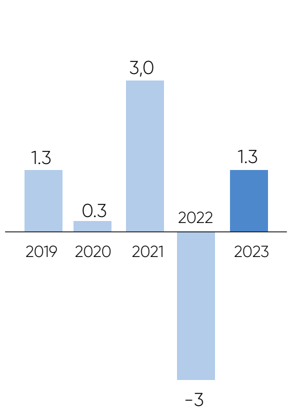
The bank is well-positioned to achieve sustainable and profitable growth in 2024 and beyond. This growth is crucial to navigate an uncertain macroeconomic landscape and remain competitive, all while maintaining strict adherence to the NBU's mandatory reserve requirements and other prudential regulations.

Return in Equity, %



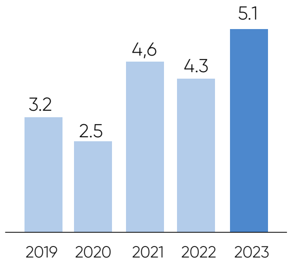
Achieving a competitive return on equity in the current macroeconomic environment, which encompasses high security risks, is essential. As the Bank returns to profitability in 2023, it aims for a sustainable long-term return of over 25%.

Return on Assets, %



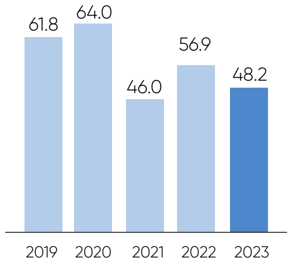
UGB is committed to continuously improving its operational efficiency and achieving an average level of ROE above 2%.

Net Interest Margin, %



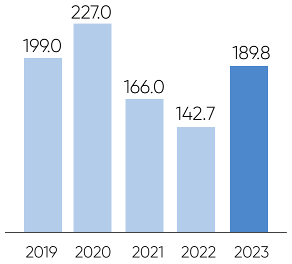
To maintain the long-term sustainability of the financial model, the Bank set an ambitious target for its average annual net interest margin to exceed 6.5%.

Cost to Income Ratio, %



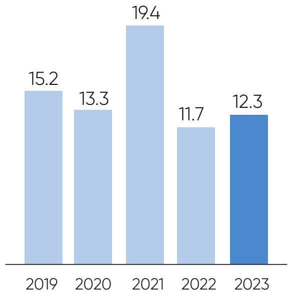
Along with increasing operating income, UGB has continued to focus on cost optimization, automation, and streamlining processes, which will allow achieving a robust CIR below 45%.

Liquidity Coverage Ratio (LCR), %



With the goal of sustaining financial stability and resilience to possible liquidity shocks, the Bank has maintained high liquidity buffers, ensuring that our efficient LCR remains above the regulatory minimum requirement of 100%.

Prudential Regulatory Capital Adequacy Ratio (N2), %



The Bank is committed to maintaining its regulatory capital adequacy 200 basis points above the prudential threshold, ensuring a prudent balance between earning potential and risk-taking capacity. This is particularly important in the context of implementing a new three-tier capital structure, as part of the ongoing efforts to align Ukraine's banking regulation with EU standards.

Corporate Governance

Integrity in Action: Our Commitment to Strong Governance

– Corporate Governance Structure
– Shareholders and General Shareholders' Meeting
– Supervisory Board
– Management Board

Message from the Chair of the Supervisory Board

"At Ukrgasbank, sound corporate governance is not just a legal obligation, it's a fundamental principle deeply embedded in how the Bank operates. It is the foundation upon which we build trust with our stakeholders and guarantee the enduring success.

Our governance framework, guided by principles of transparency, accountability, and ethical conduct, fosters responsible decision-making, mitigates conflicts of interest, and ensures effective risk management and internal controls. We believe that strong governance practices are essential for achieving our strategic objectives, safeguarding the interests of all our stakeholders.

In 2023, UGB's Supervisory Board underwent a significant refresh, with four new members selected through a competitive process led by the Ministry of Finance of Ukraine and facilitated by an international recruitment firm. The formation of the new Board was finalized in January of this year when the National Bank of Ukraine approved the appointment of the seventh member. The Supervisory Board has further strengthened corporate governance, with a particular focus on enhancing internal controls, AML measures, compliance, risk management, and cybersecurity. While we acknowledge the progress made in these areas, we remain committed to continuous improvement."

The Bank's corporate governance is a structured system that fosters collaboration and defines clear roles among shareholders, the Supervisory Board, the Management Board, and key stakeholders. This framework ensures alignment on the Bank's strategic goals and the actions required to achieve them, while also establishing a well-defined distribution of power and responsibilities.

Rules and Regulations

UGB's corporate governance is based on the external framework established by Ukrainian laws and regulatory guidelines:

- Law of Ukraine "On Banks and Banking"
- Law of Ukraine "On Joint Stock Companies"
- Law of Ukraine "On Management of State Property Objects"
- Recommendations on organization of corporate governance in banks of Ukraine
- Recommendations on the practice of applying legislation on corporate governance.

UGB also adheres to an internal framework that includes, among others:

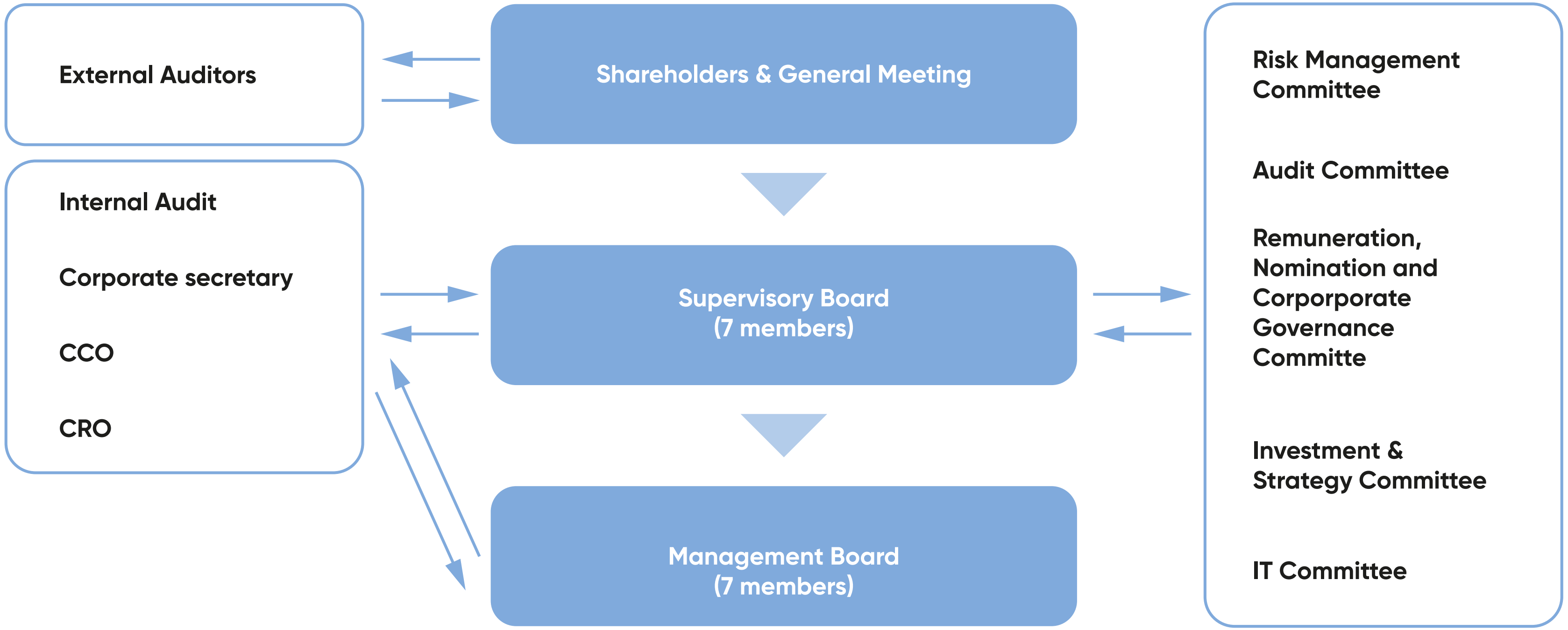
- Articles of Association, Corporate Governance Code, Regulations on General Shareholder's Meeting and Supervisory & Management Boards
- Regulations on Supervisory Board committees and collegial bodies of the Management Board
- Risk Management Strategy and policies on various risks (interest rate, market, credit, operational, liquidity, compliance)
- Policies on AML/CFT, conflict of interest prevention, ethics, remuneration, information, and information security

- Regulations on Supervisory Board formation, effectiveness assessment and remuneration, as well as Management Board suitability and effectiveness assessment.

The Bank prioritizes transparent communication with stakeholders, guided by its Information Policy approved by the Supervisory Board. This policy emphasizes transparency, fairness, accuracy, timeliness, and equal access to information, while balancing openness with safeguarding proprietary interests.

UGB maintains open communication with all stakeholders, disclosing information about its activities, performance, strategies, and the impact of market trends.

CORPORATE GOVERNANCE STRUCTURE



UGB's corporate governance is built on a strong foundation of the effective Supervisory Board and transparent communication between the Supervisory and Management Boards.

The Supervisory Board acts as the ultimate internal monitoring body and contributes an outside perspective to the corporate strategy, it also oversees performance against the strategy set out.

The Supervisory Board oversees and audits the entire Bank through a system of committees, including the mandatory Risk Management, Audit, and Remuneration, Nomination and Corporate Governance committees, along with the optional Investment and Strategy, and IT committees.

SHAREHOLDERS AND GENERAL SHAREHOLDERS' MEETING

The State of Ukraine became a shareholder in 2009 through recapitalization of the Bank.

The Bank's share capital consists of two classes of shares: common and preferred shares

As of December 31, 2023, the Bank's share capital totaled UAH 13,837,000,000, divided into 13,836,522,922 ordinary shares and 477,078 preferred shares. The largest beneficial owner is the State of Ukraine, represented by the Ministry of Finance of Ukraine, holding the 94.94% stake. No other shareholder owns more than 1.0% of the capital. Bank has 1,500+ shareholders in total.

The General Shareholders' Meeting serves as the supreme governing body of UGB, overseeing the bank's activities as a whole and establishing its objectives and strategic direction. The Bank's governance framework, as outlined in its Regulations on the General Meeting of Shareholders and the Articles of Association, defines the legal status, preparation, convening, and conduct of shareholder meetings, as well as the matters to be addressed.

Shareholders exercise their influence at these meetings, including election of the Chairperson and members of the Supervisory Board. The General Meetings may be held in person, online, or through remote filling of ballots, with remote meetings being convened under specific circumstances such as emergencies, impossibility of in-person or electronic meetings, bank interests, or legal requirements.

UGB holds its Annual General Meeting before April 30 of the following reporting year to review the previous year's performance. Other meetings are considered extraordinary.

	No. of Shares	Share of Capital, %
State of Ukraine	13,136,979,000	94.9409
Other legal entities (152)	177,777,387	1.2848
Individuals (1,372)	3,804,308	0.0275
Treasury shares	518,439,305	3.7468
Total	13,837,000,000	100.00

The General Meeting's agenda includes:

- Approving financial performance and profit distribution/loss coverage
- Reviewing an external auditor's report and taking appropriate actions
- Consideration and approval of the Supervisory Board's report
- Deciding on dividend amounts and payment methods for ordinary shares
- Resolving on amending the Remuneration Regulations for Supervisory Board members
- Approving the Supervisory Board's remuneration report.

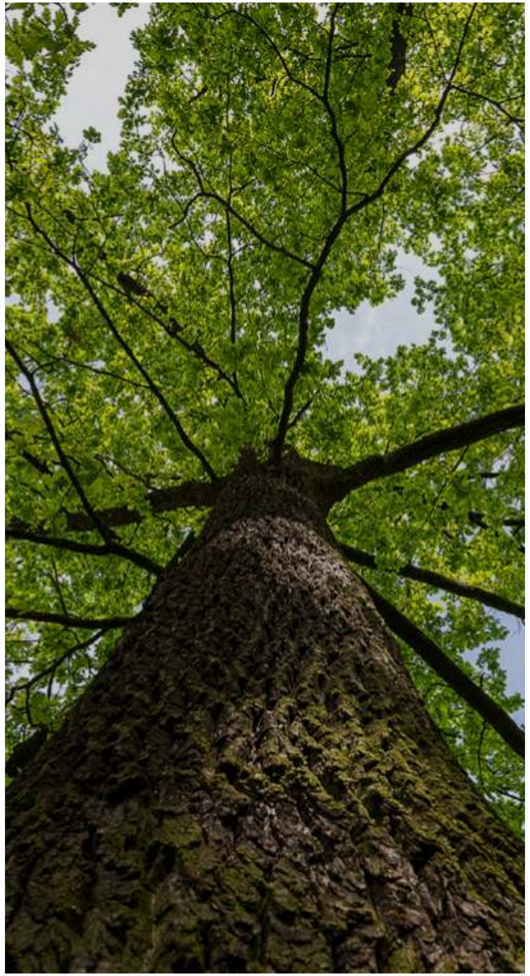
Shareholders have the right to propose agenda items and nominate candidates for positions within the bank's Supervisory Board members.

Shareholders can participate in the Bank's General Meeting in person or through an authorized representative with a power of attorney. Each voting share grants one vote per issue, except for cumulative voting.

In 2023, UGB held 4 General Meetings of Shareholders (one annual, three extraordinary) to address key issues, including:

- Approval of the 2022 annual performance, Supervisory Board report, and remuneration report for the Supervisory Board members
- Loss coverage and profit distribution based on 2022 performance
- Decision not to pay dividends on shares for 2022
- Consideration of amendments to Remuneration Regulations for Supervisory Board and Management Board members
- Termination of powers of the Supervisory Board Chairperson and members, and election of new Supervisory Board members and Chairperson.
- Amendments to the Articles of Association, Regulations on the General Meeting of Shareholders, and Regulations on the Supervisory Board.

Minutes of general meetings of shareholders are available on the UGB website.



SUPERVISORY BOARD

The Supervisory Board is the strategic governing body responsible for ensuring the bank's financial stability and compliance with legal requirements. The Supervisory Board oversees implementation of the bank's strategy and ensures effective corporate governance in line with approved principles. Additionally, it is responsible for ensuring a robust internal control system, including risk management, and for appointing the Chairperson, Management Board members, and heads of control units.

The Supervisory Board also exercises oversight of the Bank's Management Board, control units while safeguarding the rights of depositors, creditors, and shareholders.

The Supervisory Board's legal status, responsibilities, election process, compensation, and liability are defined in the Bank's regulations, available on the UGB website.

The Supervisory Board has exclusive authority over the following matters, among others:

- Approving and monitoring implementation of the Bank's strategy, business plan, recovery plans, crisis financing, and ensuring continuous operation
- Ensuring effective corporate governance aligned with approved principles
- Approving and monitoring the Bank's budget execution
- Approving and monitoring the problem asset management strategy, risk management strategies and policies, risk appetite statements, and risk limits
- Ensuring effectiveness of the internal control system, including risk management and internal audit.
- Determining sources of capitalization and other financing
- Determining the Bank's credit policy
- Appointing or dismissing the Chairperson, Management Board members, CRO, CCO, head of internal audit, as well as setting remuneration for these individuals
- Approving the Bank's organizational structure
- Determining the Bank's remuneration policy
- Making decisions on significant transactions and setting transaction limits.

Composition of the Supervisory Board and Mandates of its Members

Shareholders elect UGB's Supervisory Board members for the maximum three-year term, followed by the National Bank of Ukraine's approval, as stipulated in the Law of Ukraine "On Banks and Banking." The Board consists of seven members, five of whom - including the Chairperson - must be independent.

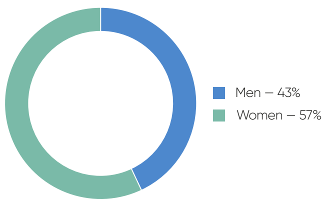
Due to the expiration of the previous Supervisory Board's term in 2023, the Supervisory Board underwent a renewal process. The current Board was formed following a competitive selection process led by the Ministry of Finance of Ukraine with involvement of an international recruitment firm. Formation of the current Supervisory Board was completed in January 2024.

The Board includes:

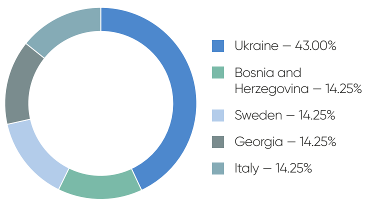
- Independent members: 5 (71%)
- State of Ukraine representatives: 2 (29%)
- Female members: 4 (57%)
- Male members: 3 (43%)
- Ukrainian citizens: 3 (43%)
- Foreign citizens: 4 (57%)

Diversity Supervisory Board

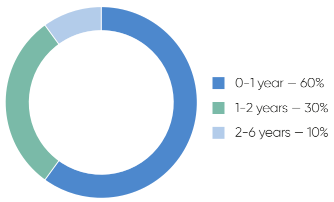
Gender Diversity



Nationality



Board Office Tenure



SUPERVISORY BOARD

Sanela Pašić

Chairperson,
Independent Board member
Since 2023

Yana Buhrimova

Deputy Chairperson,
Representing the State of Ukraine
Since 2022

Yuriy Blashchuk

Independent member
Since 2018

	Sanela Pašić	Yana Buhrimova	Yuriy Blashchuk
Committee memberships:	Remuneration, Nomination & Corporate Governance Committee, Chair	Audit Committee Remuneration, Nomination & Corporate Governance Committee Investment & Strategy Committee	Risk Management Committee, Chair Audit Committee Remuneration, Nomination & Corporate Governance Committee
Relevant experience	Sanela Pašić brings extensive experience to the Supervisory Board with a strong background in banking. She spent 20+ years as member of Management Boards in different subsidiaries of european banking groups of Addiko, Raiffeisen, Sparkasse and Bank Austria in roles of either CRO/CFO or CEO. Prior to this extensive commercial banking experience, she spent 5 years in development banking, the International Finance Corporation, lending to and advising SMEs in the CEE region. Apart from core skills in risk and financial management, her extensive banking involvement in international environment has allowed her to advance skills in leadership, banking sales and operations, restructuring, mergers and IPO, legal and compliance risks.	Over the past 20 years, Yana Buhrimova has combined her professional experience as a legal advisor to private and state-owned enterprises with project management experience in public administration, reforming and transformation. Her previous roles include Director of the Tax Policy Department at the Ministry of Finance of Ukraine in 2018 and Director at the Foundation for economic and social reforms in Ukraine. In her capacity as a legal counsel, she possesses a profound knowledge of Ukrainian legislation, including corporate, banking and tax laws.	Yuriy Blashchuk, a highly qualified expert with over 40 years of experience in banking, has been elected to the Supervisory Board for the second time. Yuriy Blashchuk is a professional with extensive experience in strategy development, corporate governance, internal audit, and risk management. His background includes significant roles such as leading the banking supervision department at the National Bank of Ukraine and holding supervisory board positions with a number of Ukrainian and foreign banks, including FinComBank (Republic of Moldova), Ukrainian Bank for Reconstruction and Development, and Platinum Bank, where he successfully implemented transformative strategies and improved governance structures. At the NBU, he contributed to state-owned bank strategy and regulatory compliance. Yuriy also held leadership roles at Platinum Bank and International Mortgage Bank, where he was instrumental in strategic planning, M&A activities, and securing international funding. As CEO of VAB Bank, he implemented efficient management structures, expanded corporate banking operations, and pioneered e-banking services in Ukraine.
Current external appointments	Member of Supervisory Board of Addiko Bank Sarajevo (and Chairperson of the Risk Management Committee) Member of Supervisory Board of Addiko Bank Zagreb (and Chairperson of the Audit Committee) Member of Supervisory Board and Audit Committee of Addiko Bank Beograd University Professor at the School of Science and Technology in Sarajevo	Advisor to the All-Ukrainian Agrarian Council (representing the interests of small and medium-sized farmers) Co-founder, Director of "U4 Ukraine" LLC Advisor to High Street Solutions LLC Advisor to D3 Consulting LLC	n/a
Education	PhD in Risk Management from University of Buckingham, UK; MSc in Finance, Accounting and Audit from University of Sarajevo	Degree in Law from Yaroslav Mudryi National Law University, Ukraine	Degree from Kyiv National Economic University and PhD from Ternopil Academy of National Economy in Finance and Credit
Nationality	Bosnia and Her§govina	Ukraine	Ukraine

SUPERVISORY BOARD

	 **Irakli Elashvili** **Independent member** **Since 2023**	 **Per Anders Fasth** **Independent member** **Since 2023**	 **Maryna Lazebna** **Representing the State of Ukraine** **Since 2022**	 **Enrica Rimoldi** **Independent member** **Since 2024**
Committee memberships:	Investment & Strategy Committee, Chair IT Committee	Audit Committee, Chair Risk Management Committee Investment & Strategy Committee	Risk Management Committee Remuneration, Nomination & Corporate Governance Committee IT Committee	IT Committee, Chair
Relevant experience	Irakli Elashvili has more than 20 years of working experience covering management consulting in Georgia and banking & investment banking in the United Kingdom (Barclays and BNP Paribas), Georgia (Chief Executive Officer at TBC Capital) and Azerbaijan (Advisor to CEO at Nikoil Bank). Irakli also consulted for the World Bank's project on pension reforms and related investment topics in Georgia and Egypt. The most recent career involved turnaround and sale of FINCA Bank Georgia as Chief Executive Officer in Georgia. Irakli also led execution of numerous market-leading capital markets transactions in Georgia, UK, across eastern and western Europe and Azerbaijan.	Per Anders Fasth has extensive experience as a CEO and senior executive, with over 25 years at leading financial institutions and an additional decade in top-tier management consulting. In parallel, he has accumulated more than 30 years of experience as a non-executive director. During this time, he served as CEO at SBAB Bank, Hoist Finance, and European Resolution Capital, and held CFO and other senior executive positions at the leading North-European bank SEB. He also has extensive strategic consulting experience, having spent 10 years at top-tier firms McKinsey & Company and QVARTZ (now Bain & Company). As a non-executive director, Per Anders has served on the boards of more than 15 financial institutions in Europe. Additionally, he has a wealth of professional experience, having worked in over 20 European countries, including Ukraine, where he served as an advisor to the World Bank and the Ministry of Finance of Ukraine.	Maryna Lazebna has significant experience in the Ukrainian social policy and banking sectors. Maryna served as the Minister of Social Policy of Ukraine for two years until July 2022. Her extensive career also includes leading the State Social Service of Ukraine and the State Employment Service of Ukraine. In addition, she directed the Labor Market and Employment Department at the Ministry of Social Policy. Maryna Lazebna has also consulted for the World Bank project "Modernizing the Social Support System for the Population of Ukraine."	Enrica Rimoldi is a skilled professional with over 30 years of experience in finance, IFRS, audit, risk management, compliance, IT, and corporate governance. Her career has been marked by significant roles on the boards and committees of both supervised entities (ICCREA Banca, DeA Capital, UniCredit Bank Czech Republic and Slovakia, and UniCredit Banka Slovenia) and non-supervised entities (Treccani, DeA Capital Partecipazioni). Ms Rimoldi's professional journey includes substantial positions in FMCG with Coca-Cola, in the financial sector with Banca Intesa Sanpaolo and UniCredit, and in professional services with Ernst & Young, Protiviti, and Scai Fast. Enrica Rimoldi holds the INSEAD Corporate Governance certificate and has completed various courses at INSEAD and HBS aimed at improving skills in strategy, governance, sustainability, digitalization and business innovation.
Current external appointments	Independent member of the Supervisory Board of Credit Information Bureau Creditinfo Georgia JSC, Georgia Member of the Supervisory Board of JSC HAMKORBANK, Uzbekistan Co-founder and Chief Executive Officer (CEO) of ALPHA CAPITAL ADVISORY LLC, Georgia General Partner of ELYSIUM ASSET MANAGEMENT LLC, Georgia	Independent Chairperson of the Supervisory Board of Lyra Financial Wealth AB, Sweden Independent Non-Executive Director, member of the Supervisory Board of Atle Investment Management/Services AB, Sweden Independent non-executive director, member of the Supervisory Board of TBC Bank Group Plc, Georgia	Member of the Supervisory Board of the Charitable Organization "Charitable Foundation Nezabutni" (pro bono)	Senior Associate at Bruno & Associati, Milano, New York Member of the Committee of Statutory Auditors of Istituto della Enciclopedia Italiana fondata da Giovanni Treccani SpA, Italy Chairperson of the Statutory Auditors Committee and Supervisory Board of UniCredit Subito Casa SpA, Italy Member of the Board of Directors of ICCREA Banca SpA, Italy Member of the Supervisory Board of UniCredit Bank Czech Republic and Slovakia a.s., Czech Republic Member of the Statutory Auditors Committee of DeA Capital Partecipazioni SpA, Italy Member of the Supervisory Board of Unicredit Bank Slovenia d.d., Slovenia
Education	Degree in Finance and Banking from Ivane Javakhishvili Tbilisi State University and MBA from London Business School	Master of Science from the Stockholm School of Economics, Executive Education from IMD in Lausanne	Degree in Management from Taras Shevchenko National University of Kyiv and PhD from Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine	Degree in Economics from Catholic University, Milan
Nationality	Georgia	Sweden	Ukraine	Italy

Committees of the Supervisory Board

The Supervisory Board's structure includes standing and ad hoc committees. These committees are formed and their roles are defined by regulations approved by the Supervisory Board, which are aligned with applicable laws of Ukraine. The committees are chaired by independent members of the Supervisory Board. The Supervisory Board has established five standing committees: three mandatory committees (Audit; Risk; Remuneration, Nomination and Corporate Governance) and two optional committees (IT; Investment and Strategy).

Audit Committee

The Audit Committee supports the Supervisory Board in overseeing the Bank's financial reporting process, internal and external audit functions, and overall management system, including evaluating internal controls and relationships with external auditors. The Committee also implements and ensures effectiveness of the Bank's internal control system and processes to provide timely reporting, monitor compliance, improve efficiency, it also recommends on selecting an audit firm. Additionally, it holds a preliminarily review of internal audit-related documents, reports on relevant issues, and maintains active cooperation with internal and external auditors.

Functions and powers of the Supervisory Board's Audit Committee are defined in the Regulation on the Audit Committee approved by the Supervisory Board.

Audit Committee is chared by Per Anders Fasth, an independent member of the Supervisory Board, serves as the Committee's Chairperson.

In 2023, the Audit Committee held 27 meetings. The Committee focused on the following areas:

- Overseeing the relationship between the Bank and its external auditor, including selection, analysis of the auditor's work and audit results, along with the assumptions for the Letter to the Management Board
- Reviewing periodic Internal Audit reports regarding implementation progress for the audit plan and any updates or changes in the timeline for addressing post-audit recommendations
- Monitoring effectiveness of internal control systems and internal audit
- Preparing the budget of the Supervisory Board and the internal audit department
- Assessing transactions with the Bank's related parties (the function was transferred to the Risk-Management Committee in 2024).

The Internal Audit department is an independent unit reporting directly to the Supervisory Board. Its activities are aligned with international auditing standards, the Ukrainian legislation, and the NBU regulations.

The department's structure facilitates inspections across various areas, including business units, information systems, risk management, and internal control. It also provides operational oversight ensuring a prompt response to emerging risks and changes in regulations.

The internal audit function is integral to the Bank's internal control system, serving as the third line of defense. Its primary responsibilities include evaluating business processes, assessing risk management and internal control effectiveness, and ensuring compliance with corporate governance.

The Supervisory Board ensures independence of internal audit by approving its structure, regulations, audit plans, and budget. It also reviews reports and sets performance indicators for the department.

The Bank's internal audit system complies with the International Standards for the Professional Practice of Internal Auditing and the Institute of Internal Auditors' Code of Ethics. It has been validated through internal and external assessments, the latter was conducted in 2021 by a "Big Four" auditing firm. This external evaluation, representing the highest level of assessment, confirmed that the internal audit department's structure, policies, procedures, and processes fully meet requirements of relevant international standards and ethical guidelines.

Risk Management Committee

The Risk Management Committee supports the Supervisory Board by overseeing the risk management process, including operational, credit, market, liquidity and other risks, as well as internal capital estimation, planning, and capital adequacy. The Committee continuously monitors the Bank's risk profile, adherence to the risk thresholds established by the Supervisory Board, and oversees identification and control of transactions with related parties. It is also responsible for overseeing the Bank's risk management framework, ensuring development and maintenance of internal documents related to risk management and credit policy.

Functions and powers of the Risk Management Committee are defined in the Regulation on the Risk Management Committee of the Supervisory Board.

The Risk Management Committee is chaired by Yuriy Blashchuk, an independent member of the Supervisory Board.

In 2023, the Risk Management Committee held 29 meetings. The Committee focused on the following areas:

- Considering the report on the Bank's credit risk profile, liquidity, interest, market and operational risks
- Considering results and making recommendations on implementation of the Operational Plan for Management of Non-Performing Assets and Repossessed Property
- Managing AML/CFT risks and assessing the level of the Bank's compliance risks
- Assessing performance of the Risk Management and Compliance Department
- Assessing transactions with the Bank's related parties
- Reviewing of the processes and internal documents on risk-management, conflict of interests, new products, environmental and social risk management, cyber security
- Preparing the budget for the risk management, ESMS, and compliance departments
- Action plans for implementation of the NBU's recommendations.

Remuneration, Nomination and Corporate Governance Committee

The Remuneration, Nomination, and Corporate Governance Committee supports the Supervisory Board in overseeing the Bank's human resources and payroll functions. This includes selection of Management Board members, suitability assessments of Management Board members, succession planning, staff rotation processes, employee satisfaction surveys, and development of remuneration and bonus policies. The Committee oversees and advises on development and review of the Bank's internal documents related to remuneration, nomination, and corporate governance.

Functions and powers of the Remuneration, Nomination, and Corporate Governance Committee are defined in the Regulation on the Remuneration, Nomination, and Corporate Governance Committee, approved with the Supervisory Board's decision.

The Remuneration, Nomination and Corporate Governance Committee is chaired by Sanela Pašić, an independent member of the Supervisory Board.

In 2023, the Remuneration, Nomination and Corporate Governance Committee held 21 meetings.

The Committee focused on the following areas:

- Review of the Remuneration Policy
- Review of regulations on the process for selecting, evaluating, and electing candidates for management positions and key persons
- Consideration of reports on evaluation of performance and suitability of the Supervisory and Management Board, reports from the Corporate Secretary, reports on compliance of the Bank's managers, the employee in charge of financial monitoring, CRO, CCO, and head of internal audit vs the requirements established by law
- Defining requirements for nominees for the positions of members of the Management Board;
- Assessing the report following the external advisory company's analysis of the Bank's organizational structure, leadership evaluation system, and recruitment process for the Chairperson and Management Board members
- Consideration of reports on remuneration of the Supervisory Board, Chairperson and members of the Management Board and the Bank's key persons
- Reviewing results of the competitive selection process for members of the Management Board
- Assessment of the reports made by an external advisory company on market conditions with regard to remuneration paid to the Management Board regarding outcomes of the professional assessment of leadership qualities of B/B-1 level executives of the Bank.

IT Committee

The IT Committee supports the Supervisory Board in overseeing strategic development and improvement of the Bank's information technologies for digital processes automation, and development of the Bank's digital strategy. It monitors and evaluates the Bank's cybersecurity framework ensuring robust measures are in place to protect sensitive data, mitigate risks, and comply with relevant regulations. Additionally, the Committee assesses effectiveness of the Bank's IT infrastructure - including hardware, software, and networks - to ensure optimal performance, reliability, and scalability. It also evaluates and prioritizes IT projects based on their strategic alignment, potential impact, and resource requirements, while reviewing the IT budget to ensure resources are allocated efficiently to support the Bank's technological objectives. The Committee tracks and evaluates performance of IT initiatives identifying areas for improvement and ensuring alignment with business objectives.

Functions and powers of the IT Committee are defined by the Regulations on the IT Committee of the Supervisory Board.

The Information Technology Development Committee is chaired by Enrica Rimoldi, an independent member of the Supervisory Board.

Investment and Strategy Committee

The Investment and Strategy Committee of the Supervisory Board is responsible for developing and refining the Bank's development strategies, identifying, evaluating, and prioritizing potential investment opportunities that are aligned with the Bank's strategic goals. The Committee also ensures development of banking documents governing investment attraction and implementation of the Bank's long-term development strategy and strategic projects. Besides, the Committee guides development of informational materials tailored for potential investors to facilitate effective communication and collaboration.

Functions and powers of the Investment and Strategy Committee are defined by the Regulations on the Investment and Strategy Committee approved with the Supervisory Board's decision.

The Investment and Strategy Committee is chaired by Iraklii Elashvili, an independent member of the Supervisory Board.

Supervisory Board Activities

Following russia's 2022 invasion, the Bank faced significant challenges requiring swift action to maintain operational effectiveness during the crisis. Throughout 2023, the Supervisory Board worked tirelessly to maintain the Bank's stability and efficiency, collaborating closely with the Bank's Management Board and providing continuous support to address urgent issues promptly.

In 2023, the Supervisory Board adopted resolutions aligned with the strategic goals outlined in the May 2022 CMU Order "Main Areas of Activities of Public Sector Banks for the Period of Martial Law and Post-War Economic Recovery". The Main Areas of Activities envisage banks' active participation in ensuring financial stability of Ukraine, support and stability of the banking sector's functioning, providing financing for priority sectors of the economy and uninterrupted operation of critical infrastructure enterprises, and the Supervisory Board made decisions aimed at achieving the strategic objectives set forth in the documents.

In 2023, the Supervisory Board held 57 meetings addressing 411 issues. These included working meetings with the Bank's Management Board to discuss the Bank's actual and forecasted financial status, internal control system, business activities, 2024 budget, organizational structure, remuneration system, and other operational matters.

In 2023, the Supervisory Board made decisions on various matters, including:

- Approving and monitoring the Bank's budget
- Appointing and dismissing the Chairperson and Management Board members
- Implementing changes to the Bank's organizational structure
- Reviewing and approving reports on remuneration, Board and committee activities, risk management, internal controls, and compliance checks of key personnel
- Overseeing internal audit plans and approving relevant internal documents
- Approving the annual performance results for 2022, including financial statements, auditor reports, and remuneration reports
- Approving active bank operations within established limits
- Selecting and contracting external consultants for organizational analysis, leadership evaluation, and executive recruitment.

Board Effectiveness Review

The Supervisory Board undergoes an annual evaluation of its performance, effectiveness, composition, and individual contributions of its members. This evaluation is conducted in accordance with the Regulations on Evaluation of Performance of the Supervisory Board, and applies to members who have served for at least three months.

In January 2024, the Supervisory Board resolved to conduct the 2023 performance evaluation, and the resulting report was approved in February 2024.

The evaluation was conducted through a questionnaire survey and included an assessment of the overall performance of the Supervisory Board, including its committees, an individual evaluation of performance of each Supervisory Board member, and evaluation of the Supervisory Board's collective suitability.

The collective suitability evaluation was conducted in reference to the Bank's Supervisory Board Profile Matrix, approved in 2022, and employed a self-evaluation questionnaire. This questionnaire covered the Board's overall performance, independence, individual member self-assessment, and peer review.

The 2023 Assessment Report concluded that the Supervisory Board's overall effectiveness was "well-performed." This assessment encompassed:

- Board Structure and Functioning: The Board's composition, structure, and activities, along with its methods, procedures, and interactions with the Bank's management and control units, were deemed well-performed.
- Committee Effectiveness: Performance of the Supervisory Board committees, their functions, powers, methods, and procedures were also evaluated as well-performed.
- Goal Achievement: The Board successfully met its established goals for the year.

The Board's composition in 2023 was deemed collectively suitable, balanced, and comprised of professionals with the requisite skills, strong character, and extensive experience in the banking and financial sector. This expertise equipped the Board to fully understand the Bank's operations, adequately assess risks, make sound decisions, and ensure effective management and control.

Furthermore, collective suitability of the Board was aligned with the Bank's size, business model, specific activities, risk profile, and systemic importance. All members possessed the necessary knowledge, understanding, and experience to effectively fulfill their duties, ensuring comprehensive oversight of all aspects of the Bank's activities.

The report is available on the UGB website as part of the Supervisory Board Annual Report.

Remuneration of Members of the Supervisory Board

The Chairperson and members of the Supervisory Board were remunerated in 2023 pursuant to the Regulations on the Bank's Supervisory Board, the Regulations on Remuneration of the Bank's Supervisory Board Members, and the civil law or employment contract entered into with each member of the Supervisory Board.

The remuneration paid to the members of the Supervisory Board in 2023 totaled UAH 20,410,582.92.

MANAGEMENT BOARD

The Bank's executive body in charge of day-to-day management is the Management Board. The Management Board reports to the Supervisory Board. The Management Board acts on behalf of the Bank within the mandate set forth in the Bank's Articles of Association, Regulations on the Management Board, internal documents of the Bank, resolutions adopted by the General Meeting of Shareholders and the Supervisory Board, as well as in agreements or contracts entered into with each member of the Management Board.

Powers of the Chairperson and Members of the Management Board

The Bank's Management Board, led by the Chairperson, is responsible for day-to-day operations of the Bank. The Chairperson oversees the Bank's ongoing activities ensuring efficient execution of the strategy set by the Supervisory Board. They execute decisions made by the General Meeting and the Supervisory Board ensuring alignment with the Bank's overall goals and objectives.

The Chairperson also plays a critical role in ensuring the Management Board's effectiveness, coordinating its activities with the Supervisory Board and other relevant bodies.

The Supervisory Board appoints the Chairperson and other members of the Management Board for a term of up to five years. The Management Board may consist of five to nine members, including the Chairperson.

The composition and expertise of the Management Board are carefully considered to ensure collective suitability, taking into account the Bank's size, complexity, operational scope, organizational structure, and risk profile. This approach is particularly crucial given the Bank's status as a systemically important institution, where effective leadership and decision-making are essential for maintaining financial stability.

Composition of the Management Board

In 2023, to effectively manage UGB's operations amidst the challenges of martial law, ensure stable support for key economic sectors, and strengthen specific areas, the Supervisory Board enhanced the Management Board with new members responsible for finance, IT, compliance, retail business, and network management.

2 women (29%) and 5 men (71%); they belong to different age groups (middle-aged and young).

Currently, UGB Management Board comprises 7 active members, of which: 1 – Acting Chairperson of the Management Board, 1 – First Deputy Chairperson of the Management Board, 5 – Deputy Chairpersons of the Management Board.

COMPOSITION OF THE MANAGEMENT BOARD

Rodion Morozov

**Acting Chairperson,
CEO
Since 2023**

Committee memberships

- Committee for International Financial Assistance, Chair
- Marketing Committee, Chair
- Credit Council, Deputy Chair
- Chairperson Non-Banking Institutions, Deputy Chair
- ALCO
- Business Committee.

Contribution to the Management Board

Rodion Morozov, as Acting Chairperson of the Management Board, represents the Bank's interests and supervises corporate, VIP, and small and medium-sized businesses. He coordinates the work of the Legal Department, Currency Supervision, Structured Trade Finance, Sustainable Finance, and Bank Security.

Relevant experience

Prior to his current appointment, he served as a member of the Management Board and Deputy Chairperson of the Management Board starting in 2020. His track record with UGB dates back to 2009, where he held various roles including Head of Non-Banking Institutions Department and Head of Green Banking Department. Before joining the Bank, he gained extensive experience in senior management positions at several banks and insurance organizations since 2003, notably OJSC "Oschadbank" and CJSC "European Insurance Alliance."

Education

Degree in Banking and Finance, and Insurance Management from Kyiv National University of Economics

Degree in Risk Management and Insurance from City University, London, UK

Volodymyr Ponomarov

**First Deputy Chairperson,
CFO
Since 2023**

Committee memberships

- ALCO, Chair
- Business Committee, Chair
- Motivation Committee, Chair
- Procurement Committee,Chair
- Operational Risk Management Committee
- Technology Committee
- Marketing Committee

Contribution to the Management Board

Volodymyr Ponomarov, holding the position of First Deputy Chairperson of the Management Board, is in charge of the finance and accounting, treasury, international cooperation, corporate governance and HR functions, responsible for implementation of projects in the field of investments, depository activities and mortgage management, procurements and control. He possesses profound knowledge and extensive experience in risk planning and management.

Relevant experience

Prior to his appointment as First Deputy Chairperson of the Management Board, Volodymyr Ponomarov held the positions of Deputy Chairperson of the Bank's Management Board and head of risk management. Prior to joining the Bank, Volodymyr Ponomarov worked at SEB AB (Skandinaviska Enskilda Banken AB, Sweden), OJSC "SEB Bank," and JSB "Factorial Bank" in senior positions in risk management.

Education

Degree in Banking from Ukrainian Academy of Banking of the National Bank of Ukraine

Andrii Samokhvalov

**Deputy Chairperson,
CIO
Since 2024**

Committee memberships

- Technology Committee, Chair
- Information Security Management Committee, Deputy Chair
- Business Committee
- Operational Risk Management Committee

Contribution to the Management Board

In his position as Deputy Chairperson of the Management Board, Andriy Samokhvalov coordinates the development of alternative sales channels and oversees the information technology development strategy. He brings relevant managerial experience in building and deploying relevant services, enhancing operational efficiency, and optimizing processes. His responsibilities include elaborating the IT development strategy, managing the IT project portfolio, and supporting and developing processing. He has in-depth knowledge of finance and information technology.

Relevant experience

With extensive experience in both the banking and IT sectors, Andrii Samokhvalov has held significant roles throughout his career. Prior to his current role as Deputy Chairperson of the Management Board at UGB, he held leadership positions at TASCOMBANK JSC, PJSC "VS BANK", CB NADRA PJSC, and JSC "VTB BANK", contributing to the digital transformation and operational efficiency of these organizations.

Education

Degree in Computer Systems for Information Processing and Management from National Aerospace University «Kharkiv Aviation Institute» and in Finance from KROK University, Ukraine.

COMPOSITION OF THE MANAGEMENT BOARD

Tamara Savoshchenko

Deputy Chairperson, COO
Since 2017

Oleksandr Shcherbakha

Deputy Chairperson
Since 2024

Maksym Vashchuk

Deputy Chairperson, CCO
Since 2023

Nataliia Vasylets

Deputy Chairperson, CRO
Since 2014

Committee memberships

- Credit Council, Chair
- Information Security Management Committee, Chair
- Business Committee, Deputy Chair
- Operational Risk Management Committee, Deputy Chair
- Technology Committee, Deputy Chair
- Marketing Committee, Deputy Chair
- ALCO

- ALCO
- Operational Risk Management Committee
- Marketing Committee
- Committee on Methodological Support for Risk Management of Retail, Small and Micro Businesses

- Business Committee

- Operational Risk Management Committee, Chair
- Non-Performing Assets Management Committee, Chair
- ALCO, Deputy Chair
- Committee for Monitoring of Customer Credit Operations, Deputy Chair
- Committee on Methodological Support for Risk Management of Retail, Small and Micro Businesses, Deputy Chair
- Business Committee
- Credit Council

Contribution to the Management Board

As a member of the Bank's Management Board, Tamara Savoshchenko oversees the Bank's operational activities and coordinates the work of the business support, information security and corporate communications departments. During her tenure, she has implemented projects aimed at transforming operational activities: centralization of operational functions, building remote operation processes, which allowed the smooth operation of key operational functions.

In his position as Deputy Chairperson of the Management Board, Oleksandr Shcherbakha oversees the development of retail banking and is responsible for the development strategy of regional distribution, branches and regional offices, contact center, development and implementation customer service culture in the Bank's regional network aimed at achieving the highest quality standards.

In his position as director of the compliance department, member of the Management Board of the Bank, Maksym Vashchuk oversees the work of the compliance department and control over compliance with the regulations, and is the Bank's responsible officer for AML/CFT function.

Nataliia Vasylets boasts extensive managerial experience in risk planning and management and is in charge of implementing the risk management strategy. In her capacity as Deputy Chairperson of the Management Board of Ukrgasbank, Nataliia Vasylets covers coordination of risk management and workout departments, as well as oversight of the implementation of measures to deal with overdue debts and distressed assets, support of restructuring programs, social and environmental risk management.

Relevant experience

With a wealth of experience spanning over three decades, Tamara Savoshchenko has held various key positions in the banking sector. Since November 2017, she has been a member of the Management Board and Deputy Chairperson of the Management Board at UGB. Prior to this, she served in executive roles at PJSC "Ukrsotsbank," including Chairperson, Acting Chairperson, and First Deputy Chairperson of the Management Board. Her expertise encompasses IT management, back-office operations, accounting, reporting, and risk control. Throughout her career, she has demonstrated strong leadership and strategic vision, contributing significantly to the success and operational efficiency of the banks she worked for.

Oleksandr Shcherbakha brings extensive experience to the Management Board, spanning over 14 years in the Ukrainian banking sector. He has demonstrated consistent success in driving sales growth, expanding retail business, and optimizing network performance across multiple leading financial institutions. Notably, he has held director-level positions at JSC "CREDIT AGRICOLE BANK" JSC "FIRST UKRAINIAN INTERNATIONAL BANK", and OJSC "Raiffeisen Bank Aval" further solidifying his expertise in strategic leadership and operational excellence.

With extensive experience accumulated over more than two decades, Maksym Vashchuk has held various significant roles in the banking sector. He previously served as director of control and financial monitoring department at JSC "KREDOBANK" (owned by PKO Bank Polski, Poland) for over eight years, where he was also an authorized employee responsible for AML/CFT. Prior to that, he held multiple positions at JSC "Kredyt Bank (Ukraina)", including head of branch and various leadership roles in operational and customer service sectors. Throughout his career, Maksym has demonstrated expertise in compliance, AML/CFT, and operational management, contributing to the success and regulatory compliance of the organizations he has served for.

Nataliia Vasylets has an extensive career in the banking sector, holding senior positions since 1993. She has been a member of the Management Board and Deputy Chairperson at Ukrgasbank since November 2014. Previously, she served as Vice-President and Director of the Banking Risk Control Department at PJSC "VTB Bank," and held key roles at JSC "Bank "Finance and Credit," including Deputy Chairperson of the Board and Head of Internal Audit Service. Her experience also includes positions at the National Bank of Ukraine and CB "PrivatBank," showcasing her expertise in risk management, internal audit, and financial supervision.

Education

Degree in Planning and Economics from Kyiv National Economic University

Degree in International Relations and Economics from National Aviation University, Ukraine

Degree in Economics and Banking from Lviv Banking Institute
Degree in Banking from Ternopil Academy of National Economy
Degree in Law from Ivan Franko National University of Lviv

Degree in Business Administration from Kyiv National Economic University

Management Board Committees

Efficiency of the Management Board is maintained by the established standing committees of the Bank's Management Board.

Activities of the committees and other joint bodies of the Bank's Management Board are governed by the Bank's internal documents (regulations on the relevant committee), which are subject to approval by the Bank's Management Board. The Management Board reviews annual reports of its committees.

Currently, the Management Board has established 16 standing committees, including 3 mandatory committees (Credit Council, Assets and Liabilities Management Committee, Credit Committee) and several optional committees such as the Business Committee, Operational Risk Management Committee, Technology Committee, Information Security Management Committee, and Non-performing Assets Management Committee. This committee structure allows for focused expertise and streamlined decision-making in key areas of the bank's operations.

The Credit Council and Credit Committee play a crucial role in implementing a balanced credit policy that is aligned with the Bank's business objectives while maintaining an optimal risk-return ratio. Its responsibilities include decision-making regarding customer credit transactions, within the delegated authority of the Management Board.

The Asset and Liability Management Committee focuses on ensuring effectiveness and continuity of the Bank's asset and liability management processes. It actively monitors and mitigates liquidity risk, interest rate risk, and market risk, aiming to maximize the Bank's financial performance.

Management Board Effectiveness Review

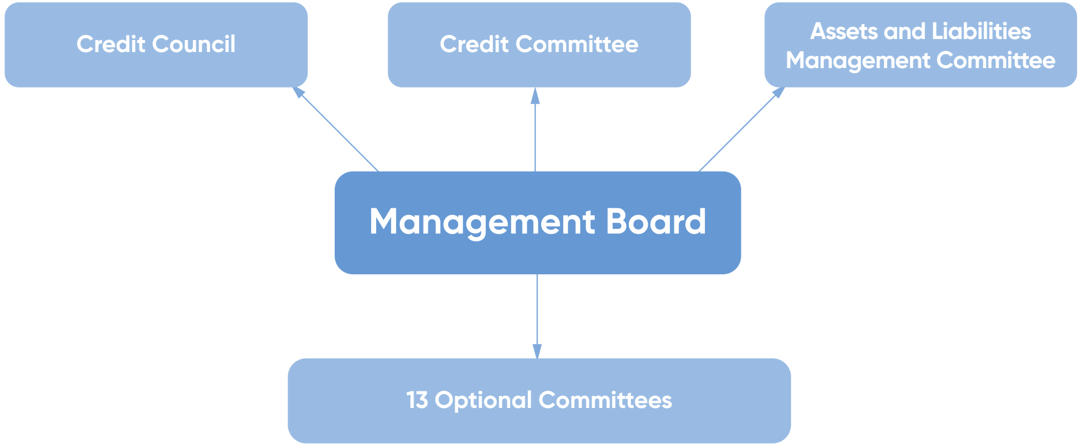
In January 2024, the Supervisory Board evaluated suitability and performance of the Management Board in 2023.

Following the evaluation in accordance with the Report on Evaluation of Suitability and Performance of the Management Board of Ukrgasbank in 2023, it was established that the composition of the Bank's Management Board in 2023 was collectively suitable, balanced, and represented by experts with the necessary skills, excellent credentials and significant experience in the banking and financial sector, who collectively demonstrated the required level of qualifications, professional and managerial experience in all areas of the Bank's activities to adequately assess risks and ensure that the Bank's activities are managed and supervised effectively.

Suitability of the Bank's Management Board in 2023 was commensurate with its size, business model, specifics of the Bank's activities, nature and scope of banking and other financial services, the Bank's risk profile and systemic significance. In 2023, members of the Bank's Management Board jointly possessed knowledge and proper understanding of the Bank's activities, as well as skills and experience required for the Management Board to exercise its powers.

Remuneration of Members of the Management Board

In 2023, remuneration to the Bank's Chairperson and members of the Management Board was paid pursuant to the Bank's Remuneration Policy and applicable regulations. The remuneration for the Management Board members for 2023 totaled UAH 48,516,727.80.



Our Business

Expertise in Action

– Corporate Business
– SME Business
– Retail Banking and Sales Channels
– Treasury and Investment Business
– International Cooperation

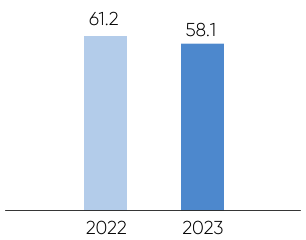
CORPORATE BUSINESS

Corporate business is the largest segment at the Bank. With over 7,000 customers, UGB ranks among the top four corporate lenders in the country, possessing profound sector expertise and local knowledge. Our corporate segment accounts for approximately 9% of the banking system's gross loans and 6% of deposits from legal entities.

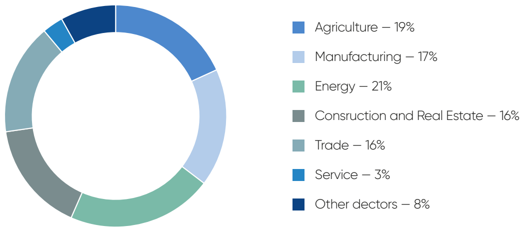
Our diverse corporate customer base includes large to medium-sized private corporations and public companies, featuring industry leaders such as Naftogas of Ukraine, Kernel, Nibulon, MHP, Epicentr, Ukrnafta, Galneftogaz, and WOG. Besides, the Bank's corporate segment serves government agencies and municipalities.

Corporate banking successfully combines a comprehensive approach to providing banking products across key product lines with personalized delivery of specific or specialized products and services tailored to needs of corporate clients. While the general parameters of comprehensive service are clearly defined and standardized, the conditions for servicing individual clients can be adjusted based on mutually beneficial terms of cooperation. The Bank offers a wide range of services tailored for corporate customers, including loans, payment and cash management solutions, deposits, merchant acquiring, payroll solutions, FX SWAP operations, and transactions with domestic government bonds.

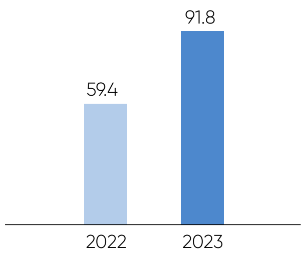
Corporate Gross Loan Portfolio, UAH bn



Well-Diversified Corporate Loan Portfolio, 2023



Amounts Due to Corporates, UAH bn



Our corporate banking business is a leading provider of trade finance in Ukraine, maintaining strong partnerships with major counterparty banks and international financial institutions, such as the IFC and EBRD.

Furthermore, our corporate banking department actively cooperates with other business segments within the Bank, unlocking the benefits of knowledge-sharing and cross-selling opportunities.

2023 IN REVIEW

Despite the war, in 2023, UGB achieved substantial growth in customer deposits, particularly within the corporate sector. Amounts due to corporate customers increased by 54%, reaching UAH 92bn, primarily driven by an increase in current accounts.

The corporate loan portfolio of the Bank remained relatively stable throughout 2023, following a 16% (UAH 4.6bn) increase in 2022. In 2023, the corporate loan portfolio reached UAH 58bn, down from UAH 61bn. This decline was primarily due to a reduction in agricultural loans, which, after a significant growth in 2022, returned to their 2021 levels. However, 2023 demonstrated a substantial improvement in the efficiency, leading to a more than 30% increase in net non-interest income from corporate business.

UGB actively supported critical sectors of the Ukrainian economy during challenging times by providing essential financing for agribusiness, food production, infrastructure, and energy projects. This strategic focus led to an increased representation of these sectors within the bank's loan portfolio, particularly energy, food retail, and construction and real estate. Moreover, UGB utilized state-backed programs - such as Affordable Loans 5-7-9%, the CMU Guarantee program, and credit risk insurance from the ECA - to further support its customers.

Throughout 2023, UGB remained committed to sustainable lending, investing in projects that enhance Ukraine's economy, energy security, and overall sustainable development. This commitment was reflected in financing directed towards restoring war-damaged infrastructure, supporting medical and social protection initiatives, promoting environmental protection and resource efficiency, and expanding production of green energy for own consumption.

2023 Recap

UAH 58bn
Total Corporate Loans

UAH 92bn
Due to Corporate Customers

UAH 18bn
Turnover Trade Finance with 740 Transaction

TOP 4 bank
By Loan Portfolio of Legal Entities

THE BANK STRENGTHENS UKRAINE'S ENERGY STABILITY

In 2023, the Bank became an authorized participant in the Ukrainian electricity market - a significant step amidst the ongoing energy sector reforms. This status enables the Bank to directly facilitate transactions within the market, ensuring smooth and transparent financial operations, as Ukraine transitions to a more competitive energy system. This strategic move allows the Bank to offer specialized financial products tailored to needs of energy market participants, such as:

- Escrow accounts for settlements between auction participants to access interstate cross-border capacity (for both residents and non-residents of Ukraine)
- Overdraft facilities for electricity market participants
- 24/7 assistance with electricity settlement for customers.

TRADE FINANCE: A PILLAR OF SUPPORT FOR UKRAINIAN BUSINESSES

UGB is a leading provider of trade finance in Ukraine, with a trade and structured trade finance portfolio exceeding UAH 18bn in 2023. The Bank maintains strong partnerships with major international and domestic banks, along with renowned international financial institutions such as IFC and EBRD.

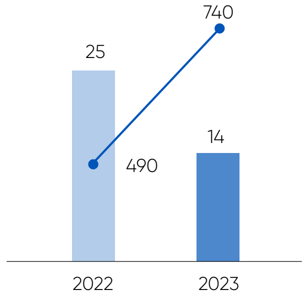
From 2019 to 2023, the Bank has been consistently ranked as the number one bank in Ukraine by the trade finance portfolio size. Since 2017, UGB has been a participant in the IFC Global Trade Finance Program, becoming the largest IFC client among Ukrainian financial institutions in 2023. Since 2019, the Bank has played a pivotal role in the EBRD Trade Facilitation Programme, holding a predominant share of over 50% among Ukrainian banks. UGB's collaboration with EBRD and IFC has facilitated over 160 transactions, mobilizing up to USD 260m in financing for Ukrainian trade throughout 2023.

Amidst the ongoing war, UGB has prioritized critical imports, financing essential commodities and supply chains, while expanding our support to fertilizers, machinery, and energy equipment.

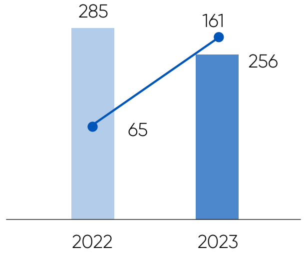
The Bank received awards in 2023 and 2024:

- Most Active Issuing Bank EBRD TFP
- Best Trade Partner Bank in Eastern Europe IFC
- GTR Best Trade Finance Bank in Eastern Europe
- GTR Best Deal

Trade Finance Turnover, UAH bn and Number of Transactions



Trade Finance Turnover with IFIs, USD m and Number of Transactions



OUR CLIENTS SPEAK

NIBULON is a leader in the Ukrainian grain exports, being the largest operator of elevator capacities with the simultaneous storage capacity of 2.04 million tons, and one of the leading Ukrainian agricultural producers, with its land reserve of over 76,000 hectares.

"*Over the past 33 years, the company has invested USD 2.3 billion to build a powerful logistics infrastructure connecting local agricultural producers with the global market. Additionally, the company owns the country's largest fleet, built at its shipyard, comprising 83 barges, tugboats, floating cranes, and dredging equipment,*" Andriy Vadaturskyi, CEO of NIBULON, notes.

Since 2008, NIBULON has been participating in the UN World Food Program (WFP) and is the only Ukrainian company accredited for this role. The company has made a significant contribution to exports of grain to address hunger in Bangladesh, Ethiopia, Kenya, Mauritania, and Yemen, among others.

Unfortunately, the company suffered significant losses since the onset of hostilities and requires substantial support. Ukrgasbank and NIBULON have agreed long-term debt restructuring, which will enable the company to overcome these challenging times and ensure food security amidst the full-scale invasion.

"We are proud of our partnership with Ukrgasbank, which demonstrated leadership in turbulent times and was the first state bank to sign a restructuring agreement. I consider it a manifestation of true partnership and the state-driven stance on supporting critical industries. Ukrgasbank's decision exemplifies effective interaction between the state and business for economic resilience and the future development of Ukraine. Our partnership is a vivid example of a united economic front in our fight against the aggressor. Together, we will endure and prevail!" says Andriy Vadaturskyi, CEO of NIBULON.

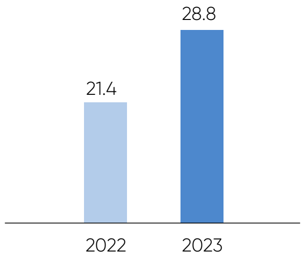
SME BUSINESS

Recognizing the vital role small and medium enterprises (SMEs) play in driving economic growth, job creation, and social stability, the Bank has strategically prioritized SMEs as one of its key business segments. UGB is committed to empowering these enterprises, understanding their significance for the Bank's growth and business diversification as well as for the overall development of the country. It is worth noting that the Bank's SME segment extends beyond conventional definition of SMEs to also include municipal utility companies.

The Bank offers a comprehensive range of banking services tailored for SME customers, including loans, payment and cash management solutions, deposits, merchant acquiring, payroll solutions, FX SWAP operations, transactions with domestic government bonds, and trade finance solutions. To better serve our clients during these challenging times, we have introduced new products specifically designed to support domestic businesses amidst the ongoing war. These include loans for relocating businesses from occupied or war-affected regions and loans for restoration and modernization of damaged production facilities.

UGB reaches its customers through its multi-channel approach, providing both in-person services at its branches and convenient remote access through its secure and user-friendly online platform and mobile application EcoBoom 24/7.

Amounts Due to SMEs, UAH bn

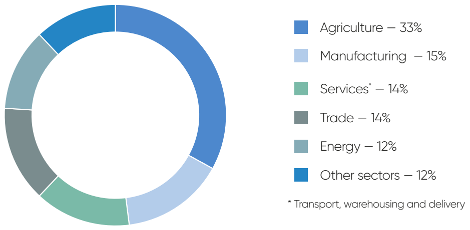


2023 IN REVIEW

In 2023, the Bank's active customer base grew by 4% year-on-year, reaching nearly 80,000 clients, with over 10,000 new clients added to the portfolio. This positive outcome was also driven by implementation of the Bank's remote account opening service. However, the primary channel for attracting new clients is still the Bank's branch network.

In 2023, the SME loan portfolio expanded to UAH 11bn, primarily driven by increased financing for the agricultural sector, particularly farmers preparing for the new season, and businesses in the processing sector. Despite high interest rates, this portfolio growth was achieved through a combination of the factors:

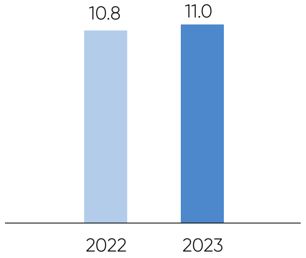
Diversified SME Loan Portfolio, 2023



- Government support: Financing under the state Affordable Loans 5-7-9% programme combined with the Cabinet of Ministers' portfolio guarantee mechanism
- International partnerships: Joint programs with international partners, such as the EBRD
- Export promotion: A collaborative program with the Export Credit Agency to support domestic exporters.

Sector-wise, the largest shares of the 2023 loan portfolio were allocated to agriculture, processing industries, transportation, wholesale and retail trade, and energy sector.

SME Gross Loan Portfolio, UAH bn



Despite the ongoing war, UGB has achieved a robust growth in customer deposits, particularly within the SME segment. In 2023, amounts due to SME customers increased by UAH 7.7bn, fueled by a 76% surge in term deposits, thereby contributing to a more diversified funding base for the Bank.

2023 Recap

UAH 11bn	**UAH 29bn**	**UAH 6.3bn**	**UAH 1.8bn**	**10K**
Total SME Loans	Due to SME Customers	SME Loans under Support Programs	Export Transactions Covered by ECA-Backed Insurance	New Clients

This increase in deposits was driven by several factors:

– New client acquisition: The Bank attracted new clients, which was facilitated in part by its new remote account opening system.
– Innovative product launch: The introduction of a new, convenient cash management product that combines the advantages of free access to funds throughout the day with the opportunity to earn interest at rates comparable to term deposits.

The portfolio of funds brought by SME customers was primarily formed with funds from enterprises in wholesale and retail trade, healthcare (medical institutions), processing industries, agriculture, and energy sector.

SUPPORT INITIATIVES

Ukrainian SMEs benefit from collaborative efforts of the government, international institutions, and the Bank. Through programs like the "5-7-9% Affordable Loans offering interest rate subsidies," CMUs' guarantee facilities, grant and risk-sharing initiatives from international financial and development institutions, and support from the Export Credit Agency (ECA) for export-oriented enterprises, SMEs have access to essential resources and support. UGB actively participates in these efforts, leveraging our expertise to channel funding and tailor solutions to the unique needs of Ukrainian businesses.

In the "Affordable Loans 5-7-9%" program, UGB ranks fourth among participating banks in both the number and total value of agreements signed since the start of the full-scale invasion in 2022.

In 2023, the Bank's partnership with the ECA facilitated UAH 1.8bn in exports, the second-highest volume among all banks, and issued over UAH 360m in export loans, guaranteeing our leading position in this category.

DIGITALIZATION AND REMOTE SERVICES

Adapting to the challenges posed by the ongoing war, the Bank has successfully implemented innovative remote services for its business clients. These include remote account opening, enabling clients to open accounts without visiting a branch through a secure video verification process. Moreover, clients can complete the re-identification procedure remotely and utilize a new feature of digital document signing with qualified electronic signatures for internal processes, with its external use currently under development. Business clients can also conveniently create and sign payments directly within the mobile app.

The Bank is introducing a Tap to Phone payment technology project that will allow merchants to accept contactless payments using their NFC-enabled smartphones, eliminating the need for traditional POS terminals. This project will also offer a streamlined online application and onboarding process, providing for greater convenience for clients.

Furthermore, the Bank is integrating with the state service 'ePidpryiemets', a unified platform designed to streamline the business registration process and provide Ukrainian entrepreneurs with easy access to essential services. This integration will enable seamless bank account opening directly through the 'ePidpryiemets' application, enhancing convenience for aspiring and current business owners.

OUR CUSTOMERS SPEAK

ARM-EKO is one of the leading manufacturers of professional commercial and industrial equipment in Ukraine. One of the company's priority activities is production, installation, and maintenance of technological equipment for the HoReCa sector.

With 20 years of experience in the Ukrainian market, ARM-EKO employs advanced technologies, including energy-saving solutions, enabling it to produce products of impeccable quality. All products have quality certificates, and the company has implemented ISO 9001:2015 quality management system.

ARM-EKO has been collaborating with Ukrgasbank for over 10 years. When the need arose to purchase new high-tech equipment, the company turned to the bank for financing. Due to this partnership, they obtained a loan at a low-interest rate under the "Affordable Loans 5-7-9%" state program and an investment incentive under the EBRD SME Competitiveness Programme in Eastern Partnership countries. The loan amounted to approximately UAH 50 million.

The new equipment has enabled ARM-EKO to diversify its product range, implement material-saving practices, increase staffing, and expand its sales markets.

"ARM-ECO is committed to innovation approaches and environmental responsibility, developing and implementing new energy-saving technologies. Our achievements not only enhance competitiveness of Ukrainian manufacturers in new markets, but also contribute to sustainable development of our country. Ukrgasbank is a reliable financial partner for us. The bank not only supports our initiatives, but also quickly responds to needs and requests aimed at supporting and developing our business," comments Andrii Yedin, CEO of ARM-EKO LLC.

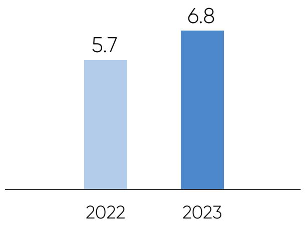
RETAIL BANKING AND SALES CHANNELS

UGB's universal banking model places a strong emphasis on retail customers who are an important source of funding for our operations and have already proved their stickiness. We currently serve over 1.4 million individuals, representing a diverse cross-section of the Ukrainian society in terms of age, background, lifestyle, and financial needs. Notably, many of our active customers receive their salaries through UGB payroll projects. The payroll card customers remain highly active users, extensively utilizing both debit and credit card products. This strong relationship enables the Bank to offer targeted credit solutions, such as high-limit salary credit cards, tailored to their specific requirements.

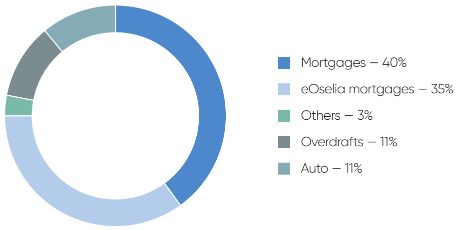
UGB offers a comprehensive suite of financial services, ranging from essential banking solutions like loans, deposits, and current accounts to investments and tailored services for high-net-worth individuals. Currently, our flagship offerings include debit and credit cards, along with mortgages under the government-backed eOselia affordable housing program. We foster trust and transparency by providing clear and accurate information about our products and services. Our knowledgeable and experienced staff deliver expert advice and services to our clients.

UGB also holds strong positions in acquiring services, significantly contributing to the bank's commission income and creating a synergy between SME, corporate, and retail businesses. Besides, UGB was one of the first banks to enable purchase of government military bonds through the Diia app,

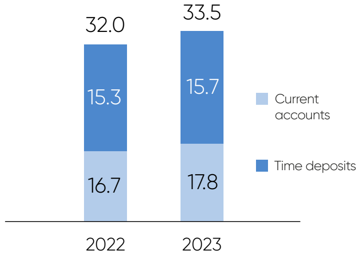
Gross Retail Loan Portfolio, UAH bn



Retail Loan Portfolio Breakdown, 2023



Amounts Due to Individuals, UAH bn



Ukraine's public services digital solution, with only two banks offering this service today.

UGB offers its customers a seamless banking experience through its network of 223 branches (as of December 31, 2023) that covers major cities and regional offices across Ukraine, including specialized branches at key customs checkpoints. In response to the challenges posed by the war, UGB took proactive steps to ensure continued access to essential banking services. As part of the national Power Banking initiative led by the NBU, the Bank equipped over half of its branches with generators, Starlinks, and other resources. This ensured that critical services remained operational for our customers, even during blackouts.

Additionally, the call center and chat-bot cover many clients' needs and resolve numerous issues remotely, while our user-friendly Eco-Bank mobile app with over 1.2 million installations provides convenient remote access to the full range of banking services. Over 100,000 clients log into the mobile app daily, with 80% of the client base, using the mobile app. In 2023, the percentage of inquiries handled by chatbots increased to 54% (30% in 2022).

UGB's strategic adoption of digital solutions has proven to be a key driver of retail customer acquisition and service. The Bank's emphasis on remote identification and verification channels aligns with the evolving preferences of modern consumers, positioning UGB for continued success in the competitive retail banking landscape.

2023 IN REVIEW

UGB's retail loan portfolio grew significantly in 2023, reaching UAH 6.8bn, exceeding pre-war levels. This success was largely due to the growth of the mortgage portfolio under the government's eOselia affordable housing program. As a key participant, UGB originated nearly 1.5 thousand eOselia mortgages totaling UAH 2.4bn, capturing the 25% market share among participating banks. This initiative not only contributed to our portfolio growth but also played a significant role in supporting the Ukrainian economy during the challenging period. By the end of the year, eOselia loans made up 35% of our total portfolio, highlighting their importance for UGB. Other key lending products include auto loans and credit card loans.

Amounts brought by retail customers reached UAH 34bn in 2023. This includes UAH 18bn in current accounts and UAH 16bn in term deposits. Our Eco-Bank mobile app has become the primary channel for new deposits, with 7 out of 10 deposits now opened through this convenient platform.

2023 Recap

UAH **6.8**bn	UAH **2.4**bn	UAH **33.5**bn	**1.4**M	**1.2**M
Total Retail Loans	eOselia Mortgage Loans	Due to Retail Customers	Customers	Mobile App Users

COMMITMENT TO EXCEPTIONAL CUSTOMER EXPERIENCE

UGB is dedicated to providing a seamless and user-friendly experience at every customer touch-point and throughout the entire customer journey. We prioritize relationships and operational excellence by fostering a service culture throughout the Bank underpinned by the principle that "employee experience equals customer experience."

In the face of the rising influence of fintech and digital banking, the Bank recognizes the need to evolve and innovate to meet customer expectations and remain competitive. Therefore, we aim to continuously improve the customer experience by streamlining and digitizing customer journeys through an omnichannel platform, refining our products and services based on customer feedback gathered through various channels, such as our call center and QR codes in our branches.

FUTURE PLANS

Our future plans include developing a phygital business model, integrating physical and digital channels to provide comprehensive and convenient service options. UGB will continue to prioritize digital transformation, focusing on digital distribution, onboarding, and lending for both existing and new clients. We plan to introduce a proactive lending model based on pre-approved limits. Additionally, we will encourage greater adoption of our mobile app by enhancing service completeness and continuously improving its user interface and user experience.

The branch network will keep the same size, but UGB will modernize the sales and service model, update branch designs, and focus on digital education and advice in the coming years. The call center will become a primary sales channel.

STORY OF RESILIENCE

Our **Kharkiv regional office** demonstrates remarkable resilience, cohesiveness, and coordinated interaction. The office currently operates eight branches, all located within Kharkiv city, which has been plagued by heavy shelling from the Russian Federation since the beginning of the full-scale war.

Despite these extraordinary challenges, branch teams continue to provide a full range of banking services to individuals, businesses, and state and municipal enterprises. Three branches are part of the Power Banking network, ensuring uninterrupted service even during blackouts.

"No matter what, we stay in the region and provide access to vital banking services," says Alla Pyvovar, Director of Kharkiv Regional Office. *"In 2022, hostilities forced us to close five branches. However, the branch in Saltivskyi district, which suffered significant damage from the enemy's shelling, has remarkably resumed its operations. This feat was made possible with the dedicated and coordinated efforts of our team, driven by the numerous requests from the local population who eagerly awaited its reopening."*

Kharkiv Regional Office goes beyond simply providing services. They continue to offer loans, finance agricultural producers in de-occupied cities, and allocate funds to restore critical infrastructure in the region. They also express their deep appreciation for the unwavering support from the head office, which not only creates the necessary conditions and offers assistance in unexpected situations, but also helps maintain the team spirit so crucial during these difficult times.

A photo of a UGB branch in the city of Kharkiv, which is regularly subject to shelling. The sign-board says: "We are working."

TREASURY AND INVESTMENT BUSINESS

At the Bank, we actively utilize the dynamic opportunities within financial markets, focusing on liquidity, currency, and debt securities to ensure the Bank's financial health, sustainability, and growth. This strategy is driven by the Treasury and Investment departments, which work to reinforce the Bank's financial stability and promote its continuous development.

The Treasury Department focuses on ensuring the Bank has sufficient liquidity for daily operations, optimizing cash flow, and managing financial risks. Besides, it develops and delivers financial solutions for both corporate and individual clients.

Investment Department focuses on trading across various financial markets for both the Bank's own funds and on behalf of clients. Their expertise extends to issuance, maintenance, and trading in debt instruments - including government bonds - as of primary dealer.

COMMITMENT TO LOW-RISK INVESTMENTS

In 2023, the Bank strategically concentrated its capital market activities on hryvnia-denominated government bonds. This focus was driven by the success of the government and NBU in mobilizing funds and was perfectly aligned with the Bank's strategic focus on supporting macroeconomic stability through low-risk instruments.

UGB's investment in government bonds grew up to UAH 42.6bn (face value) in 2023. Benchmark government bonds, which support compliance with the reserve requirements, amounted to over UAH 26bn with the 18% yield as of the end of 2023. The Bank continued to decrease its portfolio of USD-denominated government bonds and corporate bonds. This involved reduction of USD-denominated Treasury bonds by USD 7.6m, alongside with the UAH 0.5bn decrease due to repayments of corporate bonds.

In 2022-2023, the Bank acted as a primary dealer in the government securities market and remained a large dealer in this market. In a move that demonstrates its commitment to innovation, the Bank launched a new service in 2023 allowing private customers to purchase government securities conveniently through the government digital services platform Diia.

The Bank uses standard NBU liquidity regulation instruments, including certificates of deposits (CDs) and refinancing transactions. In the end of 2023, the Bank held a significant portfolio of CDs issued by NBU: the portfolio reached UAH 23.9bn, including UAH 8.9bn in 3-month DCs.

ADAPTATION TO FOREX ACTIVITY RESTRICTIONS

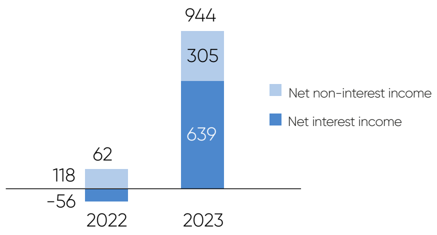
Due to wartime regulations set by the NBU, some of the Bank's foreign exchange operations are currently restricted. These limitations include bans on most foreign exchange trading and specific types of derivative contracts. The Bank actively trades major currencies for both its own needs and within client transactions, particularly those related to export-import activities. UGB prioritizes long-term partnerships with counterparty banks in the interbank market, leveraging its strong reputation to collaborate effectively with domestic and foreign entities. In 2023, the Bank's trading results significantly improved compared to 2022, with a positive change up to UAH 0.9 bn (UAH 0.07 bn).

COMPREHENSIVE EXPERTISE, PROVEN RESULTS

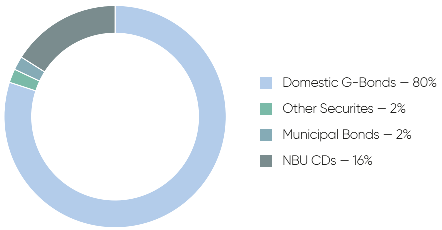
The Bank offers a comprehensive range of services covering deal structuring and execution, brokerage, and investment solutions. Leveraging our expertise in the securities market, we serve as a licensed dealer, broker, and underwriter helping clients navigate the market efficiently.

With a proven track record in facilitating both public and private placements, we possess extensive experience raising funds for municipal and corporate development projects. This is exemplified by our successful organization and placement of municipal bonds for Kharkiv, Lviv, and Kyiv City Councils (UAH 3bn across 9 bond issues from 2020 to 2023) and corporate bonds for Agromat (UAH 100m).

Income, UAH bn



Securities Portfolio, 2023, %



2023 Recap

UAH 56bn	UAH 43bn	UAH 9bn	3K
Securities Portfolio	G-Bounds Portfolio	3-month NBU CDs	Customers

TRUSTED PARTNER WITH GLOBAL CONNECTIONS

UGB operates an extensive correspondent network, including accounts in leading foreign banks worldwide, maintaining correspondent relations with over 50 banks, conducting transactions in 17 currencies and banking metals, all of them tailored to business needs of the bank and its clients.

The Bank boasts a robust client base of its investment services, with over 3,000 clients utilizing these offerings as of January 1, 2024.

OUR INITIATIVES FOR 2024

Currently, the Bank is updating its mobile application for providing investment services to clients in the form of buying and selling investment instruments in the secondary market, participating in auctions for primary placement of Treasure bounds, and providing algorithmic trading services in the financial markets of Ukraine and globally.

Subject to a reduction in interest rates in the resource market and sufficient liquidity, demand and supply of corporate and municipal debt instruments are expected to increase. The Bank will continue its work on issuance and placement of such bonds, both with existing clients and involving new ones.

INTERNATIONAL COOPERATION

Cooperation with international financial institutions (IFIs) and development finance institutions (DFIs), along with participation in international programs, has been a significant focus for the Bank in recent years. UGB is proud to collaborate with nearly all IFIs and DFIs active in the Ukrainian market. This cooperation has become especially crucial since the onset of the full-scale war with russia, as these institutions have provided substantial financial support, which the Bank channels to final beneficiaries through its extensive branch network across Ukraine.

These partnerships are categorized into three main groups:

— Financing: supporting green finance, SMEs, and foreign trade

— Portfolio risk sharing: reducing credit risk exposure in key investment areas

— Grants for end borrowers: Providing additional financial incentives for SMEs and sustainable investments.

In 2023, the Bank continued to actively develop relationships with international institutions and financial organizations, enhancing its role in supporting the country's economic stability and growth.

KEY PARTNERSHIPS AND ACTIVITIES

International Finance Corporation (IFC)

UGB's cooperation with the IFC began with a Green Banking advisory project in 2016, which helped build green banking expertise at the Bank. UGB joined the IFC's Global Trade Finance Program (GTFP) as an issuing bank in 2017 and as a confirming bank in November 2020. In 2021, UGB signed a milestone trilateral transaction with the Ministry of Finance of Ukraine and IFC – a 5-year EUR 30 million senior loan with an equity conversion option, aimed at financing sustainable development projects for corporate and SME customers. This strategic partnership aligns with the Bank's main shareholder's vision for the eventual privatization of UGB, positioning us for future growth and transformation.

European Bank for Reconstruction and Development (EBRD)

UGB has been partnering with EBRD since 2019, becoming a member of the Trade Facilitation Programme (TFP) as both an issuing and confirming bank. This initiative supports export-focused enterprises, fostering economic growth and job creation. In 2021, UGB signed a EUR 25m loan facility with EBRD under the SME Competitiveness Programme in Eastern Partnership, aimed at financing investments in MSMEs for sustainable technologies and practices, with sub-borrowers eligible for investment incentives of up to 15%.

The EBRD, following preparations initiated in 2023, provided an unfunded portfolio risk-sharing facility to UGB to unlock EUR 50m of new financing for Ukraine's private sector amidst the ongoing war in the country. The facility covers up to 50 percent of UGB's credit risk on newly issued loans thus enhancing the Bank's lending capacity, enabling to provide much needed funding to Ukrainian private companies operating in critical industries such as agriculture, manufacturing, construction, transport and pharmaceuticals.

European Investment Bank (EIB) and European Investment Fund (EIF)

As part of the EU's EU4Business initiative, UGB signed a Guarantee Facility Agreement with the EIB and the EIF in November 2017. This agreement provides a 10-year guarantee covering up to 70% of the credit risk for newly originated loans and is aimed at increasing access to finance for Ukrainian SMEs. In 2023, the facility amount was increased by EUR 15m to EUR 40m, and the portfolio inclusion period extended to June 30, 2024.

Black Sea Trade and Development Bank (BSTDB)

In 2020, UGB secured a 5-year EUR 30m loan agreement with BSTDB to finance green projects and support Ukrainian SMEs.

Nordic Environment Finance Corporation (NEFCO)

Since December 2018, UGB has partnered with NEFCO on a joint loan program for SMEs to finance renewable energy projects. NEFCO contributed EUR 5m, matched by UGB, creating a EUR 10m program lasting seven years.

European Fund for Southeast Europe S.A. (EFSE) and Green for Growth Fund (GGF)

UGB, in partnership with Finance in Motion, EFSE Development Facility, and GGF Technical Assistance Facility, has implemented several technical assistance projects under their "Stand with Ukraine" Program. The program aims to mobilize resources and provide support to Ukrainian institutions, citizens, and businesses affected by the war. Specifically, GGF, EFSE, and Finance in Motion assisted UGB in strengthening its digital infrastructure, ensuring smooth operational continuity through effective data recovery systems, and enhancing staff expertise in areas such as green finance, environmental and social management systems (ESMS), and financial management.

United Nations Industrial Development Organization (UNIDO)

In 2020, UGB signed a contract with UNIDO to establish and operate the Loan Guarantee Fund (LGF), a revolving financial instrument supporting capital availability for industrial enterprises implementing energy efficiency measures and energy management systems. The LGF, Ukraine's first guarantee-based financial mechanism for industrial energy efficiency, has been extended until the end of 2025.

Deutsche Sparkassenstiftung für Internationale Kooperation (DSIK)

In December 2023, UGB established a cooperation agreement with DSIK to implement an MSME grant support project funded by the German Government through GIZ. This project aims to enhance access to financial services for MSMEs, promoting sustainable growth and economic resilience in Ukraine. The first grants were distributed to borrowers in the first quarter of 2024.

United Nations Environment Programme Finance Initiative (UNEP FI)

In October 2019, UGB became the first Ukrainian bank to sign the Principles for Responsible Banking and join UNEP FI. This commitment aligns UGB with the UN's sustainable development goals and the 2015 Paris Climate Agreement, reflecting its strategic ambition to become Ukraine's leading "eco-bank."

These collaborations not only bolster the Bank's financial stability but also contribute significantly to Ukraine's sustainable development and economic resilience.

UGB remains committed to leveraging its extensive network of international partnerships to drive sustainable growth, support Ukrainian businesses, and contribute to a resilient and prosperous future for the nation. We believe that these partnerships are essential for navigating the current challenges and seizing the opportunities that lie ahead.

OUR PARTNERS SPEAK

We are immensely proud to invest in changing lives together with Ukrgasbank, a trusted **EBRD** partner bank since 2019. As our largest and most active trade finance partner in Ukraine, Ukrgasbank has been instrumental in ensuring uninterrupted flow of trade finance, a lifeline for Ukraine's economy throughout the war.

We are also pleased with the recently signed portfolio risk-sharing facility with Ukrgasbank to unlock EUR 50 million of new financing for Ukraine's private SMEs. As we look ahead, we are eager to deepen our cooperation and continue providing innovative instruments that will strengthen Ukrgasbank's financial capabilities and make a tangible difference to Ukrainian businesses and communities.

Ukraine remains a priority investment destination for the EBRD, with €4.1 billion deployed there since the start of Russia's full scale invasion in February 2022.

Arvid Tuerkner

EBRD Managing Director for Ukraine and Moldova

Data and Technology

Data-Driven Development

- Digital CX
- IT Infrastructure
- Digital Sales
- Cyber Security

DIGITAL CX

Digital transformation is paramount to the future success of the Bank and its business strategy. We are committed to driving this transformation through an agile approach, embracing key agile principles to ensure our progress. Our top priority is to meet and exceed customer expectations and needs by delivering an excellent customer experience. This will allow us to revolutionize the customer journey for each segment of our clients, across all touchpoints and channels.

Our digital distribution strategy will focus on the following key areas:

- Enhancing Customer Experience: By streamlining and digitalizing customer journeys, we aim to provide seamless experience.
- Forming Cross-Functional Teams: Establishing teams with all necessary expertise at their core to ensure efficient and effective execution.
- Omni-Channel Integration: Delivering a consistent customer experience across all channels (website, call centers, branches and mobile applications).

IT INFRASTRUCTURE

UGB IT infrastructure is designed to support our business goals, mitigate risks, and ensure continuous service delivery. We adhere to a risk-oriented approach, aligning IT development with our overall business strategy, and prioritize operational continuity, continuous improvement, compliance, and security. The IT infrastructure and technology management system of the Bank is based on the following principles:

Business Alignment: Development and modernization of our IT infrastructure are strategically aligned with the Bank's overall business goals and priorities.

Operational Continuity: Sufficient resources are allocated and managed to ensure continuous delivery of critical IT services, minimizing disruptions and downtime.

Security: A strong emphasis on cybersecurity measures is crucial to protect the Bank's sensitive data and systems.

Risk-Oriented Approach: IT processes are designed and managed with a focus on identifying, assessing, and mitigating risks that could impact the Bank's operations and objectives.

Continuous Improvement: The IT management system is regularly reviewed and updated to incorporate technological advancements and industry best practices, enhancing efficiency and security.

Compliance: The IT management system prioritizes adherence to relevant regulatory and compliance requirements.

The Bank's IT governance is structured with clear roles and responsibilities. Oversight is provided by the IT Committee of the Supervisory Board, which focuses on strategic development and enhancement of IT, digital process automation, security, and product digitalization. For detailed information on the committee's activities, see the Corporate Governance section.

The Bank's business processes in the sphere of IT infrastructure and technologies are governed by internal documents that regulate change management, incident response, backup and recovery organization, administration, system operation rules and protocols, and user support.

IT risk management is based on the Information and Communication Technology Risk Management Policy and Assessment Methodology.

The IT infrastructure of the Bank consists of interconnected elements and is composed of two primary groups of components—hardware and systems software.

The Bank's network infrastructure is built on reliable equipment from world leading manufacturers, with two geographically remote data centers for high resilience (certified in accordance with international standards ANSI/TIA-942 Standard and Uptime Institute Standard). Data backup is performed using modern software and hardware, and data is stored across multiple locations for disaster recovery. Critical branches are equipped with satellite communication and alternative energy sources, ensuring continued service even during power outages. The bank utilizes cloud services for cost-effective testing and development. A modern virtual platform allows for rapid scalability, ensuring uninterrupted service delivery.

The Bank utilizes licensed software from major vendors like Microsoft, Oracle, and Cisco to run its infrastructure. The core banking system provides for comprehensive functionality for various banking operations, including customer service, payments, securities trading, and risk management. An electronic archive system manages client documents, and the credit decision conveyor streamlines loan issuance.

To facilitate internal communications, UGB has migrated to the cloud-based solution Google Workspace, enabling effective remote work for employees. Additionally, it utilizes a document management system with cloud-based qualified electronic digital signatures and integrates with external systems for information exchange.

The Bank uses automated analysis of clients' financial transactions to detect suspicious activities, screen clients against sanctions lists, and determine their status as public figures as a part of KYC procedures.

Wartime Measures: 2023-2024

To ensure uninterrupted branch operations during wartime, we implemented a resilient wide-area network using Cisco equipment with redundant data transmission channels. In 2024, we plan to upgrade our network equipment further to enhance reliability.

In 2023, we deployed modern monitoring systems to improve the quality and continuity of our information systems. We also took additional measures to strengthen our IT infrastructure's resilience:

- Backup Data Center Construction: A new, geographically remote backup data center has been completed, including successful migration and deployment of physical equipment, information systems, and software-hardware resources.
- Cloud-Based Backup System: A modern Data Domain backup system was deployed in the AWS cloud, initiating configuration of backup processes with replication to the cloud for critical systems and databases.

DIGITAL SALES

For remote customer service, the Bank utilizes remote service systems for both legal entities and individuals.

- EcoBoom 24/7: A secure, user-friendly platform that empowers legal entities to efficiently manage their finances, offering features such as real-time account management, transaction capabilities, analytics, secure document handling, and integration with external systems
- Eco-Bank: A mobile banking app with over 1 million users, providing individuals with convenient access to a wide range of banking services, including investments, payments, card management, and insurance options.

We have also implemented a communication channel automation system to streamline client interactions through various channels, including our contact center, "Ulyana" chatbot, and message broadcasting. This system optimizes inquiry routing, provides staff with essential client information, and enhances queue management. A new widget in our mobile application further improves communication between clients and our support team.

Safeguarding the funds and data of our clients and partners is a core focus of our daily operations. We continuously monitor and analyze threats to our information and communication technology systems, including applications, infrastructure, and networks. To maintain robust information security and cyber defense, we develop and implement organizational and technical solutions that align with both national and international standards.

CYBER SECURITY

Our information and communication technology systems are protected by multi-layered cybersecurity mechanisms and defense systems. We have implemented an Information Security Management System in accordance with the national standard of Ukraine DSTU ISO/IEC 27001:2015, which aligns with the international standard ISO/IEC 27001:2013. This implementation was preceded by the adoption of a process-oriented approach to banking operations and a risk-oriented approach to information security and cyber defense.

Security measures are integrated into all critical business processes, and policies, procedures, and regulations are continuously monitored and updated to address evolving cyber threats and ensure the availability of banking services. Information security/cybersecurity is managed systematically and proactively.

Our network is segmented physically and logically, with firewalls restricting access between segments. We employ leading intrusion detection and prevention systems for perimeter defense and cloud-based security for protection against DoS/DDoS attacks. Regular penetration testing verifies the effectiveness of our security measures.

To identify vulnerabilities, we have implemented continuous monitoring and take immediate action to address any weaknesses. Our information security team constantly monitors systems and services for incidents, adhering to OWASP standards for secure web application development.

We employ multi-level protection against malicious code, with centralized management for optimal functionality and updates. Multi-factor authentication is used for remote access, and we adhere to the principle of least privilege when granting access.

We maintain and implement tools to detect fraud, abuse, and targeted attacks, including measures to prevent information leakage. We partner with leading cybersecurity providers and require high security standards from our partners through contractual agreements.

Our online banking applications employ a comprehensive array of security measures to ensure the safety and integrity of client accounts and transactions. These measures encompass multi-factor authentication, device authorization protocols, transaction controls, biometric authentication, and client education on security responsibilities. Additionally, proactive steps are taken to combat cybercrime and fraud suspicions, including the utilization of anti-fraud software and continuous enhancement of behavioral verification methods. By implementing these solutions, online banking platforms strive to protect clients from unauthorized access, fraudulent activities, and potential breaches, thereby fostering trust and confidence in digital banking services.

Addressing Evolving Threats

The ongoing conflict in Ukraine has intensified cyberattacks, including attempts to disrupt our operations. We remain vigilant and continuously adapt our defenses to counter sophisticated threats.

Recent legislative changes have positively impacted the banking sector's security, particularly regarding cloud solutions. We continue to strengthen our cybersecurity systems to protect against cybercrime and ensure the uninterrupted delivery of our services.

Finance and Risk Management

Bridging Financial Strength and Risk Control

– CFO Comment
– Financial Review
– Risk Profile and Capital Management
– Addressing Compliance Risks

CFO COMMENT

Despite 2023 being an undeniably challenging year for Ukraine and its financial sector, marked by war, geopolitical instability and economic shocks, Ukrgasbank along with the entire banking system demonstrated remarkable resilience and ensured a successful year from the financial results perspective. Our primary goal for the year was to recover the capital we lost in 2022 as a result of the aggression. We successfully accomplished this task, strengthening our capital position and paving the way for a confident outlook for the future.

The Bank showcased strong growth and achieved a record operational profit before impairment provisions and taxes of UAH 4.7bn, indicating a substantial improvement compared to the previous year. This achievement was driven by a focused effort to enhance operational efficiency.

Looking ahead to 2024, we are optimistic about the potential for positive economic developments despite the ongoing challenges. The sharp decline in inflation down to 3.2% in March 2024, along with a relatively stable foreign exchange market, suggest the possibility of further interest rate reduction, potentially stimulating economic activity and creating growth opportunities. The gradual and controlled depreciation of the hryvnia is another positive sign, helping to address trade imbalances.

We remain aware of the ongoing challenges posed by the war and stricter regulatory requirements, including increased capital demands following the introduction of a new (three-tier) capital structure. However, we see these difficulties as opportunities to further strengthen our resilience and create long-term value for our shareholders. We are committed to investing in technology to achieve operational excellence and customer experience, developing our employees, and strengthening relationships with our customers and international partners. We will continue to adapt to the dynamic environment, prioritizing sustainable growth and exceptional service to our clients.

In 2024, we anticipate a landscape characterized by lower interest rates and increased prudential requirements. We are confident that our adaptability, coupled with the resilience of Ukrainian businesses and citizens, will enable us to navigate this complex period successfully and contribute meaningfully to Ukraine's economic recovery.

Sincerely,

Volodymyr Ponomarov

First Deputy Chairperson
of the Management Board, CFO

FINANCIAL REVIEW

Owing to a well-balanced policy of managing assets, liabilities and costs the Bank substantially improved its key financial indicators:

Indicator	2023	2022
Return on equity, %	19.3	-44.8
Return on assets, %	1.3	-3.0
Profit/Risk-weighted assets ratio, %	3.2	-6.1
Net interest margin, %	5.1	4.3
Cost/income ratio, %	48.2	56.9
Liquidity Coverage Ratio (LCR), %	189.8	142.7
Net profit (loss), UAH millions	1,936	-3,862
Operating profit (before impairment provisions and taxes), UAH millions	4,747	3,225
Regulatory capital adequacy ratio (N2), %	12.3	11.7

In 2023, the Bank continued its operations, focusing on creating attractive and sustainable returns for the shareholders, meeting the requirements of the NBU, enhancing operational efficiency, and ensuring financial stability.

In 2023, we achieved stabilisation after recording substantial war-related losses in 2022. The economy has shown signs of revival, and the Bank has strengthened its financial performance, expanded net interest margin, and optimised cost-to-income ratio. These improvements enabled us to generate healthy profit, maintain robust liquidity, and uphold capital adequacy. However, the increase in the income tax rate for banks to 50% in 2023 (from 18%) significantly impacted our return on equity (ROE). Without this ad hoc tax increase, our ROE would have been 36%.

Operating income in 2023 increased to UAH 9.2bn driven by a rise in net interest income, resulting from ongoing lending operations, increased investments in government securities and reduced funding costs.

In 2023, the Bank's non-interest income totaled UAH 2.5bn, nearly matching the 2022 figure. The largest portion, UAH 1.3bn, came from net fee and commission income. This was primarily driven by cash and settlement transactions, foreign exchange and precious metals transactions, guarantees and letters of credit.

In 2023, administrative and other operating expenses saw a modest rise, reaching UAH 4.4bn. The most significant increase was related to personnel costs, prompted by inflation's impact on salaries and a general trend of salary increases due to a reduced availability of skilled personnel.

The Bank's operating profit (before impairment and income tax) for 2023 surged to UAH 4.7bn, representing a near 50% increase compared to the previous year. However, December 2023 amendments to the Tax Code, increasing the income tax rate for banks to 50%, led to a UAH 2.7bn income tax expense. Despite this, the bank achieved a UAH 1.9bn profit, a significant turnaround from the UAH 3.9bn loss in 2022.

Income Statement

UAH millions	2023	2022
Net interest income before credit loss expense	6,680	4,994
Net fee and commission income	1,297	1,421
Other operating non-interest income	1,194	1,070
Operating income	9,171	7,485
Administrative and other operating expense, including:	-4,424	-4,260
Staff costs	-2,942	-2,536
Operating profit before allowance for impairment and income tax	4,747	3,225
Impairment allowances and provisions	-86	-7,224
Income tax	-2,725	137
Profit (loss)	1,936	-3,862

In 2023, UGB's total assets increased by 34%, largely due to expanded investments in its securities portfolio and growth in its cash position. This year, the Ukrainian banking sector significantly increased its holdings of domestic government bonds and NBU deposit certificates, aligning with the regulator's credit and monetary policy objectives to manage excess liquidity and capitalizing on high interest rates. This growth supports the Bank's strategy to diversify its portfolio, enhance profitability, and mitigate risks. By year-end 2023, the Bank's investments in domestic local currency government bonds and NBU deposit certificates totaled UAH 68bn.

The net customer loan portfolio demonstrated stability throughout 2023, maintaining consistent volume and structure. Corporate loans continued to dominate, constituting 76% of the total portfolio. While the overall portfolio composition remained largely unchanged, a modest expansion was observed in the share of both SME and retail loans, the latter particularly fueled by a substantial 35% growth in the government-backed "eOselia" mortgage loan portfolio.

The Bank's amounts due to customers grew by 37% year-over-year. This growth was primarily driven by a significant 55% increase in amounts due to corporate customers, highlighting a high level of confidence in the Bank. Subsequently, the Bank's liabilities increased by 32% to UAH 165bn. Leveraging a considerable liquidity boost in 2023, the Bank successfully repaid outstanding refinancing from the NBU.

The strong operational performance in 2023 enabled the recovery of capital that had been eroded by substantial impairment provisions booked in 2022.

Balance Sheet Indicators

UAH millions	2023	2022
Assets		
Cash and cash equivalents	35,054	28,656
Securities	70,747	30,230
Due from credit institutions	1,312	2,144
Loans and advances to customers	63,333	64,759
Other	5,421	5,857
Total Assets	175,867	131,646
Liabilities		
Due to the NBU	0	999
Due to credit institutions	8,375	8,955
Due to customers	154,080	112,755
Other liabilities	2,166	2,021
Liabilities	164,621	124,730
Equity	11,246	6,916
Total Liabilities and Equity	175,867	131,646

RISK PROFILE AND CAPITAL MANAGEMENT

The Bank has built a comprehensive and effective risk management system tailored to its size, business model, scale of operations, and the types and complexity of its activities. This system covers identification, measuring (assessment), monitoring, reporting, controlling, and mitigation of all material risks inherent in the Bank's operations, thereby determining the amount of capital required to cover all material risks adequately.

Integrated as a crucial component of the Bank's management process, the risk management system ensures sufficient control and minimization of potential adverse consequences. It is interconnected with the main management processes and functions: operational processes, financial activities, and strategic planning. Its effective operation enables management of risks at all levels, ensuring stability and reliability amidst unforeseen changes in the financial environment.

The primary objectives of the risk management system are:

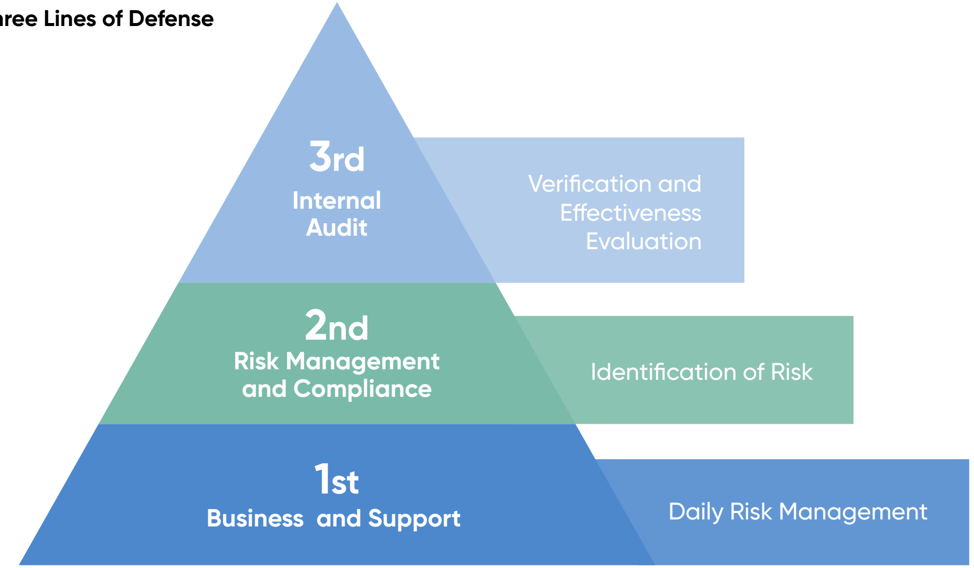
- achieving the performance indicators set in the Bank's budget while considering potential risks, thereby ensuring an optimal risk-return ratio
- ensuring adherence to the risk appetite and limit indicators established by the Supervisory Board
- facilitating stable development of the Bank in alignment with the overarching strategy set by the Supervisory Board
- effectively managing the Bank's capital and liquidity for sustained operational efficiency.

Our risk and control structure operates based on a three lines of defense model:

The first line encompasses the business units and support divisions of the Bank which assume risks, manage them continuously, and are accountable for their outcomes through ongoing risk management and reporting.

The second line includes the risk management and compliance departments, responsible for overseeing and mitigating risks in alignment with regulatory requirements and internal policies.

Three Lines of Defense



The third line consists of the internal audit department, tasked with independently verifying and evaluating effectiveness of the risk management system to ensure its robustness and compliance with established standards.

Independence of second-line units is upheld due to several measures:

- chief Risk Officer (CRO) and Chief Compliance Officer (CCO) report directly to the Bank's Supervisory Board, ensuring autonomy and oversight
- control units and CRO/CCO are organizationally and functionally separated from the first and third lines of defense, maintaining impartiality
- access to essential information is facilitated for control units and CRO/CCO, enabling them to operate effectively and make informed decisions.

RISK MANAGEMENT SYSTEM

The Bank has a comprehensive risk management strategy that outlines objectives, identifies material risks inherent in its operations, defines the functional and organizational structure of risk management, establishes approaches for determining risk appetite and setting risk limits, specifies requirements for internal documents on risk management, delineates risk assessment models and tools, outlines risk reporting systems, and includes provisions for risk stress testing.

The risk management strategy of the Bank defines the following types of risks:

- Supervisory Board
- Risk Management Committee of the Supervisory Board
- Management Board
- collegial bodies of the Management Board, which manage material risks
- CRO
- divisions responsible for risk management
- CCO
- AML/CFT responsible employee of the Bank
- Compliance department
- Internal audit department
- business and support units (the first line of defense).

THE RISK MANAGEMENT STRATEGY

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The risk management strategy of the Bank defines the following types of risks:

- credit risk
- interest rate risk
- market risk
- liquidity risk
- operational risk
- compliance risk
- AML/CFT risk
- social and environmental risk.

When evaluating all categories of risks, the Bank factors in the risk of concentration. The Bank assesses concentration risk across the following areas:

- by individual counterparty and groups of related counterparties
- across business lines and products
- by types of economic activities (industry concentration) and geographical regions
- by types of collateral used to secure debtors' and counterparties' obligations
- by currency types.

MATERIAL RISKS

The Bank has established a methodology for identifying material risks, which governs the process and outlines the main stages, principles, and the sequence of interactions among participants. Identification of material risks serves several purposes:

- ensuring stability and reliability: by identifying material risks, the Bank can recognize potential threats to its financial stability and reliability
- minimizing losses: this involves developing strategies, policies, and measures to minimize potential losses, as well as establishing risk indicators and limits
- ensuring long-term resilience: ensuring identification, measurement (assessment), monitoring, reporting, control, and mitigation of all material risks of the Bank to determine the amount of capital required to cover all material risks inherent in its activities (internal capital).

The process of identifying material risks occurs at least annually, simultaneously with approval of the Bank's annual financial plan (budget).This process involves identifying and verifying existing risks to compile a comprehensive list of material risks inherent in the Bank's activities, which is subsequently approved by the Bank's Supervisory Board. Upon approval by the Supervisory Board, if a risk is classified as material, the Bank proceeds to develop a comprehensive risk management system tailored to address it.

Risk Appetite, Internal Risk Limits, and Reporting System

The Bank's risk appetite and risk limits for significant risks are determined by the Supervisory Board at the level of the Risk Appetite Statement.

The Management Board of the Bank ensures compliance with the established risk limits for material risks, and the Risk Management Department exercises proper control over adherence to these risk limits.

The Risk Appetite Statement defines the Bank's risk appetite as a set of risk limits for each of the material risk types, taking into account the following:

- the risk appetite statement determines the aggregate risk level (aggregate risk limits) and individual material risks that the Bank intends to accept and retain to achieve business objectives
- the overall level of risk appetite should be aligned with the Bank's business model, considering available resources such as capital and liquidity needs, and ensuring compliance with NBU requirements as well as fulfilling obligations to investors, depositors, creditors, and shareholders
- risk limits include quantitative and qualitative measures that take into account aspects such as capital adequacy, liquidity, operational profitability, cost of risk, compliance with established regulatory capital and liquidity ratios.

The Management Board and/or the authorized collegial bodies of the Management Board set internal risk limits within the approved risk appetite and risk limits according to the established mandate.

The escalation procedure is a vital risk management mechanism at various levels. This process involves the step-by-step notification of the collegial bodies of the Management Board and the Bank's Supervisory Board about existing or potential violations of risk appetite and internal risk limits to timely take appropriate measures.

The Bank's Supervisory Board, the Management Board, and the first line of defense make decisions based on comprehensive and reliable reporting prepared by the Risk Management Department. This reporting includes risk analysis, assessment of the risks' impact on the Bank's financial activities and strategy, as well as proposals for risk mitigation and management measures. Such an approach ensures effective risk management at all levels and contributes to stability of the Bank's operations.

The information system for risk management and reporting ensures aggregation of data on the Bank's risks as well as timely and reliable measurement of risks in normal and stress situations.

An important component of the risk management information system is the Bank's risk profile report, which is regularly submitted for review to the collegial bodies of the Management Board, the Management Board, the Risk Management Committee of the Supervisory Board, and the Supervisory Board of the Bank. The report provides a comprehensive, up-to-date, and holistic picture of the current status of all significant risks of the Bank and its management.

Veto Right

Another important component of the risk management process is the CRO's right of veto. The CRO has the right to veto decisions of the Management Board and its collegial bodies in the following cases as determined by the Supervisory Board:

- violation of the established risk appetite and internal risk limits
- breach of prudential norms of the National Bank of Ukraine and other regulatory constraints falling within the competence of the risk management
- breach of the key restrictions on lending defined by the lending policy.

Thus, the CRO has the opportunity to actively influence risk management and protect the Bank from potential hazards.

Recovery Plan

The Bank has instituted an early warning and recovery indicators system. Findings of this monitoring are consistently reported to the Bank's Supervisory Board. Throughout the wartime period until the revision of the Recovery Plan in 2024, the National Bank of Ukraine suspended monitoring of most indicators, except for those concerning capital and liquidity recovery. The Bank ensures these indicators are maintained with an ample buffer during the period of martial law.

Risk Stress Testing

Stress testing encompasses all activities of the Bank, including both on-balance sheet and off-balance sheet positions, and considers nuances of its products and operations. The Bank conducts stress testing of credit risk, liquidity risk, interest rate risk, market risk, and operational risk. However, in response to russia's full-scale invasion and in accordance with the regulatory requirements of the National Bank of Ukraine, the Bank has suspended - for the wartime period - stress testing for all risks, with the exception of operational risk, which is one of the primary tools for managing this type of risk.

Capital Adequacy

According to the prudential standards of the National Bank of Ukraine, the Bank must maintain a Tier 1 capital adequacy ratio (N3) of not less than 7.0% and the adequacy ratio of regulatory capital (N2) of not less than 10.0%. These requirements, in conjunction with the anticipated levels of Tier 1 and regulatory capital outlined in the 2024 budget, determine the highest permissible threshold of risk exposure for the Bank.

In the Risk Appetite Statement, the Bank determines the management reserve of internal capital over the NBU regulatory requirements for regulatory capital adequacy at the level of 1.5% to restore and ensure a sufficient level of capital during martial law to compensate for the uncertainty factor and reflect the assumption of maintaining a high level of security risks.

During martial law, the Bank has not allowed for any breaches of capital adequacy ratios, since capital serves as the main resource for covering significant risks.

According to results of assessment of resilience of Ukraine's largest banks conducted by the NBU in 2023 (the first stress testing of banks since the beginning of full-scale war), the Bank demonstrated sufficient resilience to negative factors with minor deviations, taking into account the date of such assessment (the stability assessment was based on the financial statements and performance indicators of the Bank as of April 1, 2023). Over the next few months of 2023, the Bank improved its operational efficiency indicators, as a result of which, by the early December 2023, the Bank demonstrated a capital adequacy ratio above the required level, as confirmed by the NBU, namely:

- the regulatory capital adequacy ratio (H2) was above 17%, compared with a fixed value not lower than 10%
- the Tier 1 capital adequacy ratio (H3) was around 13%, with a fixed value not lower than 7%.

Taking into account the gradual phasing out of relief on the capital adequacy requirements (strengthening requirements regarding accounting for operational risk in calculations, increased income tax rate), as of April 1, 2024, the regulatory capital adequacy ratio (N2) of the Bank was 15.4%, and the Tier 1 capital adequacy ratio (N3) was 12.3%.

Therefore, the Bank is resilient to external challenges and does not require additional capital from shareholders. In the future, the Bank must maintain its capital at the target level set by the NBU. Thus, the necessary value of the regulatory capital adequacy ratio (N2) is 12.7%, and the required value of the Tier 1 capital adequacy ratio (N3) is 9.7%. The Bank has developed a corresponding Capitalization/Restructuring Program, which envisages achieving target adequacy ratio levels already in 2024 and maintaining their values until March 31, 2026.

Taking into account the NBU measures aimed at improving capital adequacy requirements for banks, including the introduction of the new three-tier capital structure (the numerator of capital adequacy ratios), scheduled for the second half of 2024, the Bank will adhere to the updated requirements for capital adequacy ratios from the time of their introduction by the regulator. At present, the Bank is implementing new regulatory requirements for calculating the new three-tier capital structure.

As of January 1, 2024, the Bank assessed the internal capital adequacy as part of implementation of the Internal Capital Adequacy Assessment Process (ICAAP). Results of the calculations indicate that the economic capital is sufficient to cover all material risks inherent to the Bank. According to results of the capital assessment under the base scenario as maintained by regulatory requirements (from the regulatory perspective), the Bank determined that the current level of capital is adequate to comply with regulatory requirements under the base scenario, taking into account the target capital adequacy levels envisaged by the existing capitalization/restructuring program.

Results of the capital assessment under the regulatory perspective taking into account the adverse scenario indicate a non-material need for capital, considering the necessity of supporting an elevated target level of capital adequacy, which the Bank is capable of covering through its financial performance over the next financial period.

Bank's Dividend Policy

The Bank has not made a decision on dividend distribution since 2004. However, the profit of the current year is the main source of capital formation. Decisions on dividend distribution are made by the General Meeting of Shareholders, taking into account requirements for maintaining the Bank's capital adequacy.

CREDIT RISK

Credit risk is the probability of losses or additional losses, or failure to achieve the planned income due to the borrower/counterparty's failure to fulfill obligations according to the contractual terms.

Credit Risk Management System

The Bank has implemented a comprehensive credit risk management system, which includes identification, measurement, monitoring, control, reporting, and mitigation of credit risk, calculation of provisions and prudential credit risk, loan review, stress testing, credit administration, early identification and management of non-performing assets (NPA), as well as interaction between autonomous structural units and collegial bodies of the Bank in the process of credit risk management.

The goal of credit risk management is to maintain an acceptable level of credit risk and a balance between the risks of active operations and their profitability.

Strategy, Risk Appetite, and Internal Limits

The credit risk appetite includes the following:

— the maximum value of the Cost of Risk indicator
— the limit on non-performing assets
— the maximum volume of concentrations by one borrower/group of borrowers, of sectoral, geographical, and product concentrations.

The Bank does not engage in active operations prohibited by the Credit Policy and applies an in-depth analysis of economic feasibility and risk levels of operations where their parameters deviate from those established by the Credit Policy.

Internal credit risk limits are established to control compliance with business segment limits, taking into account geographic, industry, and product concentration.

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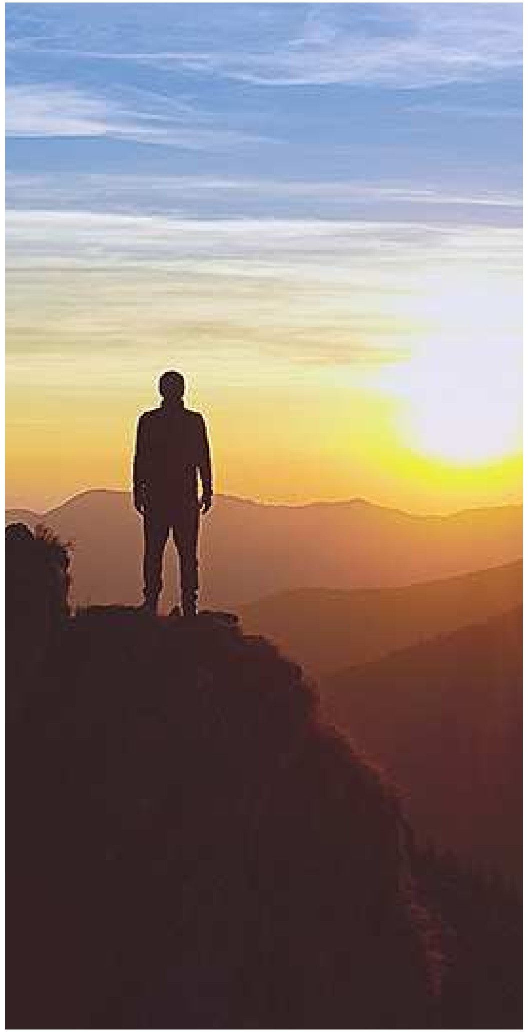
Credit Risk Management Tools

The Bank controls, optimizes, and reduces losses arising from credit risk using the following tools:

— establishment of internal credit risk limits aimed at avoiding breaches of credit risk appetite
— underwriting, loan structuring
— adequate and liquid collateral as loan security
— formalization of the lending process and establishment of effective controls over each phase of the operation
— timely restructuring of active operations for borrowers affected by the war who are ready to repay debt and have prospects for recovery
— systematic and timely monitoring of the credit portfolio quality, as well as regular monitoring and validation of models used for credit risk identification and assessment
— analysis of trends and values of key risk indicators
— effective management of non-performing loans
— limitation of powers of the relevant collegial bodies/authorized persons in making credit decisions.



Delegation of Powers

To ensure efficiency of the credit process and control over credit operation risks, the Bank has implemented a system of delegation of powers for conducting and amending terms of active operations.

The Supervisory Board of the Bank makes decisions regarding execution of active operations. The Supervisory Board has set a limit on the maximum size of an active operation per one counterparty that can be carried out with the decision of the Management Board.

The Management Board established limits on powers of the collegial bodies of the Bank's Management Board/employees of the Bank in order to optimize the credit process, improve business processes, and enhance the internal control system. Such powers are established in terms of active operations (credit operations, operations with other banks), type of active operation (risky/non-risky), portfolio status (active, non-performing loans), and separately for transactions with related parties to the Bank.

Credit Policy and Transactions with Related Parties

The Bank has developed and updates its Credit Policy on an annual basis.

The Credit Policy defines:

— target lending markets and their general characteristics
— the list of target lending areas by types of economic activities, geographic regions, currency types
— general criteria for credit eligibility
— principles of concentration risk management
— general terms for granting loans: pricing, maturity, volumes, types of collateral, and the level of exposure coverage
— procedure for making credit decisions
— procedure for delegating powers for making credit decisions.

The Bank continues implementing its sustainable banking strategy, recognizing the importance of enhancing resource efficiency in the Ukrainian economy and achieving energy security, as well as considering the significant untapped potential for investments in sustainable development projects.

The Bank adopts a balanced approach to credit operations with related parties and does not increase the overall limit of active operations with them. The Bank identifies the related parties based on the IFRS criteria and the prudential norms. Operations with parties related to the Bank are conducted based on an arm's length basis.

Limits of Powers, UAH millions

Collegial body/authorized persons	Risk-bearing operations		Risk-free operations		Related Parties
	Performing portfolio	NPA portfolio	Performing portfolio	NPA portfolio	
Supervisory Board	> 1,000	> 850	> 10% of assets at YE	> 10% of assets at YE	> 200
Management Board	≤1,000	≤850	≤ 10% of assets at YE	≤ 10% of assets at YE	≤200
Credit Council/ NPA Committee	≤ 250 (CSMB) ≤ 50 (RB)	≤ 250 (CSMB) ≤ 50 (RB)	≤ 10,000 (CSMB) ≤ 50 (RB)	≤ 850 (CSMB) ≤ 50 (RB)	≤ 200 (CSMB) ≤ 50 (RB)
Other collegial bodies/author - ized persons	≤30	–	≤ 250 (CSMB) ≤ 30 (RB)	–	≤ 200 (CSMB) ≤ 30 (RB)

CSMB – corporate, SME businesses

RB – retail business

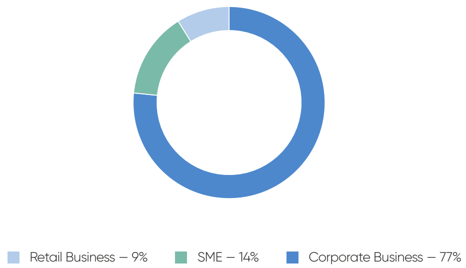
Loan Portfolio

In accordance with the business model and risk profile, the Bank distinguishes the following segments in the structure of its loan portfolio: corporate business (CB), small and medium-sized enterprises (SMEs), and retail business (RB).

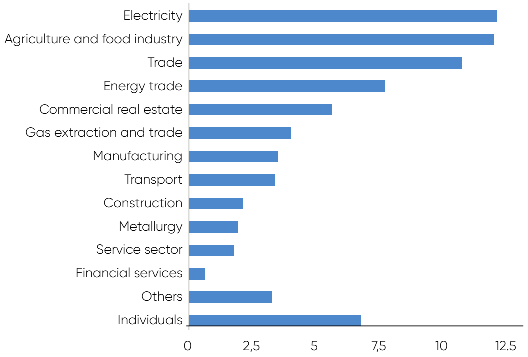
The Bank also segments its loan portfolio by economic sectors. The areas of lending by economic sectors are determined by the Bank based on an individual approach to the sector risk analysis.

The share of non-performing assets in the portfolio increased from 10% at the end of 2021 to 18% at the end of 2023, since the full-scale invasion. After the two years of the full-scale invasion, the uncertainty period regarding the borrowers' business status and their ability to service their debt ended. Most clients has either resumed repaying loans, or some loans have been classified as NPAs.

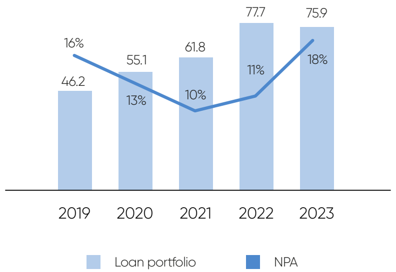
Loan Portfolio Breakdown, 2023



Loan Portfolio Breakdown, 2023, UAH bn



Loan Portfolio and NPA Development, UAH bn



Corporate Business Loan Portfolio

The corporate business loan portfolio is the largest one in the overall loan portfolio structure. Lending to public sector enterprises is an important component of funding. As of January 1, 2024 the share of state-owned enterprises in the loan portfolio constituted 29%.

Throughout the entire period since the beginning of the full-scale war, the volume of the corporate business loan portfolio has shown positive dynamics. The increase of the portfolio (gross) over 2 years amounted to UAH 11bn (+24%), reaching UAH 58bn as of January 1, 2024.

Over the last year (2023 vs. 2022), there has been a slight reduction of the loan portfolio by UAH 3bn (-5%), attributed to a slowdown in lending volumes.

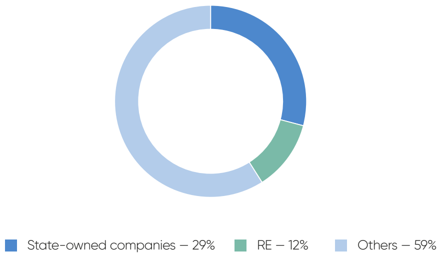
The share of non-performing assets as of January 1, 2024, stands at 17% (+ 7% yoy) and amounts to UAH 10bn (+UAH 4bn).

As of January 1, 2024, the concentration coefficient of the TOP-20 economic groups is 64%.

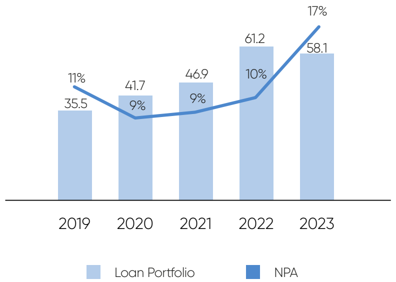
The share of the top 4 sectors accounts for 62% of the total corporate business portfolio (electric power industry - 19% (including renewable energy sources - 12%), trade - 16%, agriculture and food industry - 14%, energy trading - 13%).

The concentration coefficient of the corporate business loan portfolio in foreign currency as of January 1, 2024 is 52% (as of January 1, 2023 - 50%).

Corporate Loan Portfolio Breakdown, 2023



Corporate Loan Portfolio and NPA Development, UAH bn



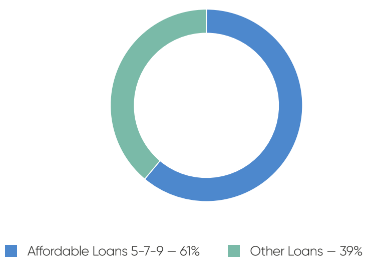
Small and Medium Business Loan Portfolio

Throughout the entire period since the full-scale war, the volume of the SME loan portfolio has shown positive dynamics. As of the end of 2023, the SME loan portfolio increased by UAH 230 million, reaching UAH 11,017 million as of January 1, 2024.

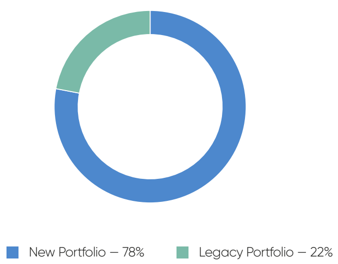
As of January 1, 2024, the share of non-performing assets amounted to 14.6% (+ 9% over the year) and totaled UAH 2bn. As of January 1, 2024, the amount of loans issued since the onset of martial law stands at UAH 6bn (including UAH 3bn in 2023). The share of non-performing assets in the newly issued loans is 3.6% or UAH 221m. The share of restructurings related to martial law amounts to 4% or UAH 246m.

As in the pre-war period, the main driver of the SME loan portfolio is still the state program "Affordable Loans 5-7-9%", aimed at supporting businesses by partial compensation of the loan interest by the state. As of January 1, 2024, the volume of the "Affordable Loans 5-7-9%" portfolio amounted to UAH 7bn (including UAH 1bn in 2023) and constitutes 61% of the total SME loan portfolio.

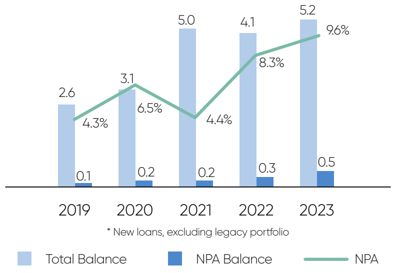
SME Loan Portfolio Breakdown, 2023



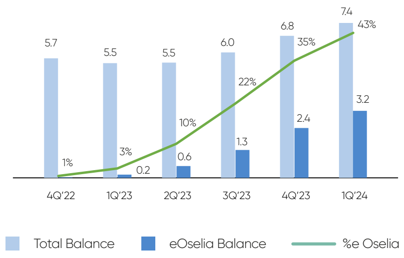
Retail Loan Portfolio Breakdown, 2023



Retail Loan Portfolio* and NPA Development, UAH bn



eOselia Maintains the Trend of Long-Term Lending, UAH bn



In addition to the mentioned compensation program, the Bank collaborates with lots of state and international institutions. Specifically, in the SME segment, the Bank uses guarantee facilities of the Cabinet of Ministers of Ukraine (the main driver among guarantee facilities, securing SME loans for a total amount of UAH 3bn or 31% in the overall SME portfolio as of April 1, 2024), the European Investment Bank, the Business Development Fund, the European Bank for Reconstruction and Development, the Partial Credit Guarantee Fund for Agriculture, as well as the mechanism of insurance by the Export Credit Agency.

Retail Loan Portfolio

According to the results of 2023, the loan portfolio increased by UAH 1bn and amounted to UAH 7bn as of January 1, 2024, reaching pre-war levels. As of January 1, 2024, the share of non-performing assets amounts to 28%. One of NPA components is the portfolio of mortgage currency loans issued before 2009 (legacy), which is subject to legislative restrictions regarding recovery or collection of arrears.

The driver of the growth of the RB loan portfolio during martial law is the state mortgage lending program eOselia. eOselia is one of the main tools to provide Ukrainians with affordable housing and boost the economy. As of January 1, 2024, the share of mortgage loans under the eOselia program in the total RB portfolio amounted to 35%.

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The Bank focuses on digitalization (end-to-end) of the retail lending process, including reducing time-to-yes and utilizing alternative customer service channels, e.g. its mobile application.

In the mass segment (unsecured loans), the Bank employs its scoring cards to assess credit risk (including, but not limited to, application scoring, behavior scoring, and EWS scoring models).

Collateral Risk Management

The Bank regularly reevaluates collateral assets and monitors collateral availability and its condition by on-site inspection. Based on the inspection, the responsible employees prepare the relevant reports, which is one of the methods of liquidity risk control and monitoring of changes in the collateral market conditions. The process is structured to have external appraisers conduct the primary revaluation, while internal appraisers (Bank employees) handle the remaining portion of the work. The outsourcing company mainly monitors collateral availability and its condition.

Methods of collateral risk management include the following:

- diversification of collateral assets
- implementation and compliance with requirements regarding acceptability of collateral and determination of its value
- conducting initial assessment and periodic re-evaluation of collateral assets
- verification of the asset value
- accreditation of independent appraisers
- monitoring (periodic checks) of collateral assets
- examination of legal documents on the pledge
- collateral insurance
- back-testing of the asset value
- monitoring of replacement (rotation) of the appraiser after two consecutive evaluations of the same property by the same appraiser.

NPA Prevention

To proactively identify and prevent non-performing assets, the Bank implemented early warning system both on portfolio and individual bases.

The early warning system aims at timely identification of instances of failure by a counterparty to fulfill (or improper fulfillment of) its obligations, assessing their impact on creditworthiness of the counterparties, and informing the Bank's structural units involved in the credit process about identified risks. It allows the Bank to adequately evaluate the credit risk level and implement preventive measures.

NPA Management

To manage non-performing assets, the Bank defines non-performing assets as troubled and restructured debts. Loans with 90+ days past due or other negative factors such as bankruptcy are considered as troubled.

The Bank identifies debt as restructured if the borrower has initiated loan restructuring due to medium- or long-term financial difficulties.

The Problem Asset Management Department handles troubled debt, while the Bank's Restructuring Division deals with restructured loans.

The main stages of NPA management are:

- assigning the status of a problem loan to a credit operation and passing it over to the Problem Asset Management Department
- determining a recovery action plan
- recovery.

Recovery methods are standard: out-of-court settlement, remote work, legal proceedings and enforcement, sale of financial assets, and bad debt write-off.

Specifics of Retail and SME Bad Debts Management

To provide for repayment of overdue debts, the Bank remotely engages with the debtor through telephone calls, SMS messages, informational and motivational letters (including emails), demand letters, and cooperation with collection agencies.

Strategies for managing overdue debts are implemented in terms of products/segments and aimed at maximizing cash collected and minimizing the forward rate.

To manage non-performing assets, the Bank annually develops and approves a non-performing assets management strategy and an operational plan. During martial law, the Bank does not review the non-performing assets management strategy due to the uncertainties relating to military risks, but it updates its operational plan annually.

The Risk Management Department monitors implementation of the non-performing assets management strategy and execution of the operational plan by the non-performing assets management units.

Provisions and Prudential Credit Risk

Calculation of provisions and prudential credit risk is carried out using expected credit loss models. The Bank separately calculates provisions under IFRS 9 and the prudential credit risk. The net credit risk, defined as the difference between the allowances under IFRS 9 and the prudential credit risk, is allocated to the Bank's capital. Currently, the Bank has no net credit risk.

To measure and effectively manage credit risk, the Bank has implemented a system for collecting and analyzing necessary information regarding credit risk components both at the level of individual counterparties and at the portfolio level. This system is based on the principles and recommendations of the Basel Committee on Banking Supervision.

Expenses for active operation provisions since the full-scale russian invasion have amounted to UAH 7bn, they are primarily reflected in the financial statements for 2022.

Loan Portfolio Breakdown, 2021-2023, UAH millions

	2021	2022	2023
Total Portfolio	**61,773**	**77,693**	**75,866**
stage 1 and 2	56,174	58,113	55,799
stage 3	5,599	19,580	20,067
Total allowances	5,883	12,934	12,533
stage 1 and 2	1,880	1,087	370
stage 3 and POCI	4,003	11,847	12,164
Share of stage 3	9.1%	25.2%	26.5%
Allowances for stage 3	105.1%	66.1%	62.5%
Corporate business	**46,874**	**61,202**	**58,093**
stage 1 and 2	43,193	46,101	42,284
stage 3	3,681	15,101	15,809
Total allowances	4,075	9,520	9,689
stage 1 and 2	1,760	839	320
stage 3 and POCI	2,314	8,681	9,368
Share of stage 3	7.9%	24.7%	27.2%
Allowances for stage 3	110.7%	63.0%	61.3%
SME	**8,388**	**10,782**	**11,013**
stage 1 and 2	7,996	8,346	8,596
stage 3	392	2,435	2,417
Total allowances	374	1,613	1,365
stage 1 and 2	102	140	34
stage 3 and POCI	272	1,473	1,331
Share of stage 3	4.7%	22.6%	21.9%
Allowances for stage 3	95.5%	66.2%	56.5%
Retail business	**6,511**	**5,709**	**6,760**
stage 1 and 2	4,985	3,666	4,918
stage 3	1,526	2,043	1,842
Total allowances	1,435	1,801	1,480
stage 1 and 2	17	108	15
stage 3 and POCI	1,417	1,692	1,464
Share of stage 3	23.4%	35.8%	27.2%
Allowances for stage 3	94.0%	88.1%	80.3%

LIQUIDITY RISK

The liquidity risk is the risk that arises due to the Bank's inability to fulfill its obligations in a timely manner without incurring unacceptable losses, or due to its inability to manage unplanned outflows of funds, changes in funding sources, and/or fulfill off-balance sheet obligations.

Strategy, Risk Appetite and Internal Limits

The Bank operates an effective, complex, and appropriate liquidity risk management system that takes into account peculiarities of its business model, scale of activities, types, and complexity of operations, which is integrated into the overall risk management system of the Bank. Liquidity risk analysis is conducted continuously to make timely and adequate management decisions to mitigate liquidity risk and reduce the size of potential losses, additional losses, failure to achieve planned income, and other liquidity risk factors.

The risk appetite for liquidity risk includes the minimum values of the liquidity coverage ratio (LCR) in all currencies and separately in foreign currencies, the duration of the period of full and timely performance by the Bank of its payment obligations during a stress situation, the net stable funding ratio (NSFR), and limits on concentration indicators in liabilities.

The Bank's internal limits are structured to control the maximum liquidity gap for a defined horizon in each significant currency, additional levels are set to control an acceptable level of concentration based on the specific activities of the Bank, and monitoring of the volume of available unencumbered high-quality liquid assets is provided. The Assets and Liabilities Management Committee manages the liquidity risk.

Liquidity Risk Management Process

To limit the liquidity risk, the Bank uses various sources of funding in addition to its main deposit base. The Bank manages liquidity (assesses liquidity within the operational day) on a daily basis, taking into account balances of funds on correspondent accounts and plans for inflows and outflows of funds. Management of current liquidity for a period of up to 1 month is held by determining the Bank's need for liquid funds and determining the size of the liquidity gap during the specified period. Liquidity management for a period of more than 1 month is held by assessing the degree of discrepancy between the term structure of assets and the term structure of liabilities and developing measures to maintain an appropriate and sufficient level of liquidity of the Bank in the future.

Key Liquidity Risk Assessment and Measurement Tools

The Bank utilizes the following instruments to evaluate the liquidity risk:

- analysis of compliance with liquidity ratios and mandatory reserve ratios set by the NBU, including control over the structure and changes in liquidity ratios
- analysis of the Bank's liquidity risk within the operating day. The Treasury Department daily generates the payment calendar both for all currencies in general and for significant currencies
- gap analysis, depicting mismatches between the Bank's requirements and obligations (both on-balance sheet and off-balance sheet) by contractual or expected maturity dates. Such discrepancy is assessed by all and significant currencies at specific time intervals as the difference between asset and liability volumes
- concentration analysis of the Bank's obligations by major counterparties, counterparty types, significant instruments, product groups with common characteristics, significant depositors, and other bank creditors
- determining the conditionally stable amount of fund balances without a specified maturity, taking into account the concentration risk and outflows of the volatile part of such balances during liquidity assessment
- calculation of the forecasted liquidity imbalance for a certain period taking into account planned information on the main cash flows from customers and assumptions about outflows.

During martial law, the Bank fulfilled all its obligations to clients in a timely manner and in full, and significant client outflows that sometimes occurred were compensated due to available standard instruments of liquidity regulation from the NBU. The Bank ensures compliance with liquidity risk limits by predictive calculations of liquidity ratios according to the Bank's budget and taking into account expected cash flows.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and security prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risks for non-trading positions are managed and monitored using sensitivity analysis. The Bank recognizes the most material type of market risk to be the currency risk (collectively based on instruments of the banking and trading books).

Strategy, Risk Appetite and Internal Limits

The Bank's Market risk appetite for banking book instruments includes compliance with the limits of open long and short currency positions, the value of the total risk position in goods by commodity risk, and for instruments and amounts of expected losses due to the currency risk of instruments in the banking book. Risk appetite for the instruments of the trading book is set as the maximum values, negative cumulative revaluation of the fair value of financial instruments of the "swap" type, the risk indicator of debt instruments based on the interest rate risk of the trading book and expected losses on currency risk of instruments of the trading book. The amount of expected losses is calculated according to the Bank's own developed parametric models based on statistical risk assessment models. To monitor achievement of the defined risk appetite, the Bank sets internal risk limits to control the level of utilization of market risk, the value of which is established and controlled by the Asset and Liability Management Committee.

Dıvısion into Banking and Trading Positions

The Bank manages the market risk with instruments of the banking and trading books. The trading book encompasses financial instruments that simultaneously meet the following general criteria:

- no legal constraints on sale or full hedging
- carrying out daily fair value revaluation with the reflection of results through profits/losses
- holding financial instruments in the trading book for further sale within a short period and profiting from short-term price fluctuations
- fixing arbitrage profits or hedging risks from holding instruments to achieve the aforementioned purpose.

Currently, the Bank identifies the following operations in the trading book:

- operations of exchange of foreign currencies/bank metals in the foreign exchange market of Ukraine and international markets
- "swap" operations of exchange of foreign currencies/bank metals in the foreign exchange market of Ukraine and international markets.

To effectively manage market risks and maximize profit from operations with financial instruments classified in the trading book, the Bank established a separate unit - the trading desk.

Main Tools for Assessing and Measuring Market Risk

The Bank measures the market risk by all its types and in terms of each type. In the course of the market risk measurement, the Bank employs assumptions that align with both historical market data and the Bank's statistics.

To assess volatility risk, equity risk, currency risk, and commodity risk, the Bank uses the Value-at-Risk method along with the Expected Shortfall (ES) method when necessary. The Bank uses this method to measure the maximum expected loss amount from positions in instruments sensitive to changes in market risk factors over a specified time horizon. Calculation is performed at least once a month by the risk management department. When measuring VaR and ES for market risk positions, the following minimum numerical characteristics are ensured:

- confidence probability - no lower than 99% for VaR and 97.5% for ES
- depth of statistical sample - not less than 250 observations for a period not less than one calendar year.

Due to the current methodological approaches regarding calculation of prudential limits for open currency positions under the NBU requirements and restrictions during martial law to stabilize the situation in the currency market, the Bank has limited access to currency risk management tools and forcibly maintains a short open position. The Bank lays the corresponding increased currency risks when determining risk appetite and considers the limited requirements for market risk management when assessing the Bank's capital.

INTEREST RATE RISK OF THE BANKING BOOK

Interest rate risk of the banking book is the existing or potential risk to the Bank's earnings and capital arising from adverse changes in the market interest rates. The types of interest rate risk:

- the gap risk that arises due to differences in maturity terms (for instruments with fixed interest rates) or changes in the value of the interest rate index (for instruments with a floating interest rate) of assets, liabilities, and off-balance sheet positions of the banking book. The Bank calculates the gap risk, taking into account parallel/non-parallel shifts in yield curves
- basis risk, which arises from the lack of a sufficiently close link between adjustment of rates received and paid on different instruments, all other revaluation characteristics being equal
- optionality risk that arises from the Bank's operations with options (automatic optionality risk) or presence of built-in options in the Bank's standard products (behavioral optionality risk).

This risk affects the Bank's profitability and the economic value of its assets, liabilities, and off-balance sheet instruments.

Risk Appetite and Internal Limits

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

To monitor achievement of the defined risk appetite, the Bank sets internal risk limits to control the level of interest rate risk utilization of the banking book, including as a relative value from the planned annual net interest income according to the Budget and the size of the Bank's regulatory capital.

Main Tools for Assessing and Measuring Interest Rate Risk

The Bank measures the interest rate risk as the amount of change in the economic value of the Bank's equity (EVE method) and the Bank's net interest income (NII method) based on a complete and economically justified list of interest rate changes, including under stress scenarios.

To assess the interest rate risk, the Bank uses the following tools (but not exclusively):

- gap analysis – to assess the change in the Bank's net interest income (NII)
- method of modified duration - to estimate the change in the economic value of the Bank's equity.

At least four interest rate change scenarios are used to measure EVE and NII sensitivities:

- parallel shock up
- parallel shock down
- short rates shock up
- short rates shock down.

The Bank seeks to minimize the interest rate risk by controlling the level of revaluation of active operations by providing loans at floating rates and taking into account the expected trends regarding the direction of the key rate movement. Thus, more than half of the working loan portfolio of the Bank as of the reporting date (60%) consisted of loans with floating rates based on the 12-month UIRD, 3-month UIRD, and the NBU discount rate.

The Bank sets tariffs for active operations taking into account the cost of funding, coverage of administrative costs, risk premium and profit margin, while lending below the estimated break-even rate is possible only in the case of recovery of non-performing loans or for transactions that have specific sources of funding (deposit secured loan, funding under specialized programs).

OPERATIONAL RISK

The operational risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit due to errors or deficiencies in internal processes, willful or negligent acts by the staff or others, failures of information systems or due to external events. The operational risk includes legal risk, information security risk, and information and communication technology risk.

The goal of the operational risk management at the Bank is to establish a comprehensive system corresponding to the size, business model, scale of operations, types, complexity of Bank activities, and an effective operational risk management fully integrated with the overall risk management system of the Bank. This system ensures ongoing analysis of the operational risk to make timely and adequate managerial decisions aimed at mitigating the operational risk and reducing occurrence of losses/sanctions, additional losses, or a failure to obtain planned income.

Risk Appetite

Risk appetite for the operational risk includes:

- the maximum acceptable volume of losses from operational risk incidents during the next 12 months
- the ratio of the maximum amount of losses from operational risk incidents during the next 12 months to the regulatory capital of the Bank.

The incidents with which the Bank suffered the largest losses (in particular, in 2022) are of cross-compliance risk incidents (incidents that have the characteristics of operational and compliance risks).

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Development of Operational Risk Appetite

	Losses, UAH m	Losses, % Regulatory Capital
2021	1.5	0.01
2022	160.9	2.1
2023	3.0	0.03

Main Tools for Assessing and Measuring Operational Risk

The Bank carries out effective operational risk management using the following tools for assessing and measuring it:

- analysis of results of external and internal inspections
- maintenance of the incident database and its analysis. The Bank is introducing a common database of operational and compliance risk incidents. Incidents with both operational risk and compliance risk characteristics are identified in the Database as cross-risk incidents
- monitoring of key risk indicators
- self-assessment of the operational risk
- scenario analysis - forming a judgment regarding determination of possible unlikely operational risk events with significant consequences for the bank and their quantitative assessment based on the expert opinion of the first and second line of defense units.

The Bank regularly, at least once a year, carries out stress testing of the operational risk in order to identify the causes of possible losses due to the operational risk and assess compliance of the results of stress testing with the established level of risk appetite for the operational risk.

Operational Risk Management During the War

Since the beginning of russia's full-scale invasion, the Bank has been keeping records of war-related losses to file a lawsuit for compensation of losses and additional expenses of the Bank caused by the armed aggression of the russian federation.

Currently, the Bank is conducting a number of activities to prepare a claim to the national court against the russian federation for compensation of the damage caused by the military aggression in the period from 23.02.2022 to 01.07.2023. The Bank is taking steps to get ready for an independent assessment of the Bank's losses related to the military aggression of the russian federation.

On September 13, 2022, the Bank submitted an application to the European Court of Human Rights regarding compensation for damage caused by the military aggression of the russian federation. The amount of claims totals (as of September 1, 2022) EUR 170m.

On December 13, 2022, the Bank received a letter from the European Court of Human Rights, which established that the Bank's application was accepted by the court.

In the period of war, the Bank pays special attention to management of the information security risk. Thanks to the controls implemented by the Bank, the increase in the number of DDos attacks on the banking sector has not had any impact on the Bank and all the attacks have been repelled.

The largest number of operational risk incidents are information and communication technology risk incidents. The Bank focuses its attention on ensuring backup of data centers and all IT systems and services to ensure continuous operation and minimize recovery time in the event of incidents. The effective information and communication technology risk management is ensured in particular by:

- creation of a new backup data center and placement of data centers in different regions of Ukraine
- creation of a third (additional) data center in the "cloud" (AWS)
- provision of data backup
- debugging and testing of "cloud" and remote backup workplaces
- development and testing of scenarios for data center unavailability and transfer of all information and communication technology risk systems and services to another data center
- improving the monitoring system of availability and performance of information and communication technology risk systems
- provision of information exchange with connection to the portal of the National Bank's Cyber Protection Center.

Business Continuity Plan (BCP)

The Bank successfully implemented the business continuity plan, which had been approved by the Supervisory Board.

During the war, an Action Plan was developed under emergency mode of operation conditions (it is activated for operation in certain territories in the event of a sudden deterioration of the security situation).

The Bank takes all necessary measures to ensure continuity of work in the conditions of martial law, including within the framework of the large-scale project of the National Bank of Ukraine on POWER BANKING.

To ensure continuity of the Bank's activities, the Bank, in particular, took the following steps:

- equipped all basic branches with generators
- purchased Starlink devices for branches for situations where there is no connection
- built backup locations for critical workers
- provided all critical staff with backup workplaces in the cloud or on backup servers
- monitors daily the availability of communication channels, ATMs, and POS terminals, and timeliness of branch opening.

ADDRESSING COMPLIANCE RISKS

Compliance Function

The Bank values its reputation as a trustworthy and transparent financial institution committed to adhering strictly to current legislation, internal policies, market standards, and ethical business practices. To ensure compliance, UGB has established a dedicated compliance department responsible for monitoring the Bank's adherence to regulations, internal procedures, and ethical principles, with a focus on customer protection, anti-money laundering (AML), and counter-financing of terrorism (CFT).

The compliance department operates independently from business units and provides guidance to ensure that the Bank conducts its operations in accordance with regulatory requirements, fostering trust among customers and shareholders. Deputy of Chairperson who oversees the compliance department also serves as the Chief Compliance Officer (CCO) responsible for AML/CFT issues. The CCO reports regularly to the Supervisory Board, Risk Committee, and Management Board on compliance matters and informs the Supervisory Board of any significant compliance risks.

The Supervisory Board oversees the Bank's compliance risk management framework, while the Management Board bears direct responsibility for day-to-day compliance management, including establishing and enforcing policies, procedures, and internal controls. Adequate resources, including personnel, technology, and training, are allocated to ensure effective compliance functions.

Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT)

AML/CFT measures are integral to our operations. Collaborating with customers and entities we rigorously evaluate, monitor, and review client relationships, identifying and addressing potential risks. Suspicious transactions undergo thorough investigation and are promptly reported to the appropriate authorities.

In 2023, we terminated business relationships with clients when, as a result of a transaction analysis and due to documentation deficiencies, we were not in a position to apply financial monitoring measures. These activities are carried out on an ongoing basis.

Major Initiatives in 2023

UGB is allocating resources to advance technologies, enhance investigative capacities, and foster expertise in AML/CFT.

Throughout 2023, in the area of compliance, UGB consistently implemented best global practices and enhanced existing processes:

– Revision of compliance risk management and internal control systems with assistance from an external consultant, Deloitte, aiming to strengthen the Bank's compliance function by refining preventive control measures, ensuring all business units report compliance incidents, promptly addressing emerging issues, and eliminating redundant functions (completion scheduled for 2024)
– Digitalization of compliance risk management processes, including automated messaging with frontline defense units, report automation, and centralization of data on compliance incidents
– Engagement of Supervisory Board and Management Board members in fostering a tone-at-the-top culture through personalized video messages addressing specific compliance topics to all bank employees (implementation scheduled for 2024).

In 2023, UGB continued the work to enhance its AML/CTF framework, risk appetite and key metrics to ensure a robust risk oversight and consistency in the AML/CTF work. We initiated several measures aligned with NBU recommendations and best practices.

- implementation of an analytic system to identify clients' risky transactions according to the Bank's scenarios, continuously improved and updated to reflect trends
- revision and enhancement of the processes for conducting enhanced due diligence for high-risk clients
- increased staffing in the compliance department
- revision of procedures for monitoring transfers made to economic entities and strengthening control over foreign economic operations
- implementation of digital tools to ensure the effective functioning of the AML/CFT system
- suspension of services under selected high-risk banking products
- training and testing of Bank employees.

In 2023, the Bank continued raising awareness with consistent trainings on compliance and AML/CFT issues for all personnel. Training sessions are conducted both online and in person, with each employee undergoing such training at least once a year. Monthly training sessions are held for Bank employees to help them understand their responsibilities and procedures related to AML/CFT.

Additionally, the compliance department provides weekly updates to employees on changes in the Ukrainian legislation, regulatory acts, and internal Bank documents related to compliance issues.

In 2023, the Bank updated several internal documents on compliance and AML/CFT in response to changes in Ukrainian legislation, NBU recommendations, internal audits, and acquired experience:

- Compliance risk management policy
- Regulation on compliance risk management procedures
- Policy for prevention, detection, and management of conflicts of interest
- Policy for introducing new products and significant changes in operations
- Regulation on procedures for introducing products and significant changes in operations
- Training and qualification enhancement program for managers/employees on compliance risk management and AML/CFT
- Policy on implementation of special economic and other restrictive measures (sanctions)
- Policy for prevention and combating of money laundering, terrorist financing, and proliferation of weapons of mass destruction
- Financial monitoring rules
- Client due diligence regulation.

The Bank maintains a zero-tolerance policy and consistently collaborates with state authorities, providing comprehensive support as needed.

Administrative Penalties Imposed

In 2023, NBU inspections identified certain non-compliances with banking regulations related to organization and operation of the internal financial monitoring system and primary financial monitoring at the Bank. As a result, the Bank was fined for the amount of UAH 64.6m.

Addressing this incident has been a top priority for the Bank. We engaged Ernst & Young, a reputable external AML adviser, to enhance our AML/CFT system in line with best practices.

UGB is now focusing on reaching further maturity in all processes in the fight against financial crime where continuous improvements are part of daily operations

Independent Auditors' Report and Financial Statements

Numbers that Matter

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Independent Auditors' Report

To the Shareholders
of Public Joint-Stock Company Joint Stock Bank "Ukrgasbank"

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Public Joint-Stock Company Joint Stock Bank "Ukrgasbank" (the "Bank"), which comprise:

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Law of Ukraine "*On accounting and financial statements in Ukraine*" on preparation of the financial statements.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Notes 2 and 3 of the financial statements, which describes the negative effects on the Bank's operations of the military invasion launched by the russian federation on the territory of Ukraine on 24 February 2022. As also stated in Note 3, these events or conditions, along with other

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matters as set forth in Notes 2 and 3, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 *Material Uncertainty Related to Going Concern* section we have determined the matters described below to be the key audit matters to be communicated in our report:

Expected credit losses on loans and advances to customers	
The gross amount of loans and advances to customers and the total related allowance for expected credit losses as at 31 December 2023: UAH 75 866 174 thousand and UAH 12 533 227 thousand, respectively; gain on reversal of impairment loss for the year then ended: UAH 504 671 thousand (31 December 2022: UAH 77 693 153 thousand and UAH 12 934 025 thousand, respectively; impairment loss for the year then ended: UAH 6 401 951 thousand). Please refer to the Notes 4, 5, 9, 26 and 29 in the financial statements.	
Key audit matter	**Our response**
Loss allowances for loans and advances to customers represent management's best estimate of the expected credit losses ("ECLs") within loans and advances to customers (collectively, "loans", "exposures") at amortized cost at the reporting date. The loss allowances for individually significant non-performing exposures (Stage 3) are determined on an individual basis by means of a discounted cash flows analysis. The process involves subjectivity and reliance on a number of significant assumptions, including those in respect of the expected proceeds from the sale of the related collateral ("expected credit losses estimated individually"). The loss allowances for other non-performing and performing exposures are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk, forward-looking information ("expected credit losses estimated collectively").	Our procedures in the area performed, where applicable, with the assistance of our own financial risk-management, information technology (IT) and valuation specialists, included, among other things: • Inspecting the Bank's ECL methodology and models and assessing their compliance with the relevant requirements of the financial reporting standards. As a part of the above, we challenged the management on whether the level of the methods' sophistication is appropriate based on an assessment of the Bank specific factors; • Testing the design, implementation and, where appropriate, operating effectiveness, of selected key controls within the loan impairment process; • Independently evaluating the forward-looking information, macroeconomic projections used in the Bank's ECL assessment, by means of recalculation of parameters, corroborating inquiries of the relevant credit risk personnel and

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We focused on this area as the measurement of expected credit losses requires the Management Board to make complex and subjective judgements and assumptions. In the light of the above factors and the uncertainty caused by military invasion launched by the russian federation on the territory of Ukraine, we considered expected credit losses for loans and advances to customers to be associated with a significant risk of material misstatement in the financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	inspecting publicly available information; • For expected credit losses estimated collectively challenging the LGD and PD parameters used by the Bank, by testing on a sample basis input data of historical defaults and historical recoveries, and recalculation of respective models outputs, and also considering any required adjustments to reflect expected future changes and impact of russian invasion; • Recalculating ECLs as part of accuracy check of application of methods, assumptions and data; • For a sample of loans, testing the EAD parameter by reference to the Bank's accounting system, external confirmations obtained independently from the borrowers, and to primary documents, as applicable; • For a sample of loans, testing the determination of segment and internal rating parameter by reference to the Bank's methodology and to primary documents and by performing recalculation, as applicable; • Challenging, on a sample basis, the appropriateness of the Bank's staging of exposures, including identification of exposures meeting significant increase in credit risk and default criteria; • Challenging, on a sample basis, the collateral valuations by inspecting valuation reports obtained by the Bank, and also by reference to publicly available data; • On a sample basis, assessing whether the definition of default and the standard's staging criteria were applied consistently and appropriately by reference to the underlying loan files and through inquiries of responsible loan officers and credit risk management personnel.

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	In addition, specifically for expected credit losses estimated individually, for a risk-based sample of loans: • Challenging the Bank's cash flow projections and key assumptions used therein, by reference to our knowledge of the relevant industry and of the borrower. We also involved valuation specialist to independently assess on a sample basis the reasonableness of the collateral valuations by inspecting valuation reports obtained by the Bank, and also by comparing them to publicly available data. For loan exposures in totality: • Examining whether the Bank's allowance for expected credit losses and credit risk-related disclosures in the financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Compliance with loan covenants

Other borrowed funds as at 31 December 2023: UAH 5,579,937 thousand (31 December 2022: UAH 4,384,815 thousand).

Please refer to the Notes 4, 19, 29 and 31 in the financial statements.

Key audit matter	Our response
As at 31 December 2023, the Bank had significant outstanding other borrowed funds due to international and government organisations. In respect of the said indebtedness, pursuant to the terms and conditions of the underlying loan contracts, the Bank was required to comply with a significant number of financial as well as non-financial covenants. Any non-compliance with the covenants creates a risk of incorrect presentation of other borrowed funds in the financial statements as either current or non-current. Due to the above factors, coupled with the multitude of loan arrangements and covenant clauses therein to be considered and concluded	Our audit procedures in the area included, among other things: — Inspecting the underlying loan contracts and any subsequent amendments thereto in force as at 31 December 2023, in order to evaluate whether the Bank has identified all related covenants; — Independently reperforming the calculation of financial covenants and also, through inquiries of the relevant personnel and inspection of underlying confirmations from international and government organisations, assessing whether all significant financial and non-financial covenants were complied with and whether waivers were provided for covenants breached as at reporting date ;

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upon, we determined this area requires our increased attention in the audit and as such was determined to be a key audit matter.	— Examining whether the other borrowed funds maturity appropriately disclosed. — For any covenant non-compliance identified, evaluating whether it was appropriately considered in presenting the related loans and as either current or non-current considering waivers obtained from international and government organisations.

Other Information

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

- the Management Report (including the Corporate Governance Report) as set out in a separate report prepared by management,
- Annual Information of the Issuer of Securities (including the Management Report),

but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the 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 on the other information, 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and the requirements of the Law of Ukraine "*On accounting and financial statements in Ukraine*" on preparation of the financial statements, 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 preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Pursuant to the Article 14(4) of the Law of Ukraine "*On Audit of Financial Statements and Auditing*", Section IV(11) of "*Instruction on the procedure for preparation and publication of financial statements of Ukrainian banks*" approved by the Resolution of the Board of the National Bank of Ukraine No. 373 dated 24 October 2011 (the "Instruction No. 373"), and "*Requirements for information related to audit or review of financial statements of participants of capital markets and organized commodity markets, which are supervised by the National Securities and Stock Market Commission*" approved by the Resolution of the National Securities and Stock Market Commission (the "NSSMC") No. 555 dated 22 July 2021 we provide the following information in addition to that required by ISAs.

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Appointment of the Auditor and Period of Engagement

We were appointed by the Supervisory Board of the Bank on 10 October 2022 (Minutes of the Supervisory Board №28 dated 10 October 2022) to audit the financial statements of the Bank as at and for the year ended 31 December 2023. Our total uninterrupted period of audit engagements is two years.

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

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

For the period to which our statutory audit relates, we have not provided any other services to the Bank which are not disclosed in the Management Report or in the financial statements.

Additional Report to the Audit Committee

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

Reporting on the NSSMC's Requirements

- The audit of Public Joint-Stock Company Joint Stock Bank "Ukrgasbank" (Registration number 23697280 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations) was conducted in accordance with the Engagement Contract No 100-SA/2022 dated 31 October 2022. The audit was performed from 2 October 2023 to the date of this report.
- Information on the ownership structure and the ultimate controlling party of the Bank is included in Note 1 to the financial statements.
- As at 31 December 2023 the Bank is neither a controlling party, nor a member of non-banking financial group.
- The Bank is a public interest entity in accordance with the Law of Ukraine "*On accounting and financial statements in Ukraine*".
- As at 31 December 2023, the Bank does not have subsidiaries.
- The Revision committee did not perform examination of the Bank's financial performance for the year ended 31 December 2023 as it was liquidated on 16 December 2022.

Reporting on the Management Report

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

- is consistent, in all material respects, with the financial statements, and

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- contains the elements required by the Section IV of the Instruction No. 373 and clauses 1-9 of Article 127(3) of the Law of Ukraine "*On Capital Markets and Organized Commodity Markets*".

If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

Anna Parkhomenko
Registration No. 101539 in the Register of Auditors and Auditing Entities
Deputy Director

PJSC "KPMG Audit"

15 March 2024

Kyiv, Ukraine

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

	Notes	31 December 2023	31 December 2022 (reclassified*)	31 December 2021 (reclassified*)
Assets				
Cash and cash equivalents	7	49,749,451	35,346,787	30,188,103
Loans and other balances with banks	8	1,633,211	2,420,569	5,081,150
Loans and advances to customers	9	63,332,947	64,759,128	55,889,683
Investments in securities	10	55,728,665	23,217,149	29,458,919
Derivative financial assets	11	2,933	15,069	509
Investment property	12	154,269	156,366	153,955
Current tax assets		1,070,155	2,690,423	–
Deferred tax assets	13	54,449	30,138	32,254
Property, equipment and intangible assets	14	1,225,785	1,234,025	1,187,141
Right-of-use assets	15	138,631	166,113	255,664
Other financial assets	16	2,112,157	900,755	334,523
Other non-financial assets	16	664,730	709,427	689,615
Total assets		**175,867,383**	**131,645,949**	**123,271,516**
Liabilities				
Due to banks	17	2,794,957	5,568,569	4,799,959
Due to customers	18	154,133,564	112,778,613	96,736,381
Derivative financial liabilities	11	20,376	737	72,346
Other borrowed funds	19	5,579,937	4,384,815	7,205,704
Provisions	21			
Provisions for loan commitments and financial guarantee contracts		677,152	302,743	369,357
Other provisions		153,335	396,062	266,105
Other financial liabilities	16	648,999	771,373	1,343,870
Other non-financial liabilities	16	613,411	526,915	402,119
Current tax liabilities		–	–	444,773
Total liabilities		**164,621,731**	**124,729,827**	**111,640,614**
Equity				
Issued capital	20	13,837,000	13,837,000	13,837,000
Share premium		135,942	135,942	135,942
Result from transactions with the shareholder		(1,102,304)	(1,102,304)	(1,102,304)
Treasury shares		(518,439)	(518,439)	(518,439)
Reserve and other funds of a bank		967,777	967,777	590,676
Other reserves	20	1,528,277	(864,441)	(2,185)
Retained earnings		(3,602,601)	(5,539,413)	(1,309,788)
Total equity		**11,245,652**	**6,916,122**	**11,630,902**
Total equity and liabilities		**175,867,383**	**131,645,949**	**123,271,516**

**Comparative information was reclassified. Details of the reclassification are provided in Note 3(g).*

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

Acting Chairman of the Management Board — Rodion MOROZOV

Chief Accountant — Nataliia ILNYTSKA
15 March 2024

V. Usenko
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2023 (UAH thousands)

	Notes	2023	2022 (reclassified*)
Interest income		**17,369,733**	**11,566,183**
Interest revenue calculated using effective interest method	24	17,300,343	11,316,936
Other interest income		69,390	249,247
Commission income	22	2,260,965	2,327,460
Interest expense	25	(10,690,068)	(6,571,938)
Commission expense	22	(964,194)	(906,636)
Net gain (loss) on operations with financial instruments at fair value through profit or loss		267,157	(44,721)
Net gain on operations with debt financial instruments, at fair value through other comprehensive income		72,374	37,331
Net gain (loss) from trading in foreign currencies		260,318	(419,087)
Net gain from revaluation of foreign exchange		274,865	1,155,577
Net (loss) gain from revaluation of investment property		(2,097)	914
Impairment loss determined in accordance with IFRS 9	7, 8, 9, 10, 26	(167,519)	(7,071,168)
Other gains	23	448,147	214,554
Employee benefits expense	28	(2,941,919)	(2,535,646)
Depreciation and amortisation expense	14, 15	(427,404)	(365,780)
Other administrative and operating expense	28	(1,068,390)	(1,380,922)
Impairment loss for non-financial assets	27	(24,010)	(14,697)
Profit (loss) from operating activities		**4,667,958**	**(4,008,576)**
(Loss) gain arising from derecognition of financial assets measured at amortised cost		(7,055)	9,437
Profit (loss) before income tax		**4,660,903**	**(3,999,139)**
Tax income (expense) / reimbursement	13	(2,724,477)	137,626
Profit (loss)		**1,936,426**	**(3,861,513)**

**Comparative information was reclassified. Details of the reclassification are provided in Note 3(g).*

STATEMENT OF PROFIT OR LOSSAND OTHER COMPREHENSIVE INCOME (continued)

	Notes	2023	2022 (reclassified*)
Statement of Comprehensive Income			
Other comprehensive income			
Components of other comprehensive income that will not be reclassified to profit or loss, before income tax			
Other comprehensive income, before income tax, (losses) gains on revaluation of property, plant and equipment, right-of-use assets and intangible assets	20	(24,092)	23,127
Total other comprehensive income that will not be reclassified to profit or loss, before income tax		**(24,092)**	**23,127**
Components of other comprehensive income that will be reclassified to profit or loss, before income tax			
Net change in fair value of debt instruments at fair value through other comprehensive income	20	2,056,063	(1,449,078)
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	20	(72,374)	(37,331)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	20	306,476	749,789
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	20	(1,480)	–
Total other comprehensive income that will be reclassified to profit or loss, before income tax		**2,288,685**	**(736,620)**
Total other comprehensive income/(loss), before income tax		**2,264,593**	**(713,493)**
Income tax relating to changes in revaluation surplus of property, plant and equipment, right-of-use assets and intangible assets included in other comprehensive income	20	(6,451)	(4,812)
Income taxes related to financial assets measured at fair value through other comprehensive income included in other comprehensive income	20	134,962	(134,962)
Total other comprehensive income (loss)		**2,393,104**	**(853,267)**
Total comprehensive income (loss)		**4,329,530**	**(4,714,780)**
Weighted average number of shares (in thousands)		13,837,000	13,837,000
Basic earnings/(loss) per share (in UAH)		0.14	(0.28)

**Comparative information was reclassified. Details of the reclassification are provided in Note 3(g).*

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

Acting Chairman of the Management Board — Rodion MOROZOV

Chief Accountant — Nataliia ILNYTSKA

15 March 2024

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STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023 (UAH thousands)

	Notes	Issued capital	Share premium	Result from transactions with the shareholder	Treasury shares	Reserve and other funds of a bank	Revaluation surplus	Other reserves: Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Other reserves: Reserve of gains and losses from investments in equity instruments	Retained earnings	Total equity
As at 1 January 2022 (before reclassification)		**13,837,000**	**135,942**	**(1,102,304)**	**(518,439)**	**–**	**224,594**	**(224,854)**	**(1,925)**	**(719,112)**	**11,630,902**
Reclassification		–	–	–	–	590,676	–	–	–	(590,676)	–
As at 1 January 2022 (reclassified)		**13,837,000**	**135,942**	**(1,102,304)**	**(518,439)**	**590,676**	**224,594**	**(224,854)**	**(1,925)**	**(1,309,788)**	**11,630,902**
Loss		–	–	–	–	–	–	–	–	(3,861,513)	**(3,861,513)**
Other comprehensive income	20	–	–	–	–	–	18,315	(871,582)	–	–	**(853,267)**
Comprehensive income		–	–	–	–	–	*18,315*	*(871,582)*	–	*(3,861,513)*	***(4,714,780)***
Increase (decrease) through other changes, equity	20	–	–	–	–	–	(8,989)	–	–	8,989	–
Distribution of previous year's profit		–	–	–	–	377,101	–	–	–	(377,101)	–
As at 31 December 2022 (reclassified*)		**13,837,000**	**135,942**	**(1,102,304)**	**(518,439)**	**967,777**	**233,920**	**(1,096,436)**	**(1,925)**	**(5,539,413)**	**6,916,122**
Profit		–	–	–	–	–	–	–	–	1,936,426	**1,936,426**
Other comprehensive income	20	–	–	–	–	–	(30,543)	2,425,127	(1,480)	–	**2,393,104**
Comprehensive income		–	–	–	–	–	*(30,543)*	*2,425,127*	*(1,480)*	*1,936,426*	***4,329,530***
Increase (decrease) through other changes, equity	20	–	–	–	–	–	(386)	–	–	386	–
As at 31 December 2023		**13,837,000**	**135,942**	**(1,102,304)**	**(518,439)**	**967,777**	**202,991**	**1,328,691**	**(3,405)**	**(3,602,601)**	**11,245,652**

STATEMENT OF CASH FLOWS (direct method) for the year ended 31 December 2023 (UAH thousands)

	Notes	2023	2022
Cash flows from (used in) operating activities			
Interest received		17,160,741	10,530,860
Interest paid		(10,434,164)	(6,181,348)
Fees and commissions received		2,301,100	2,318,520
Fees and commissions paid		(964,195)	(906,637)
Net gain (loss) from trading in foreign currencies		260,318	(419,087)
Result on operations with derivative financial instruments		301,799	29,979
Other gains received		359,104	301,756
Employee benefits expense		(2,799,220)	(2,439,144)
Other administrative and operating expense		(1,049,553)	(1,238,324)
Cash flows from (used in) operating activities before changes in operating assets and liabilities		**5,135,930**	**1,996,575**
Net increase/(decrease) in operating assets			
Loans and other balances with banks		820,557	2,867,313
Loans and advances to customers		2,511,647	(7,544,624)
Other assets		(1,042,486)	801,417
Net increase/(decrease) in operating liabilities			
Due to banks		(2,854,665)	(259,071)
Due to customers		38,747,368	3,512,831
Other liabilities		169,723	(809,347)
Net cash flows from (used in) operating activities before income taxes		**43,488,074**	**565,094**
Income taxes paid		(1,000,000)	(3,135,227)
Net cash flows from (used in) operating activities		**42,488,074**	**(2,570,133)**
Cash flows from (used in) investing activities			
Acquisition of securities		(92,830,478)	(21,986,690)
Proceeds on sale and repayment of securities		62,678,031	26,045,971
Acquisition of property and equipment and intangible assets		(354,403)	(314,544)
Proceeds on disposal of property and equipment		1,434	19,981
Proceeds on investment property		12,654	12,664
Proceeds on disposal of other property	16	2,012	54,202
Net cash flows from (used in) investing activities		**(30,490,750)**	**3,831,584**
Cash flows from (used in) financing activities			
Proceeds of borrowed funds from credit institutions	34	2,360,603	999,718
Repayment of borrowed funds from credit institutions	34	(439,957)	(648,443)
Proceeds of borrowed funds from the National Bank of Ukraine	34	–	7,200,000
Repayment of borrowed funds from the National Bank of Ukraine	34	(1,000,000)	(10,900,000)
Repayment of lease liability principal amount	34	(81,305)	(90,871)
Net cash flows from (used in) financing activities		**839,341**	**(3,439,596)**
Effect of exchange rate changes on cash and cash equivalents		1,567,582	7,336,644
Effect of expected credit losses on cash and cash equivalents		(1,583)	185
Net increase/(decrease) in cash and cash equivalents		**14,402,664**	**5,158,684**
Cash and cash equivalents at the beginning of the period		**35,346,787**	**30,188,103**
Cash and cash equivalents at the end of the period	7	**49,749,451**	**35,346,787**

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

Acting Chairman of the Management Board — Rodion MOROZOV

Chief Accountant — Nataliia ILNYTSKA

15 March 2024

V. Usenko

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1. GENERAL INFORMATION

Organizational structure and operations

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

The Bank is engaged in accepting deposits from individuals and legal entities and extending loans, transferring payments in Ukraine and abroad, exchanging currencies and providing other banking services to its corporate and retail customers. The Bank's Head Office is located in Kyiv. As at 31 December 2023, the Bank's network consisted of 223 registered outlets (including 220 operating outlets) (2022: 217 registered outlets, including 217 operating outlets)) in different regions of Ukraine. The registered address of the Bank is : 1 Yerevanska St., Kyiv, Ukraine. The Bank's mailing address: 19, 21,23 Staronavodnytska St., Kyiv, Ukraine.

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

Shareholder	*31 December 2023, %*	*31 December 2022, %*
Ministry of Finance of Ukraine	94.94	94.94
Other	5.06	5.06
Total	**100.00**	**100.00**

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

The Bank has no subsidiaries.

The Supervisory Board of JSB "UKRGASBANK" is a collegial body responsible for protecting the rights of depositors, other creditors, and shareholders of JSB "UKRGASBANK" and, within its competence, overseeing and regulating the activities of the Bank's Management Board.

The Supervisory Board of JSB "UKRGASBANK" consists of 5 independent members and 2 members representing the shareholder - the State of Ukraine, with the Chairman of the Supervisory Board being an independent member. In accordance with Part 12 of Article 42 of the Law of Ukraine "On Banks and Banking Activity," the chairman and members of the bank's board are appointed after their approval by the National Bank of Ukraine. The Supervisory Board of JSB "UKRGASBANK" reports on its activities to the general meeting of shareholders. The functional responsibilities of each member of the Supervisory Board are defined by current legislation, ", the Articles of Association of JSB "UKRGASBANK," the Regulations on the Supervisory Board of JSB "UKRGASBANK," the regulations on the relevant committee of the Supervisory Board, and the civil contract concluded with such member of the Supervisory Board.

All members of the Supervisory Board have economic and/or legal education and are proficient in English. Three members of the Supervisory Board hold academic degrees: the academic title of Candidate of Economic Sciences (Yurii BLASHCHUK and Marina LAZEBNA), a Ph.D. in Risk Management (Sanela PAŠIĆ), and one member of the Supervisory Board holds an MBA degree from the London Business School (Irakli ELASHVILI). All members of the Supervisory Board have experience in senior positions in government bodies and/or the banking and financial sector. The Supervisory Board includes members who have significant experience working in the financial and banking sectors of foreign countries, including risk management and credit portfolio management, allowing for the adoption of best practices in the work of the Supervisory Board.

These interim condensed financial statements have been authorized for issue and signed by the Bank's management 15 March 2024.

2. OPERATING ENVIRONMENT

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

On 24 February 2022, the russian federation launched a full-scale military invasion to Ukraine. The ongoing war has led to significant civilian casualties, massive dislocation of the population, damage to infrastructure, electricity outages, and overall significant disruption to economic activity in Ukraine. This also had a detrimental and long-lasting impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to the military invasion, the President of Ukraine introduced the state of martial law, which is currently extended until 13 March 2024.

Throughout 2023 and early 2024, active hostilities remain intense, albeit concentrated in eastern and southern Ukraine, and the Autonomous Republic of Crimea and most of the territory of Donetsk, Luhansk, Kherson and Zaporizhzhia regions are still under occupation. Additionally, since October 2022, the russian federation has launched missile and drone attacks that have affected the power grid as well as other critical civilian infrastructure across Ukraine.

Despite the ongoing war, macroeconomic indicators have turned out to be more resilient than initially expected. Annual inflation decreased to 5.1%. There was also a reduction in the National Bank of Ukraine (hereinafter - the NBU) discount rate from 25% to 15% and the abandonment of the exchange rate peg policy. However, there are expectations of a slowdown in growth due to the ongoing war. Meanwhile, the budget balance continues to show a significant deficit caused by defense and national security-related expenditures. The forecasts are generally subject to significant risks, primarily due to increased uncertainty caused by the war, as well as possible delays or reductions in external financing.

From a full-scale military invasion, the NBU introduced certain administrative restrictions on currency conversion transactions and capital movements, including restrictions on interest and dividend payments abroad. Due to these restrictions, UAH lacks exchangeability and is not freely convertible. From August 2023, the National Bank of Ukraine is gradually easing a number of restrictions for the population and businesses.

After invasion, all global rating agencies lowered Ukraine's ratings.

In December 2023, amendments were made to the Tax Code of Ukraine, which set the income tax rate for banks based on the results of 2023 at the level of 50%, and starting from 2024, the income tax rate at the level of 25%. The income tax rate for the 2022 results was set at 18%.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS accounting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the requirements of Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No. 996-XIV dated 16 July 1999, concerning the preparation of financial statements.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for buildings that are carried at revalued amount, investment property carried at fair value, assets held for sale, which are carried at the lower of carrying amount or fair value less cost to sell, and financial instruments measured at fair value, as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable in the market or is assessed using a different valuation technique. In measuring the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability as if the market participants took those characteristics into account when pricing the asset or liability at the measurement date.

c) Going concern

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

As at 31 December 2023, in accordance with the requirements of the National Bank of Ukraine, 121 support outlets are successfully operating within JSC "UKRGASBANK" (outlets of the Bank that are equipped with generators and have guaranteed backup communication lines and/or are equipped with Starlink satellite communication and are able to work in blackout conditions), which is 55% of the Bank's network of operating outlets (220 operating outlets). In addition to the main outlets, other outlets of the Bank are equipped with generators and backup communication channels.

Currently, the Bank does not plan to change its business model due to martial law and will continue to function as a universal bank with a full range of banking services for all categories of clients in accordance with the Main (strategic) areas of activity of public sector banks for the period of martial law and post-war economic recovery, approved by the Government in May 2022, and the Bank's Budget for 2024 (hereinafter - the Budget).

The budget provides for maintaining an adequate level of liquidity and continues to optimize the balance sheet structure, giving preference to investments in low-risk assets.

As at 31 December 2023, the total amount of cash and cash equivalents is UAH 49,749,451 thousand.

The Bank has breached covenants for loans received from credit institutions, which provide for the event of default and cross-default under loan agreements in the amount of UAH 3,198,099 thousand. The Bank has received all the necessary waiver letters from creditors until the end of 2023 (Note 19 and 29). As at the date of approval of these financial statements, the lenders have provided neither claims for early repayment of debt.

In 2024, the Bank expects non-compliance to occur in respect of covenants of this loan agreements. The Bank obtained waivers from 3 creditors with regard to covenants breached for 12 months of 2024 in the amount of UAH 1,036,332 thousand, and from 2 creditors with regard to covenants breached for 7 months of 2024 in the amount of UAH 2,161,767 thousand.

The Bank is in constant communication with creditors and expects to receive from 2 creditors the necessary letters of refusal to the requirements of the financial covenants ("waiver") until the end of 2024. The result of these efforts cannot be predicted, however, in case the early repayment request would be received, the Bank has sufficient funds to continue its uninterrupted activities and will not require additional financing for settlement of these loans.

Based on the results of the Bank's stability assessment conducted by the NBU in 2023, the necessary level of capital adequacy was determined for the Bank. In accordance with the requirements of the legislation, the Bank has developed an appropriate capitalization program, which provides for compliance with capital adequacy standards at the current regulatory level until 30 September 2024, and compliance with the increased necessary threshold levels of capital adequacy standards until 31 March 2026. The developed capitalization program was submitted to the NBU for approval. As of the date of signing this report, the Bank is awaiting a response from the NBU regarding approval of the capitalization program.

According to the Budget forecast for 2024, the Management expects the Bank to comply with the NBU regulations as of 31 December 2024As of 31 December 2023 the Bank complies with all prudential regulations and currency position limits.

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

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

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

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

(d) Reclassifications

When preparing the interim financial statements as at 31 December 2023 and for the year ending on this date, the Bank reviewed the principles of aggregation of essential articles and made reclassifications in the statement of financial position, the statement of changes in equity and the statement of profit and loss and other comprehensive income to achieve representation in accordance with the nature and types of transactions and taking into account presentation based on the taxonomy of financial reporting according to international standards in a single electronic format XBRL. Accordingly, certain changes were made to the presentation of comparative information for 2022 and 2021 to bring it into line with the new data presentation format.

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

(1) Articles "Precious metals", "Other property" and "Other assets" are separateed into different articles "Other financial assets" and "Other non-financial assets" for the representation of assets according to the type of transactions;

(2) The articles "Due to credit institutions" and "Due to the National Bank of Ukraine" were allocated by articles "Due to banks" and "Other borrowed funds" in accordance with the content of the operation;

(3) Articles "Lease liabilities", "Other liabilities" are combined into separate articles "Other financial liabilities" and "Other non-financial liabilities" for the representation of liabilities according to the type of transactions;

(4) The article "Accumulated deficit" was presented by separate articles "Retained earnings" and "Reserve and other funds of a bank" to represent changes in equity according to the type of transaction.

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

	#	31 December 2022 (Before reclassifications)	Reclassifications	31 December 2022 (After reclassifications)	31 December 2021 (Before reclassifications)	Reclassifications	31 December 2021 (After reclassifications)
Assets							
Precious metals	(1)	1,349	(1,349)	–	1,666	(1,666)	–
Other property	(1)	337,064	(337,064)	–	385,353	(385,353)	–
Other assets	(1)	1,271,769	(1,271,769)	–	637,119	(637,119)	–
Other financial assets	(1)	–	900,755	900,755	–	334,523	334,523
Other non-financial assets	(1)	–	709,427	709,427	–	689,615	689,615
Other article		130,035,767	–	130,035,767	122,247,378	–	122,247,378
Total assets		**131,645,949**	**–**	**131,645,949**	**123,271,516**	**–**	**123,271,516**
Liabilities							
Due to the National Bank of Ukraine	(2)	998,956	(998,956)	–	4,699,967	(4,699,967)	–
Due to credit institutions	(2)	8,954,428	(8,954,428)	–	7,305,696	(7,305,696)	–
Due to banks	(2)	–	5,568,569	5,568,569	–	4,799,959	4,799,959
Other borrowed funds	(2)	–	4,384,815	4,384,815	–	7,205,704	7,205,704
Lease liabilities	(3)	163,506	(163,506)	–	230,772	(230,772)	–
Other liabilities	(3)	1,134,782	(1,134,782)	–	1,515,217	(1,515,217)	–
Other financial liabilities	(3)	–	771,373	771,373	–	1,343,870	1,343,870
Other non-financial liabilities	(3)	–	526,915	526,915	–	402,119	402,119
Other article		113,478,155	–	113,478,155	97,888,962	–	97,888,962
Total liabilities		**124,729,827**	**–**	**124,729,827**	**111,640,614**	**–**	**111,640,614**
Equity							
Accumulated deficit	(4)	(4,571,636)	4,571,636	–	(719,112)	719,112	–
Retained earnings	(4)	–	(5,539,413)	(5,539,413)	–	(1,309,788)	(1,309,788)
Reserve and other funds of a bank	(4)	–	967,777	967,777	–	590,676	590,676
Other article		11,487,758	–	11,487,758	12,350,014	–	12,350,014
Total Equity		**6,916,122**	**–**	**6,916,122**	**11,630,902**	**–**	**11,630,902**

In particular, the following reclassifications were made in the financial statement of profit or loss and other comprehensive income:

(5) Article "Net gains on foreign exchange operations" is represented by separate articles "Net gain (loss) from trading in foreign currencies" and "Net gain (loss) from revaluation of foreign exchange" in accordance with the type of operations;

(6) Changes in reserves for Cash and cash equivalents, Loans and advances to banks, Loans and advances to customers, Investments in securities, Other financial assets, Financial guarantees and Loan commitments were reclassified from articles "Credit loss expense", "Change in allowance for impairment of assets and other provisions" and included into articles "Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9". Changes in reserves for other non-financial assets were reclassified from the article "Changes in the provision for impairment of assets and other reserves" and included in the article "Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets" and included in the article "Other gains (loss)";

(7) Articles "Net gain/(losses) on derecognition of financial liabilities", "Net gains/(losses) on investment property" are reclassified into articles "Other gains (loss)". The results of revaluation of investment real estate were reclassified from the article "Net gain/(losses) from revaluation of investment property. These changes were made in accordance with the type of operations;

(8) Articles "Depreciation and amortization", "Depreciation of right-of-use assets" are combined into separate article "Depreciation and amortisation expense" in accordance with the essence of operations;

The table below shows the impact of the relevant reclassifications on the disclosures in the statement of profit or loss and other comprehensive income for year that ended on December 31, 2022:

	#	31 December 2022 (Before reclassifications)	Reclassifications	31 December 2022 (After reclassifications)
Net gain (loss) from trading in foreign currencies	(5)	–	(419,087)	(419,087)
Net gain (loss) from revaluation of foreign exchange	(5)	–	1,155,577	1,155,577
Net gains on foreign exchange operations	(5)	736,490	(736,490)	–
loss determined in accordance with IFRS 9	(6)	–	(7,071,168)	(7,071,168)
Impairment loss for non-financial assets	(6)	–	(14,697)	(14,697)
Credit loss expense	(6)	(7,134,791)	7,134,791	–
Change in allowance for impairment of assets and other provisions	(6)	(89,125)	89,125	–
Other gains	(6) (6)	–	214,554	214,554
Other administrative and operating expense	(7)	–	(1,380,922)	(1,380,922)
Net gain/(losses) from revaluation of investment property	(7)	–	914	914
Net gain/(losses) on derecognition of financial liabilities	(7)	(748)	748	–
Other income	(7)	340,690	(340,690)	–
Net gains/(losses) on investment property	(7)	13,578	(13,578)	–
Other operating expense	(7)	(1,380,722)	1,380,722	–
Depreciation and amortisation expense	(8)	–	(365,780)	(365,780)
Depreciation and amortization	(8)	(275,210)	275,210	–
Depreciation of right-of-use assets	(8)	(90,570)	90,570	–
Other article		4,018,895	201	4,019,096
Net (losses)/gain		**(3,861,513)**	–	**(3,861,513)**
Other comprehensive income				
Total comprehensive income (loss)		**(4,714,780)**		**(4,714,780)**

(e) Functional and presentation currency

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

4. Summary of accounting policies

Changes in accounting policies

The Bank applied certain amendments that became effective for the annual reporting periods beginning on or after 1 January 2023. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective

Foreign currency translation

Foreign currency transactions are initially recognized in the Bank's functional currency at the exchange rates prevailing as at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates effective at the reporting date. The foreign currency gains or losses are recognized in the statement of profit or loss and other comprehensive income as a net result of foreign exchange operations. Non-monetary assets and liabilities in foreign currencies at fair value are translated into UAH at the exchange rates effective at the fair value measurement date. Non-monetary items at historical cost in a foreign currency are translated using the exchange rates prevailing at the transaction dates.

The differences between a contractual exchange rate on a specific transaction in a foreign currency and the official exchange rate established by the National Bank of Ukraine at the date of such a transaction are also included in the result of trading activities in foreign currencies.

The official exchange rates of the National Bank of Ukraine used in the preparation of these financial statements are as follows:

Currency	*31 December 2023*	*31 December 2022*
USD	37.9824	36.5686
EUR	42.2079	38.9510

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the date of transaction, i.e. the date that the Bank makes a commitment to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require the delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value, including transaction costs, except when financial assets and financial liabilities are measured at fair value through profit or loss.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- amortized cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

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

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

The Bank measures amounts loans and other balances with banks, loans and advances to customers and other financial investments at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its certain business objectives.

Rather than on an instrument-by-instrument basis, the Bank's business model is assessed at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- how managers of the business are remunerated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the expected frequency, value and timing of sales are also important aspects of the Bank's business model assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a manner different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Solely payments of principal and interest test (SPPI test)

As a second step of its classification process, the Bank assesses the contractual terms of financial asset to identify whether there are cash flows relating thereto exclusively in payments against principal and interest on the principal amount outstanding (the so-called SPPI test).

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than a minor influence exposure to risks or volatility in the contractual cash flows that are related to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Debt instruments at FVOCI

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

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset match the criteria of the SPPI test.

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

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position. Instead, an amount equal to the allowance for expected losses that would arise if the assets were measured at amortized cost is recognised in OCI as accumulated impairment, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is reclassified to the net profit or loss upon derecognition of the asset.

Financial guarantees, letters of credit and undrawn loan commitments

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

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

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

The Bank occasionally issues loan commitments at below market inteest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the ECL allowance amount and the initially recognised amount less, where appropriate, the amortisation of accumulated income.

Performance guarantees

Performance guarantees are contracts that provide compensation if the other party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by the other party occurs.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted cash balances with the National Bank of Ukraine, loans and other balances with banks that are free from contractual encumbrances, and the overnight deposit certificates issued by the National Bank of Ukraine, except for balances of precious metals on the correspondent accounts.

Balances in precious metals

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

Loans and other balances with banks

In the normal course of business, the Bank grants loans or maintains deposits for various periods of time with other credit institutions. Loans and advances to banks is initially measured at fair value. Loans and advances to banks with fixed maturities is measured at amortized cost using the effective interest rate method and is accounted net of expected credit losses.

Precious metals

Precious metals are stated at the lower of net realizable value or cost. The net realizable value of precious metals is based on quoted market prices. Foreign currency revaluation effect is recognized as exchange differences on transactions with precious metals within Net gain from revaluation of foreign exchange of the Statement of profit or loss and other comprehensive income.

Repurchase and reverse repurchase agreements

Sale and repurchase agreements of securities ("repo") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the counterparty has the right by contract or common practice to sell or re-pledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within due to credit banks or customers. Securities purchased under agreements to resell (reverse repurchase agreements or "reverse repo") are recorded as due from other credit institutions, or loans and advances to customers, as appropriate. The difference between sale and repurchase price is treated as interest income or expense and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recorded in the financial statements, unless sold to third parties, in which case the purchase and sale is recorded within gains less losses from investments at fair value through profit/loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the course of its ordinary activities, the Bank uses various derivative financial instruments, including forward contracts and swaps in foreign exchange markets, which are concluded predominantly with Ukrainian banks. Derivative instruments are initially recognized at fair value at the date of the contract, after which they are revalued at fair value. All derivative instruments are recognized as assets when their fair value is positive and as liabilities if their fair value is negative.

Changes in the fair value of derivative instruments are recognized immediately within article "Net gain (loss) on operations with financial instruments at fair value through profit or loss" of the statement of profit or loss and other comprehensive income. The Bank estimates and calculates the fair value of forward contracts and recognizes its material changes in profit or loss.

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

Borrowed funds

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation, other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to banks and due to customers. Upon initial recognition, borrowed funds are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the borrowed funds are derecognized, as well as through the amortization process.

Leases

i. The Bank as a lessee

The Bank applies a single approach to the recognition and measurement of all leases other than short-term and low-value asset leases. The Bank recognizes a lease liability in respect of the lease payments and right-of-use assets that are rights to use the underlying assets.

Right-of-use assets

The Bank recognizes the right-of-use assets at the commencement date of a lease (i.e., the date on which the underlying asset becomes available for use). The right-of-use assets are measured at initial cost, less accumulated depreciation and accumulated impairment losses, and adjustments for the revaluation of the lease liability. The initial cost of the right-of-use assets consists of the amount of the initial measurement of the lease liability, the initial direct costs and the lease payments made at or before the commencement date of a lease, less the received lease incentives. If the Bank does not have sufficient confidence that it will acquire title to the underlying asset at the end of the lease term, the recognized right-of-use asset is amortized on a straight-line basis to the earlier of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are tested for impairment.

Lease liability

At the commencement date, the Bank recognizes the lease liability at the present value of the lease payments that will be made during the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives to be received; variable lease payments that depend on the index or rate; and the amounts to be payable under residual value guarantees. Lease payments also include the cost of exercising the option to purchase, if the Bank is reasonably certain that it will take advantage of that option, and the lease termination penalties if the lease term reflects the Bank's ability to terminate the lease. Variable payments that do not depend on any index or rate are recognized as expenses in the period, in which the event or condition occurs that gives rise to such payments.

To calculate the present value of the lease payments, the Bank applies the lessee's incremental borrowing rate at the commencement date, if the interest rate implicit in the lease cannot be easily determined. After the lease takes effect, the lease liability increases to reflect the interest accrual and decreases to reflect the lease payments made. Also, in the event of modification, change of the lease term, change in the substance of fixed lease payments or change of option of purchase of the underlying asset, the carrying value of the lease liabilities is revalued.

Short-term and low-value asset leases

The Bank applies a recognition exemption to short-term leases (that is, to the agreements where the lease term, as at the lease commencement date, is less than 12 months and which do not include purchase option). The Bank also applies a recognition exemption with respect to low-value assets to office equipment leases and other asset leases (i.e. up to UAH 150 thousand). Lease payments under short-term leases and under low-value asset leases are recognized as lease expenses on a straight-line basis over the lease term.

ii. Operating leases – Bank as a lessor

Leases for which the Bank does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income is recognized on a straight-line basis over the lease term and is included in other gains in the statement of profit or loss and other comprehensive income. Initial direct costs incurred in the process of negotiating and concluding operating leases are included in the carrying amount of the leased asset and are recognized over the lease term on the same basis as rental income. Contingent lease payments are recognized as income in the period in which they were received.

iii. Finance leases – Bank as a lessor

Lease payments receivable are recognized in the amount equal to net lease investments starting from the lease commencement date. Finance income is calculated using a method that reflects a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are included in the initial amount of lease payment receivables.

Expected credit losses

The Bank estimates the impairment for asset-related transactions measured at amortized cost or at fair value through other comprehensive income, for financial guarantees, letters of credit and undrawn loan commitments.

According to the general approach, depending on whether a financial instrument's credit risk has increased significantly since initial recognition, the Bank attributes its financial instruments to one of the stages described below:

- Stage 1: financial instruments for which there are no signs of a significant increase of credit risk. For these financial instruments, the Bank recognizes an allowance based on the 12-month expected credit losses;
- Stage 2: financial instruments for which there are signs of a significant increase of credit risk since the initial recognition, but no signs of impairment exist. For these financial instruments, the Bank recognizes the lifetime expected credit losses;
- Stage 3: financial instruments for which there are signs of a significant increase in credit risk since the initial recognition and the objective evidence of impairment exists. For these financial instruments, the Bank recognizes the lifetime expected credit losses;
- Purchased or originated credit impaired (POCI) financial assets are assets that are credit impaired on initial recognition. POCI assets are measured at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL allowances are only recognized or derecognized to the extent that there is a subsequent change in the lifetime expected credit losses on the financial instrument.
- The definition of a significant increase in credit risk and default is given in Note 29.

Renegotiated loans and/or modifications

Where possible, the Bank seeks to renegotiate the lending conditions, i.e. restructure loans rather than to take possession of collateral. Restructuring, i.e. change in significant terms and conditions under the original agreement by entering into additional arrangements with a debtor due to its financial difficulties (as determined by the Bank) and the need to create favorable conditions for it to meet its obligations under the asset (change in interest rate; cancellation, wholly or in part, of financial sanctions (penalties, fines, forfeits) accrued for untimely payments of the principal and interest amounts and failed to be repaid by the debtor; change in the repayment schedule (terms and amounts of the principal, interest/-fees); change in the fee amount, etc.).

As a result of significant changes in the terms of the loan agreement, the Bank repurchases the original financial instrument and recognizes the new financial instrument.

The Bank determines the following modifications to contractual cash flows for financial instruments as significant:

- change of the currency of the financial instrument;
- change in the type of interest rate of a financial instrument (fixed to floating or vice versa);
- consolidation of several financial instruments or a financial instrument split into several ones.

Similarly, with respect to financial assets, the Bank determines the following modification of contractual cash flows as material:

- The inclusion in the contract of the additional terms / exclusion of terms / changes in the terms of the contract that affect the result of SPPI test. If the "indicative" test results in a change in the result of the SPPI test conducted at the time of recognition of the financial instrument, the modification is considered material.

In case of s§account transaction costs associated with the origination of a new financial asset (with the exception of a new asset measured at fair value through profit or loss) and determines the amount of the 12-month expected credit losses.

If, as a result of the modification, a new financial asset is impaired at initial recognition, the Bank recognizes the cumulative changes in the expected credit losses for the lifetime of this financial asset.

The Bank continually analyses the renegotiated loans to ensure that all criteria and options for future payments are met.

If the modification of contractual cash flows does not result in the derecognition of the original financial asset (i.e. when the modification of contractual cash flows is not substantial), the Bank continues to apply current approaches to accounting for the financial asset whose contractual terms have been modified. Subject to changes in contractual cash flows discounted at the original effective interest rate, the Bank recognizes the modification-related income or expense included in interest revenue calculated using effective interest method in the statement of profit or loss and other comprehensive income.

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

Write off of loans

Loans are written off using the expected credit loss allowance based on the decision of the Management Board.

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

Subsequent recoveries of amounts previously written off are reflected as other gains in the statement of profit or loss and other comprehensive income in the period of recovery.

Investments at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain being measured at fair value. Instead, an amount equal to the allowance for expected credit losses that would arise were the assets measured at amortized cost is recognized in OCI as an accumulated impairment amount, with the corresponding charge to profit or loss. The accumulated credit losses recognized in OCI is reclassified to the net profit or loss upon derecognition of the asset.

Non-financial assets

Other non-financial assets, other than deferred tax, are assessed at each reporting date for any indication of impairment. The recoverable amount of non-financial assets is the greater of their fair value, less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the financial asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement of the Bank is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Taxation

The current income tax charge is calculated in accordance with the Ukrainian tax regulations.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income, because it excludes the items of income or expense that are taxable or deductible in other years, and it further excludes the items that are never taxable or deductible. The Bank's taxable profit is determined by adjusting the financial result, which is presented in the Bank's financial statements in accordance with the International Financial Reporting Standards, for the differences arising under the Tax Code of Ukraine. The Bank's current tax expense is calculated using tax rates that have been enacted during such reporting periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates set by the tax legislation of Ukraine in the respective reporting periods.

Also, Ukrainian tax regulations include other taxes and duties. These taxes are included in administrative and operating expense.

Investment property

Investment property, which comprises office premises, is the property held to earn rentals from long-term leases or for capital appreciation and is not occupied by the Bank. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, which is based on the market evidence as a result of valuations performed by independent appraisers, less any subsequently accumulated impairment losses. Revaluations are performed with sufficient regularity so that the carrying amounts did not differ significantly from those arrived at using fair value as at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Property and equipment

Property and equipment other than buildings and land plots is carried at historical cost, less any accumulated depreciation and recognized impairment losses, if any.

Following initial recognition at cost, buildings and land plots are subsequently carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. In this case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit and loss, except that a deficit directly offsetting a previous surplus on the same asset which is directly offset against the surplus in the property and equipment revaluation reserve.

In addition, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Upon disposal, the respective surplus of property revaluation is transferred to retained earnings.

Depreciation/amortization of an asset commences on the first day of the month following the month in which the item of property, equipment and intangible assets became available for use and ceases on the first day of the month following the month in which the item of property, equipment and intangible assets is disposed of.

Depreciation/amortization of property, equipment and intangible assets is calculated based on the new useful life, starting from the month following the month of change in the useful life.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50
Furniture and equipment	2-10
Leasehold improvements	According to the shorter of the term of validity of the relevant lease contract and the term of useful life
Motor vehicles	5

Residual value, useful lives, and depreciation methods are reviewed at the end of each reporting year and adjusted as appropriate.

Costs related to repairs and renewals are charged when incurred and included in other operating and administrative expense, unless they qualify for capitalization.

Intangible assets

Intangible assets include the acquired computer software. Intangible assets acquired separately are measured on initial recognition at acquisition cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The useful life of an intangible asset that arises as a result of contractual or other legal rights, and accordingly, the rate of depreciation, is limited by the term of validity of these rights or the norms of the Tax Code of Ukraine.

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

An item of property, equipment and intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on the disposal of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income.

Other property

The non-current assets, which have been acquired by foreclosure of collateral and are held for further sale, are recognized as other property. These assets do not qualify for recognition as assets held for sale and cannot be recognized as non-current assets to be used in the Bank's ongoing operations. These assets are measured at the cost less depreciation.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle an obligation are expected to be recovered from a third party fully or partially, receivables are recognized to the extent it is virtually certain that reimbursement will be received and the amount of the receivables can be measured reliably.

Retirement and other benefit obligations

The Bank has pension arrangements to the state pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of gross salary payments. Such expense is charged in the period, in which the related salaries are earned.

Share capital and other reserves

Ordinary and preference shares are carried in equity.

Acquired title of ownership to shares of the Bank's own issue is deducted directly from equity. A gain or loss arising from purchase, sale, issue or cancellation of the Bank's treasury shares is not included in profit or loss.

The surplus of consideration received over the nominal value of shares issued is reflected as additional paid-in capital.

Other reserves included in equity (other comprehensive income) in the Bank's statement of financial position comprise a revaluation surplus, reserve of gains and losses on financial assets measured at fair value through other comprehensive income, reserve of gains and losses from investments in equity instruments .

Profit or loss arising from transactions with the Bank's shareholders is recognized in equity as "Result from transactions with shareholders".

Segment reporting

The Bank's segment reporting is based on the following operating segments: retail banking, corporate banking, clients of small and medium-sized enterprises (SME), financial institutions, treasury and investment business and other.

Contingencies

Contingent liabilities are not reported in the statement of financial position but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognized in the statement of financial position. The information about such assets is disclosed when an inflow of economic benefits is probable.

Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank, and the revenue can be reliably measured.

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Bank considers all paid and/or received fees, duties, and transaction costs that form an integral part of income/expense on the financial instrument, in particular:

- financial instrument origination fees received/paid by the Bank and related to origination or acquisition of such a financial instrument;
- fees received/paid by the Bank on lending arrangements in the course of loan origination or acquisition as consideration for participation in the financial instrument's acquisition if it is probable that a loan commitment will lead to a specific lending arrangement;
- fees received/paid by the Bank when issuing debt securities that are accounted for at amortized cost.

Income on debt financial instruments is carried using the effective interest method, except for financial assets measured at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been (partly) written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

Calculation of interest income and expenses

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

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

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

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

Fee and commission income and expense (hereinafter the "fees") is income and expense related to the services rendered/received, which amount is calculated pro rata to the amount of an asset or liability or is fixed.

Where it is probable that a loan commitment will lead to a specific lending arrangement or loan tranche, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement or loan tranche, the loan commitment fees are recognized in the statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a specific lending arrangement or loan tranche, the loan commitment fee is recognized in the statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized after the applicable services have been provided.

Other revenue is recognized in profit or loss as soon as the applicable transaction has been completed.

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

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

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

In particular:

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

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

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

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

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

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

Other gains (losses)

The article "Other gains (losses)" of the Statement of Profit and Loss and other comprehensive income of the Bank includes the gain (loss) from derecognition of financial liabilities, net gains from investment real estate, other losses (gains) represented by changes from formation (dissolution) reserves for legal risks and performance guarantees, and other income.

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

New and revised IFRS

New standard IFRS 17 "Insurance contracts"

From 1 January 2023, the new IFRS 17 "Insurance Contracts" (hereinafter - IFRS 17) entered into force. IFRS 17 was adopted to replace IFRS 4 and is aimed at increasing transparency in the accounting of insurance contracts. IFRS 17 establishes the principles of recognition, evaluation, presentation and disclosure of information under insurance contracts. This information is used by users of financial statements to assess the impact of such contracts on the entity's financial position, financial results and cash flows. The transition to IFRS 17 is carried out retrospectively.

An entity shall not apply IFRS 17 to financial guarantee contracts, unless the issuer has previously expressly stated that it considers such contracts to be insurance contracts and has used accounting applicable to insurance contracts; insurance contracts under which the entity is the holder of an insurance policy, unless such contracts are held reinsurance contracts (clause 7 of IFRS 17).

The main innovations of IFRS 17 include: classification of insurance and reinsurance 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.

An entity must apply IFRS 17 to: insurance contracts issued by it, including reinsurance contracts; 3 reinsurance contracts held by him; of investment contracts issued by it with terms of discretionary participation, provided that the business entity also issues insurance contracts.

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

Other changes to IFRS, which will come into force on 1 January 2023:

- Amendments to IAS 1 "Presentation of Financial Statements" and to Provisions on the Practice of IFRS 2 "Making Materiality Judgments";
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" - "Definition of accounting estimates";
- Amendments to IAS 12 "Income Taxes", document "Deferred tax related to assets and liabilities arising from a single transaction";
- Amendments to IAS 12 "Income Taxes" - "International tax reform - standard rules of the Second Component" (the document was published on the website of the IAS Council on 05/23/2023).

These changes did not have a significant impact on the Bank's financial statements for 2023.

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

- Amendments 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 special conditions";
- Amendments to IFRS 16 "Lease" - "Lease obligation in sale and leaseback transactions";
- Amendments to IAS 7 and IFRS 7 - "Supplier financing agreements";
- Amendments to IAS 21 "Effect of changes in exchange rates" - "Lack of convertibility".

Amendments to IAS 1 "Presentation of financial statements" - "Classification of liabilities as current and non-current". It has been clarified that a liability is classified as non-current if the entity has the right to postpone the 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, regardless of whether the entity plans to exercise this right. If the right to postpone the settlement of the obligation depends on the fulfillment of certain conditions by the economic entity, then such right exists as of the end of the reporting period only if the economic entity has fulfilled these conditions as of 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.

Amendments to IAS 1 "Presentation of financial statements" - "Non-current liabilities with special conditions" provide that an entity may classify liabilities arising under a credit agreement as non-current if the entity's right to defer repayment these obligations are conditioned by the economic entity's fulfillment of special conditions within twelve months after the end of the reporting period. In particular, the notes will need to disclose information that enables users of the financial statements to understand the risk that the liability may become recoverable within 12 months after the end of the reporting period: a) information about special conditions (including the nature of special conditions and when the economic entity is required to fulfill them) and the book value of related liabilities; b) facts and circumstances, if any, which indicate that it may be difficult for the business entity to comply with special conditions: for example, that the business entity during the reporting period or after its completion has taken actions aimed at avoiding or limiting the consequences of a potential violation.

The Bank expects that the other changes mentioned above will not have a significant impact on the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Key estimates in applying accounting policies

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

Fair value of financial instruments

Investments in securities measured at fair value through other comprehensive income, loans and advances to customers measured at fair value through profit or loss and derivative financial instruments are stated at fair value.

The Bank considers that the accounting estimates and assumptions related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) they are highly susceptible to change from period to period because they require management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in separate statement of financial position as well as its income/(expense) could be material.

Had management used different assumptions regarding interest rates, volatility, exchange rates, credit rating of a counterparty, offer dates and valuation adjustments, their value could differ significantly from that reflected in the financial statements.

Expected credit loss allowance

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and assessing a significant increase of credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

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

The impact of changes in estimates related to the application management adjustments to forward-looking information is disclosed in Note 29.

For more detailed information, see Notes 9 and 29.

Fair value of buildings and land plots and investment property

As discussed in Note 4, buildings and land plots are carried at revalued amount, less any subsequent accumulated depreciation and impairment losses. Fair value is predominantly determined using the comparative approach. The comparative approach to fair value measurement is based on an analysis of the results of comparable sales of similar buildings. Determining the fair value of buildings and land plots requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors. Management engages external independent values to estimate the fair value of property.

Deferred tax assets

Estimating the likelihood of recognition of deferred tax assets requires management to exercise judgment, particularly in determining the future taxable income against which the deferred tax assets can be utilized. Such preliminary estimates depend on a number of factors, changes in which could result in different amounts of deferred tax assets or liabilities.   For information on these estimates, see Note 13.

6. SEGMENT INFORMATION

For management purposes, the Bank has defined five operating segments based on its products and services, which are as follows:

Corporate banking:

Mainly granting purpose loans, servicing deposits and current accounts of customers whose activities meet certain criteria and limits.

Customers of small and medium-sized enterprises (hereinafter – "SME"):

Mainly customer servicing under target lending programs, deposits and current accounts of customers whose activities meet certain criteria and limits and attracting funds from state organizations for targeted customer lending.

Retail banking:

Mainly servicing individual customer deposits and granting consumer loans, overdrafts, handling credit cards and funds transfer facilities and attracting funds from state organizations for targeted customer lending..

Financial institutions, treasury and investment business:

The main components are interbank operations, operations with securities, operations with foreign currencies and bank metals, depository operations, operations with financial institutions.

Other activities:

A key element of other types of activities is the internal bank function, through which internal funding is carried out between segments of business areas. The financial result of the internal bank, formed by the transfer result between the Bank's divisions, refers to other types of activities. Additionally, the segment carries out operational leasing operations, e-commerce operations, return of previously written-off assets, revaluation, increase/ decrease the usefulness of non-current assets and other centralized management functions, including distribution general banking expenses of the Bank's departments etc.

In 2023, the Bank added intersegment revenues and expenses to segment results. Changes in the comparative period for 2022 were also added to the results of the reporting segments.

For the purposes of this note, the management of the Bank refers to the Chairperson and members of the Bank's Management Board, as well as the heads of the Bank's business units.

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

Substantial reconciliation items include intersegment revenues and expenses, including in the part of the transfer result, bank-wide expenses (distribution) of the support units of the main institution of the Bank and the apparatus of directorates and branches, cash divisions.

The basis for allocation and redistribution of bank-wide support costs is the number of personnel of the relevant business line.

The segment information below is presented on the basis used by the Bank's chief operating officer to evaluate performance, in accordance with IFRS 8 Operating Segments. Management reviews discrete financial information for each of its segments, including estimates of operating results, assets, and liabilities.

During 2023, the Bank received revenue from transactions with the Client 1 in the amount of UAH 5,207,263 thousand (26.53%) and with the Client 2 in the amount of UAH 3,076,606 thousand (15.67%) . During 2022, the Bank's revenue from transactions with the Client 1 amounted to UAH 2,741,635 thousand (19.73%).

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

Operating segments

31 December 2023	Corporate banking	SME	Retail banking	Financial institution, treasury and investment business	Other activities	Total
Interest income	6,139,930	1,420,898	562,557	9,246,348	–	**17,369,733**
Interest expense	(6,396,109)	(2,141,784)	(1,725,998)	(414,808)	(11,369)	**(10,690,068)**
Transfer income/expenses	*2,119,502*	*1,541,427*	*2,538,896*	*(7,560,868)*	*1,361,043*	–
Interest income (expenses) taking into account transfer income/expenses	***1,863,323***	***820,541***	***1,375,455***	***1,270,672***	***1,349,674***	***6,679,665***
Commission income	827,178	537,049	735,962	84,109	76,667	**2,260,965**
Commission expense	(203,743)	(34,565)	(566,690)	(126,685)	(32,511)	**(964,194)**
Depreciation costs with consideration of inter-segment distribution	(80,728)	(115,913)	(207,213)	(14,329)	(9,221)	**(427,404)**
Significant items of income and expenses distribution	(885,381)	(691,796)	(1,334,295)	(91,403)	114,746	**(2,888,129)**
Profit (loss) before income tax	1,520,649	515,316	3,219	1,122,364	1,499,355	**4,660,903**

subsequent accumulated depreciation and impairment losses. Fair value is predominantly determined using the comparative approach. The comparative approach to fair value measurement is based on an analysis of the results of comparable sales of similar buildings. Determining the fair value of buildings and land plots requires the exercise of judgment and the use of assumptions regarding the comparability of properties and other factors. Management engages external independent values to estimate the fair value of property.

Deferred tax assets

Estimating the likelihood of recognition of deferred tax assets requires management to exercise judgment, particularly in determining the future taxable income against which the deferred tax assets can be utilized. Such preliminary estimates depend on a number of factors, changes in which could result in different amounts of deferred tax assets or liabilities. For information on these estimates, see Note 13.

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

Substantial reconciliation items include intersegment revenues and expenses, including in the part of the transfer result, bank-wide expenses (distribution) of the support units of the main institution of the Bank and the apparatus of directorates and branches, cash divisions.

The basis for allocation and redistribution of bank-wide support costs is the number of personnel of the relevant business line.

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Transfer income/expenses	*2,119,502*	*1,541,427*	*2,538,896*	*(7,560,868)*	*1,361,043*	–
Interest income (expenses) taking into account transfer income/expenses	***1,863,323***	***820,541***	***1,375,455***	***1,270,672***	***1,349,674***	***6,679,665***
Commission income	827,178	537,049	735,962	84,109	76,667	**2,260,965**
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Profit (loss) before income tax	1,520,649	515,316	3,219	1,122,364	1,499,355	**4,660,903**

Operating segments

31 December 2023	Corporate banking	SME	Retail banking	Financial institution, treasury and investment business	Other activities	Total
Tax income (expense) (income from tax refunds)	–	–	–	–	(2,724,477)	**(2,724,477)**
Profit (loss)	**1,520,649**	**515,316**	**3,219**	**1,122,364**	**(1,225,122)**	**1,936,426**
Assets	48,407,547	9,673,540	6,261,544	107,662,646	3,862,106	**175,867,383**
Liabilities	92,684,287	29,422,361	35,934,903	5,489,882	1,090,298	**164,621,731**
Other segment information						
Capital expenditures	4,880	3,708	52,106	–	293,709	**354,403**

Operating segments

31 December 2022	Corporate banking	SME	Retail banking	Financial institution, treasury and investment business	Other activities	Total
Interest income	5,452,418	1,391,456	564,645	4,157,664	–	**11,566,183**
Interest expense	(3,201,244)	(680,737)	(770,199)	(1,909,650)	(10,108)	**(6,571,938)**
Transfer income/expenses	*(69,355)*	*132,737*	*1,291,817*	*(1,276,460)*	*(78,739)*	–
Interest income (expenses) taking into account transfer income/expenses	***2,181,819***	***843,456***	***1,086,263***	***971,554***	***(88,847)***	***4,994,245***
Commission income	620,563	429,186	759,756	283,357	234,598	**2,327,460**
Commission expense	(152,283)	(21,243)	(428,103)	(256,947)	(48,060)	**(906,636)**
Depreciation costs with consideration of inter-segment allocation	(62,308)	(86,928)	(189,282)	(19,440)	(7,822)	**(365,780)**
Significant items of income and expenses allocation	(5,223,143)	(1,972,070)	(1,555,370)	(698,465)	(599,380)	**(10,048,428)**
Profit (loss) before income tax	(2,635,352)	(807,599)	(326,736)	280,059	(509,511)	**(3,999,139)**
Tax income (expense) (income from tax refunds)	–	–	–	–	137,626	**137,626**
Profit (loss)	**(2,635,352)**	**(807,599)**	**(326,736)**	**280,059**	**(371,885)**	**(3,861,513)**
Assets	51,313,096	9,171,283	4,514,143	61,119,307	5,528,120	**131,645,949**
Liabilities	59,921,258	22,068,078	32,297,070	9,297,453	1,145,968	**124,729,827**
Other segment information						
Capital expenditures	9,931	4,722	24,162	–	275,729	**314,544**

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2023	*31 December 2022*
Current accounts with other credit institutions	21,207,261	20,508,440
Deposit certificates of the National Bank of Ukraine (overnight)	15,018,493	7,013,233
Current accounts with the National Bank of Ukraine	10,374,688	4,770,104
Cash on hand	3,155,849	3,060,267
	49,756,291	**35,352,044**
Less: expected credit losses	(6,840)	(5,257)
Cash and cash equivalents	**49,749,451**	**35,346,787**

The current accounts with the National Bank of Ukraine represent the amounts for daily settlements and other operations of the Bank. There are no restrictions of access to the funds placed on the current accounts with the National Bank of Ukraine.

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

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

Changes in expected credit losses during the year ended 31 December 2023 and 2022 were as follows:

	Stage 1
As at 1 January 2023	**5,257**
Changes in expected credit losses	388
Total loss allowance expense before the effect of foreign exchange differences	*388*
Exchange differences	1,195
As at 31 December 2023	**6,840**

	Stage 1
As at 1 January 2022	**5,442**
New assets originated or purchased	209
Assets repaid	(23)
Changes in expected credit losses	(2,687)
Total credit loss expense before the effect of exchange differences	*(2,501)*
Exchange differences	2,316
As at 31 December 2022	**5,257**

8. Loans and other balances with banks

Loans and other balances with banks comprise:

	31 December 2023	*31 December 2022*
Reverse REPO agreements	448,160	399,168
Current accounts in banks in precious metals	321,371	276,538
Term deposits with maturities over 90 days or overdue	–	14,521
Other amounts in banks	864,360	1,746,694
	1,633,891	**2,436,921**
Less: expected credit losses	(680)	(16,352)
Loans and other balances with banks	**1,633,211**	**2,420,569**

Other amounts in banks include guarantee deposits placed mainly in connection with customer transactions, such as letters of credit, financial guarantees and performance guarantees, payment card transactions.

As at 31 December 2023, loans and other balances with banks are carried at amortized cost, except for current accounts in banks in precious metals in the amount of UAH 321,371 thousand, which are carried at fair value through profit or loss (2022: UAH 276,538 thousand).

As at 31 December 2023, the are no overdue balance of loans and advances to banks (2022: UAH 14,521 thousand).

As at 31 December 2023, loans and other balances with banks in the amount of UAH 1,235,027 thousand (or 75.59% of the total amount loans and other balances with banks) was placed with three banks (2022: UAH 2,072,181 thousand (or 85,03% of the total amount loans and other balances with banks).

As at 31 December 2023, reverse REPO agreements were secured by UDGB with the fair value of UAH 478,616 thousand (2022: UAH 421,235 thousand).

As at 31 December 2023, with respect to balances loans and other balances with banks, the Bank has not determined the event of an increase of credit risk, and it classifies these assets in Stage 1 due to their short-term nature and quick period of update on the balance sheet. Loans and other balances with banks with a maturity of more than 90 days or overdue are separately analyzed for the presence of an event of increased credit risk.

The analysis of changes in the gross carrying value loans and other balances with banks that are carried at amortized cost for the year ended 31 December 2023 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2023	**2,145,862**	**–**	**14,521**	**2,160,383**
New assets originated or purchased	4,591,469	–	–	**4,591,469**
Assets repaid	(5,464,471)	–	–	**(5,464,471)**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Changes in contractual cash flows due to modifications not resulting in derecognition	–	–	–	**–**
Write-offs	–	–	(14,521)	**(14,521)**
Foreign exchange differences	39,660	–	–	**39,660**
At 31 December 2023	**1,312,520**	**–**	**–**	**1,312,520**

The analysis of changes in the gross carrying value loans and other balances with banks that are carried at amortized cost for the year ended 31 December 2023 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2022	**4,892,664**	**–**	**10,832**	**4,903,496**
New assets originated or purchased	7,980,499	–	–	**7,980,499**
Assets repaid	(11,063,963)	–	–	**(11,063,963)**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Changes in contractual cash flows due to modifications not resulting in derecognition	–	–	–	**–**
Foreign exchange differences	336,662	–	3,689	**340,351**
At 31 December 2022	**2,145,862**	**–**	**14,521**	**2,160,383**

Changes in expected credit losses for the year ended 31 December 2023 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2023	**1,830**	**–**	**14,522**	**16,352**
New assets originated or purchased	1,348	–	–	**1,348**
Assets repaid	(843)	–	–	**(843)**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Changes in expected credit losses	(1,669)	–	–	**(1,669)**
Total loss allowance expense before the effect of foreign exchange differences	*(1,164)*	–	–	***(1,164)***
Write-offs	–	–	(14,522)	**(14,522)**
Foreign exchange differences	14	–	–	**14**
As at 31 December 2023	**680**	**–**	**–**	**680**

Changes in expected credit losses for the year ended 31 December 2023 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2022	**3,387**	**–**	**10,832**	**14,219**
New assets originated or purchased	2,255	–	–	**2,255**
Assets repaid	(3,321)	–	–	**(3,321)**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	–	–	–	**–**
Transfer to stage 3	(380)	–	380	**–**
Changes in expected credit losses	(629)	–	(15)	**(644)**
Total credit loss expense before the effect of exchange differences	*(2,075)*	–	*365*	***(1,710)***
Write-off	–	–	–	**–**
Foreign exchange differences	518	–	3,325	**3,843**
As at 31 December 2022	**1,830**	**–**	**14,522**	**16,352**

9. Loans and advances to customers

Loans and advances to customers comprise:

	31 December 2023	31 December 2022
Corporate banking	58,093,443	61,201,988
SME	11,012,747	10,781,717
Retail banking	6,759,984	5,709,448
Gross loans and advances to customers	**75,866,174**	**77,693,153**
Less: expected credit losses	(12,533,227)	(12,934,025)
Loans and advances to customers	**63,332,947**	**64,759,128**

As at 31 December 2023, loans and advances to customers included loans and advances to customers of UAH 29,531 thousand (2022: UAH 60,654 thousand), the contractual terms of which do not comply to the terms of the basic lending arrangement, and which are measured at FVTPL. Information regarding fair value measurement of loans and advances to customers which are measured at FVTPL is provided in Note 30.

As at 31 December 2023, loans and advances to customers included loans and advances to customers of UAH 2,925 thousand (2022: UAH 2,245 thousand) held under the business model, the purpose of which is to retain financial assets to obtain contractual cash flows and sales. Information regarding fair value measurement of loans and advances to customers which are measured at FVOCI is provided in Note 30.

As at 31 December 2023, the total amount of restructured loans not overdue was UAH 4,416,561 thousand (2022: UAH 1,964,393 thousand).

During 2023, the Bank does not performed foreclosure of collateral for repayment of loans to customers. The value of foreclosed collateral used for repayment of loans and advances to customers in 2022: UAH 8,277 thousand. (Note 16).

As at 31 December 2023, the amount of loans to legal entities and SMEs located in the territories occupied as a result of the military operations amounted to UAH 2,775,432 thousand, for which a provision of UAH 2,524,078 thousand was created (2022: UAH 2,491,580 thousand, for which a provision of UAH 2,054,354 thousand, in accordance).

As at 31 December 2023, the amount of loans to individuals located in the territories occupied as a result of military operations amounted to UAH 60,056 thousand, for which a provision of UAH 43,826 thousand was created (2022: UAH 172,584 thousand, for which a provision of UAH 64,009 thousand, in accordance).

The bank is an authorized person-participant of the state program of affordable mortgage lending to individuals "eOselya". As at 31 December 2023, the amount of loans to individuals issued under this program is UAH 2,363,423 thousand. (2022: UAH 35,177 thousand).

The analysis of changes in the gross carrying value for the year ended 31 December 2023, excluding loans and advances to customers which are measured at FVOCI,is as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**17,315,721**	**28,785,249**	**14,533,693**	**567,325**	**61,201,988**
New assets and other changes in existing assets	22,671,131	3,547,725	709,016	66,547	**26,994,419**
Repaid assets	(21,922,539)	(7,840,446)	(1,542,928)	(26,603)	**(31,332,516)**
Transfer to Stage 1	6,351,490	(6,351,490)	–	–	**–**
Transfer to Stage 2	(9,567,471)	11,547,282	(1,979,811)	–	**–**
Transfer to Stage 3	(1,064,575)	(2,238,008)	3,302,583	–	**–**
Amounts written off or derecognised as a result of a significant modification	–	–	(384,260)	–	**(384,260)**
Foreign exchange differences	248,097	802,085	552,237	11,393	**1,613,812**
As at 31 December 2023	**14,031,854**	**28,252,397**	**15,190,530**	**618,662**	**58,093,443**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**5,230,965**	**3,056,688**	**2,433,410**	**–**	**10,721,063**
New assets and other changes in existing assets	5,240,009	600,543	141,527	–	**5,982,079**
Repaid assets	(3,427,386)	(1,961,511)	(419,229)	(628)	**(5,808,754)**
Transfer to Stage 1	1,919,181	(1,842,195)	(76,986)	–	**–**
Transfer to Stage 2	(3,076,561)	3,260,502	(183,941)	–	**–**
Transfer to Stage 3	(21,128)	(508,121)	529,249	–	**–**
Amounts written off or derecognised as a result of a significant modification	–	–	(53,429)	–	**(53,429)**
Foreign exchange differences	18,641	77,675	45,941	–	**142,257**
As at 31 December 2023	**5,883,721**	**2,683,581**	**2,416,542**	**(628)**	**10,983,216**

Retail banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**3,562,564**	**103,543**	**2,026,730**	**16,611**	**5,709,448**
New assets and other changes in existing assets	3,020,988	10,632	46,687	6,426	**3,084,733**
Repaid assets	(1,746,248)	(21,633)	(198,447)	(3,846)	**(1,970,174)**
Transfer to Stage 1	432,462	(224,075)	(208,387)	–	**–**
Transfer to Stage 2	(386,176)	424,095	(37,919)	–	**–**
Transfer to Stage 3	(17,614)	(240,525)	258,139	–	**–**
Amounts written off or derecognised as a result of a significant modification	–	–	(114,086)	(231)	**(114,317)**
Foreign exchange differences	361	(14)	49,947	–	**50,294**
As at 31 December 2023	**4,866,337**	**52,023**	**1,822,664**	**18,960**	**6,759,984**

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

The Analysis of changes in the gross carrying value for the year ended 31 December 2022, excluding loans and advances to customers which are measured at FVOCI, is as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2022	**33,275,253**	**9,917,838**	**3,424,334**	**256,494**	**46,873,919**
New assets and other changes in existing assets	40,832,285	3,777,344	513,813	254,409	**45,377,851**
Repaid assets	(31,812,653)	(4,704,792)	(662,978)	(12,134)	**(37,192,557)**
Transfer to Stage 1	1,227,372	(1,217,905)	(9,467)	–	**–**
Transfer to Stage 2	(28,781,740)	29,301,593	(519,853)	–	**–**
Transfer to Stage 3	(427,106)	(11,544,831)	11,971,937	–	**–**
Amounts written off or derecognised as a result of a significant modification	–	–	(990,593)	–	**(990,593)**
Foreign exchange differences	3,002,310	3,256,002	806,500	68,556	**7,133,368**
As at 31 December 2022	**17,315,721**	**28,785,249**	**14,533,693**	**567,325**	**61,201,988**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2022	**6,368,371**	**1,531,545**	**391,921**	**–**	**8,291,837**
New assets and other changes in existing assets	6,556,426	216,640	159,751	–	**6,932,817**
Repaid assets	(3,638,263)	(1,262,219)	(100,685)	–	**(5,001,167)**
Transfer to Stage 1	833,770	(810,786)	(22,984)	–	**–**
Transfer to Stage 2	(3,704,469)	4,882,503	(1,178,034)	–	**–**
Transfer to Stage 3	(1,230,293)	(1,896,033)	3,126,326	–	**–**
Amounts written off or derecognised as a result of a significant modification	–	–	(12,487)	–	**(12,487)**
Foreign exchange differences	45,423	395,038	69,602	–	**510,063**
As at 31 December 2022	**5,230,965**	**3,056,688**	**2,433,410**	**–**	**10,721,063**

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

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

Write-offs of loan debts are represented by bad debts in the amount of UAH 999,029 thousand (2022: UAH 1,235,665 thousand of write-off of bad debts).

Expected credit losses on loans and advances to customers and finance leases for the year ended 31 December 2023 were as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**73,382**	**765,933**	**8,479,676**	**201,464**	**9,520,455**
New assets	123,066	–	–	9,228	**132,294**
Repaid assets	(30,170)	(3,976)	(63,380)	–	**(97,526)**
Transfer to Stage 1	21,929	(21,929)	–	–	**–**
Transfer to Stage 2	(42,040)	1,464,248	(1,422,208)	–	**–**
Transfer to Stage 3	(42,175)	(45,006)	87,181	–	**–**
Changes in expected credit losses	(63,383)	(1,881,244)	1,618,015	(7,183)	**(333,795)**
Total allowance expense before the effect of foreign exchange difference	*(32,773)*	*(487,907)*	*219,608*	*2,045*	***(299,027)***
Changes in impaired interest	–	–	528,640	16,837	**545,477**
Amounts written off	–	–	(384,260)	–	**(384,260)**
Foreign exchange differences	281	1,559	299,643	4,564	**306,047**
As at 31 December 2023	**40,890**	**279,585**	**9,143,307**	**224,910**	**9,688,692**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**49,575**	**90,312**	**1,472,935**	**–**	**1,612,822**
New assets	22,382	–	13	–	**22,395**
Repaid assets	(995)	(687)	(15,650)	–	**(17,332)**
Transfer to Stage 1	31,674	(28,899)	(2,775)	–	**–**
Transfer to Stage 2	(32,312)	50,783	(18,471)	–	**–**
Transfer to Stage 3	(346)	(21,781)	22,127	–	**–**
Changes in expected credit losses	(48,958)	(78,463)	(245,372)	(628)	**(373,421)**
Total allowance expense before the effect of foreign exchange difference	*(28,555)*	*(79,047)*	*(260,128)*	*(628)*	***(368,358)***
Changes in impaired interest	–	–	136,583	–	**136,583**
Amounts written off	–	–	(53,429)	–	**(53,429)**
Foreign exchange differences	16	1,535	35,668	–	**37,219**
As at 31 December 2023	**21,036**	**12,800**	**1,331,629**	**(628)**	**1,364,837**

Retail banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**77,463**	**30,680**	**1,685,648**	**6,956**	**1,800,747**
New assets	27,389	–	2,058	2,316	**31,763**
Repaid assets	(3,145)	(4,059)	(41,791)	(20)	**(49,015)**
Transfer to Stage 1	143,454	(44,682)	(98,772)	–	**–**
Transfer to Stage 2	(42,807)	59,494	(16,687)	–	**–**
Transfer to Stage 3	(9,414)	(71,601)	81,015	–	**–**
Changes in expected credit losses	(181,835)	34,451	(122,815)	3,142	**(267,057)**
Total allowance expense before the effect of foreign exchange difference	*(66,358)*	*(26,397)*	*(196,992)*	*5,438*	***(284,309)***
Changes in impaired interest	–	–	33,204	1,220	**34,424**
Amounts written off	–	–	(114,086)	(231)	**(114,317)**
Foreign exchange differences	–	(10)	43,163	–	**43,153**
As at 31 December 2023	**11,105**	**4,273**	**1,450,937**	**13,383**	**1,479,698**

Expected credit losses on loans and advances to customers and finance leases for the year ended 31 December 2022 were as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**73,382**	**765,933**	**8,479,676**	**201,464**	**9,520,455**
New assets	123,066	–	–	9,228	**132,294**
Repaid assets	(30,170)	(3,976)	(63,380)	–	**(97,526)**
Transfer to Stage 1	21,929	(21,929)	–	–	**–**
Transfer to Stage 2	(42,040)	1,464,248	(1,422,208)	–	**–**
Transfer to Stage 3	(42,175)	(45,006)	87,181	–	**–**
Changes in expected credit losses	(63,383)	(1,881,244)	1,618,015	(7,183)	**(333,795)**
Total allowance expense before the effect of foreign exchange difference	*(32,773)*	*(487,907)*	*219,608*	*2,045*	***(299,027)***
Changes in impaired interest	–	–	528,640	16,837	**545,477**
Amounts written off	–	–	(384,260)	–	**(384,260)**
Foreign exchange differences	281	1,559	299,643	4,564	**306,047**
As at 31 December 2023	**40,890**	**279,585**	**9,143,307**	**224,910**	**9,688,692**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**49,575**	**90,312**	**1,472,935**	**–**	**1,612,822**
New assets	22,382	–	13	–	**22,395**
Repaid assets	(995)	(687)	(15,650)	–	**(17,332)**
Transfer to Stage 1	31,674	(28,899)	(2,775)	–	**–**
Transfer to Stage 2	(32,312)	50,783	(18,471)	–	**–**
Transfer to Stage 3	(346)	(21,781)	22,127	–	**–**
Changes in expected credit losses	(48,958)	(78,463)	(245,372)	(628)	**(373,421)**
Total allowance expense before the effect of foreign exchange difference	*(28,555)*	*(79,047)*	*(260,128)*	*(628)*	***(368,358)***
Changes in impaired interest	–	–	136,583	–	**136,583**
Amounts written off	–	–	(53,429)	–	**(53,429)**
Foreign exchange differences	16	1,535	35,668	–	**37,219**
As at 31 December 2023	**21,036**	**12,800**	**1,331,629**	**(628)**	**1,364,837**

Retail banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**77,463**	**30,680**	**1,685,648**	**6,956**	**1,800,747**
New assets	27,389	–	2,058	2,316	**31,763**
Repaid assets	(3,145)	(4,059)	(41,791)	(20)	**(49,015)**
Transfer to Stage 1	143,454	(44,682)	(98,772)	–	**–**
Transfer to Stage 2	(42,807)	59,494	(16,687)	–	**–**
Transfer to Stage 3	(9,414)	(71,601)	81,015	–	**–**
Changes in expected credit losses	(181,835)	34,451	(122,815)	3,142	**(267,057)**
Total allowance expense before the effect of foreign exchange difference	*(66,358)*	*(26,397)*	*(196,992)*	*5,438*	***(284,309)***
Changes in impaired interest	–	–	33,204	1,220	**34,424**
Amounts written off	–	–	(114,086)	(231)	**(114,317)**
Foreign exchange differences	–	(10)	43,163	–	**43,153**
As at 31 December 2023	**11,105**	**4,273**	**1,450,937**	**13,383**	**1,479,698**

Expected credit losses on loans and advances to customers and finance leases for the year ended 31 December 2022 were as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2022	**406,403**	**1,354,074**	**2,283,053**	**31,035**	**4,074,565**
New assets	816,018	57,104	48,604	16,750	**938,476**
Repaid assets	(73,619)	(150,522)	(27,713)	–	**(251,854)**
Transfer to stage 1	121,016	(119,711)	(1,305)	–	**–**
Transfer to stage 2	(1,142,648)	1,410,664	(268,016)	–	**–**
Transfer to stage 3	(985)	(3,642,688)	3,643,673	–	**–**
Change of reserve	(110,065)	1,285,535	3,124,756	142,191	**4,442,417**
Total credit loss expense before the effect of exchange differences	*(390,283)*	*(1,159,618)*	*6,519,999*	*158,941*	***5,129,039***
Changes in impaired interest	–	–	240,506	2,581	**243,087**
Amounts written off	–	–	(990,593)	–	**(990,593)**
Exchange differences	57,262	571,477	426,711	8,907	**1,064,357**
As at 31 December 2022	**73,382**	**765,933**	**8,479,676**	**201,464**	**9,520,455**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2022	**25,298**	**76,931**	**272,065**	**–**	**374,294**
New assets	40,991	–	3,340	–	**44,331**
Repaid assets	(2,124)	(4,502)	(12,016)	–	**(18,642)**
Transfer to stage 1	45,658	(36,093)	(9,565)	–	**–**
Transfer to stage 2	(56,129)	319,412	(263,283)	–	**–**
Transfer to stage 3	(16,518)	(351,449)	367,967	–	**–**
Change of reserve	12,304	32,109	1,042,388	–	**1,086,801**
Total credit loss expense before the effect of exchange differences	*24,182*	*(40,523)*	*1,128,831*	–	***1,112,490***
Changes in impaired interest	–	–	51,903	–	**51,903**
Amounts written off	–	–	(12,487)	–	**(12,487)**
Exchange differences	95	53,904	32,623	–	**86,622**
As at 31 December 2022	**49,575**	**90,312**	**1,472,935**	**–**	**1,612,822**

Retail banking	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2022	**10,405**	**7,016**	**1,407,404**	**9,688**	**1,434,513**
New assets	2,346	2	8,014	744	**11,106**
Repaid assets	(1,830)	(5,888)	(33,574)	–	**(41,292)**
Transfer to stage 1	249,135	(71,682)	(177,453)	–	**–**
Transfer to stage 2	(35,113)	43,950	(8,837)	–	**–**
Transfer to stage 3	(858)	(107,798)	108,656	–	**–**
Change of reserve	(148,661)	164,961	178,134	(3,826)	**190,608**
Total credit loss expense before the effect of exchange differences	*65,019*	*23,545*	*74,940*	*(3,082)*	***160,422***
Changes in impaired interest	–	–	67,255	350	**67,605**
Amounts written off	–	–	(232,585)	–	**(232,585)**
Exchange differences	2,039	119	368,634	–	**370,792**
As at 31 December 2022	**77,463**	**30,680**	**1,685,648**	**6,956**	**1,800,747**

The following is the information on undiscounted ECLs at initial recognition of purchased credit-impaired loans and advances to customers, which were initially recognized during the year ended 31 December 2023 and in 2022:

	31 December 2023	31 December 2022
Corporate banking	447,059	350,494
SME	50,433	–
Retail banking	12,433	9,775
Total undiscounted ECLs at initial recognition of POCI	**509,925**	**360,269**

Collateral

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

	31 December 2023				
Type of collateral	*Corporate banking*	*SME*	*Retail banking*	*Total*	*Of them in Stage 3 and POCI*
Deposits	803,508	411,225	16	**1,214,749**	38,249
Real estate	23,851,987	3,628,470	4,374,445	**31,854,902**	9,931,167
Other assets	17,599,772	5,443,654	745,687	**23,789,113**	4,659,795
Unsecured	15,838,176	1,529,398	1,639,836	**19,007,410**	5,438,280
Total loans	**58,093,443**	**11,012,747**	**6,759,984**	**75,866,174**	**20,067,491**

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

The above amounts represent the carrying amounts of the loans before expected credit losses and do not represent the fair value of collateral. The Bank assesses the fair value of collateral at the loan origination, change of collateral structure, collateral repossession when the borrower is unable to repay the loan, and in cases and with frequency required by Ukrainian regulations.

As at 31 December 2023 and 31 December 2022, other assets include movable property, goods in turnover, etc.

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

	31 December 2023	31 December 2022
Corporate banking	4,559,593	4,483,111
SME	883,034	706,209
Retail banking	222,476	125,045
	5,665,103	**5,314,365**

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

	31 December 2023				31 December 2022			
Types of customers	*In foreign currency*	*In national currency*	*Total*	*Impaired*	*In foreign currency*	*In national currency*	*Total*	*Impaired*
State-owned entities and municipalities	7,004,155	9,915,619	**16,919,774**	2,517,709	7,411,800	10,577,284	**17,989,084**	2,668,621
Corporate customers	22,995,108	18,191,081	**41,186,189**	13,291,484	22,670,968	20,541,936	**43,212,904**	12,432,397
SME	2,231,473	8,768,754	**11,000,227**	2,416,676	2,168,012	8,613,705	**10,781,717**	2,435,377
Retail banking	1,305,141	5,454,843	**6,759,984**	1,841,622	1,366,349	4,343,099	**5,709,448**	2,043,341
Total	**33,535,877**	**42,330,297**	**75,866,174**	**20,067,491**	**33,617,129**	**44,076,024**	**77,693,153**	**19,579,736**

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

	31 December 2023			31 December 2022		
Types of customers	*Within one year*	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
State-owned entities and municipalities	12,728,192	4,191,582	**16,919,774**	14,155,950	3,833,134	**17,989,084**
Corporate customers	22,862,917	18,323,272	**41,186,189**	27,865,485	15,347,419	**43,212,904**
SME	6,117,127	4,883,100	**11,000,227**	7,374,835	3,406,882	**10,781,717**
Retail banking	1,008,794	5,751,190	**6,759,984**	2,593,447	3,116,001	**5,709,448**
Total	**42,717,030**	**33,149,144**	**75,866,174**	**51,989,717**	**25,703,436**	**77,693,153**

Loans and advances to clients in the amount of UAH 416,632 thousand. were provided to municipal institutions, according to which ECL is defined as Stage 1 (2022: UAH 1,488,733 thousand).

As at 31 December 2023, loans and advances to customers and finance leases in the amount of UAH 23,903,598 thousand were granted to the ten largest borrowers/groups of Bank's related counterparties (31.51% of the total loans to customers); allowance for expected credit losses of UAH 2,371,300 thousand was made for these loans and advances to customers and finance leases (2022: UAH 25,183,771 thousand, or 32.41%, and the allowance for expected credit losses of UAH 2,446,556 thousand).

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

	31 December 2023	31 December 2022
Electric power industry	12,164,048	10,966,784
Agriculture and food industry	12,059,443	11,555,348
Extraction, trade in gas and fuel	11,730,922	13,415,120
Trade	10,734,023	10,334,202
Individuals	6,759,984	5,709,448
Real estate	5,627,296	6,030,442
Manufacturing	3,557,854	4,063,849
Transport	3,419,613	4,440,555
Construction	2,164,065	2,051,572
Metallurgy	1,983,776	1,821,325
Service sector	1,836,919	1,941,336
Finance	620,674	208,207
Municipality	432,482	1,795,762
Telecommunications	27,390	29,958
Other	2,747,685	3,329,245
Total	**75,866,174**	**77,693,153**

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

	31 December 2023			*31 December 2022*		
	Corporate banking	*SME*	*Total*	*Corporate banking*	*SME*	*Total*
Within one year						
Finance lease	19,925	18,918	38,843	–	464,719	**464,719**
Less: expected credit losses	(15,621)	(908)	(16,529)	–	(2,560)	**(2,560)**
Short-term finance lease agreements	**4,304**	**18,010**	**22,314**	**–**	**462,159**	**462,159**
More than one year						
Finance lease	–	686,346	686,346	28,687	827,384	**856,071**
Less: expected credit losses	–	(118,054)	(118,054)	(7,011)	(492,879)	**(499,890)**
Long-term finance lease agreements	**–**	**568,292**	**568,292**	**21,676**	**334,505**	**356,181**
Total finance lease agreements	**4,304**	**586,302**	**590,606**	**21,676**	**796,664**	**818,340**

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

	31 December 2023		*31 December 2022*	
	Corporate banking	*SME*	*Corporate banking*	*SME*
Transport	–	687,918	–	1,158,650
Agriculture and food industry	19,925	–	28,687	–
Service sector	–	10,578	–	39,891
Manufacturing	–	4,559	–	32,841
Real estate	–	2,210	–	4,747
Unsecured	–	–	–	55,975
Total	**19,925**	**705,265**	**28,687**	**1,292,104**

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

	Within 1 year	*From 1 year to 2 years*	*From 2 years to 3 years*	*From 3 years to 4 years*	*From 3 years to 5 years*	*Total*
Gross investments in finance leases	420,311	286,659	98,132	501	–	**805,603**
Unearned finance income from future finance leases	(27,459)	(38,101)	(14,721)	(132)	–	**(80,413)**
Investments in finance leases before taking into account reserves for ECL	**392,852**	**248,558**	**83,411**	**369**	**–**	**725,190**

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

	Within 1 year	*From 1 year to 2 years*	*From 2 years to 3 years*	*From 3 years to 4 years*	*From 4 years to 5 years*	*Total*
Gross investments in finance leases	939,440	287,565	168,681	72,103	500	**1,468,289**
Unearned finance income from future finance leases	(48,639)	(44,015)	(37,475)	(17,203)	(167)	**(147,499)**
Investments in finance leases before taking into account reserves for ECL	**890,801**	**243,550**	**131,206**	**54,900**	**333**	**1,320,790**

10. Investments in securities

Investments in securities include:

	31 December 2023	*31 December 2022*
Investments at fair value through other comprehensive income		
Ukrainian domestic government bonds (UDGB)	44,419,609	20,630,471
State Mortgage Institution bonds	1,192,852	1,353,913
Municipal bonds	1,136,847	1,130,540
Corporate bonds	98,394	90,893
Corporate shares	9,854	11,332
	46,857,556	**23,217,149**
Investments in securities at fair value at amortized cost		
Deposit certificates issued by the National Bank of Ukraine	8,871,109	–
	8,871,109	**–**
Investments in securities	**55,728,665**	**23,217,149**

As at 31 December 2023, investments in securities included deposit certificates issued by the National Bank of Ukraine in the amount of UAH 8,871,109 thousand. (2022: absent) held within the framework of a business model whose purpose is to hold financial assets to obtain contractual cash flows. Information on investments in securities valued at amortized cost, the fair value of which is disclosed, is presented in Note 30.

The Bank classifies overnight deposit certificates issued by the National Bank of Ukraine as cash and cash equivalents. Deposit certificates issued by the National Bank of Ukraine with 3 months maturity are classified as investments in securities, valued at amortized cost.

At its own discretion, the Bank classified certain investments in equity instruments as investments in equity instruments which are measured at fair value through other comprehensive income on the grounds that they are not used for trading purposes.

For the purposes of the table below, movements in gross carrying amount of investments in securities at fair value through other comprehensive income below excluding revaluation:

Investments in securities at fair value through other comprehensive income	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2023	**5,895,024**	**17,354,591**	**2,015,955**	**25,265,570**
New created and purchased assets	60,949,620	–	–	**60,949,620**
Assets repaid	(4,331,832)	(4,934,434)	(642,509)	**(9,908,775)**
Assets sold	(32,021,904)	(2,941,138)	–	**(34,963,042)**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Accrued income (expenses)	3,685,347	1,685,286	209,695	**5,580,328**
Write-offs	–	–	–	–
Foreign exchange differences	348	3	–	**351**
Gross carrying amount as at 31 December 2023	**34,176,603**	**11,164,308**	**1,583,141**	**46,924,052**

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

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

Movements in gross carrying amount of investments in securities valued at amortized cost include:

Investments in securities at fair value at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2023	**–**	**–**	**–**	**–**
New created and purchased assets	30,961,000	–	–	**30,961,000**
Assets repaid	(23,777,781)	–	–	**(23,777,781)**
Assets sold	–	–	–	**–**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Accrued income (expenses)	1,687,890	–	324	**1,688,214**
Write-offs	–	–	(324)	**(324)**
Foreign exchange differences	–	–	–	**–**
Gross carrying amount as at 31 December 2023	**8,871,109**	**–**	**–**	**8,871,109**

Changes in expected credit losses of investments in securities at fair value through other comprehensive income for the year ended 31 December 2023 were as follows:

Investments in securities at fair value through other comprehensive income	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Expected credit losses as at 1 January 2023	**139,009**	**854,204**	**105,352**	**1,098,565**
New created and purchased assets	1,011,308	–	–	**1,011,308**
Assets repaid	(2,717)	(9,461)	(28,168)	**(40,346)**
Assets sold	(251,329)	(11,204)	–	**(262,533)**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Changes in expected credit losses	27,566	(462,977)	33,458	**(401,953)**
Write-offs	–	–	–	**–**
Exchange differences	128	–	–	**128**
Expected credit losses as at 31 December 2023	**923,965**	**370,562**	**110,642**	**1,405,169**

For the purpose of ECL determination of Ukrainian government bonds the Bank applied PD in the range of 5.08% - 25.45% and LGD 60% from international credit agency Fitch based on the Ukraine's credit rating as of 31 December 2023.

Changes in expected credit losses of investments in securities at fair value through other comprehensive income for the year ended 31 December 2022 were as follows:

Investments in securities at fair value through other comprehensive income	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Expected credit losses as at 1 January 2022	**51,380**	**–**	**306,833**	**358,213**
New created and purchased assets	135,282	–	–	**135,282**
Assets repaid	(7,934)	–	–	**(7,934)**
Assets sold	(1,873)	–	(462)	**(2,335)**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	(65,891)	65,891	–	**–**
Transfer to stage 3	(366)	–	366	**–**
Changes in expected credit losses	27,579	788,313	(201,385)	**614,507**
Write-off	–	–	–	**–**
Exchange differences	832	–	–	**832**
Expected credit losses as at 31 December 2022	**139,009**	**854,204**	**105,352**	**1,098,565**

Changes in expected credit losses of investments in securities valued at amortized cost include for the year ended 31 December 2023 were as follows:

Investments in securities valued at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Expected credit losses as at 1 January 2023	**–**	**–**	**–**	**–**
New created and purchased assets	–	–	–	**–**
Assets repaid	–	–	–	**–**
Assets sold	–	–	–	**–**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	–	–	–	**–**
Transfer to stage 3	–	–	–	**–**
Changes in expected credit losses	–	–	324	**324**
Write-off	–	–	(324)	**(324)**
Exchange differences	–	–	–	**–**
Expected credit losses as at 31 December 2023	**–**	**–**	**–**	**–**

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

As at 31 December 2023, UDGB with fair value of UAH 7,681,278 thousand (2022: UAH 1,084,684 thousand) were pledged for a long-term loans received from a credit institution (Note 19).

As at 31 December 2023, UDGB with the fair value of nill were pledged as collateral for loans received from the National Bank of Ukraine (2022: UAH 16,566,069 thousand) (Note 19).

11. Derivative financial assets and liabilities

The Bank enters into currency exchange operations whereby it is obliged to supply one currency in exchange for another under pre-determined exchange rates. Such transactions are entered into with Ukrainian and international banks and clients. Currency delivery under such contracts should not exceed one month. The Bank concludes contracts in the following foreign currencies: US dollar and Euro.

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

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

	31 December 2023				*31 December 2022*			
	Notional amount		*Fair value*		*Notional amount*		*Fair value*	
	Assets	*Liabilities*	*Assets*	*Liabilities*	*Assets*	*Liabilities*	*Assets*	*Liabilities*
Foreign exchange contracts								
Swaps/forwards	1,617,477	(1,636,874)	33	(19,430)	2,941,048	(2,926,410)	14,972	(334)
Spots	1,645,195	(1,643,241)	2,900	(946)	443,413	(443,719)	97	(403)
Total derivative financial assets/ (liabilities)			**2,933**	**(20,376)**			**15,069**	**(737)**

12. Investment property

Movements in investment property items were as follows:

	31 December 2023	*31 December 2022*
Carrying amount as at 1 January	156,366	153,955
Additions	–	1,497
Fair value adjustment	(2,097)	914
Carrying amount as at 31 December	**154,269**	**156,366**

Income from investment property includes rental income in the amount of UAH 12,654 thousand (2022: UAH 12,664 thousand).

To determine the fair value of investment property as at 31 December 2023 the Bank engaged independent appraisers. Comparative and income approaches to valuation were mainly used to determine the fair value of the real property items.

13. Taxation

Income tax expenses (reimbursement) comprise:

	31 December 2023	*31 December 2022*
Current income tax expenses	2,620,277	31
Changes in deferred taxes — origination and reversal of temporary differences	104,200	(137,657)
Income tax expenses (reimbursement)	**2,724,477**	**(137,626)**

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

	31 December 2023	*31 December 2022*
Profit / (loss) before tax	**4,660,903**	**(3,999,139)**
Statutory tax rate	50%	18%
Income tax expense / (Reimbursement) at the statutory rate	**2,330,452**	**(719,845)**
Non-deductible expense for taxation	273,835	30,221
Changes in recognized deferred tax assets / (liabilities)	–	(132,997)
Changes in unrecognized deferred tax assets	–	684,995
Tax rate changes	15,245	–
Other changes not taken into account in tax reporting	104,945	–
Income tax expense / (Reimbursement)	**2,724,477**	**(137,626)**

In accordance with the amendments to the Tax Code of Ukraine issued in December 2023, the Bank's income tax rate was set at 50% for the year ending December 31, 2023, and 25% for subsequent years. In 2022, the Bank's profits were subject to income tax at the rate of 18%.

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

	Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	In profit or loss	*In equity*	*31 December 2023*	*In profit or loss*	*In equity*	*31 December 2022*
Tax effect of non-taxable temporary differences						
Assessment of investments at fair value through other comprehensive income	(134,962)	134,962	–	134,962	(134,962)	–
Property, equipment and intangible assets	30,762	(6,451)	54,449	2,695	(4,811)	30,138
Deferred tax assets/ (liabilities), net amount	**(104,200)**	**128,511**	**54,449**	**137,657**	**(139,773)**	**30,138**
Deductible temporary differences for which no deferred tax assets is recognized						
Tax losses carried forward	266,430	–	951,425	684,995	–	684,995
Assessment of investments at fair value through other comprehensive income	–	(288,939)	19,087	–	267,554	308,026
Deferred tax assets, unrecognized	**266,430**	**(288,939)**	**970,512**	**684,995**	**267,554**	**993,021**

In 2023, changes in temporary differences on unrecognized deferred tax assets had no impact on profit and loss and equity.

Changes in the balance of unrecognized tax losses carried forward as at 31 December 2023 are caused by a change in the tax rate from 18% to 25%.

Preparation and provision of financial statements and corporate income tax returns is made at different periods. Consequently, financial and tax accounting may have minor differences. These differences will be reported in tax accounting in the next reporting period.

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

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

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

The unrecognized deferred tax assets has no expiration date.

When calculating deferred taxes on the revaluation of investments in securities, as at 31 December 2023, the total amount of recognized revaluation of securities minus the amount of recognized reserves for these securities was used. The Bank recognizes only those deferred tax assets for which there is a high probability of their realization.

The Bank does not recognize deferred tax assets in relation to tax losses (the negative value of the object of taxation of the previous tax (reporting) years) until it receives objective evidence that sufficient taxable income will be obtained to cover them in the following reporting periods. In 2023, according with changes in tax legislation, the Bank has no right to reduce pre-tax profit by the amount of losses of previous tax years.

14. Property, equipment and intangible assets

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

	Note	*Buildings and land plots*	*Furniture and equipment*	*Leasehold improvements*	*Motor vehicles*	*Construction in progress and items not yet available to use*	*Intangible assets*	*Total*
Cost or revalued amount								
As at 1 January 2023		**839,734**	**1,081,349**	**32,288**	**72,135**	**31,350**	**729,903**	**2,786,759**
Additions		22,567	104,834	–	–	61,758	186,203	**375,362**
Disposals		(1,362)	(33,481)	(286)	(5,803)	–	(4,046)	**(44,978)**
Transfers		18,172	68,870	3,134	–	(89,293)	(883)	**–**
Revaluation		(61,552)	–	–	–	–	–	**(61,552)**
Recovery of utility		–	2,729	–	–	–	11	**2,740**
Reclassification from Right-of-use assets		–	–	–	930	–	–	**930**
As at 31 December 2023		**817,559**	**1,224,301**	**35,136**	**67,262**	**3,815**	**911,188**	**3,059,261**
Accumulated depreciation								
As at 1 January 2023		**–**	**860,848**	**29,027**	**61,184**	**–**	**601,675**	**1,552,734**
Depreciation charges		22,724	169,016	2,049	7,443	–	142,114	**343,346**
Disposals		(13)	(33,415)	(286)	(5,803)	–	(4,046)	**(43,563)**
Recovery of utility		–	2,729	–	–	–	11	**2,740**
Reclassification from Right-of-use assets		–	–	–	930	–	–	**930**
Revaluation		(22,711)	–	–	–	–	–	**(22,711)**
As at 31 December 2023		**–**	**999,178**	**30,790**	**63,754**	**–**	**739,754**	**1,833,476**
Net book value								
As at 1 January 2023		**839,734**	**220,501**	**3,261**	**10,951**	**31,350**	**128,228**	**1,234,025**
As at 31 December 2023		**817,559**	**225,123**	**4,346**	**3,508**	**3,815**	**171,434**	**1,225,785**

Article "Revaluation" for the total amount UAH (38,841) thousand reflected in the amounts UAH (24,092) thousand of the article "Revaluation of fixed assets" as part of equity (Note 20), UAH 2,447 thousand of the item "Other income" as part of other income (losses) (Note 23) and UAH (17,196) thousand of the articles "Other" as part of other administrative and operational expenses.

	Note	*Buildings and land plots*	*Furniture and equipment*	*Leasehold improvements*	*Motor vehicles*	*Construction in progress and items not yet available to use*	*Intangible assets*	*Total*
Cost or revalued amount								
As at 1 January 2022		**853,454**	**958,534**	**39,003**	**46,552**	**3,359**	**661,552**	**2,562,454**
Additions		–	120,114	–	–	76,852	117,578	**314,544**
Disposals		(16,344)	(40,627)	(7,122)	(6,616)	–	(49,227)	**(119,936)**
Transfers		1,892	43,459	407	3,103	(48,861)	–	**–**
Revaluation		732	–	–	–	–	–	**732**
Impairment		–	(15)	–	–	–	–	**(15)**
Reclassification from Right-of-use assets	15	–	–	–	29,096	–	–	**29,096**
Reclassification to Assets held for sale	16	–	(116)	–	–	–	–	**(116)**
As at 31 December 2022		**839,734**	**1,081,349**	**32,288**	**72,135**	**31,350**	**729,903**	**2,786,759**
Accumulated depreciation								
As at 1 January 2022		**–**	**765,212**	**30,192**	**40,790**	**–**	**539,119**	**1,375,313**
Depreciation charges		21,999	130,054	4,712	6,662	–	111,783	**275,210**
Disposals		(349)	(40,271)	(6,079)	(6,003)	–	(49,227)	**(101,929)**
Revaluation		(21,651)	–	–	–	–	–	**(21,651)**
Impairment		1	5,935	202	151	–	–	**6,289**
Reclassification from Right-of-use assets	15	–	–	–	19,584	–	–	**19,584**
Reclassification to Assets held for sale	16	–	(82)	–	–	–	–	**(82)**
As at 31 December 2022		**–**	**860,848**	**29,027**	**61,184**	**–**	**601,675**	**1,552,734**
Net book value								
As at 1 January 2022		**853,454**	**193,322**	**8,811**	**5,762**	**3,359**	**122,433**	**1,187,141**
As at 31 December 2022		**839,734**	**220,501**	**3,261**	**10,951**	**31,350**	**128,228**	**1,234,025**

To determine the fair value of buildings and land plots as at 31 December 2023, the Bank engaged independent appraisers. Comparative and income approaches to valuation were mainly used to determine the fair value of buildings. Key assumptions relate to the condition, quality and location of the buildings used as comparatives.

Had the valuation of buildings and land plots been performed using a historical cost model, the carrying value of the buildings and land plots as at 31 December 2023 would amount to UAH 850,960 thousand (2022: UAH 835,105 thousand).

15. Right-of-use assets and lease liabilities

Right-of-use assets and lease liabilities comprise:

	Note	Right-of-use assets: Buildings	Right-of-use assets: Furniture and equipment	Right-of-use assets: Motor vehicles	Right-of-use assets: Total	Lease liability
As at 1 January 2023		**165,801**	**76**	**236**	**166,113**	**163,506**
Additions		68,852	–	28	**68,880**	68,880
Early termination		(22,365)	–	–	**(22,365)**	(29,119)
Depreciation expense		(83,516)	(278)	(264)	**(84,058)**	–
Modification		9,792	269	–	**10,061**	10,061
Interest expense		–	–	–	**–**	14,835
Payments		–	–	–	**–**	(95,102)
As at 31 December 2023		**138,564**	**67**	**–**	**138,631**	**133,061**

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

For the year ended 31 December 2023, the Bank recognized expenses on short-term leases, leases of low-value assets and variable lease payments in the amount of UAH 75,579 thousand (31 December 2022: UAH 61,154 thousand).

For the year ended 31 December 2023, the total lease-related cash outflow amounted to UAH 170,681 thousand (31 December 2022: UAH 164,054 thousand).

16. Other assets and liabilities

Other assets comprise:

	31 December 2023	*31 December 2022*
Other financial assets		
Clearing payments for payment cards	972,183	580,135
Receivables for securities	793,281	400,040
Other receivables due to banks	570,676	190,928
Other accrued income	118,884	143,540
Other	4,728	19,551
	2,459,752	**1,334,194**
Less: expected credit losses on other financial assets	(347,595)	(433,439)
Total other financial assets	**2,112,157**	**900,755**
Other non-financial assets		
Prepayments and deferred expenses	368,584	313,641
Other property	285,259	337,064
Receivables for property rights	83,361	110,887
Inventories	24,300	14,466
Taxes recoverable, other than income tax	19,870	946
Receivables from employees	10,539	9,548
Precious metals	1,023	1,349
Prepayments for the assets to be provided under finance leases	–	2,612
Cash and precious metals located in the temporarily occupied territory	27	63,428
Other	166	52,804
	793,129	**906,745**
Less: allowance for impairment on other non-financial assets	(128,399)	(197,318)
Total other non-financial assets	**664,730**	**709,427**

As at 31 December 2023, financial assets in the amount of UAH 492,921 thousand are reflected under the article "Receivables for securities" classified as initially impaired (2022: zero).

As at 31 December 2023, the carrying value of other property was UAH 285,259 thousand (2022: UAH 337,064 thousand).

	Land plots	*Non-residential property*	*Residential property*	*Ownership rights to real estate*	*Movables, furniture and equipment*	*Total*
Cost						
As at 1 January 2023	**20,458**	**224,295**	**66,759**	**6,561**	**18,991**	**337,064**
Additions	–	6,218	–	–	–	**6,218**
Sale	(639)	(24,809)	(18,472)	–	(98)	**(44,018)**
Impairment	(210)	(4,250)	(1,755)	–	(7,168)	**(13,383)**
Decrease in utility	–	(622)	–	–	–	**(622)**
As at 31 December 2023	**19,609**	**200,832**	**46,532**	**6,561**	**11,725**	**285,259**

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

To determine the fair value of other property as at 31 December 2023, the Bank engaged independent appraisers. Comparative and income approaches to valuation were mainly used to estimate the fair value of other property. Based on the analysis of the assessment, the value of other property was written down.

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

	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2023	**2,412**	**6,729**	**424,298**	**–**	**433,439**
New assets originated or purchased	3,541	4,081	94	9,858	**17,574**
Assets repaid	(4,912)	(3,946)	(5,085)	–	**(13,943)**
Transfer to Stage 1	385	(164)	(221)	–	**–**
Transfer to Stage 2	(130)	334	(204)	–	**–**
Transfer to Stage 3	(249)	(7,002)	7,251	–	**–**
Changes in expected credit losses	(648)	772	10,732	–	**10,856**
Total loss allowance expense before the effect of foreign exchange differences	*(2,013)*	*(5,925)*	*12,567*	9,858	***14,487***
Write-offs	(169)	(636)	(101,629)	–	**(102,434)**
Foreign exchange differences	2	–	2,101	–	**2,103**
As at 31 December 2023	**232**	**168**	**337,337**	**9,858**	**347,595**

Analysis of changes in the expected credit loss (ECL) allowance for other financial assets for the year ended 31 December 2022 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
As at 1 January 2022	**429**	**560**	**521,841**	**–**	**522,830**
New assets originated or purchased	13,427	3,331	1,423	–	**18,181**
Assets repaid	(225)	(899)	(523)	–	**(1,647)**
Transfer to Stage 1	2,153	(1,157)	(996)	–	**–**
Transfer to Stage 2	(214)	6,468	(6,254)	–	**–**
Transfer to Stage 3	(928)	(5,171)	6,099	–	**–**
Changes in expected credit losses	(12,314)	3,751	7,362	–	**(1,201)**
Total loss allowance expense before the effect of foreign exchange differences	*1,899*	*6,323*	*7,111*	–	***15,333***
Write-offs	(8)	(77)	(107,583)	–	**(107,668)**
Foreign exchange differences	92	(77)	2,929	–	**2,944**
As at 31 December 2022	**2,412**	**6,729**	**424,298**	**–**	**433,439**

Analysis of changes in the impairment losses for other non-financial assets for the year ended 31 December 2023 is as follows:

	Other assets
As at 1 January 2023	**197,318**
Accrual	24,010
Total impairment losses before the effect of exchange differences	*24,010*
Recovery	(27,526)
Amounts written off	(66,700)
Foreign exchange differences	1,297
As at 31 December 2023	**128,399**

Analysis of changes in the impairment losses for other non-financial assets for the year ended 31 December 2022 is as follows:

	Other assets
As at 1 January 2022	**182,327**
Accrual	14,697
Total impairment losses before the effect of exchange differences	*14,697*
Recovery	4,022
Amounts written off	(14,838)
Foreign exchange differences	11,110
As at 31 December 2022	**197,318**

Other liabilities comprise:

	31 December 2023	*31 December 2022*
Other financial liabilities		
Payables for operations with clients	269,089	106,678
Lease liabilities	133,061	163,506
Accrued expenses for cash and settlements	48,219	50,688
Accounts payable for operations with banks	42,755	7,481
Payables for operations with payment cards	38,331	267,411
Accounts payable for professional services	15,086	33,063
Payables for operations with clients on purchase and sale of foreign currency, bank and precious metals	11,211	38,500
Communication services	8,288	7,247
Maintenance of premises	7,230	4,915
Software support	6,533	1,920
Accounts payable for acquiring assets	3,082	12,906
Repair and maintenance of property, plant and equipment	2,509	1,150
Rent of premises	2,455	7,377
Security services	1,421	1,153
Payables to payment cards transactions processing center	6	1,923
Other	59,723	65,455
Total other financial liabilities	**648,999**	**771,373**
Other non-financial liabilities		
Accruals for unused vacations	425,140	325,864
Payables for payments to the Individual Deposit Guarantee Fund	56,041	51,401
Accounts payable for payments to employees	46,322	2,775
Deferred income	43,025	48,345
Payables on taxes and mandatory contributions, except for income tax	40,647	28,455
Other	2,236	70,075
Total other non-financial liabilities	**613,411**	**526,915**

As at 31 December 2023, other financial liabilities include balances in the amount of UAH 3,114 thousand counterparties with geographic jurisdiction in the russian federation and the republic of belarus (2022: UAH 2,862 thousand).

17. Due to banks

Due to banks comprise:

	31 December 2023	31 December 2022
Current accounts	2,598,716	4,595,444
Other amounts due to banks	196,241	973,125
Due to banks	**2,794,957**	**5,568,569**

As at 31 December 2023, the balances of due to banks amounted to UAH 1,725,988 thousand (61.75%) raised from three banks (2022: balances amounted to UAH 3,254,132 thousand (58.44%) raised from three banks).

As at 31 December 2023, current accounts due to banks included funds raised in precious metals, which are measured at fair value through profit or loss in the amount to UAH 89,745 thousand (2022: UAH 82,465 thousand).

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

18. Due to customers

Due to customers by operating segments comprise:

	31 December 2023	31 December 2022
Current accounts		
- Corporate banking	78,647,725	41,472,462
- SME	13,723,251	12,800,410
- Retail banking	17,802,655	16,718,093
	110,173,631	**70,990,965**
Time deposits		
- Corporate banking	13,137,863	17,897,959
- SME	15,114,810	8,552,785
- Retail banking	15,707,260	15,336,904
	43,959,933	**41,787,648**
Due to customers	**154,133,564**	**112,778,613**

As at 31 December 2023, balances due to customers of UAH 45,970,012 thousand (29.82%) included the amounts due to ten largest customers of the Bank (2022: UAH 17,909,400 thousand (15.88%).

As at 31 December 2023, balances due to budget organizations amounted to UAH 842,059 thousand and included the amounts due to customers: UAH 840,933 thousand - in the Corporate banking segment (2022: UAH 998,160 thousand) and UAH 1,126 thousand - in the SME segment (2022: UAH 1,181 thousand).

As at 31 December 2023, balances due to customers included funds raised in precious metals, which are measured at fair value through profit or loss, in the amount of UAH 18,563 thousand in the Corporate banking segment (2022: UAH 15,553 thousand), UAH 176,376 thousand - in the Retail banking segment (2022: UAH 149,330 thousand).

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

	31 December 2023	31 December 2022
Individuals	33,613,597	32,138,432
Service sector	31,759,784	14,238,343
Production	19,641,843	11,021,968
Transport	17,431,057	13,668,126
Power engineering	13,156,659	14,069,274
Trade	10,774,429	8,258,425
Mining industry	9,749,638	1,534,158
Agriculture and food industry	4,088,633	3,643,022
Finance	3,867,146	5,143,687
Construction	3,107,956	1,464,692
Insurance	2,513,300	3,213,145
Metallurgy	1,150,496	1,201,861
Other	3,279,026	3,183,480
Due to customers	**154,133,564**	**112,778,613**

As at 31 December 2023, balances due to customers by industry in the Retail banking segment in the amount of UAH 33,613,597 thousand (2022: UAH 32,138,432 thousand) included SME share of due to customers in the amount of UAH 103,682 thousand (2022: UAH 83,435 thousand).

As at 31 December 2023, items attributed to Other included the funds of non-resident legal entities of UAH 3,108,017 thousand (2022: UAH 3,099,941 thousand).

As at 31 December 2023, loans and advances to customers were secured by amounts due to customers of UAH 1,214,749 thousand (2022: UAH 3,291,081 thousand) (Note 9).

As at 31 December 2023, amounts due to customers were pledged to secure the commitments and contingencies in the amount of UAH 2,425,706 thousand (2022: UAH 4,832,300 thousand) (Note 21).

19. Other borrowed funds

Other borrowed funds comprise:

	31 December 2023	31 December 2022
Due to the National Bank of Ukraine	–	998,956
Term deposits and loans	5,579,937	3,385,859
Other borrowed funds	**5,579,937**	**4,384,815**

Loans from the National Bank of Ukraine include:

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

s at 31 December 2023, the discount rate of the National Bank of Ukraine was 15% (2022: 25%).

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

	Notes	31 December 2023	31 December 2022
UDGB and UDMB	10	–	16,566,069
Total		**–**	**16,566,069**

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

As at 31 December 2023, the balances of other borrowed funds amounted to UAH 4,543,605 thousand (81.43%) raised from three banks (2022: balances amounted to UAH 3,140,743 thousand 71.63% raised from three banks).

As at 31 December 2023, other borrowed funds include loans received from international and other organizations in the amount of UAH 2,651,981 thousand. (2022: UAH 2,721,618 thousand). The balances of these loans on both reporting dates are denominated in Euro. The range of interest rates is from 6.904% to 9.445% per annum (2022: from 4.84% to 6.993% per annum) for loans in Euro, repayment dates according to the terms of the agreements in the years 2024 - 2026 (2022: in the years 2023 - 2026).

As at 31 December 2023, other borrowed funds include loans received from state organizations in the amount of UAH 2,927,956 thousand. (2022: UAH 664,241 thousand). The balances of these loans on both reporting dates are denominated in hryvnias. The range of interest rates is from 3% to 14.28% per annum (2022: from 3% to 11.07% per annum) for hryvnia loans, repayment dates in accordance with the terms of the contracts in 2024 - 2044 (2022: in 2023 - 2043).

Information on future cash flows in terms of terms remaining to maturity according to the terms of the contracts is provided in Note 31.

As at 31 December 2023, a long-term loans received from credit institutions were secured by the Ukrainian domestic government bonds with a fair value of UAH 7,681,278 thousand (2022: UAH 1,084,684 thousand) (Note 10).

Note 29 provides information as at 31 December 2023 on breaches of covenants in relation to term loans obtained from credit institutions amounted to UAH 3,198,099 thousand (2022: UAH 3,339,098 thousand).

20. Equity

Share capital

As at 31 December 2023, the authorized issued share capital comprised 13,836,522,922 ordinary shares and 477,078 preferred shares (2022: 13,836,522,922 ordinary shares and 477,078 preferred shares) with the nominal value of UAH 1 per share. Ordinary shares give rights to their holders to participate in the General Shareholders' Meetings, to receive dividends and, in case of liquidation of the Bank, to receive a portion of the Bank's property or its value in proportion to the value of the Bank's shares owned by them in the order and in accordance with the procedure stipulated by the legislation of Ukraine and the Bank's charter. The shareholders that own preferred shares have a right to vote in certain cases according to the charter and are entitled to receive annual fixed amounts of dividends, unless otherwise envisaged by law.

The number of issued and fully paid shares is as follows:

	Number of shares, thousand		Nominal value, thousand UAH		Nominal value, thousand UAH	Total, thousand UAH
	Ordinary	Preferred	Ordinary	Preferred		
As at 31 December 2021	**13,836,523**	**477**	**13,836,523**	**477**	**13,837,000**	**13,837,000**
Issued and registered shares	–	–	–	–	–	–
As at 31 December 2022	**13,836,523**	**477**	**13,836,523**	**477**	**13,837,000**	**13,837,000**
Issued and registered shares	–	–	–	–	–	–
As at 31 December 2023	**13,836,523**	**477**	**13,836,523**	**477**	**13,837,000**	**13,837,000**

Reserve fund

The Bank creates a reserve fund to cover unforeseen losses on all items of assets and off-balance liabilities. The amount of charges to the reserve fund should be not less than 5 percent of the Bank's profit until it reaches 25 percent of the Bank's regulatory capital. As at 31 December 2023, the Bank's reserve fund amounted to UAH 967,777 thousand (2022: UAH 967,777 thousand). The Reserve Fund is included in the line "Reserve and other funds of the Bank" of the Statement of Financial Position.

If as a result of the Bank's operations the amount of its regulatory capital decreases to the amount below its share capital, then annual charges to the reserve fund should be 10 percent of the Bank's net profit until it reaches 35 percent of the Bank's share capital.

Movements in other reserves

Movements in other reserves were as follows:

	Revaluation surplus	*Reserve of gains and losses on financial assets measured at fair value through other comprehensive income*	*Reserve of gains and losses from investments in equity instruments*	*Total*
As at 1 January 2022	**224,594**	**(224,854)**	**(1,925)**	**(2,185)**
Revaluation of property, plant and equipment	23,127	–	–	**23,127**
Income tax related to revaluation of property and equipment	(4,812)	–	–	**(4,812)**
Net change in fair value of debt instruments at fair value through other comprehensive income	–	(1,449,078)	–	**(1,449,078)**
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	–	(37,331)	–	**(37,331)**
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	–	749,789	–	**749,789**
Income tax associated with revaluation of securities	–	(134,962)	–	**(134,962)**
Transfer as a result of disposal of assets	(8,989)	–	–	**(8,989)**
As at 31 December 2022	**233,920**	**(1,096,436)**	**(1,925)**	**(864,441)**
Revaluation of property, plant and equipment	(24,092)	–	–	**(24,092)**
Income tax related to revaluation of property and equipment	(6,451)	–	–	**(6,451)**
Net change in fair value of debt instruments at fair value through other comprehensive income	–	2,056,063	–	**2,056,063**
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to profit or loss	–	(72,374)	–	**(72,374)**
Net change in fair value of investments in equity instruments at fair value through other comprehensive income	–	–	(1,480)	**(1,480)**
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	–	306,476	–	**306,476**
Income tax associated with revaluation of securities	–	134,962	–	**134,962**
Transfer as a result of disposal of assets	(386)	–	–	**(386)**
As at 31 December 2023	**202,991**	**1,328,691**	**(3,405)**	**1,528,277**

21. Commitments and contingencies

Legal

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

Taxation

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

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

Commitments and contingencies

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

	31 December 2023	*31 December 2022*
Credit-related commitments		
Financial guarantees	7,596,041	8,009,244
Loan commitments	16,414,703	10,875,864
Letters of credit:	3,629,211	5,226,349
- *including secured letters of credit*	*890,432*	*568,059*
- *including unsecured letters of credit*	*2,738,779*	*4,658,290*
Aval	2,933	19,133
	27,642,888	**24,130,590**
Performance guarantees	896,326	856,764
	896,326	**856,764**
Commitments and contingencies	**28,539,214**	**24,987,354**

As at 31 December 2023, loan commitments amounted to UAH 16,414,703 thousand (2022: UAH 10,875,864 thousand), including

- loan commitments to strategic customers of the Bank (clients to whom the Bank will fulfill its lending obligations in conditions of crisis and limited liquidity) in the amount of UAH 1,794,476 thousand (2022: UAH 2,569,681 thousand)
- loan commitments to other customers of the Bank in the amount of UAH 14,620,227 thousand (2022: UAH 8,306,183 thousand).

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

As at 31 December 2023, the estimated allowances for ECLs in respect of credit-related commitments amounted to UAH 677,149 thousand (2022: UAH 302,744 thousand).

As at 31 December 2023, the estimated allowances for performance guarantees amounted to UAH 6,222 thousand (2022: UAH 143 thousand).

As at 31 December 2023, the commitments and contingencies were secured by cash collateral for UAH 2,425,706 thousand (2022: UAH 4,832,300 thousand) (Note 18) .

The indicator "Other provision" of the Statement of the financial position for the year ended 31 December 2023 is represented by the estimated reserve for legal and other risks of UAH 147,116 thousand (2022: UAH 395,919 thousand) and an estimated reserve for performance guarantees of UAH 6,222 thousand (2022: UAH 143 thousand).

Changes in the expected credit loss allowance for financial guarantees for the year ended 31 December 2023 were as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2023	**23,934**	**203,193**	**42,399**	**269,526**
New guarantees	438,802	–	–	**438,802**
Expired guarantees	(65,577)	(6,870)	(653,024)	**(725,471)**
Transfer to Stage 1	2,229	(2,229)	–	**–**
Transfer to Stage 2	(25,849)	25,849	–	**–**
Transfer to Stage 3	(2,016)	(6,369)	8,385	**–**
Change in allowance	78,145	(170,124)	672,291	**580,312**
Total allowance expense before the effect of foreign exchange differences	*425,734*	*(159,743)*	*27,652*	***293,643***
Foreign exchange differences	19,544	18	3,341	**22,903**
As at 31 December 2023	**469,212**	**43,468**	**73,392**	**586,072**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2023	**37**	**156**	**–**	**193**
New guarantees	1,076	–	–	**1,076**
Expired guarantees	(618)	(20)	–	**(638)**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	(300)	300	–	**–**
Transfer to Stage 3	–	–	–	**–**
Change in allowance	(169)	(223)	–	**(392)**
Total allowance expense before the effect of foreign exchange differences	*(11)*	*57*	–	***46***
Foreign exchange differences	(17)	(5)	–	**(22)**
As at 31 December 2023	**9**	**208**	**–**	**217**

Changes in the expected credit loss allowance for financial guarantees for the year ended 31 December 2022 were as follows:

Corporate banking	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2022	**132,540**	**56,535**	**–**	**189,075**
New guarantees	110,670	–	–	**110,670**
Expired guarantees	(33,929)	(312,802)	–	**(346,731)**
Transfer to Stage 1	39,861	(39,861)	–	**–**
Transfer to Stage 2	(253,953)	253,953	–	**–**
Transfer to Stage 3	–	(6,720)	6,720	**–**
Change in allowance	26,181	243,208	35,679	**305,068**
Total allowance expense before the effect of foreign exchange differences	*(111,170)*	*137,778*	*42,399*	***69,007***
Foreign exchange differences	2,565	8,882	–	**11,447**
As at 31 December 2022	**23,935**	**203,195**	**42,399**	**269,529**

SME	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
As at 1 January 2022	**119**	**–**	**1**	**120**
New guarantees	12,428	–	–	**12,428**
Expired guarantees	(230)	(8,458)	–	**(8,688)**
Transfer to Stage 1	168	(168)	–	**–**
Transfer to Stage 2	(11,729)	77,535	(65,806)	**–**
Transfer to Stage 3	(371)	–	371	**–**
Change in allowance	(361)	(73,266)	69,598	**(4,029)**
Total allowance expense before the effect of foreign exchange differences	*(95)*	*(4,357)*	*4,163*	***(289)***
Foreign exchange differences	13	4,513	(4,164)	**362**
As at 31 December 2022	**37**	**156**	**–**	**193**

Changes in allowances for performance guarantees for the year ended 31 December 2023 were as follows:

Corporate banking	*Total*
As at 1 January 2023	**126**
Accrual/(reversal)	5,834
Total allowance expense before the effect of foreign exchange differences	*5,834*
Foreign exchange differences	227
As at 31 December 2023	**6,187**

SME	*Total*
As at 1 January 2023	**17**
Accrual/(reversal)	15
Total allowance expense before the effect of foreign exchange differences	*15*
Foreign exchange differences	–
As at 31 December 2023	**32**

Changes in allowances for performance guarantees for the year ended 31 December 2022 were as follows:

Corporate banking	*Total*
As at 1 January 2022	**805**
Accrual/(reversal)	(834)
Total allowance expense before the effect of foreign exchange differences	*(834)*
Foreign exchange differences	155
As at 31 December 2022	**126**

SME	*Total*
As at 1 January 2022	**3**
Accrual/(reversal)	13
Total allowance expense before the effect of foreign exchange differences	*13*
Foreign exchange differences	1
As at 31 December 2022	**17**

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the year ended 31 December 2023.

Stage 3 is defined in accordance with the balance sheet of these instruments

Corporate banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	**2,629**	**219**	**–**	**2,848**
New loan commitments	9,852	–	–	**9,852**
Expired loan commitments	(202)	(412)	–	**(614)**
Transfer to Stage 1	3,060	(3,060)	–	**–**
Transfer to Stage 2	(8,105)	8,105	–	**–**
Transfer to Stage 3	–	–	–	**–**
Change in allowance	(3,034)	(622)	66,386	**62,730**
Total allowance expense before the effect of foreign exchange differences	*1,571*	*4,011*	*66,386*	***71,968***
Foreign exchange differences	2	25	1,668	**1,695**
As at 31 December 2023	**4,202**	**4,255**	**68,054**	**76,511**

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	**212**	**38**	**–**	**250**
New loan commitments	502	–	–	**502**
Expired loan commitments	(17)	(47)	(1,481)	**(1,545)**
Transfer to Stage 1	150	(150)	–	**–**
Transfer to Stage 2	(82)	82	–	**–**
Transfer to Stage 3	–	(1)	1	**–**
Change in allowance	(407)	101	2,545	**2,239**
Total allowance expense before the effect of foreign exchange differences	*146*	*(15)*	*1,065*	***1,196***
Foreign exchange differences	–	–	–	**–**
As at 31 December 2023	**358**	**23**	**1,065**	**1,446**

Retail banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	**23,544**	**8**	**6,371**	**29,923**
New loan commitments	4,658	–	63	**4,721**
Expired loan commitments	(1,236)	(1)	(3,085)	**(4,322)**
Transfer to Stage 1	5,117	(15)	(5,102)	**–**
Transfer to Stage 2	(209)	1,594	(1,385)	**–**
Transfer to Stage 3	(121)	(1)	122	**–**
Change in allowance	(24,675)	(1,584)	8,794	**(17,465)**
Total allowance expense before the effect of foreign exchange differences	*(16,466)*	*(7)*	*(593)*	***(17,066)***
Foreign exchange differences	–	–	49	**49**
As at 31 December 2023	**7,078**	**1**	**5,827**	**12,906**

Below is the analysis of changes in allowances for expected credit losses under the loan commitments for the year ended 31 December 2022.

Stage 3 is defined in accordance with the balance sheet of these instruments.

Corporate banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	**2,490**	**160,221**	**–**	**162,711**
New loan commitments	1,351	–	–	**1,351**
Expired loan commitments	(345)	(6,818)	(3)	**(7,166)**
Transfer to Stage 1	2,071	(2,071)	–	**–**
Transfer to Stage 2	(163)	163	–	**–**
Transfer to Stage 3	(1)	(2,289)	2,290	**–**
Change in allowance	(2,777)	(149,274)	(2,287)	**(154,338)**
Total allowance expense before the effect of foreign exchange differences	*136*	*(160,289)*	–	***(160,153)***
Foreign exchange differences	3	287	–	**290**
As at 31 December 2022	**2,629**	**219**	**–**	**2,848**

SME	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	**100**	**31**	**6,615**	**6,746**
New loan commitments	112	–	–	**112**
Expired loan commitments	(17)	–	(239)	**(256)**
Transfer to Stage 1	79	(6)	(73)	**–**
Transfer to Stage 2	(2)	5,002	(5,000)	**–**
Transfer to Stage 3	–	(28)	28	**–**
Change in allowance	(60)	(4,961)	(1,331)	**(6,352)**
Total allowance expense before the effect of foreign exchange differences	*112*	*7*	*(6,615)*	***(6,496)***
Foreign exchange differences	–	–	–	**–**
As at 31 December 2022	**212**	**38**	**–**	**250**

Retail banking	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	**2,255**	**1**	**8,449**	**10,705**
New loan commitments	2,182	–	112	**2,294**
Expired loan commitments	(341)	–	(4,424)	**(4,765)**
Transfer to Stage 1	7,963	(1)	(7,962)	**–**
Transfer to Stage 2	(129)	886	(757)	**–**
Transfer to Stage 3	(5)	–	5	**–**
Change in allowance	11,619	(878)	10,705	**21,446**
Total allowance expense before the effect of foreign exchange differences	*21,289*	*7*	*(2,321)*	***18,975***
Foreign exchange differences	–	–	243	**243**
As at 31 December 2022	**23,544**	**8**	**6,371**	**29,923**

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

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

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

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

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

	Provision for legal and other risks
As at 1 January 2023	**395,920**
Accrual	(111,096)
Used	(137,708)
As at 31 December 2023	**147,116**

	Provision for legal and other risks
As at 1 January 2022	**265,297**
Accrual	138,872
Write-off	(8,250)
As at 31 December 2022	**395,919**

22. Net fee and commission income

Net fee and commission income comprised:

	2023	*2022*
Settlements	1,450,168	1,636,573
Guarantees and letters of credit	406,818	356,746
Agent operations in the foreign exchange market	333,293	274,380
Loan servicing to customers	41,003	23,759
Transactions with securities	6,289	9,487
Other	23,394	26,515
Fee and commission income	**2,260,965**	**2,327,460**
Settlements	(707,395)	(716,122)
Guarantees and letters of credit	(224,612)	(172,247)
Agent operations in the foreign exchange market	(31,754)	(11,869)
Other	(433)	(6,398)
Fee and commission expense	**(964,194)**	**(906,636)**
Net fee and commission income	**1,296,771**	**1,420,824**

23. Other gains (losses)

Other gains (losses) comprised:

		2023	*2022*
Other losses (profits) are represented by changes in provisioning-related expenses (reversal of provisions) for legal risks	21	111,096	(138,872)
Gain on marketing support services		83,029	96,865
Fees from insurance companies and banks		78,268	78,031
Recovery of previously written-off assets		31,746	14,581
Penalties received and other fees for overdue payments under loan agreements		29,757	59,795
Obtaining income from the acquisition of ownership of real estate		20,959	–
Recovery of expenses on finance lease agreements		13,784	33,885
Gain from sale of investment and commemorative coins		11,297	7,832
Compensation costs for utilities of premises leased		9,706	7,430
Recovery of litigation expenses		6,172	3,144
Recognition of the fair value of buildings		3,104	–
Surplus cash collection at ATMs		2,568	2,393
Positive result from sale of other property		2,012	7,270
Recovery of registration costs		442	628
Positive result from sale of property, equipment and intangible assets		186	757
Other		44,021	40,815
Total other gains (losses)		**448,147**	**214,554**

24. Interest revenue calculated using effective interest method

The Table below discloses interest revenue calculated using effective interest method, reflected in the statement of profit and loss and other comprehensive income for the years ended 31 December 2023 and 2022:

	2023	*2022*
Loans and advances to customers	8,053,995	7,159,283
Investments in securities	5,580,651	3,209,886
Deposit certificates of the National Bank of Ukraine	3,076,606	651,301
Loans and advances to banks	589,091	296,466
Interest revenue calculated using effective interest method	**17,300,343**	**11,316,936**

25. Interest expense

The Table below discloses interest expense, reflected in the statement of profit and loss and other comprehensive income for the years ended 31 December 2023 and 2022:

	2023	*2022*
Due to customers	(10,181,952)	(4,631,413)
Due to the National Bank of Ukraine	(197,968)	(1,796,710)
Due to banks	(295,313)	(131,173)
	(10,675,233)	**(6,559,296)**
Other interest expense		
Lease liabilities	(14,835)	(12,642)
	(14,835)	**(12,642)**
Interest expense	**(10,690,068)**	**(6,571,938)**

26. Impairment loss determined in accordance with IFRS 9

The Table below discloses the impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

	Notes	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	388				**388**
Loans and other balances with banks	8	(1,164)	–	–		**(1,164)**
Loans and advances to customers	9	(127,686)	(593,351)	(237,512)	6,855	**(951,694)**
Losses from the recognition of POCI		–	–	–	447,023	**447,023**
Investments in securities at fair value through other comprehensive income	10	784,828	(483,642)	5,614	–	**306,800**
Return of loans and advances to customers written-off in the current year		–	–	1,892	–	**1,892**
Other financial assets	16	(2,013)	(5,925)	12,567	9,858	**14,487**
Financial guarantees	21	425,723	(159,686)	27,652	–	**293,689**
Undrawn loan commitments	21	(14,749)	3,989	66,858	–	**56,098**
Total impairment loss determined in accordance with IFRS 9		**1,065,327**	**(1,238,615)**	**(122,929)**	**463,736**	**167,519**

The Table below discloses the impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9 recorded in the statement of profit or loss and other comprehensive income for the year ended 31 December 2022:

	Notes	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	7	(2,501)	–	–	–	**(2,501)**
Loans and advances to banks	8	(2,075)	–	365	–	**(1,710)**
Loans and advances to customers	9	(301,082)	(1,176,596)	7,723,770	155,859	**6,401,951**
Investments in securities at fair value through other comprehensive income	10	162,861	788,313	(201,385)	–	**749,789**
Return of loans and advances to customers written-off in the current year		–	–	(12,738)	–	**(12,738)**
Other financial assets	16	1,899	6,323	7,111		**15,333**
Financial guarantees	21	(111,265)	133,421	46,562	–	**68,718**
Undrawn loan commitments	21	21,537	(160,275)	(8,936)	–	**(147,674)**
Total impairment gain determined in accordance with IFRS 9		**(230,626)**	**(408,814)**	**7,554,749**	**155,859**	**7,071,168**

27. Impairment loss for non-financial assets

The statement of profit and loss and other comprehensive income for the year ended 31 December 2023 presents provisioning-related expenses for other non-financial assets in the amount of UAH 24,010 thousand. (Note 16).

The statement of profit and loss and other comprehensive income for the year ended 31 December 2022, presents provisioning-related expenses for other non-financial assets in the amount of UAH 14,697 thousand. (Note 16).

28. Employee benefits expense, Other administrative and operating expense

Employee benefits expense, Other administrative and operating expense comprise:

	2023	2022
Salaries and bonuses	2,361,274	1,961,084
Employment taxes	434,861	379,179
Other staff costs	145,784	195,383
Employee benefits expense	**2,941,919**	**2,535,646**
Payments to the Individual Deposit Guarantee Fund	221,780	189,106

	2023	2022
Repair and maintenance of property, plant and equipment	173,623	167,851
Communication services	122,440	108,025
Taxes, other than income tax	90,097	91,351
Office supplies	88,926	76,995
Lease and maintenance of premises	78,993	84,535
Software support	73,002	62,124
Professional services	56,838	53,483
Security	36,169	36,316
Expenses for the accumulation of values	25,960	30,753
Marketing and advertising	15,842	22,674
Revaluation of buildings and land plots, other property	14,004	11,276
Business trips	6,724	2,216
Charity	4,888	388,416
Fines and penalties	303	–
Other	58,801	55,801
Other administrative and operating expense	**1,068,390**	**1,380,922**

29. Risk management

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

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

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

Risk management structure

Supervisory Board

The Supervisory Board outlines and approves the risk management strategy, credit policy, risk appetite statement, individual risk management policies, going concern procurement plan, plan for financing in crisis situations, strategy and operational plan for management of non-performing assets and foreclosed property, determines the risk appetite and sets risk limits, recognizes the sources of capitalization and other Bank financing, considers reporting on the Bank's risk profile, reviews the results of stress-testing, approves the CRO appointment and dismissal, identifies cases of the prohibition (veto) by the CRO, ensures the functioning of the risk management system and control over its effectiveness.

Risk Management Committee of the Supervisory Board

The Risk Management Committee of the Supervisory Board ensures the availability and updates of the internal regulations governing the Bank risk management process and credit policy, regularly monitors and analyzes the current profile of risks assumed by the Bank, monitors the compliance with the risk appetite amounts specified in the risk appetite statement.

Management Board

The Management Board is responsible for the overall risk management and for implementation of risk strategies and principles approved by the Supervisory Board. The Management Board delegates the operational risk management authority to the Bank's collegial structures and sets the authority limits for such collegial structures.

Collegial structures of the Management Board

Credit Council, Credit Committee, Committee for Methodological Support of Retail, Small and Microbusiness Risk Management, Non-performing Asset Management Committee, Commission for Monitoring of Credit Operations of customers, Credit Commissions of Directories manage the credit risk within the limits of authorities delegated to them by the Management Board.

The Assets and Liabilities Management Committee manages the liquidity risk, interest rate risk and market risk within the limits of authorities delegated by the Management Board.

The Operational Risk Management Committee manages the operational risk within the limits of authorities delegated by the Management Board.

The Information Security Management Committee manages the information risk as a component of the operational risk within the limits of authorities delegated by the Management Board.

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

CRO (Chief Risk Officer) and its subordinate risk management divisions

The CRO and its subordinate risk management divisions ensure timely identification, measurement, monitoring, control and reporting of significant risks, prepare and submit risk reports to the Supervisory Board, Risk Management Committee of the Supervisory Board, Management Board, collegial structures of the Management Board, develop and update the Bank methodology, risk assessment tools and models, ensure coordination of risk management related work with other structural units of the Bank, calculate the Bank risk profile, provide monitoring and prevention of violations of risk appetite amounts and risk limits, control the approximation of risk indicators to the approved risk amounts and risk limits and initiate measures to prevent their violations, carry out stress testing, prepare conclusions for adoption of credit decisions both for new loans and for making changes to the conditions of the existing loans, prepare conclusions on the risks inherent in new products before their introduction for the appropriate management decisions to be taken.

CCO (Chief Compliance Officer) and Compliance Department

CCO and Compliance Department develop compliance procedures, including compliance principles that shall be observed by all employees and management, ensure compliance of the compliance function with the current requirements of law and conducting trainings and increasing the awareness of the Banks employees regarding compliance with legal norms, relevant professional standards associations applicable to the Bank, risk management cultures, taking into account the code of conduct (ethics), organize the continuous functioning of the compliance function in the Bank, coordinate the establishment of potential areas of compliance risk that may result in the loss of the Bank reputation, legal or regulatory sanctions or financial losses, ensure the development and implementation of measures to limit (reduce) compliance risk, including transparent processes for the purpose of preventing or reducing the level of compliance risk, as well as for the purpose of identifying, registering and implementing measures for compliance violations, assess compliance risks inherent to new products and significant changes in the Bank activities until the moment of their implementation in order to make appropriate management decisions, ensure the organization of control over the Bank compliance with the norms regarding the timeliness and reliability of financial and statistical reporting, prepare conclusions regarding compliance risk for decision-making regarding the implementation of active transactions of the Bank related parties.

Risk appetite statement

The Bank determines (declares) the aggregate risk appetite by setting the aggregate risk limits and the risk appetite for individual risks by setting risk limits for significant risks, which are defined by the Risk Management Strategy currently effective at JSB "UKRGASBANK":

- Credit risk;
- Liquidity risk;
- Interest rate risk of the banking book;
- Market risks;
- Operational risk;
- Compliance risk;
- ML/TF risk (prevention and countermeasures against the legalization (laundering) of criminal proceeds, the financing of terrorism and the financing of the proliferation of weapons of mass destruction);
- Social and environmental risk.

The statement is based on the assumptions underlying the Bank budget, taking into account the current martial law in the country, the prudential requirements of the National Bank of Ukraine (including those set for systemically important banks) and covenants, which the Bank has undertaken to comply with according to the agreements with international financial institutions.

The aggregate risk appetite includes the requirements to comply with capital ratios, including with due consideration of expected changes in prudential and regulatory requirements.

Risk appetite for credit risk includes a system of indicators to control the quality of the loan portfolio (a portion of non-performing assets and foreclosed property), the value of credit risk, the limit of risk concentration by largest borrowers, industries, indicators of geographic and product concentrations and more.

Risk appetite for liquidity risk includes minimum liquidity coverage ratios (LCRs) in all currencies and separately in foreign currencies, duration of the period of full and timely performance by the Bank of its payment (settlement) obligations during a stressful situation, a net stable funding ratio (NSFR), and the limit of risk concentration in liabilities.

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

Risk appetite for market risks for instruments of the banking book includes compliance with the limits of open long and short currency positions, the value of the total risk position in goods by commodity risk and for instruments of the trading book is set as the maximum values, negative cumulative revaluation of the fair value of financial instruments of the "swap" type, the risk indicator of debt instruments based on the interest rate risk of the trading book and as the value at risk calculated using a parametric model based on Student's t-distribution with 7 degrees of freedom with a confidence interval of 99% over the horizon of 10 trading days.

Risk appetite for operational risk is set as the maximum amount of direct losses from the occurrence of operational risk at the year-end. At the same time, regardless of the cost of the incident and the amount of potential damage, the Bank has established zero tolerance for operational risks associated with incidents of internal fraud, negligence, disruption of the continuity of critical business processes.

Credit risk

Credit risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit, because its borrower/counterparty failed to discharge its contractual obligations.

The Supervisory Board approved the Credit Policy for the period of martial law, which defines the main areas of lending and regulates the basic principles and conditions for assuming the credit risk. To manage the risk of concentration of the loan portfolio, the Bank monitors the loan portfolio structure and, if necessary, sets the appropriate limits.

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

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

The carrying amount of items in the statement of financial position, including derivative financial instruments, without taking into account the impact of risk reduction due to collateral agreements, most accurately reflects the maximum amount of credit risk for these items.

Derivative financial assets and liabilities

Credit risk arising from derivative financial assets and liabilities is limited to their nominal amount under the applicable contracts.

Credit-related commitment risks

The Bank makes guarantees available to its customers, which provide that the Bank should make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. These guarantees expose the Bank to the risks similar to credit risks, which are mitigated by using the same control processes and policies.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

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

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

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

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

Other balances of cash and cash equivalents, loans and other balances with banks and investments in securities are classified with reference to the current credit ratings assigned by the international rating agencies. In the event a counterparty does not have an international rating assigned to it at the reporting date, the Bank used the ratings assigned to the parent companies by the international rating agencies, and if the counterparty (for example, NBU) is owned by the government or the state, the corresponding sovereign rating of the owner's country was used. The highest possible rating is AAA. The investment grade of financial assets corresponds to ratings from AAA to BBB-. The financial assets, which have ratings lower than BBB-, are classified as a speculative grade according to the acceptable international practice.

As at 31 December 2023, the classification by credit ratings of the Bank's financial assets with such ratings is as follows:

	AAA – A	*BBB – BB*	*B*	*CCC*	*Below CCC*	*Not rated*	*31 December 2023*
Cash and cash equivalents (other than cash on hand)	17,655,039	3,251,879	–	293,503	25,393,181	–	**46,593,602**
Loans and other balances with banks	1,068,089	105,784	–	10,287	891	448,160	**1,633,211**
Derivative financial assets	1,629	1,271	–	–	–	33	**2,933**
Investments in securities	26	–	–	–	55,627,077	101,562	**55,728,665**

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

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

The allowance for active operations with unrated banks is determined by 25reference to the country's sovereign rating using the Bank internal ratings.

Impairment assessment

The Bank calculates the expected credit losses based on several probability-weighted scenarios to measure the expected cash shortfalls discounted using EIR. Cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. ECL calculation methods are outlined below. The calculation elements are as follows:

Probability of Default (PD)

> Probability of Default is an estimate of the likelihood that counterparties fail to discharge their Default (PD) contractual obligations.

Exposure at Default (EAD)

> The Exposure at Default is the amount of debt on the asset that the counterparty is likely to fail to perform at any future date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

Loss Given Default (LGD)

> The Loss Given Default is an estimate of the loss arising in the case where a default by the counterparty occurs. LGD is calculated using a few scenarios. Estimates of probabilities for all scenarios and sub-types of loss in the event of default are combined in the overall assessment. The probability of scenarios for non-performing debt maintenance is calculated based on historical data. The level of losses in the case of default of loans with collateral is determined on the basis of collateral foreclosure value, taking into account the potential cash shortage in comparison with the book value (discount) and the term of realization.

Definition of default and cure

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

- the borrower's internal rating indicates default or close to default;
- a bankruptcy case has been initiated against the customer or the debtor has reported bankruptcy;
- the process of liquidation of the customer has been started;
- the terms of the contract were changed for the financial instrument, without which the customer would not be able to perform further debt service;
- the borrower is assigned to a group of clients that has a significant impact on the borrower's activities (it is a part of the business and cannot work separately) and the borrowers of this group are assigned to Stage 3.

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

- for the borrower, 2 or more criteria are met at the same time: is in a war zone; the client's business does not generate cash flows in its main activity; the main production assets suffered significant destruction;
- the borrower's business are located in the temporarily occupied territory;
- the borrower has not fully resumed activity, as a result, is unable to fully pay the accrued interest under the contract and has no obvious prospects of resuming full payment.

Significant increase in credit risk

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

- for corporate- and medium-sized business customers: the DEBT/EBITDA ratio is greater than 5, provided that the indicator value did not exceed 5 at the date of the asset initial recognition;
- for corporate- and medium-sized business customers: the customer internal rating decreased by over 3 p.p. in comparison with the rating effective at the date of the asset initial recognition;
- the borrower is assigned to a group of clients that has a significant impact on the borrower's activities (it is a business unit and cannot work separately) and the borrowers of this group are assigned to Stage 2.

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

- the borrower's business does not generate cash flows from the main activity and the main production assets have not suffered significant destruction, and the interest under the contract is paid in part or in full with the support of the group or alternative sources of financing;;
- the customer operates in the renewable energy sources segment (due to the suspension of "green tariff" payments during the martial law);
- the customer underwent repeated short restructuring (for a period of no more than 12 months).

Impairment assessment on individual and collective basis

Depending on the factors below, the Bank calculates ECLs either on individual or on collective basis.

The Bank calculates the ECLs on an individual basis for the assets, which are included in Stage 3 and which outstanding balance of debt per group of counterparties exceeds the limit set for the respective business segment and is individually significant.

The Bank combines the financial assets assessed on a collective basis in homogeneous groups depending on the internal features of loans, for example, payment days past due, type of product, etc.

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

Forward-looking information and economic scenarios

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

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

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

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

In 2022, the Bank additionally applied management adjustments to forecast information indicators. The management's adjustments reflected the significant uncertainty caused by the beginning of the armed aggression of the russian federation on the territory of Ukraine and took into account the possible degree of severity and duration of economic shocks, increased credit risk in certain areas of the economy, areas of lending. As at 31 December 2022, the indicator of macro factors was calculated with the application of adjustments for the rate of increase in the level of defaults by segments for the year 2022 (excluding borrowers in the occupied territories). The impact of this management adjustment on the amount of ECLs in the amount of UAH 208,294 thousand.

This adjustment had an impact only on loans evaluated on a collective basis in Stages 1 and 2. The impact of the below-mentioned adjustment on the default event parameters and on the amount of ECLs amounted to UAH 208,294 thousand.

Segment type	*Gross book value*	*ECL*	*ECLs for the 1st-2nd Stage*	*Impact of management adjustments*	*The impact of the adjustment on the indicators of forecast information, in %*
Corporate and medium clients	68,290,123	10,978,649	938,191	**143,052**	212.54%
Small and Micro clients	3,693,582	154,629	41,011	**16,629**	529.50%
Retail banking	5,709,448	1,800,747	108,143	**48,613**	392.70%*
Total	**77,693,153**	**12,934,025**	**1,087,345**	**208,294**	

* The table shows the average probability for the retail business, including the impact of the adjustment on the indicators of forecast information for the following sub-segments: mortgage loans - at 746%, car loans - at 406%, consumer loans - at 284%, other loans - at 135%.

In 2023, the indicator of macro factors was calculated without the adjustments of 2022.

However, taking into account the continuation of hostilities on the territory of Ukraine and the moderate degree of uncertainty, the Bank limited the lower limit of the macro factor coefficient to 0.9 and the highest limit of the macro factor coefficient to 3. The impact of the application of this restriction influenced the increase in reserves for Stage 1 and 2 loans in the amount of UAH 66,252 thousand.

The table below gives the forecast values of the economic indicators used in economic scenario for calculation of the ECL as at 31 December 2023.

Key drivers	*ECL scenario*	*Probability, %*	*2024*	*2025*
Inflation (consumer price index), to the corresponding month of the previous year (%)				
	Optimistic	25	7,5	3,5
	Base	50	9,8	6,0
	Pessimistic	25	12,1	8,5
NBU discount rate	Optimistic	25	13,0	8,2
	Base	50	15,0	11,1
	Pessimistic	25	17,0	14,0

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

Thus, as at 31 December 2023 the improvement of the indicator of macro factors by 10% will lead to a decrease of the ECLs by UAH 502 thousand (by the corporate and medium business segment by UAH 179 thousand, by the small and micro business segment by UAH 174 thousand, by the retail business segment by UAH 149 thousand).

A 10% deterioration of the indicator of macro factors will lead to an increase of the ECLs by UAH 773 thousand as at 31 December 2023 (for the corporate and medium business segment by UAH 386 thousand, by the small and micro business segment by UAH 202 thousand, by the retail business segment by UAH 185 thousand).

In 2023, the Bank analyzed the impact of scenario weights on the amount of expected credit losses, which is shown in the table below. Assumptions were used for the assessment of ECLs with the application of each individual scenario on Stage 1 and 2.

31 December 2023	*ECL when applying an optimistic scenario*	*ECL when applying the base scenario*	*ECL when applying a pessimistic scenario*	*ECL when using a probability-weighted scenario*
Corporate banking	319,613	319,868	322,554	320,476
SME	33,781	33,810	33,942	33,836
Retail banking	15,327	15,373	15,437	15,377
Total	**368,721**	**369,051**	**371,933**	**369,689**

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

31 December 2023	*Notes*		*High grade*	*Standard grade*	*Belowstandard grade*	*Impaired*	*Total*
Cash and cash equivalents (other than cash on hand)	7	Stage 1	46,310,958	289,484	–	–	**46,600,442**
Loans and other balances with banks measured at amortised cost	8	Stage 1	834,392	478,128	–	–	**1,312,520**
		Stage 2	–	–	–	–	**–**
		Stage 3	–	–	–	–	**–**
Loans and advances to customers at amortized cost:	9						
- Corporate banking		Stage 1	4,254,982	5,539,322	4,237,550	–	**14,031,854**
		Stage 2	93,891	8,880,915	19,277,591	–	**28,252,397**
		Stage 3	–	–	9,213,292	5,906,709	**15,120,001**
		POCI	–	–	370,057	248,605	**618,662**
- SME		Stage 1	3,330,249	1,596,658	956,814	–	**5,883,721**
		Stage 2	594,091	596,437	1,493,053	–	**2,683,581**
		Stage 3	–	85,615	1,381,185	949,742	**2,416,542**
		POCI	–	–	–	(628)	**(628)**

31 December 2023	*Notes*		*High grade*	*Standard grade*	*Belowstandard grade*	*Impaired*	*Total*
- Retail banking		Stage 1	4,744,661	121,646	20	10	**4,866,337**
		Stage 2	28,527	14,334	9,162	–	**52,023**
		Stage 3	–	14,420	1,134	1,799,924	**1,815,478**
		POCI	6,539	1,155	(140)	11,406	**18,960**
Investments in securities at fair value through other comprehensive income	10	Stage 1	34,176,603	–	–	–	**34,176,603**
		Stage 2	11,063,487	–	100,821	–	**11,164,308**
		Stage 3	–	–	–	1,583,141	**1,583,141**
Investments valued at amortized cost		Stage 1	8,871,109	–	–	–	**8,871,109**
		Stage 2	–	–	–	–	**–**
		Stage 3	–	–	–	–	**–**
Undrawn loan commitments:							
- Corporate banking		Stage 1	4,684,372	2,534,366	1,816,985	–	**9,035,723**
		Stage 2	1,556,429	2,031,682	111,342	–	**3,699,453**
		Stage 3	–	–	57,114	43,605	**100,719**
- SME		Stage 1	337,845	82,009	102,317	–	**522,171**
		Stage 2	3,228	36,368	12,446	–	**52,042**
		Stage 3	–	2,289	6	2	**2,297**
- Retail banking		Stage 1	2,969,151	22,664	219	501	**2,992,535**
		Stage 2	72	1,535	863	–	**2,470**
		Stage 3	–	1,658	115	5,521	**7,294**
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):	21						
- Corporate banking		Stage 1	377,788	2,243,293	2,840,128	–	5,461,209
		Stage 2	3,306	226,887	4,362,772	–	**4,592,965**
		Stage 3	–	–	97,194	–	97,194
- SME		Stage 1	9,891	41,442	49,059	–	**100,392**
		Stage 2	–	–	85,993	–	**85,993**
		Stage 3	–	–	–	–	**–**
Total			**124,251,571**	**24,842,307**	**46,577,092**	**10,548,538**	**206,219,508**

31 December 2022	Notes		High grade	Standard grade	Belowstandard grade	Impaired	Total
Cash and cash equivalents (other than cash on hand)	7	Stage 1	32,115,278	20,386	156,113	–	**32,291,777**
Loans and other balances with banks measured at amortised cost		Stage 1	1,746,694	399,168	–	–	**2,145,862**
		Stage 2	–	–	–	–	**–**
	8	Stage 3	–	–	–	14,521	**14,521**
Loans and advances to customers at amortized cost:	9						
- Corporate banking		Stage 1	4,859,726	5,340,201	7,115,794	–	**17,315,721**
		Stage 2	–	9,224,322	19,560,927	–	**28,785,249**
		Stage 3	1,325	331,528	11,765,530	2,367,407	**14,465,790**
		POCI	–	–	410,375	156,950	**567,325**
- SME		Stage 1	3,006,848	1,456,526	767,591	–	**5,230,965**
		Stage 2	260,453	725,397	2,070,838	–	**3,056,688**
		Stage 3	–	255,636	1,798,433	379,341	**2,433,410**
- Retail banking		Stage 1	3,129,780	431,958	791	35	**3,562,564**
		Stage 2	1,786	75,271	26,486	–	**103,543**
		Stage 3	–	288,475	4,877	1,726,460	**2,019,812**
		POCI	4,921	299	–	11,390	**16,610**
Investments in securities at fair value through other comprehensive income	10	Stage 1	5,895,024	–	–	–	**5,895,024**
		Stage 2	17,253,807	100,784	–	–	**17,354,591**
		Stage 3	–	–	–	2,015,955	**2,015,955**
Undrawn loan commitments:							
- Corporate banking		Stage 1	515,633	3,100,809	779,797	–	**4,396,239**
		Stage 2	–	1,647,491	671,848	–	**2,319,339**
		Stage 3	4,891	–	312,267	333,372	**650,530**
- SME		Stage 1	277,452	143,074	109,333	–	**529,859**
		Stage 2	11,915	50,350	30,488	–	**92,753**
		Stage 3	–	24,815	5,648	3,317	**33,780**
- Retail banking		Stage 1	2,763,006	57,257	227	218	**2,820,708**
		Stage 2	20	5,423	2,744	–	**8,187**
		Stage 3	–	12,326	622	11,522	**24,470**
Financial guarantees, guarantees on promissory notes and letters of credit (other than covered letters of credit):	21						
- Corporate banking		Stage 1	968,197	2,873,770	2,195,840	–	**6,037,807**
		Stage 2	–	2,017,380	4,366,630	–	**6,384,010**
		Stage 3	–	–	55,072	–	**55,072**
- SME		Stage 1	48,508	4,240	7,134	–	**59,882**
		Stage 2	–	148,467	1,429	–	**149,896**
		Stage 3	–	–	–	–	**–**
Total			72,865,264	28,735,353	52,216,834	7,020,488	160,837,939

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

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

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

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

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

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

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

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

Geographical concentration

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

	31 December 2023				
	Ukraine	*OECD countries*	*CIS and other foreign banks*	*including the russian federation and the republic of belarus*	*Total*
Assets					
Cash and cash equivalents	28,843,684	20,897,042	8,725	–	**49,749,451**
Loans and advances to other balances with banks	459,338	1,173,873	–	–	**1,633,211**
Loans and advances to customers	63,332,947	–	–	–	**63,332,947**
Investments in securities	55,728,639	26	–	–	**55,728,665**
Derivative financial assets	1,304	1,629	–	–	**2,933**
Other financial assets	1,548,757	562,442	958	–	**2,112,157**
	149,914,669	**22,635,012**	**9,683**	**–**	**172,559,364**
Liabilities					
Due to banks	2,786,924	–	8,033	8,033	**2,794,957**
Due to customers	154,133,564	–	–	–	**154,133,564**
Derivative financial liabilities	19,788	588			**20,376**
Other borrowed funds	2,927,956	2,651,981	–	–	**5,579,937**
Provisions for loan commitments and financial guarantee contracts	677,152	–	–	–	**677,152**
Other financial liabilities	580,830	63,091	5,078	3,114	648,999
	161,126,214	**2,715,660**	**13,111**	**11,147**	**163,854,985**
Difference between assets and liabilities	**(11,211,545)**	**19,919,352**	**(3,428)**	**(11,147)**	**8,704,379**

	31 December 2022				
	Ukraine	*OECD countries*	*CIS and other foreign banks*	*including the russian federation and the republic of belarus*	*Total*
Assets					
Cash and cash equivalents	15,020,143	20,326,029	615	–	**35,346,787**
Loans and other balances with banks	408,330	1,253,618	758,621	–	**2,420,569**
Derivative financial assets	14,973	96	–	–	**15,069**
Loans and advances to customers	64,759,128	–	–	–	**64,759,128**
Investments in securities	23,217,129	20	–	–	**23,217,149**
Other financial assets	900,755	–	–	–	**900,755**
	104,320,458	**21,579,763**	**759,236**	**–**	**126,659,457**
Liabilities					
Due to banks	5,560,536	–	8,033	*8,033*	**5,568,569**
Due to customers	112,778,613	–	–	–	**112,778,613**
Derivative financial liabilities	346	391	–	–	**737**
Other borrowed funds	1,663,198	2,721,617	–	–	**4,384,815**
Provisions for loan commitments and financial guarantee contracts	302,743	–	–	–	**302,743**
Other financial liabilities	731,679	34,887	4,807	*2,862*	**771,373**
	121,037,115	**2,756,895**	**12,840**	***10,895***	**123,806,850**
Difference between assets and liabilities	**(16,716,657)**	**18,822,868**	**746,396**	***(10,895)***	**2,852,607**

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations as they fall due without incurring unacceptable losses, or as a result of its inability to manage unplanned cash outflows, changes in funding sources and/or to honor its off-balance sheet liabilities. To mitigate this risk, management uses different sources of funding in addition to the main base of deposits. Management also performs the Bank's day-to-day liquidity management activities, with due account for balances on the correspondent accounts and cash inflow/outflow projections; management of current liquidity (up to 1 month) through identification of the Bank's requirements for liquid assets and assessment of the liquidity gaps for the period; management of liquidity over one month through assessment of mismatch between maturities on assets and liabilities and development of remedial measures to maintain the Bank's relevant liquidity levels in the future.

Analysis of financial liabilities grouped based on duration of periods from the reporting date to the maturity date is carried out in accordance with the applicable agreement.

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

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

	31 December 2023	*31 December 2022*
All-currency LCR, liquidity coverage ratio for all currencies	189.78%	142.73%
Foreign currency LCR, liquidity coverage ratio in foreign currency	217.69%	167.15%
Net Stable Funding Ratio	139.18%	113.89%

Analysis of assets and liabilities of the Bank by the estimated dates of their recovery or repayment is presented in Note 31.

Analysis of financial liabilities by remaining contractual maturities

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

In accordance with the waiver letters of early repayment of loans and received by the Bank from creditors, as of 31 December 2023, the Bank classifies long-term liabilities in the amount of UAH 3,198,099 thousand in accordance with the terms specified in the waiver letters. Information on the letters of waivers received by the Bank from the requirements of fulfilling the relevant covenants ("waiver") from creditors is provided in Note 3. As of 31 December 2022, creditors, in accordance with the current contracts, had the right to demand early repayment of long-term liabilities, therefore long-term liabilities in the amount of UAH 3,339,098 thousand classified on demand funds.

Financial liabilities as at 31 December 2023	On demand and up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Due to other banks	2,643,027	151,930	–	–	**2,794,957**
Other borrowed funds	371,840	3,104,568	738,422	2,346,195	**6,561,025**
Derivative financial instruments:					
- contractual amounts receivable	(2,452,144)	–	–	–	**(2,452,144)**
- contractual amounts payable	2,472,521	–	–	–	**2,472,521**
Due to customers	145,745,081	8,226,283	1,091,792	677	**155,063,833**
Other financial liabilities	535,289	54,761	102,712	–	**692,762**
Total undiscounted financial liabilities	**149,315,614**	**11,537,542**	**1,932,926**	**2,346,872**	**165,132,954**

Financial liabilities as at 31 December 2022	On demand and up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Due to the National Bank of Ukraine	61,644	188,356	1,505,479	–	**1,755,479**
Due to other banks	5,568,569	–	–	–	**5,568,569**
Other borrowed funds	3,853,144	1,638	14,332	45,536	**3,914,650**
Derivative financial instruments:					
- contractual amounts receivable	(292,305)	–	–	–	**(292,305)**
- contractual amounts payable	293,042	–	–	–	**293,042**
Due to customers	102,883,214	9,518,688	887,375	1,557	**113,290,834**
Other financial liabilities	584,832	62,555	123,986	–	**771,373**
Total undiscounted financial liabilities	**112,952,140**	**9,771,237**	**2,531,172**	**47,093**	**125,301,642**

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

	On demand
As at 31 December 2023	**27,642,888**
As at 31 December 2022	**24,130,590**

Operational risk

Operational risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in expected profit due to errors or deficiencies in the internal processes, willful or negligent acts by the staff or others, failures in information systems or due to external events. Operational risk includes legal risk, information security risk, and information and communication technology risk. For the purposes of operational risk management and control, such indicators as the maximum amount of direct losses from the implementation of operational risk, except for losses caused by the armed aggression of the russian federation against Ukraine, are used.

Regardless of the cost of the incident and the amount of potential loss, the Bank is intolerant of operational risks associated with incidents of internal fraud.

In order to identify and measure operational risk, the Bank uses the following tools:

- maintenance of the incident database and analysis of the information accumulated in it;
- analysis of the results of official inspections/investigations, inspections carried out by the internal audit department, external auditors, audit inspections, information on appeals from Bank clients, including those received by the Contact Center, information on shortages/surpluses/fines that are recorded on Bank accounts;
- definition and quarterly monitoring of key risk indicators (KRI - Key Risk Indicators);
- conducts self-assessment of operational risk (Risk Self Assessments) at least once a year;
- analysis of business processes in order to identify operational risks inherent in a specific process/procedure of processes, analysis of Bank products and initiatives to automate Bank processes;
- scenario analysis and annual stress testing of operational risk (Scenario Analysis).

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

Interest rate risk of the banking book

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

Sensitivity of the statement of profit or loss and other comprehensive income reflects the effect of the assumed changes in interest rates on net interest income for one year, which is a result of gaps between maturities of assets and liabilities before revision of the interest rate that reflects maturity before revision of the base rate for instruments with a floating (variable) interest rate and maturity for instruments with a fixed interest rate.

	31 December 2023					
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Assets	72,463,853	15,021,115	29,071,575	43,601,081	3,736,013	**163,893,637**
Liabilities	140,080,447	10,757,851	8,368,721	1,352,917	1,894,889	**162,454,825**
Difference between assets and liabilities	**(67,616,594)**	**4,263,264**	**20,702,854**	**42,248,164**	**1,841,124**	**1,438,812**
1%	(648,378)	35,508	77,707	–	–	**(535,163)**
-1%	648,378	(35,508)	(77,707)	–	–	**535,163**

Interest rate sensitivity of pre-tax profits and losses (method of liquidity gaps before revision)

	31 December 2023					
	Up to 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Assets	72,463,853	15,021,115	29,071,575	43,601,081	3,736,013	**163,893,637**
Liabilities	140,080,447	10,757,851	8,368,721	1,352,917	1,894,889	**162,454,825**
Difference between assets and liabilities	**(67,616,594)**	**4,263,264**	**20,702,854**	**42,248,164**	**1,841,124**	**1,438,812**
1%	(648,378)	35,508	77,707	–	–	**(535,163)**
-1%	648,378	(35,508)	(77,707)	–	–	**535,163**

	31 December 2022					
	Up to 1 month	*From 1 to 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Assets	43,966,870	15,794,870	28,637,740	30,571,201	2,192,293	**121,162,974**
Liabilities	101,982,143	9,772,402	10,090,856	826,184	37,203	**122,708,788**
Difference between assets and liabilities	**(58,015,273)**	**6,022,468**	**18,546,884**	**29,745,017**	**2,155,090**	**(1,545,814)**
1%	(556,311)	50,160	69,614	–	–	**(436,537)**
-1%	556,311	(50,160)	(69,614)	–	–	**436,537**

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and security prices. The Bank classifies exposures to market risk into either trading or non-trading portfolios. The market risks for non-trading positions are managed and monitored using sensitivity analysis. The Bank recognizes the most material type of market risk to be currency risk (collectively based on instruments of the banking and trading books).

Currency risk

Currency risk is the existing or potential risk for the Bank's earnings or capital arising out of unfavorable fluctuations in foreign exchange rates and precious metal prices. The Assets and Liabilities Management Committee sets limits on positions by foreign currencies based on the requirements of the National Bank of Ukraine. Currency positions are monitored on a daily basis.

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

	UAH	*USD*	*EUR*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	26,837,454	12,333,000	10,458,754	120,243	**49,749,451**
Loans and other balances with banks	50,955	963,528	297,357	321,371	**1,633,211**
Loans and advances to customers	38,277,438	15,377,936	9,677,573	–	**63,332,947**
Investments in securities	55,538,749	167,711	22,205	–	**55,728,665**
Investment property	154,269	–	–	–	**154,269**
Current tax assets	1,070,155	–	–	–	**1,070,155**
Property and equipment and intangible assets	1,225,785	–	–	–	**1,225,785**
Right-of-use assets	138,631	–	–	–	**138,631**
Deferred tax assets	54,449	–	–	–	**54,449**
Other financial assets	1,512,606	593,658	5,893	–	**2,112,157**
Other non-financial assets	604,820	37,433	21,225	1,252	**664,730**
Total assets	**125,465,311**	**29,473,266**	**20,483,007**	**442,866**	**175,864,450**

	UAH	*USD*	*EUR*	*Other currencies*	*Total*
Liabilities					
Due to banks	63,287	1,885,255	745,153	101,262	**2,794,957**
Due to customers	110,152,291	25,390,011	18,340,413	250,849	**154,133,564**
Other borrowed funds	2,562,846	–	3,017,091	–	**5,579,937**
Provisions for loan commitments and financial guarantee contracts	175,737	50,357	451,058	–	**677,152**
Other provisions	147,958	5,370	7	–	**153,335**
Other financial liabilities	424,997	70,346	107,592	46,064	**648,999**
Other non-financial liabilities	610,925	2,486	–	–	**613,411**
Total liabilities	**114,138,041**	**27,403,825**	**22,661,314**	**398,175**	**164,601,355**
Net long/(short) recognized position	**11,327,270**	**2,069,441**	**(2,178,307)**	**44,691**	
Assets receivable	1,617,477	126,104	1,516,952	2,139	**3,262,672**
Assets payable	–	(2,937,976)	(328,238)	(13,901)	**(3,280,115)**
Net long/(short) unrecognized position	**1,617,477**	**(2,811,872)**	**1,188,714**	**(11,762)**	
Total long/(short) recognized and unrecognized position	**12,944,747**	**(742,431)**	**(989,593)**	**32,929**	

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

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

	UAH	*USD*	*EUR*	*Other currencies*	*Total*
Assets					
Cash and cash equivalents	13,864,043	15,031,176	6,371,311	80,257	**35,346,787**
Loans and other balances with banks	543	2,117,697	25,792	276,537	**2,420,569**
Loans and advances to customers	38,771,373	14,775,687	11,212,068	–	**64,759,128**
Investments in securities	22,770,125	446,669	355	–	**23,217,149**
Investment property	156,366	–	–	–	**156,366**
Current tax assets	2,690,423	–	–	–	**2,690,423**
Deferred tax assets	30,138	–	–	–	**30,138**
Property and equipment and intangible assets	1,234,025	–	–	–	**1,234,025**
Right-of-use assets	166,113	–	–	–	**166,113**
Other financial assets	833,148	58,946	8,661	–	**900,755**
Other non-financial assets	572,265	55,116	35,578	46,468	**709,427**
Total assets	**81,088,562**	**32,485,291**	**17,653,765**	**403,262**	**131,630,880**
Liabilities					
Due to banks	469,109	4,849,559	140,053	109,848	**5,568,569**
Due to customers	72,579,652	25,940,206	14,041,727	217,028	**112,778,613**
Other borrowed funds	1,326,348	–	3,058,467	–	**4,384,815**
Provisions for loan commitments and financial guarantee contracts	295,935	5,359	1,449	–	**302,743**
Other provisions	396,047	–	15	–	**396,062**
Other financial liabilities	635,772	44,745	65,391	25,465	**771,373**
Other non-financial liabilities	454,583	20,219	44,683	7,430	**526,915**
Total liabilities	**76,157,446**	**30,860,088**	**17,351,785**	**359,771**	**124,729,090**
Net long/(short) recognized position	**4,931,116**	**1,625,203**	**301,980**	**43,491**	
Assets receivable	2,941,048	401,418	31,161	10,834	**3,384,461**
Assets payable	–	(2,829,876)	(524,899)	(15,354)	**(3,370,129)**
Net long/(short) unrecognized position	**2,941,048**	**(2,428,458)**	**(493,738)**	**(4,520)**	
Total long/(short) recognized and unrecognized position	**7,872,164**	**(803,255)**	**(191,758)**	**38,971**	

The currencies in which the Bank has significant positions for monetary assets and liabilities as at 31 December 2023 and 31 December 2022 are presented in the table below. The analysis involves calculation of the impact of a possible change in exchange rates against the Ukrainian Hryvnia on the statement of profit or loss and other comprehensive income (due to the presence of non-trading monetary assets and liabilities which fair value is sensitive to changes in exchange rates). The negative value shown in the table reflects the potential net decrease in the statement of profit or loss and other comprehensive income or equity, and the positive values reflect the potential net increase.

The expected impact of changes in the exchange rate of direct historical fluctuations in the exchange rates of currency pairs in 2023 in relation to the hryvnia, which causes different forecast rates for different currencies.

Currency	*Increase in foreign currency exchange rate, % 31 December 2023*	*Effect on profit before tax 31 December 2023*	*Increase in foreign currency exchange rate, % 31 December 2022*	*Effect on loss before tax 31 December 2022*
USD	16.50%	(122,501)	25.00%	200,814
EUR	20.75%	(205,340)	25.00%	47,939

Currency	*Decrease in foreign currency exchange rate, % 31 December 2023*	*Effect on profit before tax 31 December 2023*	*Decrease in foreign currency exchange rate, % 31 December 2022*	*Effect on loss before tax 31 December 2022*
USD	(7.00%)	51,970	(25.00%)	(200,814)
EUR	(7.00%)	69,271	(25.00%)	(47,939)

The impact on the pre-tax loss will have the opposite effect.

30. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date, regardless of whether that price is directly observable in the market or is assessed using a different valuation technique.

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

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

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

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis, and fair value of buildings

Some of the Bank's financial assets and financial liabilities as well as the Bank's buildings are measured at fair value at the end of each reporting period. The information about how the fair value of these financial assets and financial liabilities is determined (in particular, the valuation techniques and inputs used) is presented in the table below:

Assets/liabilities	***Fair value hierarchy level***	***Valuation techniques and key inputs***
Investments in securities at fair value through other comprehensive income	2	Discounted cash flows: future cash flows are estimated based on the inputs that are observable either directly or indirectly. The estimates use one or more observable quoted prices for orderly transactions in the markets that are not considered active.
Investments in securities at fair value through other comprehensive income	3	Discounted cash flows: future cash flows are estimated based on both observable and unobservable market data. Unobservable inputs include assumptions regarding future financial performance of the issuer, its risk profile and economic assumptions with respect to the industry and geographical jurisdiction where the issuer operates.
Loans and advances to customers at fair value through profit or loss and Loans and advances to customers at fair value through other comprehensive income	3	Discounted cash flows: future cash flows are estimated based on both observable and unobservable market data. Unobservable data include assumptions about the borrower's future financial performance, risk profile, and economic assumptions about the industry and geographical jurisdiction in which the borrower operates.
Derivative financial instruments	2	Discounted cash flows: future cash flows are estimated based on forward exchange rates (represented by observable foreign exchange rates at the end of the reporting period) and contractual forward exchange rates discounted at a rate reflecting credit risk from different counterparties.
Buildings and land plots, investment property	2	The Bank engages professional independent appraisers to determine the fair values of its buildings and land plots and investment property using comparative approach and income approach for the items for which there are no market comparatives. In a comparative approach to evaluation, the prices of market-based sales of comparable properties in the immediate proximity are adjusted with reference to differences in main parameters (such as floor space of a property item). The main parameter used in this valuation technique is the price per square meter of a property item.
Loans and other balances with banks at fair value through profit or loss	2	Financial assets in precious metals are recognized at fair value through profit or loss. The value of assets changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to banks at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.
Due to customers at fair value through profit or loss	2	Financial liabilities in precious metals are measured at fair value through profit or loss. The value of liabilities changes on a daily basis depending on the prices for precious metals and the official exchange rates published by the NBU for precious metals in the Ukrainian market. Carrying amount approximates the fair value.

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

	31 December 2023			
	Level 1	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Loans and other balances with banks at fair value through profit or loss	–	321,371	–	**321,371**
Derivative financial assets	–	2,933	–	**2,933**
Loans and advances to customers at fair value through profit or loss	–	–	29,531	**29,531**
Loans and advances to customers at fair value through other comprehensive income	–	–	2,925	**2,925**
Investments in securities at fair value through other comprehensive income	26	45,654,850	1,202,680	**46,857,556**
Investment property	–	154,269	–	**154,269**
Buildings and land plots	–	817,559	–	**817,559**
Total	**26**	**46,950,982**	**1,235,136**	**48,186,144**
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	–	89,745	–	**89,745**
Derivative financial liabilities	–	20,376	–	**20,376**
Due to customers at fair value through profit or loss	–	194,939	–	**194,939**
Total	**–**	**305,060**	**–**	**305,060**

	31 December 2022			
	Level 1	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Loans and other balances with banks at fair value through profit or loss	–	276,538	–	**276,538**
Derivative financial assets	–	15,069	–	**15,069**
Loans and advances to customers at fair value through profit or loss	–	–	60,654	**60,654**
Loans and advances to customers at fair value through other comprehensive income	–	–	2,244	**2,244**
Investments in securities at fair value through other comprehensive income	20	21,851,904	1,365,225	**23,217,149**
Investment property	–	156,366	–	**156,366**
Buildings and land plots	–	839,734	–	**839,734**
Total	**20**	**23,139,611**	**1,428,123**	**24,567,754**
Liabilities measured at fair value				
Due to banks at fair value through profit or loss	–	82,465	–	**82,465**
Derivative financial liabilities	–	737	–	**737**
Due to customers at fair value through profit or loss	–	164,883	–	**164,883**
Total	**–**	**248,085**	**–**	**248,085**

Movements in Level 3 financial instruments measured at fair value

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

Financial assets	***As at 1 January 2023***	***Unrealized income (revaluation)***	***Repayment***	***Write-down recognized in equity***	***Accrued interest as part of interest income***	***As at 31 December 2023***
Investments in securities at fair value through other comprehensive income	**1,365,225**	–	(642,510)	270,269	209,696	**1,202,680**
Loans and advances to customers at fair value through profit or loss	**60,654**	1,327	(40,281)	–	7,830	**29,530**

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

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

	31 December 2023		31 December 2022	
	Carrying amount	Impact of possible alternative assumptions	Carrying amount	Impact of possible alternative assumptions
Financial assets				
Investments in securities at fair value through other comprehensive income	1,202,680	90,086/ (74,348)	1,365,225	102,083/(90,079)
Loans and advances to customers at fair value through profit or loss	29,531	414 / (400)	60,654	1,258/ (1,205)

To analyze the impact on the value of investments that are measured at fair value through other comprehensive income, assumptions about changes in the value of the interest rate along the yield curve. A decrease in the interest rate by 10% lead to an increase in the fair value on UAH 90,086 thousand (2022: UAH 102,083 thousand). An increase in the interest rate by 10% lead to a decrease in the fair value on UAH 74,348 thousand (2022: UAH 90,079 thousand).

To analyze the sensitivity of the loans and advances to customers at fair value through profit or loss, the assumption regarding changes in the discount rate of future cash flows was applied. A decrease in the discount rate by 10% will lead to a decrease in the value by UAH 414 thousand (2022: UAH 1,258 thousand). An increase in the discount rate by 10% will lead to a decrease in the value by UAH 400 thousand (2022: UAH 1,205 thousand).

Fair value of financial assets and liabilities not carried at fair value

The estimated fair values of financial assets and liabilities are determined using market prices, discounted cash flows and other appropriate valuation techniques and may not be indicative of the fair value of those instruments at the date these financial statements are authorized for issue. Such calculations do not reflect any premiums or discounts that may arise as a result of an offer to sell the entire amount of a particular financial instrument at the same time. The fair value measurement is based on judgments about expected future cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

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

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

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

Fair value	*31 December 2023* *Level 1*	*Level 2*	*Level 3*	*Total*
Assets for which fair values are disclosed				
Loans and other balances with banks	–	1,311,840	–	**1,311,840**
Investments accounted for at amortized cost	–	8,871,109	–	**8,871,109**
Loans and advances to customers	–	–	65,460,964	**65,460,964**
Total	**–**	**10,182,949**	**65,460,964**	**75,643,913**
Liabilities for which fair values are disclosed				
Due to the National Bank of Ukraine	–	–	–	–
Due to other banks	–	2,705,212	–	**2,705,212**
Other borrowed funds	–	5,579,937	–	**5,579,937**
Due to customers	–	153,972,944	–	**153,972,944**
Total	**–**	**162,258,093**	**–**	**162,258,093**

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and other balances with banks	1,311,840	1,311,840	2,144,031	2,144,031
Investments accounted for at amortized cost	8,871,109	8,871,109		
Loans and advances to customers	63,300,491	65,460,964	64,696,230	63,338,814
Total assets	**73,483,440**	**75,643,913**	**66,840,261**	**65,482,845**
Financial liabilities				
Due to the National Bank of Ukraine	–	–	998,956	998,956
Due to other banks	2,705,212	2,705,212	5,486,105	5,486,105
Other borrowed funds	5,579,937	5,579,937	3,385,858	3,385,858
Due to customers	153,938,625	153,972,944	112,613,730	112,607,571
Total liabilities	**162,223,774**	**162,258,093**	**122,484,649**	**122,478,490**

31. Analysis of assets and liabilities by maturities

Analysis of assets and liabilities by maturities are presented in the table below. See Note 29 for the Bank's contractual undiscounted repayment liabilities.

	31 December 2023				31 December 2022			
	On demand/ Within one year	More than one year	No maturity	Total	On demand/ Within one year	More than one year	No maturity	Total
Cash and cash equivalents	49,749,451	–	–	**49,749,451**	35,346,787	–	–	**35,346,787**
Loans and other balances with banks	1,240,577	392,634	–	**1,633,211**	2,420,569	–	–	**2,420,569**
Loans and advances to customers	38,357,753	24,975,194	–	**63,332,947**	39,625,091	25,134,037	–	**64,759,128**
Investments in securities at fair value through other comprehensive income	18,901,049	36,827,616	–	**55,728,665**	7,675,568	15,541,581	–	**23,217,149**
Derivative financial assets	2,933	–	–	**2,933**	15,069	–	–	**15,069**
Investment property	–	–	154,269	**154,269**	–	–	156,366	**156,366**
Current tax assets	1,070,155	–	–	**1,070,155**	–	2,690,423	–	**2,690,423**
Deferred tax assets	–	54,449	–	**54,449**	–	30,138	–	**30,138**
Property and equipment and intangible assets	–	–	1,225,785	**1,225,785**	–	–	1,234,025	**1,234,025**
Right-of-use assets	–	–	138,631	**138,631**	–	–	166,113	**166,113**
Other financial assets	1,055,194	1,056,963	–	**2,112,157**	889,087	11,668	–	**900,755**
Other non-financial assets	383,855	280,875	–	**664,730**	330,205	42,158	337,064	**709,427**
Total	**110,760,967**	**63,587,731**	**1,518,685**	**175,867,383**	**86,302,376**	**43,450,005**	**1,893,568**	**131,645,949**
Due to banks	2,794,957	–	–	**2,794,957**	5,568,569	–	–	**5,568,569**
Due to customers	153,261,880	871,684	–	**154,133,564**	111,896,149	882,464	–	**112,778,613**
Derivative financial liabilities	20,376	–	–	**20,376**	737	–	–	**737**
Other borrowed funds	3,203,813	2,376,124	–	**5,579,937**	3,339,744	1,045,071	–	**4,384,815**
Provisions for loan commitments and financial guarantee contracts	603,129	74,023	–	**677,152**	298,185	4,558	–	**302,743**
Other provisions	153,335	–	–	**153,335**	395,994	68	–	**396,062**
Other financial liabilities	559,248	89,751	–	**648,999**	609,112	162,261	–	**771,373**
Other non-financial liabilities	613,411	–	–	**613,411**	520,663	6,252	–	**526,915**
Total	**161,210,149**	**3,411,582**	**–**	**164,621,731**	**122,629,153**	**2,100,674**	**–**	**124,729,827**
Net amount	**(50 449 182)**	**60,176,149**	**1,518,685**	**11,245,652**	**(36,326,777)**	**41,349,331**	**1,893,568**	**6,916,122**

As at 31 December 2023, the Bank presented in the article "Other borrowed funds" term loans borrowed from credit institutions in the amount of UAH 3,198,099 thousand, in accordance with the terms specified in the letters regarding the waiver of the requirements for the fulfillment of the relevant covenants and early repayment of loans ("waiver") received by the Bank from creditors. Information on the letters of waivers received by the Bank from the requirements of fulfilling the relevant covenants ("waiver") from creditors is provided in Note 3. As at 31 December 2022, creditors, in accordance with the current contracts, had the right to demand early repayment of long-term liabilities, therefore long-term liabilities in the amount of UAH 3,339,098 thousand. were classified as demand funds. Note 29 provides information on breach of covenants.

The Bank's management believes that the negative liquidity gap (liquidity gap between financial assets and financial liabilities maturing within one year amounted to UAH (51,136,446) thousand as at 31 December 2023). The gap is under control and does not threaten the Bank's ability to settle its liabilities in full and in a timely manner. As such, the Bank has access to secondary reserve of liquid funds represented by:

- amount of UAH 27,535,173 thousand, municipal bonds in the amount of UAH 1,129,147 thousand that have a high degree of liquidity and were included in the category of repayable after one year. Liquid funds may be received either through the sale of the said securities or raising of a refinancing loan from the National Bank of Ukraine with the securities used as a collateral. As at 31 December 2023, the fair value of securities that may be considered as a cover for the cumulative liquidity gap in the category of repayable within one year amounted to UAH 28,664,320 thousand;
- stable balances on current and other customer accounts determined based on the Bank's own methods, which are based on statistical analysis of fluctuations in current customer account balances. As at 31 December 2023, the stable balances on current and other accounts were estimated to be equal to UAH 61,647,547 thousand. Based on the going concern assumption, actual maturity of the stable balances may be considered as undefined.

32. Related party transactions

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability, directly or indirectly through one or more intermediaries, to control the other party or exercise significant influence over the party when making financial and operational decisions.

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

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

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

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

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

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

	31 December 2023				31 December 2022			
	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel
Assets								
Cash and cash equivalents	–	25,678,703	–	–	–	11,955,239	–	–
Loans and other balances with banks	–	11,177	–	–	–	9,162	–	–
Loans and advances to customers, gross	–	16,792,433	–	156	–	17,867,123	2,934	285
Loans and advances to customers, less: expected credit losses/allowance for impairment	–	(682,218)	–	(1)	–	(948,828)	(31)	(10)
Investments in securities	44,419,609	2,336,359	–	(8)	20,630,471	2,492,597	–	–
Right-of-use assets		2,946	–	–		4,038	–	–
Liabilities								
Due to banks								
- current accounts	–	19	–	–	–	12	–	–
- other amounts	–	1,216	–	–	–	1,183	–	–
Other borrowed funds	–	2,927,956	–	–	–	1,663,198	–	–
Due to customers:								
- current accounts	–	47,117,629	14,536	8,378	–	19,857,268	151,512	30,624
- time deposits	–	2,128,752	2,350	14,725	–	3,524,219	67,589	7,600
Lease liabilities	–	4,173	–	–	–	5,277	–	–
Commitments and contingencies								
Financial guarantees	–	5,118,177	–	–	–	4,154,416	–	–
Credit-related commitments	–	6,076,077	66	650	–	3,511,023	103	1,315
Letters of credit	–	690,200	–	–	–	567,598	–	–
Performance guarantees	–	320,053	–	–	–	305,817	–	–

	31 December 2023				31 December 2022			
	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel
Statement of profit or loss and other comprehensive income								
Interest revenue calculated using effective interest method:								
- loans and advances to customers	–	2,250,873	77	92	–	2,002,262	88	–
- due from credit institutions		190	–	–	–	2	–	–
- investments in securities	5,134,612	432,946	–	–	2,492,597	704,496	–	–
- deposit certificates of the National Bank of Ukraine	–	3,076,606	–	–	–	651,301	–	–
Interest expense:								
- due to the National Bank of Ukraine	–	197,968	–	–	–	1,796,710	–	–

	31 December 2023				31 December 2022			
	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel	Shareholder (Ministry of Finance of Ukraine)	State controlled entities	Other related parties	Key management personnel
- due to credit institutions	–	78,666	–	–	–	21,323	–	–
- due to customers	–	3,395,195	36	287	–	1,841,686	7,761	305
- lease liability	–	887	–	–	–	1,320	–	–
Impairment loss determined in accordance with IFRS 9	–	284,934	32	26	–	21,413	32	(108)
Net gain (loss) on operations with debt financial instruments measured at fair value through other comprehensive income	72,072	–	–	–	26,633	243	–	–
Other income	–	3,882	–	4	–	32,929	1,298	–
Other operating expenses	–	269,234	–	273	–	236,959	597	245

For deposit certificates of the National Bank of Ukraine, the rate range is as follows (%):

Currency	31 December 2023	31 December 2022
UAH	15.0 – 20.0	23.0

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

	31 December 2023		31 December 2022	
Currency	Corporate banking	Retail banking	Corporate banking	Retail banking
UAH	11.0 – 28.1	43.0 – 43.0	10.4 – 33.5	42.0 – 42.0
USD	5.1 - 7.5	-	3.5 - 7.5	-
EUR	4.5 - 4.5	-	4.5 - 4.5	-

Other borrowed funds received from related parties, the rate range is as follows (%):

Currency	31 December 2023	31 December 2022
UAH	3.0 – 14.3	3.0 – 11.1
USD	–	–
EUR	6.26 – 6.76	3.46 – 3.96

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

	31 December 2023		31 December 2022	
Currency	Corporate banking	Retail banking	Corporate banking	Retail banking
UAH	0 – 14.9	0 – 5.0	0 – 19.8	0 – 10.0
USD	0 – 0.3	0 – 0.0001	0 – 0.8	0 – 0.1
EUR	–	0 – 0.0001	0 – 0.25	-

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

	31 December 2023		31 December 2022	
Currency	Corporate banking	Retail banking	Corporate banking	Retail banking
UAH	12.0 – 16.5	15.0 – 15.7	6.0 – 19.95	6.0 – 14.5
USD	0.1 – 1.7	0.01 – 1.0	2.5 – 3.7	0.05 – 1.2
EUR	0.01	0.01	-	0.01

Risk concentration Concentration risk - risk is determined by the Bank as the risk of possible losses due to concentration of risk in specific instruments, operations and industries.

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

As at 31 December 2023, 55% of assets and 32% of liabilities were concentrated in operations with state-owned companies, the National Bank of Ukraine, state banks and government authorities (2022: 40% of assets and 19% of liabilities).

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

Remuneration to key management personnel comprises the following items:

	31 December 2023	31 December 2022
Salaries and bonuses	71,834	84,724
Total remuneration to key management personnel	**71,834**	**84,724**

33. Capital adequacy

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The main regulator, the National Bank of Ukraine, sets and monitors capital requirements for the Bank as a whole and monitors compliance with these requirements on the basis of reporting under national standards. The Bank as a whole and its individual banking operation are directly supervised by the local regulators.

Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2023 and 31 December 2022 the minimum level was 10%. The Bank complied with the statutory capital ratios during the periods ended 31 December 2023 and 31 December 2022.

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

Analytical bases for calculating capital adequacy according to the requirements of the NBU and the requirements of Basel I are different, so they cannot be compared.

As at 3 December 2023 and 31 December 2022, the Bank's capital adequacy ratio is:

	31 December 2023	*31 December 2022*
Fixed assets	8,260,719	7,538,083
Additional capital	3,109,167	64,000
Prevention	–	–
Regulatory capital	11,369,886	7,602,083
Standard H2	15,81%	10,88%
Standard H3	11,49%	10,79%

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

	31 December 2023	*31 December 2022*
Tier 1 capital	10,765,230	8,852,729
Tier 2 capital	425,973	(1,966,745)
Total capital	**11,191,203**	**6,885,984**
Risk weighted assets	**79,681,322**	**79,034,713**
Tier 1 capital ratio	13.51%	11.20%
Total capital ratio	14.04%	8.71%

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

34. Changes in liabilities arising from financing activities

	Due to the National Bank of Ukraine	*Other borrowed funds (long-term)*	*Lease liability*	*Total*
Carrying amount as at 1 January 2022	**4,699,967**	**2,505,737**	**230,772**	**7,436,476**
Additions	7,200,000	999,718	67,306	**8,267,024**
Repayment	(10,900,000)	(648,443)	(90,871)	**(11,639,314)**
Exchange differences	–	521,944	–	**521,944**
Other	(1,011)	6,903	(43,701)	**(37,809)**
Carrying amount as at 31 January 2022	**998,956**	**3,385,859**	**163,506**	**4,548,321**
Additions	–	2,360,603	68,880	**2,429,483**
Repayment	(1,000,000)	(439,957)	(81,305)	**(1,521,262)**
Exchange differences	–	241,196	–	**241,196**
Other	1,044	32,236	(18,020)	**15,260**
Carrying amount as at 31 December 2023	**–**	**5,579,937**	**133,061**	**5,712,998**

35. Subsequent events

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

On 9 March 2024, the long-term sovereign credit rating of Ukraine in foreign currency was downgraded by the rating agency Standard & Poor's to "CC" with a "negative" outlook.

The Board of the National Bank of Ukraine decided to reduce the discount rate from 15% to 14.5% from 15 March 2024.

Sustainability Report

Build Back Better, Build Back Green

- Responsible Banking
- Environmental Disclosure (E)
- Social Performance (S)
- Governance Disclosure (G)

RESPONSIBLE BANKING

Report Overview

This section of the Annual and Sustainability Report summarizes UGB's sustainability performance in 2023. The Report outlines our achievements in sustainability initiatives, governance, stakeholder engagement, material issues, sustainable and inclusive finance, environmentally friendly operations, employee well-being, community contributions, E&S risk management, and ethical business practices.

This report is intended for all stakeholders in Ukraine and internationally, providing transparent, evidence-based information about the environmental and social impacts of our activities in 2023. It showcases our commitment to creating value for our shareholders, employees, customers, partners, and society.

While we published sustainability reports in the past (2018-2020 reports are available on our website on **https://www.ukrgasbank.com/en/about/zvit_sr/)**, the full-scale war that began in early 2022 interrupted our reporting efforts.

The war has shifted priorities towards survival and resilience for individuals, businesses, the economy, and the nation as a whole. However, the issues of sustainability have not lost their relevance with the war. Instead, the focus has evolved, with social aspects, energy security, and clean energy becoming central to Ukraine's rebuilding efforts.

Even amidst the conflict, we remain committed to providing unwavering support to the economy, businesses, and communities. We are now resuming our sustainability reporting with this 2023 report, covering the entire year from January 1 to December 31, 2023.

We referenced the GRI standards - the globally recognized framework for sustainability reporting - in preparing this report. However, this report does not strictly adhere to the GRI core format. At this stage, the presented information, in certain cases, is limited due to lack of tailored data analysis and reporting systems for particular sets of information.

Green Banking Development

UGB is a universal bank focused on financing sustainable development projects, including, but not limited to, energy efficiency, renewable energy, and resource conservation projects for businesses and individuals aiding Ukraine's climate efforts and benefiting our stakeholders and society. This commitment is reflected in our Articles of Association, which align our activities with the UN's Sustainable Development Goals (SDGs).

With us being a financial intermediary, our environmental and social influence extends significantly beyond our direct operations. In fact, it often surpasses the impact generated solely by our bank. Incorporation of sustainable development principles in our lending policy, as well as in our products and services, are of top importance for us. It enables us to effectively manage our indirect impacts and complex social, environmental, and reputational risks.

Our green journey began in 2016, when UGB in collaboration with the International Finance Corporation pioneered a new business model as a bank focused on green finance. This initiative aimed to facilitate easier access to funding for companies committed to renewable energy, energy efficiency, and environmental protection projects. Key components include enhancing our expertise in analyzing and implementing energy efficiency and renewable energy projects across various sectors, introducing a specialized eco-product line, and implementing comprehensive social and environmental risk management systems.

With the support of the IFC, we established a unique in-house technical office staffed with professional engineers to assess sustainable development projects. This office not only tracks the bank's direct and indirect carbon dioxide (CO2) emissions but also analyzes the carbon footprint reduction achieved through the "green" energy and resource efficiency projects we finance.

UGB was among the first banks in Ukraine to establish an Environmental and Social Management System (ESMS). Guided by international best practices, this system ensures that our operations meet rigorous environmental and social standards. We have integrated ESMS procedures into our credit risk management framework, ensuring that commercial lending undergoes thorough environmental and social risk assessments. This approach not only mitigates material negative environmental impacts but also inspires sustainable practices among our clients.

In 2018, we became a member of the Carbon Pricing Leadership Coalition and endorsed the UN Principles for Responsible Banking in 2019, demonstrating our alignment with UN SDGs and the Paris Climate Agreement. This dedication was further recognized in 2019 when UGB was named the best bank for sustainable finance in Central and Eastern Europe at the Euromoney Award for Excellence.

Guided by the UN's 17 SDGs for 2030, UGB adopted an updated methodology in 2023 to identify sustainable projects. This expanded our focus beyond solely green projects to include a broader range of sustainable initiatives.

To date, the Bank has financed and committed to finance over USD 1.3bn in mid- and large-scale green projects, including 1.1 GW of clean energy capacity. These projects have resulted in a substantial reduction of nearly 1.6 million tons of carbon emissions annually, contributing to a cleaner environment for Ukraine.

Materiality Assessment

UGB recognizes linkages between its activities and various stakeholders and systems, including employees, customers, the environment, and the economy. In line with this responsibility, UGB strives to identify and address the most significant environmental, social, and economic impacts, both positive and negative, generated by our operations.

To prioritize our sustainability efforts and ensure alignment with stakeholder expectations and business goals, UGB conducted a materiality assessment to identify the most critical issues. This assessment evaluated various aspects of our activities, determining their significance based on their potential to influence stakeholder decisions and their substantial economic, environmental, or social impacts. Our analysis included interactions with key business units, input from Bank management, trends in the banking sector, and expectations of investors and creditors. Results of this assessment guided the content of our report, highlighting the aspects that truly matter to stakeholders and reflect the most significant impacts of the Bank's operations.

The Bank's key focus areas include climate and environment, sustainable financing, people and community, innovation, and business conduct. In line with our commitment to the UNEP FI Principles for Responsible Banking, UGB analyzed which SDGs are most impacted by our credit portfolio and our own activities.

UGB's Contribution to UN Sustainable Development Goals

2 ZERO HUNGER

We actively contribute to food security and sustainable agriculture through government support financing programs that support farmers, agricultural businesses, and critical infrastructure throughout the food supply chain. Our efforts focus on improving productivity, promoting sustainable farming practices, and increasing access to markets for Ukrainian agricultural products.

3 GOOD HEALTH AND WELL-BEING

We prioritize wellbeing of our employees through solid and clear occupational health and safety practices, health support initiatives, and access to quality healthcare. We extend this commitment to our communities by facilitating grant programs for veterans and internally displaced persons (IDPs) in partnership with international development finance institutions. Additionally, we have financed purchases of equipment by medical institutions.

7 AFFORDABLE AND CLEAN ENERGY

As a Bank focused on sustainable finance, we are committed to accelerating Ukraine's transition to a low-carbon economy. We achieve this by financing renewable energy projects (solar, wind, hydro, bio), energy efficiency initiatives for businesses and households, and supporting development of the clean energy infrastructure.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We play a crucial role in rebuilding and modernizing Ukraine's critical infrastructure, including energy, transportation, and industrial facilities. Our financing solutions support development of the resilient and sustainable infrastructure that promotes economic growth and social well-being.

4 QUALITY EDUCATION

Through accessible branches, staff training, and tailored financial products, we are actively working to ensure that all Ukrainians, regardless of ability, can participate fully in the economy. This commitment includes educational initiatives and partnerships with organizations serving the disabled community, specialized programs to support veterans furthering UGB's goal of contributing to a more equitable and inclusive financial landscape.

11 SUSTAINABLE CITIES AND COMMUNITIES

The ongoing conflict in Ukraine has highlighted the critical need for resilient and sustainable cities and communities. UGB is actively responding by directing financial resources towards projects that revitalize urban infrastructure, promote energy efficiency in buildings, and accelerate the adoption of renewable energy sources. These investments not only address urgent needs arising from the war but also lay the groundwork for a more sustainable and resilient future for Ukrainian cities and communities.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Recognizing the importance of resource conservation during the war and post-war reconstruction, we prioritize financing initiatives that promote efficient use of energy and other resources, minimize waste, and support transition to a circular economy. This helps build a more resilient and sustainable Ukraine in the face of current challenges.

13 CLIMATE ACTION

We are actively engaged in mitigating climate change by reducing our own carbon footprint through operational efficiency measures and investments in renewable energy. We also prioritize financing green projects that contribute to greenhouse gas reduction and support our clients in their transition to low-carbon operations

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We demonstrate our commitment to peace and stability by upholding strong corporate governance, maintaining strong anti-corruption measures, adhering to international sanctions and the Bank's exclusion list, and ensuring financial transparency. During the ongoing war, we are dedicated to supporting the Ukrainian economy and contributing to the nation's resilience.

17 PARTNERSHIPS FOR THE GOALS

We actively collaborate with international development finance institutions (DFIs), governmental organizations, and other stakeholders to leverage resources, share knowledge, and collectively address complex challenges. These partnerships enable us to expand our reach and impact in advancing the SDGs.

Stakeholder Engagement

UGB values open communication with our stakeholders. The Bank actively seeks their feedback and suggestions to ensure our understanding of their evolving needs and priorities. Their valuable input not only helps us improve and become more relevant but also guides us in meeting their expectations and fulfilling our commitments. We actively engage with a diverse range of stakeholders, including:

- **Customers:** To ensure we are meeting their needs and exceeding expectations, we gather their feedback through surveys, focus groups, and customer service interactions. This allows us to continuously improve our products, services, and commitment to sustainability.
- **Employees:** Employees are integral to our organization. We prioritize their insights, fostering an open dialogue via internal communication channels, staff surveys, and regular meetings. Our culture emphasizes transparency and collaboration, ensuring that sustainability is seamlessly integrated into our daily operations.
- **Shareholders and Investors:** We communicate our sustainability approach and performance through regular reports and meetings. We strive to provide transparent and accurate information that meets needs of our stakeholders.
- **Regulators and Government Authorities:** We maintain communication with regulatory bodies and government agencies to make sure we follow all laws and regulations, including those relating to sustainability and social responsibility.
- **Communities:** We are committed to nurturing strong relationships with our local communities. We collaborate with community partners, conduct consultations, and actively support local initiatives to address their needs and enhance their overall well-being.
- **International Financial Institutions (IFIs) and Development Finance Institutions (DFIs):** We value the partnerships we've built with IFIs and DFIs, working together on financing and risk-sharing initiatives, exchanging knowledge and expertise, and aligning our sustainability efforts with their priorities for Ukraine's development and recovery.
- **NGOs and Civil Society Organizations:** We actively engage with NGOs and civil society organizations focused on sustainable development to address environmental and social challenges at the community level. These collaborations deepen our understanding of market trends and barriers to sustainable financing, solidifying our leadership positions in the Ukrainian sustainable banking.

We believe that this multi-stakeholder approach enables us to identify and prioritize material issues, enhance our sustainability performance, and build strong relationships with those who have a stake in our success. Stakeholder engagement is crucial in promoting transparency and accountability, allowing the Bank to address concerns proactively and adapt to changing expectations. By incorporating diverse perspectives, UGB can develop new practices more effectively and implement solutions that are aligned with both community values and global sustainability goals. This joint effort ensures that our ESG initiatives are comprehensive and impactful, ultimately driving long-term value for all stakeholders

ENVIRONMENTAL DISCLOSURE (E)

The Bank recognizes that its operations have both an indirect and direct impact on the environment, and therefore it has established management and mitigation approaches that will help it become a more environmentally friendly and climate-resilient organization. Indirect environmental and social impacts and benefits are associated with the projects the Bank finances, whereas direct environmental impacts relate to those occurring as a result of our own operations. This section presents how we manage our direct environmental performance, as well as indirect environmental aspects.

Environmental and Social Risk Management System

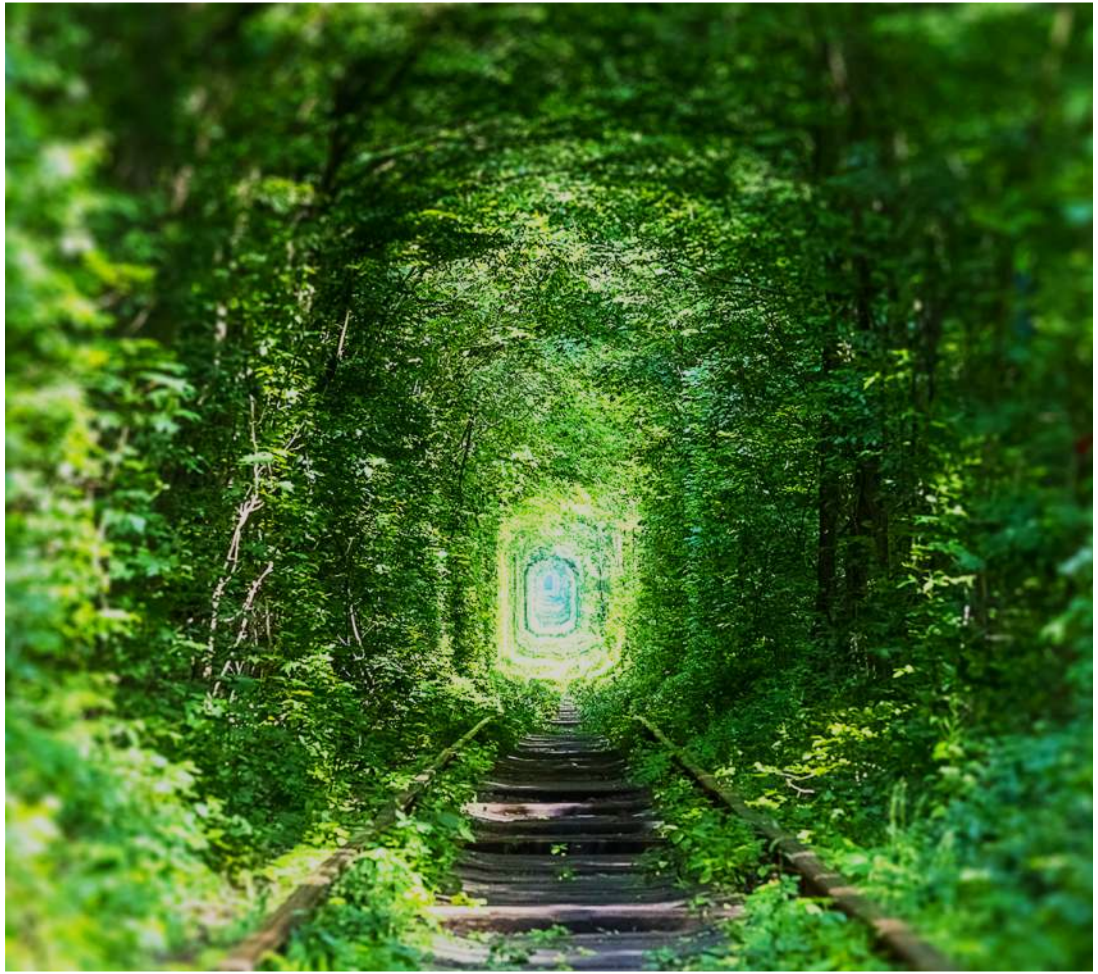
UGB's standards and policies aim to ensure that our operations effectively assess and manage environmental and social risks associated with business transactions, particularly in relation to MSME and corporate clients, project finance, short- and long-term banking facilities, and trade finance.

The Bank effectively manages environmental and social impacts arising from its operations and potential risks associated with financed projects. UGB was among the first banks in the country to develop an ESMS. The International Finance Corporation provided expertise and guidance to ensure implementation of an advanced system based on global best practices. The IFC Performance Standards are the foundation of the Bank's ESMS and set the standard for evaluating environmental and social risks in our lending practices.

The Bank has established two key documents regulating environmental and social responsibility: the Environmental and Social Responsibility Policy (please see the section Sustainability Governance of this report) and the Regulation on Assessment, Monitoring, and Reporting of Environmental and Social Risks of the Bank's Projects (hereinafter also collectively referred to as E&S Policies). According to these documents, the process includes identifying and categorizing risks (A - high, B - medium, C - low), assessing acceptability of E&S risks to the Bank, proposing risk mitigation measures, and conducting subsequent monitoring. Additionally, there is an exclusion list specifying activities prohibited for financing by UGB, which is incorporated in the UGB credit policy. The Bank is committed to continuously improving environmental standards, often exceeding legal requirements, and is currently reviewing the standards and policies as part of strengthening ESG governance and climate-related risk management.

The Bank encourages clients to meet environmental and social risk standards, helping them develop action plans to bridge any gaps. UGB collaborates with customers to manage their significant environmental and social risks and impacts.

The Bank has created a dedicated Environmental and Social Risk Management Division (E&S Team) that reports to the CRO.



Environmental and social risk management is a part of our financing decision-making process. The E&S Team is responsible for identifying, evaluating, and managing these risks. For complex E&S issues beyond their expertise -, particularly in category A projects - we engage external consultants to ensure that all our activities comply with environmental and social standards and regulations.

During the due diligence process, the E&S Team evaluates client activities and projects for risks related to environmental pollution, public complaints, and inadequate working conditions. They also verify compliance with the Ukrainian environmental legislation, labor safety regulations, technological and fire safety requirements, and social legislation. Moreover, the team reviews project documentation, including mandatory environmental impact assessments, urban planning conditions, limits on natural resource use, and social impact assessments, both during and after project implementation.

For clients and projects classified as Category A risk, the Bank requires pre-financing site visits by its experts. These visits allow for a visual inspection, verification, and analysis of accuracy of the information provided to the Bank. Engaging with the client's authorized representatives, staff, and local residents helps comprehensively identify and assess potential risks.

The assessment results are documented in the Social and Environmental Assessment Findings, detailing areas for improvement and necessary procedures. Some customers are required to implement tailored action plans and comply with monitoring and reporting obligations to minimize E&S risks. These requirements are stipulated as covenants in agreements between the customers and the Bank.

After loan disbursement, we conduct annual monitoring of environmental and social risks by collecting standardized reports from clients. The information is analyzed to ensure compliance with any additional lending conditions imposed due to identified non-conformities, which may include requirements under Ukrainian legislation.

The Bank conducts E&S assessments for clients with credit exposures exceeding USD 2 million, as well as for all sustainable projects and projects under special programs with the Government and IFIs/DFIs that require assessment and monitoring.

In 2023, UGB conducted environmental and social due diligence of 298 projects categorized as 12 high-risk, 185 medium-risk, and 101 low-risk ones. No projects were rejected for non-compliance with the Bank's Environmental and Social Policy. For high-risk projects, four on-site visits were conducted by specialized Bank staff to assess borrower operations and project implementation.

Furthermore, the Bank has established a Sustainable Banking Department with an in-house Technical Office to promote and develop sustainable banking practices. The Technical Office comprises experienced engineers with extensive banking expertise. They analyze credit projects focused on green and sustainable development, track the Bank's CO_2 emissions, and assess the impact of Bank-financed energy-efficient projects on its carbon footprint.

Training activities are crucial for effectively implementing the Bank's E&S Policy. In 2023, UGB demonstrated this commitment by conducting a comprehensive online training course on "Environmental and Social Risks" for 522 employees across various sectors, including small and medium-sized enterprises and corporate businesses. The training aimed to deepen understanding of the Bank's updated regulations on E&S risk assessment, monitoring, and reporting, as well as its comprehensive Environmental and Social Responsibility Policy. This initiative highlights the Bank's dedication to fostering a culture of continuous learning and ensuring its employees remain informed about the latest developments in the field of environmental and social sustainability.

To further enhance its expertise, the E&S Team also participated in the following external training sessions and workshops:

- State of the art E&S Risk Management for Financial Institutions provided by KfW
- The Environment & Social Risk Analysis (ESRA) provided by UNEP FI
- Online-Development Program on Sustainable Development provided by EBA.

The Bank has established procedures, guided by its ESMS, to handle external inquiries and concerns. These procedures provide a channel for the public to raise questions or issues related to the Bank's E&S Policy and ensure timely responses from the Bank. We prioritize transparency and open communication, value feedback from stakeholders to continuously improve. Our dedicated grievance mechanism allows for reporting environmental and social concerns, with all communication carefully documented. Interested parties can submit queries to the following e-mail address: grievances@ukrgasbank.com, or contact the Bank's Call Center. In 2023, we received no complaints related to environmental or social issues.

Sustainable Products

UGB is deeply committed to advancing green and sustainable development throughout Ukraine. We provide a wide range of financial solutions, including green loans and sustainability-linked loans. Our dedicated Technical Office, staffed with experts in green technology financing, not only assesses potential projects but also can provide recommendations for optimizing technological solutions to maximize sustainability.

Since 2016, UGB has operated as an Eco bank, specializing in financing resource-efficient, energy-efficient, and renewable energy initiatives. In 2020, we expanded our focus by adopting the Environmental, Social, and Governance (ESG) model, which allows us to finance projects that promote environmental sustainability. At UGB, ESG projects are not just about investments, they represent opportunities to make a lasting positive impact on the environment and society. This mission to drive positive change through ESG has taken on even greater urgency in the face of the ongoing war in Ukraine.

We finance projects and provide banking services aimed at promoting renewable energy initiatives, energy-efficient and resource-efficient upgrades across businesses, residential properties, local communities and municipalities, and other sustainable initiatives. Our portfolio also includes environment safety projects and initiatives supporting recovery and reconstruction efforts, alongside other sustainable initiatives.

To incentivize implementation of green projects, the Bank offers interest rate reductions on green loans. Projects with higher decarbonization levels qualify for greater reductions, up to 1% in UAH and 0.5% in foreign currency. This mechanism can be combined with other incentives, providing businesses with multiple benefits for their sustainable initiatives.

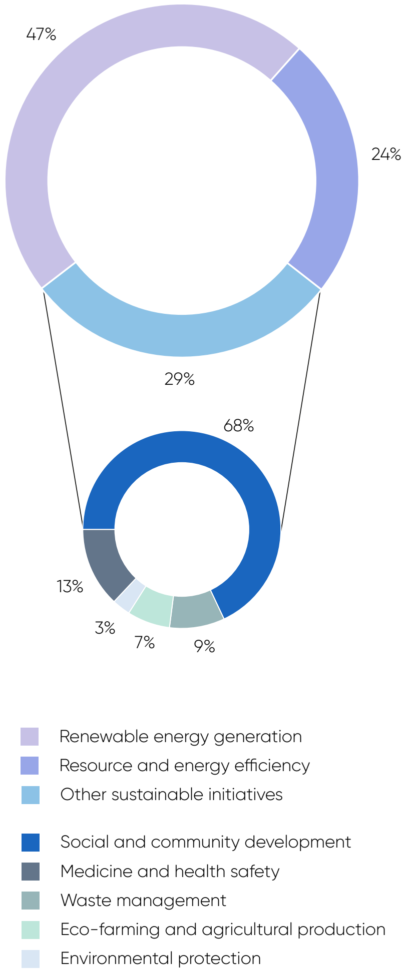
UGB also offers specialized deposit products with additional interest benefits for individuals and SMEs that prioritize sustainability by implementing energy-efficient solutions and green technologies.

In response to the war, UGB has introduced products to support military personnel and their families. We have also mobilized funding for rebuilding Ukrainian cities through a dedicated deposit scheme. This innovative deposit allows clients to contribute to reconstruction efforts by voluntarily accepting a 1% interest rate reduction, with the bank doubling the resulting savings and directing the funds towards revitalization of cities and local communities affected by the war.

In alignment with Ukraine's state policy on energy independence, UGB collaborates with government authorities and specialized funds to offer loan products that facilitate implementation of energy-efficient solutions. A prime example is the "Enerhodim" program, developed in partnership with the Energy Efficiency Fund, which targets housing cooperatives and aims to reduce energy consumption and CO_2 emissions in the residential sector.

UGB also actively engages with local communities to implement joint energy efficiency programs and comprehensive ESG projects that foster sustainable development at the municipal level.

Sustainable Loan Portfolio Breakdown, 2023



How We Manage Our Environmental Impact

UGB recognizes that climate change and its associated risks may not only affect the future but also impede sustainable development of communities. While the Bank's direct environmental impact is relatively minor compared to the impact of financing provided to customers, it is crucial for us to enhance our resource efficiency to mitigate any negative environmental effects and contribute to climate change mitigation efforts.

UGB implements measures to identify and monitor environmental aspects relevant to our direct operations, including energy resources, water, materials used, waste, and greenhouse gas emissions generated through our core activities. We prioritize adopting a 'reduce, reuse, and recycle' approach wherever feasible.

UGB monitors and reports CO2 emissions resulting from its own direct and indirect activities, calculated according to EIB Project Carbon Footprint Methodologies.

This methodology was developed in accordance with recommendations from the Intergovernmental Panel on Climate Change, the Greenhouse Gas Protocol developed and published by the World Resources Institute and the World Business Council for Sustainable Development, and an international financial institution framework for a harmonized approach to greenhouse gas accounting. Additionally, as needed, the Bank's technical office conducts primary verification of CO2 emissions using the Climate Assessment for Financial Institutions online tool provided by the IFC: Climate Assessment for Financial Institutions (CAFI).

Data on consumption, collection methods, and calculated CO2 emissions for the Bank have been recorded since 2016. The Bank presently calculates Scope 1 and 2 CO2 emissions, directly linked to its operations. However, due to the ongoing war with russiacollecting data and calculating Scope 3 emissions have been challenging.

The Bank is actively developing a methodology to assess and calculate Scope 3 emissions, with the intention of including this information in its 2024 report.

Scope 1 refers to direct GHG emissions resulting from the Bank's own operations. At the Bank, Scope 1 emissions are calculat§ed based on consumption of fossil fuels (gasoline, diesel) by vehicles and diesel generators, which are used to ensure continuity of banking services under the Power Banking initiative. During the war, damage to the energy infrastructure caused shortage of electricity, leading to increased reliance on diesel generators and higher diesel fuel consumption. Additionally, Scope 1 includes GHG emissions from the Bank's heat generation for its premises.

Scope 2 refers to indirect emissions resulting from purchase of energy from a supplier or the grid by the Bank. This includes GHG emissions from consumption of electricity, steam, centralized heating, and cooling. The Bank calculates Scope 2 emissions based on centralized municipal heating and electricity consumption for the head office and the branch network.

Scope 3 includes all other indirect emissions that are not directly generated by the bank but are influenced by its activities through the value chain. This includes financing, investment activi ties, procurement, and provision of goods and services, as well as other interactions with stakeholders such as customers and partners. Scope 3 emissions are usually the largest and most complex to calculate, requiring comprehensive analysis of stakeholder interactions to prepare accurate data.

GHG Emissions, t CO_2e, 2023

Scope 1	948
Scope2	2,452
Total GHG emissions	3,400
Scope 1, details	
Stationary fuel consumption	599
Mobile fuel consumption	349
Scope 2, details	
Electricity	2,452
Heating	0.4

From 2016 to 2023, UGB consistently financed projects in renewable energy and energy efficiency, leading to a significant reduction in CO2 emissions. Furthermore, the Bank is actively implementing energy management practices and digitizing business processes, which include upgrading premises, phasing out diesel vehicles, and increasing use of hybrid cars. These efforts, combined with the Eco-Bank project launched in 2016, have resulted in substantial greenhouse gas emission reductions and significant fuel savings, equivalent to a considerable amount of natural gas.

Environmental Impact of UGB Lending, 2016–2023

Annual Reduction		
CO_2 emissions reduced via financed RE projects	million t	1.2
CO_2 emissions reduced via all financed decarbonization projects	million t	1.6
Fossil fuel consumption decreased by financing RE projects, equivalent to natural gas	billion m^3	0.6
Fossil fuel consumption decreased by all financed decarbonization projects, equivalent to natural gas	billion m^3	0.9

Energy Consumption

Energy consumption is a major contributor to our environmental footprint. This includes not only electricity used for premises and equipment but also natural gas and fossil fuels for heating, cooling, and transportation.

UGB is actively reducing its environmental footprint by implementing measures to decrease energy consumption. This commitment is evident in our focus on energy-efficient technologies, such as LED lighting, automatic lighting controls, and modern HVAC systems, which significantly reduce electricity consumption in our offices.

Energy Consumption	Unit	2023	
Energy consumption	GJ/MWh	37,417	10,394
Fossil fuel	GJ/MWh	4,404	1,223
Electricity	GJ/MWh	18,983	5,273
Heating	GJ/MWh	14,030	3,897
Direct consumption	GJ/MWh	4,404	1,223
Indirect consumption	GJ/MWh	33,013	9,170
Energy consumption			
Fossil fuel	%	83	
Renewables	%	2	
Nuclear	%	15	
Fuel consumption			
Petrol	t	65	
Diesel	t	39	
Natural gas	thousand m^3	230	

UGB further enhances its sustainability efforts through a range of initiatives. By embracing remote work for certain employees, the bank significantly reduces energy consumption in its offices. The bank has also minimized circulation of paper documents, fostering a paperless workflow, which not only saves energy but also enhances operational efficiency. UGB also demonstrates its commitment to sustainable transportation by integrating hybrid vehicles into its fleet, leveraging the efficiency of electric motors combined with traditional gasoline engines.

The Bank promotes a culture of sustainability by educating its employees. Through training sessions, seminars, and email resources, they raise their awareness about the importance of energy efficiency, we equip employees with practical strategies to reduce electricity consumption in their daily work lives. By implementing these comprehensive measures, UGB demonstrates its deep commitment to environmental responsibility, setting a powerful standard for other businesses to follow.

In the face of the constant russian attacks that damage Ukraine's power grid, every kilowatt saved is a strong statement. By reducing electricity consumption, Ukrainians help stabilize the grid and prevent long blackouts that could hinder vital wartime infrastructure and services. This collective effort is not just about the present, it is about reclaiming long-term energy security and independence from russia's control.

Due to the war's impact on operational activities in 2023, water consumption was reduced as a result of the occupation of parts of the Ukrainian territory and a wider adoption of remote work arrangements. Additionally, as part of an efficiency and resource conservation program, the bank replaced and repaired faulty components of the water supply and sewerage systems.

The Bank conducted awareness campaigns among employees to promote rational water use. These initiatives included distributing informational materials via email, which helped reduce water consumption. Despite the challenging conditions, UGB remains committed to enhancing water use efficiency, promoting responsible consumption, and supporting sustainable development initiatives.

Paper Consumption

UGB is committed to a paperless future. The Bank has implemented several initiatives to reduce paper consumption across our branches. These measures include adopting a policy of purchasing recycled paper, promoting digital transactions and paperless operations, and replacing paper forms and approvals where possible with electronic document management system approvals. We have also optimized workflows to minimize unnecessary photocopying and printing. To further encourage mindful paper usage, regular notices are displayed in our offices.

Since 2020, the Bank has implemented a new procedure to control paper consumption, enabling comparison of usage and detection of deviations from typical patterns, thereby enhancing control and facilitating further reduction. Some departments, such as branches and cash centers, being particularly paper-intensive, have been encouraged to use additional computer monitors, thereby contributing to a reduction in paper waste.

In 2018, the Bank introduced corporate paper recycling practices. Back-office paper from head office and various branches was collected and securely shredded by a contracted firm. However, this practice has been suspended due to the wartime limitations. We plan to resume paper recycling once conditions permit.

Water Consumption	2018	2019	2020	2021	2022*	2023
Water, m^3	30,692	29,502	23,103	22,944	–	22,385
Consumption per employee, m^3	7.7	7.4	5.8	5.7	–	5.6

*Due to the war, we were unable to gather complete data on water usage in 2022.

Water Consumption

Recognizing its importance, the Bank is committed to using water wisely and minimizing consumption in its operations. Water at the Bank is used primarily for domestic needs and cleaning purposes. The Bank sources its water from municipal supplies and has not faced any water scarcity issues.

Due to the war's impact on operational activities in 2023, water consumption was reduced as a result of the occupation of parts of the Ukrainian territory and a wider adoption of remote work arrangements. Additionally, as part of an efficiency and resource conservation program, the bank replaced and repaired faulty components of the water supply and sewerage systems.

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SOCIAL PERFORMANCE (S)

UGB believes in responsible banking to create positive change in society. We respect human rights, follow labor laws, and value diversity, prioritizing well-being of our employees, customers, and communities.

We promote a respectful and inclusive work environment, helping everyone reach their full potential. Through our products, services, and community initiatives, UGB aims to support Ukraine's social and economic growth, working towards a fairer and more sustainable future for all.

Our Team

UGB, one of the leading employers in Ukraine with over 3,500 employees, understands the impact its corporate culture and policies have on its workforce. Our employees are the cornerstone of our success and the driving force behind the Bank's significant contributions to the national economy.

UGB believes that a talented and dedicated workforce is essential for achieving our strategic goals and driving long-term success.

The Bank is committed to attracting, developing, and retaining a skilled workforce. It has cultivated a positive, innovation-driven work environment that promotes engagement, and exceptional performance. By investing in our people, we invest in the future of the Bank and the communities we serve.

At UGB, we have established mandatory standards of conduct that apply not only to our employees but also to our interactions with partners, clients, suppliers, and government bodies. These standards are detailed in the Code of Ethics (Conduct) and are designed to promote and uphold corporate ethics, business principles, values, and employee behavior norms.

Employee Management Framework

UGB's commitment to a positive and productive work environment is reflected in our comprehensive employee management framework. This framework is built on a set of human resource policies and procedures. These guidelines cover essential aspects of the employee lifecycle, including:

- Recruitment and Selection: Ensuring fair and equitable hiring practices
- Training and Development: Fostering continuous learning and growth
- Performance and Talent Management: Recognizing and rewarding contributions, and identifying future leaders
- Compensation and Benefits: Providing competitive and equitable rewards.

In addition, we have developed specific policies and procedures to address key areas such as remuneration, internal work rules, information security (including employee confidentiality), anti-harassment, complaints, incident management, disciplinary sanctions, and conflict of interest. These policies and procedures ensure that our employees are treated fairly and with respect, and that they have the resources and support they need to succeed in their roles.

Our Employees

The total number of employees across the entire Bank network is 3,533, with 28% men and 72% women. Our workforce size has remained consistent compared to the previous year. In 2023, 243 women took maternity and childcare leaves, reflecting our commitment to supporting family values.

Our Values

Professionalism

Our operational stability and success are driven by the experience and professionalism of our managers and employees, who are committed to continuous development through ongoing education and acquisition of new skills.

Reliability and Responsibility

Our managers and employees share a mutual responsibility for delivering high-quality results, ensuring that the Bank remains reliable and trustworthy for our clients, partners, and shareholders.

Respect and Ethics

We uphold mutual respect and adhere to the highest ethical standards, both within the Bank and in our interactions with clients, partners, and shareholders.

Environmental Approach

We integrate eco-friendly practices into our internal processes and offer innovative banking products to our partners and clients that enhance energy efficiency and protect the environment, contributing to sustainable development in Ukraine.

Collaboration and Interaction

We collaborate effectively with colleagues, partners, and clients to achieve outstanding results

UGB is dedicated to attracting and retaining top talents while fostering a positive and flexible work environment. In 2023, we welcomed 335 new employees (269 women and 66 men) and promoted 86 employees to higher positions. We also provided valuable internship opportunities to 53 students.

As of 2023, 96% of UGB employees hold permanent contracts, with the remaining 4% on part-time or fixed-term contracts. Our staff turnover rate was 9.2%, the lowest in eight years, demonstrating our commitment to employee retention.

Currently, a majority of our non-customer-facing employees have the option to work remotely - a policy that has resulted in increased employee satisfaction and enhanced overall efficiency.

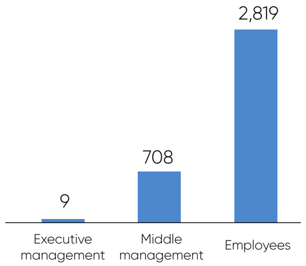
To continuously enhance the employee experience, the Bank conducts regular anonymous surveys. In 2023, UGB's employee Net Promoter Scores increased to 47%, indicating that a significant number of employees would recommend UGB as a workplace. We further strengthened this positive trend by implementing a potential assessment model that provides deeper insights into our employees' skills, capabilities, and career aspirations, going beyond mere satisfaction.

In response to the ongoing war in Ukraine, the Bank has prioritized the well-being and safety of our employees by adapting our human resources policies. We remain committed to preserving jobs, maintaining pre-war compensation levels, and offering alternative employment opportunities for displaced employees through our "internal labor market" initiative.

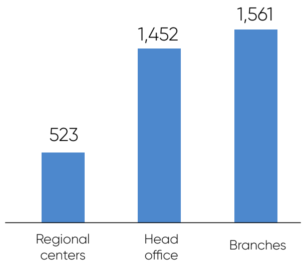
To further ensure employee safety and business continuity, we have implemented a robust remote work infrastructure, enabling a significant portion of our workforce to work securely from various locations.

UGB stands in solidarity with the 43 employees mobilized into the Ukrainian Armed Forces. We provide them with financial assistance, including a one-time allowance upon mobilization, and guarantee their positions upon their return, offering an additional leave for family reunion before resuming their work.

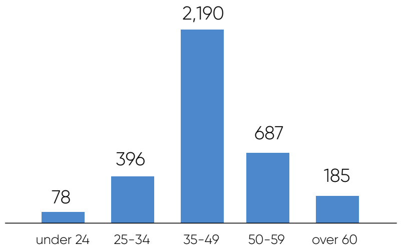
Employee Category Distribution



Regional Distribution



Age Distribution, years



Remuneration and Equal Pay

Our aim is to create an environment where ambitious professionals, dedicated to continuous learning and innovative practices, can thrive. UGB's remuneration philosophy prioritizes competitiveness, flexibility, and fairness. We strive to align our compensation with market practices, ensuring that our employees are paid competitively compared to similar positions in other banks and the broader labor market.

Our approach to remuneration is gender-neutral and designed to fairly compensate employees in similar roles based on their responsibilities, qualifications, and skills. We are committed to eliminating bias and discrimination in our compensation practices. Moreover, our flexible approach allows us to adapt our remuneration practices as business needs and the competitive environment evolve. This commitment was reflected in the significant average salary increase of 16% across our workforce in 2023. The Bank's remuneration principles, structure, and governance are clearly outlined in the Remuneration Policy.

In addition to the Remuneration Policy, specific internal documents define remuneration and salaries of the Management Board and certain Bank departments. The Bank employs the practice of simultaneously paying both fixed and variable remuneration components. Fixed remuneration includes the basic salary in accordance with the Ukrainian legislation. Variable remuneration may consist of supplement salary, other incentives, and compensatory payments.

The Bank has implemented a performance-based motivation system for its employees. This system is based on performance and achievement of established key performance indicators. The core principles guiding this system are:

- Motivating staff towards effective operation of the Bank
- Ensuring transparency in the incentive system
- Adaptability to the Bank's current business goals.

Bonuses at Ukrgasbank are awarded based on achievement of key performance indicators established for employees and departments within the bank's business lines and support functions for the reporting period. Variable remuneration for control functions, such as risk management, compliance, and internal audit, is based on effectiveness of their oversight activities, not on financial performance of the business areas they oversee. This ensures their independence and impartiality in carrying out their control duties.

Inclusion and Diversity

The Bank prioritizes professionalism by providing equal opportunities to all candidates and avoiding discrimination. We are committed to promote a positive and inclusive work environment where every employee is valued and respected.

All Employees

Our policies and procedures are designed to uphold equal opportunities and fair treatment for everyone, regardless of their ethnic or national origin, gender, religion, citizenship, age, disability or civil status. This commitment extends to our interactions with customers and stakeholders.

In alignment with our values, we ensure that a diverse selection of qualified candidates is considered during recruitment. This approach enables us to continually evaluate and improve our efforts in creating a workplace that embraces diversity and inclusivity.

Grievance Procedure

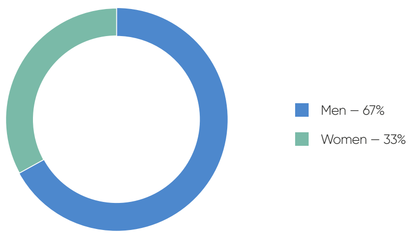
UGB has established a formal Grievance Procedure and a dedicated mechanism for employees to raise work related concerns. This process aligns with the Bank's Code of Ethics (Conducts) and Whistleblowing Policy Mechanism, ensuring that every employee can report any type of harassment or other incidents, either openly or anonymously, without fear of reprisal. This empowers our workforce to voice their concerns and cultivates a transparent and supportive environment.

Communicating the Grievance Procedure to Employees

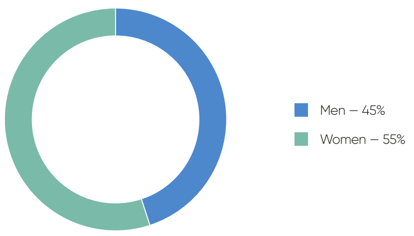
The Bank's Grievance Procedure and Whistleblowing Policy Mechanism are essential docu-

Gender Distribution

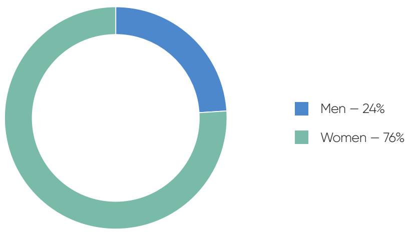
Executive Management



Middle Management



Employees



ments that every employee must be familiar with. To ensure this, new employees receive these documents in their welcome package and undergo training on their content. Updates to these policies are communicated via email, and the documents are readily available on the intranet. Moreover, regular testing is conducted based on the Whistleblowing Policy Mechanism to ensure ongoing awareness.

We prioritize clear and concise communication about the grievance process, ensuring that employees understand their rights and the steps to file a complaint. By doing so, we create a fair, respectful, and transparent workplace environment, minimizing misunderstandings and conflicts.

Reporting Grievances

UGB employees can submit grievances verbally or in writing, either openly or anonymously, to the HR team or their direct management. Prompt reporting of harassment, discrimination, or other grievances is strongly encouraged to ensure swift resolution.

Submission Channels:

- Website: https://www.ukrgasbank.com/contacts/complaints_and_offers/
- Email: dovira@ukrgasbank.com
- Mail: 19, 21, 23 Staronavodnytska St., Kyiv 01015, Ukraine
- Confidential Reporting Line: +380 44 594 1129.

The Compliance Department investigates incidents involving money laundering, terrorism financing, related party transactions, insider trading, breaches of the Code of Ethics (Conduct), and violations of legislative regulations. Cases of employee harassment or any form of pressure (physical, moral, or psychological) are handled by the HR team in collaboration with the Compliance Department. Instances of fraud, falsification, or conflicts of interest are escalated to the Risk Management and Security departments.

Employee Training and Development Initiatives

The Bank is committed to investing in continuous development and broadening of employee competencies to future-proof the Bank. We offer a wide range of learning opportunities across all business areas, ensuring that employees have the necessary skills to perform their jobs and advance in their careers. Employees are encouraged to take responsibility for their professional growth and are provided with extensive training resources.

In 2023, UGB prioritized professional development of its managers and employees through comprehensive training initiatives. Focusing on the Management Board and key unit managers, the training aimed to enhance their knowledge, skills, and expertise. Assessments of leadership competencies, motivation, engagement, resourcefulness, and resilience led to implementation of personalized development plans. The Bank's multifaceted approach included both in-house and external training programs, covering a diverse range of topics and methodologies.

UGB's in-house training programs provided employees with a thorough understanding of the Bank's products, sales techniques, customer service protocols, operational procedures, and sustainability and E&S considerations. Additional training included banking software, regulatory compliance, and internal Bank policies. Regular testing ensures training effectiveness and identifies areas needing further support.

Complementing in-house training, UGB collaborated with external companies to provide specialized training programs addressing emerging trends and challenges in the banking industry. Approximately 200 employees participated in these external training programs, focusing on areas such as SME and corporate lending, credit risk management during wartime, environmental and social risk-management, financial monitoring in Ukrainian Banks: wartime challenges, technological advancements, new regulatory requirements, occupational safety, and fire safety training. The Bank prioritized sustainability training, equipping employees with knowledge of sustainable finance and managing sustainability risks and opportunities.

In alignment with our Succession Planning Policy, we have identified successors for key positions and managers, and implemented annual personal development plans for these candidates, ensuring they receive targeted training and development opportunities.

UGB actively participated in international conferences and business events throughout 2023. These engagements offered valuable opportunities for UGB's managers and employees to learn from global best practices, network with industry peers, and showcase the Bank's capacities on the international scene. Key highlights included involvement in EBRD initiatives and partner events, attendance at TXF Global 2023, participation in global forums, e.g. the OPEC Fund Development Forum and Global SME Finance Forum, and involvement in the prestigious Global Banking Conference 2023.

Health and Working Environment

UGB is committed to fostering a healthy and safe work environment that promotes well-being of our employees. We prioritize proactive measures to prevent illness and injury, while also ensuring compliance with Ukraine's Labor Code. Our long-term perspective emphasizes a balanced approach to work and personal life, encouraging a healthy lifestyle and flexible working arrangements.

In response to the ongoing war in Ukraine, UGB has prioritized safety and well-being of its employees. Despite closure of branches in occupied regions and the required evacuation of its staff, the Bank remains committed to supporting its workforce. The Bank has actively provided continued employment opportunities for affected personnel by offering positions within the bank in safer regions of Ukraine.

Furthermore, by adhering to strict safety protocols, UGB has successfully reopened selected branches in liberated territories, contributing to social and financial well-being of our employees who maintain the bank's essential operations under martial law.

Trade Union

UGB maintains a strong commitment to promoting positive social and labor relations, as evidenced by our 2022-2026 Collective Agreement with the Trade Union of UGB employees. This agreement not only regulates labor relations but also strengthens social protections for our entire workforce, including those in regional offices and branches. We ensure strict adherence to labor laws and maintain open communication with the Trade Union, valuing their input on matters concerning employee welfare. Notably, 100% of our employees are covered by collective bargaining agreements, reflecting UGB's dedication to fair and equitable working conditions.

The Trade Union plays a vital role in our daily operations, advocating for employee rights and interests, and ensuring access to benefits such as:

- Collective bargaining powers: Negotiating for better wages, working conditions, and benefits on behalf of all employees
- Enhanced job security: Providing support and representation in case of disputes or grievances
- Professional development opportunities: Access to training and skill-building programs
- Additional social benefits: Supplementary medical insurance and other advantages.

By actively participating in the Trade Union, UGB employees contribute to a stronger, more unified workforce and enjoy a greater sense of security and support in their professional lives.

Customers: Responsible Banking and Financial Inclusion

UGB is dedicated to building strong relationships with our 1.5 million customers. We offer personalized, high-quality financial solutions with integrity, understanding our customers' needs and always striving to exceed their expectations. Despite the ongoing war in Ukraine, we remain committed to supporting our customers through these difficult times by making banking services more accessible and empowering them to overcome challenges and succeed.

Supporting Customers throughout the War

The war in Ukraine presented immense challenges for our customers, forcing them to adapt to a new reality and the economic consequences of the conflict. UGB responded swiftly by adjusting our operations and services to meet their evolving needs.

Recognizing the strain on borrowers, we initially offered credit holidays and subsequently provided case-by-case loan restructurings. To support critical sectors, we actively increased lending to agricultural producers, essential imports, and vital infrastructure projects.

Understanding the significant impact on MSMEs, we actively participate in both state support programs and initiatives offered by DFIs and IFIs to channel financing and ensure business continuity.

Amidst the ongoing energy crisis caused by attacks on Ukraine's energy infrastructure, the Bank has joined the NBU POWER BANKING Initiative. At the NBU's initiative, all systemically important banks have combined their efforts to set up POWER BANKING, a joint banking network. This initiative involves the banks' transforming their branches as "resilience sites" by equipping them with alternative power sources, backup communication channels, and enhanced resources to ensure continued banking services during blackouts. Customers can rely on these branches for cash withdrawals, payments, money transfers, currency exchange, and financial consultations. Moreover, the POWER BANKING network offers a domestic ATM roaming capability which allows customers of any participating bank to access their funds from a wider network of ATMs without extra fees. As part of the POWER BANKING initiative, UGB has equipped over half of its branches to provide essential banking services even during power outages, reaffirming our commitment to supporting customers and maintaining financial stability during these challenging times.

Responsible Lending and Investing

UGB believes that transparency is fundamental to building strong and reliable relationships with our customers. We are committed to providing products and services that align with our customers' needs and preferences while maintaining clear and honest communication throughout the entire process.

We ensure that all information regarding our products and services is presented in a straightforward manner, allowing customers to make informed decisions. This includes clearly disclosing interest rates, fees, and any associated risks in easily understandable terms.

We strive to educate our customers about features and benefits of our products and services, allowing them to choose the options best suited to their individual financial goals. We provide detailed explanations, answer questions thoroughly, and encourage an open dialogue.

For products involving regular payments, such as loans or savings accounts, we consistently disclose the effective interest rate, both through our frontline staff and marketing materials. This ensures that customers have a complete understanding of the true cost or return on their investment.

We adhere to all internal policies, procedures, and banking regulations to protect our customers' interests. We prioritize ethical practices and avoid any representations that could be construed as misleading.

Protecting Customers' Personal Information

UGB prioritizes personal data protection and adheres to all relevant regulatory requirements. The Bank recognizes that proper and lawful handling of personal data is essential to maintaining trust in the organization and ensuring successful business operations. UGB considers protection of personal data confidentiality and integrity to be a top priority and is committed to upholding this responsibility at all times.

The Bank has appointed a dedicated Personal Data Protection Officer (PDPO) responsible for overseeing protection of personal data during processing. The PDPO collaborates with various departments providing guidance and ensuring compliance with personal data protection laws. Moreoever, the PDPO maintains communication with the Ukrainian Parliament Commissioner for Human Rights and designated secretariat officials to prevent and address any violations of data protection regulations.

To further safeguard customer information, Bank employees receive comprehensive training on data protection, emphasizing their responsibilities in this regard. The Bank also regularly reviews and updates its data protection procedures to align them with the legislative requirements. UGB remains committed to maintaining high standards of data protection and continuously improving our practices to ensure privacy and security of our customers' personal information.

Customer Satisfaction

UGB is committed to delivering exceptional service and cultivating a customer-centric culture. We continuously invest in understanding of and adapting to our clients' needs and preferences to deliver an outstanding experience across all channels. Our customers' interests remain our top priority, and we strive to make their lives simpler by serving them as their trusted partner.

Our commitment to service excellence is outlined in our comprehensive Service Standards, which detail how we interact with clients to ensure high-quality experience. We regularly collect feedback from our clients through surveys consistently achieving high customer satisfaction scores within the banking sector.

In 2023, we conducted a client survey to identify and reward top-performing branches and managers. The head office monitors service quality through monthly assessments based on predefined service quality parameters for each department, and we conduct quarterly reviews of service performance for each branch.

For 2024, we are piloting a new approach to further enhance our understanding of client needs and preferences. This initiative involves collecting feedback from customers after they purchase a banking product or service and using this feedback to evaluate managers and assess products.

We also prioritize continuous staff training on service standards and actively address network inquiries and client feedback. Our Corporate Communications Department leads annual initiatives such as the Advanced Service Skills Training, the Service Leader Program, and the Voice of the Internal Customer program. These programs aim to enhance our service culture by equipping employees with the necessary tools to provide superior service, recognizing and rewarding exceptional customer experiences, and fostering a collaborative, customer-focused environment.

Client Feedback and Issue Resolution

UGB values client feedback and complaints as valuable tools for identifying areas where processes and products can be improved. We prioritize addressing client inquiries and complaints promptly and effectively, offering tailored solutions when necessary.

Clients can contact us through various channels, including our call center, website, social media, or by sending an official letter. Most complaints are submitted through our website.

Upon receiving a complaint, we follow a standardized procedure:

- Identification: We verify the complainant's identity using provided contact details, video footage (if applicable), and internal records.
- Analysis: We thoroughly investigate the complaint, gathering relevant information to understand the issue.
- Resolution: When possible, we work to resolve the issue promptly and to the client's satisfaction.
- Response: We provide a clear and comprehensive response to the client, detailing the outcome and any actions taken.

Our resolution process is highly effective, with approximately 95% of complainants successfully resolved. Unresolved inquiries typically involve suggestions, requests for information, or general consultations. We strive to address complaints within an average of 15 calendar days, though some cases may require the maximum time allowed by law (30 or 45 days).

In 2023, we saw a 22% drop in customer questions and an 11% drop in complaints compared to the previous year. This improvement shows we are successfully addressing customer concerns and enhancing their satisfaction.

Community

We support community projects and initiatives that create lasting social impact. We believe that access to financial services is a fundamental right, and we work to ensure that everyone can fully participate in the economic life of our nation. This commitment includes supporting different groups of society especially those with disabilities or reduced mobility, veterans as they reintegrate into civilian life through financial inclusion and tailored programs. We also strive to create a welcoming and inclusive banking environment for all, implementing barrier-free access in our branches, training our staff on inclusivity, and developing services that cater to the diverse needs of our customers.

Inclusion and Barrier-Free Access to Financial Services

Access to financial services is a fundamental right, yet many individuals, especially those with disabilities or reduced mobility, face significant barriers, which have been intensified by the ongoing war in Ukraine. UGB is dedicated to promoting financial inclusion, ensuring that individuals of all abilities have equal opportunities to access and utilize financial services. We provide barrier-free access to our services and products, acknowledging diverse customer needs to create an inclusive banking experience for everyone.

To achieve this, we have implemented comprehensive training on inclusion and barrier-free access for our management team, raising awareness of the challenges faced by customers with disabilities and equipping staff with the skills to effectively support them. This commitment to education and awareness is reflected in the development and completion of the "The Way to Be Barrier-Free" training course by 3,358 employees.

We have also made significant improvements to accessibility of our branches. Currently, 94 out of 220 bank branches are equipped with accessibility features such as ramps, tactile markers, and employee call buttons. We have also integrated updates to our service standards specifically for customers with disabilities, further enhancing accessibility and the overall quality of their banking experience.

UGB's commitment to inclusivity doesn't stop here. We are actively developing a comprehensive inclusion policy that comprises additional initiatives, such as a sign language course in partnership with the NGO Vidchui and ensuring digital accessibility standards on our new website. These ongoing efforts underscore our dedication to creating a truly accessible and inclusive banking environment for both our customers and employees.

Supporting Veterans through Financial Inclusion and Reintegration

russia's full-scale invasion of Ukraine in 2022 has led to a dramatic increase in the number of Ukrainian veterans, now estimated at 1.2 million. Recognizing the challenges these veterans face in reintegrating into civilian life, UGB is dedicated to providing comprehensive support through targeted financial services and tailored assistance programs. Adaptation of veterans to civilian and professional life is an integral part of the Bank's broader inclusion strategy.

As part of UGB's commitment to supporting reintegration of Ukrainian veterans into society, we have joined the Charter on Financial Inclusion and Reintegration of Veterans, an international initiative led by the NBU and the EBRD. By endorsing this Charter, UGB reaffirms its dedication to enhancing inclusive policies and standards, ensuring equal access to financial services for veterans. The Bank actively works to create an environment that fosters comprehensive support and successful integration for veterans, prioritizing accessibility of its services, branches, and workplaces. UGB recognizes that empowering veterans to return home, adapt, and thrive is a collective responsibility crucial to building a stronger and more inclusive Ukraine.

To implement the Charter, UGB is introducing initiatives designed to:

- Enhance accessibility: Make financial services easier for veterans to access and use on an equal footing with other customers
- Facilitate employment: Remove barriers to veterans returning to work by promoting inclusive HR policies and practices in the financial sector
- Create safe spaces: Ensure trigger-free and risk-free environments for veterans experiencing post-traumatic stress disorder (PTSD)
- Improve accessibility: Adapt facilities and equipment to support veteran clients and employees, including modified devices and physical modifications to workplaces
- Support inclusive businesses: Support clients who employ or serve veterans in their becoming more inclusive and accessible.

UGB further solidified its commitment to veterans by partnering with the Ministry of Economy of Ukraine, the NBU, and the EBRD to host the Kyiv Veterans' Reintegration Conference. At the conference, the Bank signed a guarantee facility with the EBRD, unlocking €50 million in new financing for Ukrainian businesses with part of these funds to be allocated to veterans within the EBRD Veterans Reintegration Window. This program will enable UGB to provide funding and support to veterans who are starting or expanding their businesses, as well as to companies that employ or serve veterans.

UGB's Initiative to Support the UNBROKEN National Rehabilitation Center

As part of its commitment to social responsibility and supporting those affected by the war in Ukraine, UGB has partnered with the UNBROKEN National Rehabilitation Center (https://unbroken.org.ua/). This unique facility provides comprehensive medical care, including reconstructive surgery, orthopedics, and prosthetics, all under one roof, to adults and children impacted by the war, ensuring they receive the highest quality of care free of charge.

In March 2024, UGB formalized this partnership through a Memorandum of Cooperation and has since provided substantial financial support to facilitate the center's expansion. This expansion will significantly increase UNBROKEN's capacity, enabling them to treat up to 3,500 inpatients annually. Additionally, UGB has funded equipping of two state-of-the-art hearing test rooms, addressing the prevalent issue of hearing loss and impairment among those affected by the war.

UGB's ongoing partnership with UNBROKEN demonstrates the Bank's unwavering dedication to treatment and rehabilitation of Ukrainians impacted by the war. This collaboration exemplifies the Bank's belief in the transformative power of collective action to promote a healthier and more resilient Ukraine. The Bank remains committed to providing continued support for treatment and rehabilitation of those affected by the war.

Supporting the Ukrainian Culture and Documenting History: "SPALAKH" Photo Album

UGB supports the Ukrainian culture and documentation of its history, particularly during the war. We have contributed to publication of the "SPALAKH" photo album. This powerful collection, curated over two years since the full-scale russian invasion, showcases works by leading Ukrainian photographers capturing the daily realities of life during wartime. The images document experiences of Ukrainians on the front lines, in the grey zone, at schools, hospitals, homes, and workplaces, as well as in liberated territories. Each photograph serves as an honest testament to the ongoing russian-Ukrainian war. The "SPALAKH" project aims to capture, preserve, and share the images, symbols, and experiences of the Ukrainian life during the war, making them accessible to a wider audience both within Ukraine and internationally, while also contributing to dissemination of truthful narratives about the war.

GOVERNANCE DISCLOSURE (G)

UGB is dedicated to upholding high ethical standards, respecting human rights, protecting the environment, and contributing to the communities we serve. We cultivate a culture of integrity and responsibility among our employees, guided by our Code of Ethics (Conduct), and comprehensive policies and procedures.

The Bank's corporate governance structure operates in strict accordance with Ukrainian legislation. Key methods include rational and clear allocation of responsibilities between management and oversight bodies to ensure effective operations. This includes defining strategic objectives and overseeing their implementation, which involves robust planning systems, risk management, and internal controls. The Bank also monitors and resolves conflicts of interest among shareholders, members of the Supervisory Board, Management Board, employees, creditors, other clients, and counterparties. Additionally, UGB establishes rules and procedures to uphold principles of professional ethics and maintains transparency and oversight in disclosing information about the Bank.

While information on the general description of the corporate governance system and approaches can be seen in the Corporate Governance section of this report, this section is focused to Sustainability Governance.

Sustainability Governance Framework

In 2021, the NBU launched its Sustainable Finance Development Policy, a comprehensive framework designed to guide the financial sector towards a sustainable future by 2025. Developed in collaboration with the IFC, this policy defines sustainable development as long-term economic growth that balances economic, environmental, and social considerations. It identifies sustainable finance as a crucial tool for achieving this vision and is aligned with both global and national trends toward sustainable development.

The policy outlines specific steps and tools for integrating ESG criteria into financial services:

- ESG Factors in Corporate Governance: Mandatory implementation of ESG factors into the corporate governance systems of financial institutions
- Environmental and Social Risk Management: Integration of ESRM into the overall risk management system of financial institutions
- Project Evaluation and Selection: Mandatory assessment of the environmental impact, sustainability of economic activities, and energy efficiency when selecting projects for financing, as well as disclosure of ESG indicators
- Information Disclosure: Mandatory disclosure by financial institutions of information about the sustainable nature of their activities, their environmental impact, and associated risks.

The NBU's Sustainable Finance Development Policy is a significant step towards transforming Ukraine's financial sector and creating conditions for the country's sustainable development. It sets ambitious goals and outlines specific tools for achieving them, opening new opportunities for investment in low-carbon projects and mitigating climate risks.

The war in Ukraine has forced the financial sector to temporarily adjust its focus, placing stability and economic support ahead of the full implementation of the NBU's Sustainable Finance Development Policy. However, it is important to note that sustainable development remains a priority for Ukraine.

The war has also highlighted the importance of sustainable finance for Ukraine's recovery and development. Investments in environmentally friendly and socially responsible projects will be key to rebuilding the country after the war.

Sustainability Governance at the Bank

Our aspiration to contribute to sustainable development comes from our role as a leading financial institution in Ukraine promoting sustainable finance. While pursuing our aspirations, we guide our activities in line with international sustainability standards and principles, making them part of the strategy, culture and day-to-day operations.

The Bank evaluates its business decisions by considering their impacts on society and the environment. In its operations, the Bank adheres to the Ukrainian legislation, including environmental and social regulations.

As a market leader in green banking, the Bank has established a comprehensive environmental and social management system, comprising the following elements:

- Internal Eco-Culture Management: The Bank promotes a strong internal eco-culture among its management and employees, enhancing their motivation to implement principles of environmental and social ethics in their work. This initiative contributes to the Bank's overall sustainability efforts and helps reduce our environmental footprint.
- Environmental and Social Risk Assessment System: The Bank ensures compliance with the Ukrainian environmental and social legislation for both itself and its customers. This involves developing competencies and adopting best practices for the Bank's environmental and social risk management system. The system includes project evaluations to assess potential borrowers' economic activities for environmental threats and excludes financing for entities engaged in environmentally and socially hazardous activities. The Bank conducts systematic project reviews to ensure adherence to the terms specified in credit agreements.
- Green Financing Development: The Bank actively promotes green financing by supporting a diverse range of sustainability projects. These include initiatives aimed at improving energy efficiency, reducing resource consumption, and promoting use of renewable energy sources across various economic sectors. The Bank has also developed a dedicated line of eco-products designed to further enhance energy and resource conservation efforts.
- Environmental and Social Awareness Initiatives: The Bank supports social, cultural, and educational initiatives that aim to raise awareness of environmental responsibility and improve ecological literacy among businesses and communities.

The Supervisory Board, which has ultimate responsibility for sustainability management, is tasked with determining the Bank's overarching sustainability direction. This includes governance, strategic direction, risk management, and operational implementation. These oversight duties and decision-making authorities are detailed in the Bank's Corporate Governance Code, particularly in the section on environmental responsibility.

An important way for the Supervisory Board to oversee environmental and social risk issues is a risk profile report. On a quarterly basis, the Supervisory Board receives this report, which includes the following E&S items:

- The number of clients assessed
- Risk categorization of the clients for the reporting period
- Risk categorization of the portfolio for the reporting period
- The list of complaints and suggestions regarding environmental and social issues (if any)

ESG considerations have become a regular and increasingly important topic on the agendas of both the Management Board and its Business Committee. The Bank recognizes the growing significance of ESG factors in shaping its strategic direction and decision-making processes.

UGB's commitment to sustainability is effectively managed through two key units: the Sustainable Banking Department and the ESRM Division. The Sustainable Banking Department focuses on developing and promoting sustainable finance initiatives, while the ESRM Division integrates environmental and social considerations into our risk management framework. These units collaborate with subject-matter experts across all business lines to develop policies, programs, and targets that address sustainability-related risks and opportunities, ensuring alignment with the bank's overall strategic objectives.

The Head of the Sustainable Banking Department reports to the CEO, and the Head of the ESRM Division reports directly to the CRO.

UGB's governance framework for sustainability includes a comprehensive set of policies, instructions, directives, and guidelines. These documents are grounded in the UN Sustainable Development Goals and the local legislation.

UGB's sustainability policy framework includes the following key documents:

- Code of Ethics (Conduct)
- Environmental and Social Responsibility Policy
- Human Resources Policy
- Occupational Safety Policy
- Information Security Policy

These documents collectively define UGB's position on various sustainability themes, identify potential negative impacts, and articulate expectations and restrictions on corporate behavior. By adhering to these policies, UGB aims to create a sustainable business model that benefits all stakeholders, including our employees, customers, investors, and the communities we serve.

Code of Ethics (Conduct)

The Code of Ethics (Conduct) of UGB is a comprehensive guide for ethical and professional behavior within the organization. It outlines the bank's commitment to high standards of business conduct, emphasizing the importance of acting in the Bank's best interests, avoiding conflicts of interest, and preventing corruption. The Code applies to all employees and Board members, who are expected to adhere to its principles and undergo regular training on its provisions.

The Code covers a wide range of topics, including ethical conduct, professionalism, risk management, regulatory compliance, and environmental responsibility. It strictly prohibits any form of illegal activity, such as fraud, money laundering, and unfair competition. It also emphasizes the importance of protecting the bank's assets and reputation, as well as ensuring fair treatment of clients, partners, and employees.

The code also includes a section on environmental responsibility. It emphasizes UGB's commitment to implementing eco-friendly practices in its operations, such as responsible energy consumption, waste minimization, and use of eco-friendly transportation. The bank also promotes sustainable banking products and encourages its employees to respect and conserve the environment.

By adhering to the Code of Ethics (Conduct), UGB employees contribute to a culture of trust, ethical conduct, and professionalism, which are fundamental to the bank's success and reputation. The code is regularly reviewed and updated to ensure its relevance and effectiveness in maintaining a high standard of business conduct and preventing corruption.

Environmental and Social Responsibility Policy

UGB's Environmental and Social Responsibility Policy is a strategic framework that guides the bank's commitment to sustainable development. It outlines the bank's goals and objectives in minimizing negative environmental and social impacts, while promoting positive contributions to society and the environment.

The policy focuses on three key areas: managing environmental and social risks in lending projects, promoting green financing, and implementing environmental management and social responsibility within the bank's own operations. This includes financing energy-efficient technologies, renewable energy sources, resource efficiency projects, and initiatives to reduce harmful emissions.

UGB is committed to demonstrating leadership in sustainability, educating and supporting clients in adopting sustainable practices. The Bank prioritizes financing projects that comply with environmental regulations, ensure safe working conditions, positively impact local communities, conserve natural resources, and utilize renewable energy sources. By integrating environmental and social risk assessment into its overall risk management framework, UGB not only protects its own interests but also encourages clients to become more environmentally responsible and successful in their business operations.

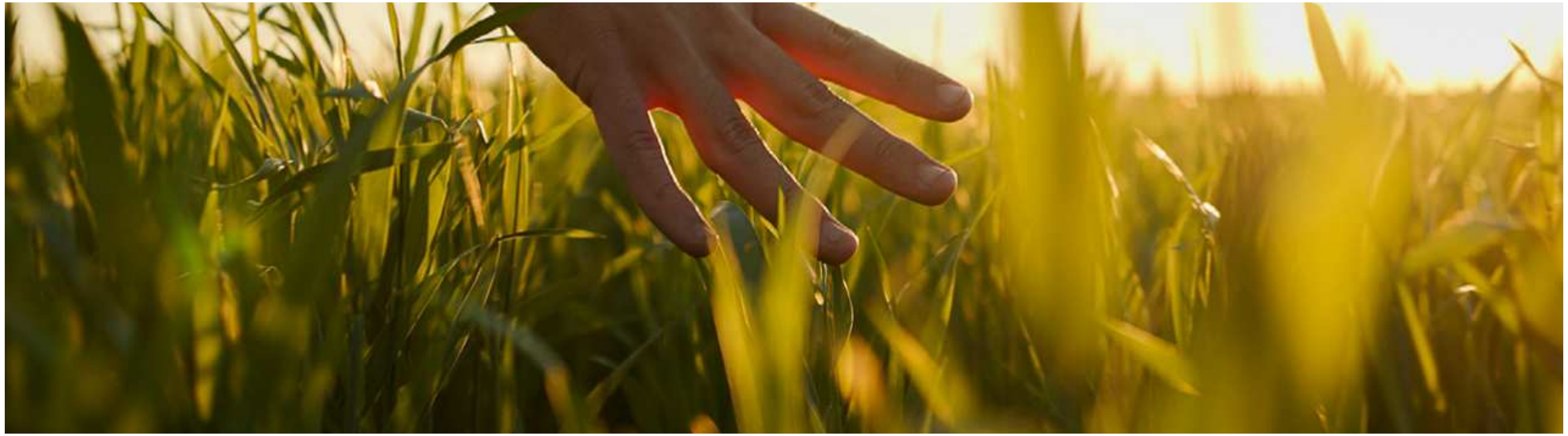
Human Resources Policy

UGB's Human Resources Policy is a strategic framework that guides the Bank's commitment to fostering a supportive and progressive work environment. It outlines UGB's goals and objectives in managing human capital effectively while promoting equality, respect, and professional excellence.

The policy addresses various aspects of the employee lifecycle, including recruitment, performance and career management, assessment of managers and key function holders, diversity and inclusion, compensation, off boarding, termination, and incident management. UGB upholds the principles of equal opportunity and non-discrimination, ensuring all employees are treated with respect and dignity, regardless of their background.

UGB hires qualified employees through a multi-step process that emphasizes internal recruitment while allowing for external searches. An important part of UGB's approach is personnel adaptation, ensuring a smooth and rapid transition for new employees into their roles and fostering loyalty and long-term cooperation with the Bank.

The Bank promotes employee growth through a varied development program, offering internal workshops, online courses, conferences, and external training opportunities. To identify areas for improvement and unlock potential, we conduct comprehensive personnel assessments, including formal performance evaluations, knowledge level testing, and holistic assessments that evaluate employees potential for career advancement. This approach enables us to maintain a talent pipeline, ensuring a steady stream of skilled candidates ready to step into leadership roles.



Occupational Safety Policy

The occupational safety policy at UGB is outlined as a comprehensive framework defining roles and responsibilities related to occupational safety within the bank. It was developed in alignment with the Labor Code of Ukraine, the Law of Ukraine "On Occupational Safety," and other relevant legislative acts. The primary objective of UGB' occupational safety is to safeguard the life and health of its personnel. This goal is pursued through a range of proactive measures encompassing legal, organizational, technical, sanitary-hygienic, socio-economic, and medical initiatives aimed at promoting safe and conducive working environments.

The ultimate responsibility for compliance with occupational safety regulations and prevention of accidents and occupational diseases rests with the Chairperson of the Management Board. Implementation of occupational safety at the Bank involves establishing safety protocols in each bank unit in accordance with legal requirements, provision of personal and collective protective equipment, conducting regular training and assessments on occupational safety practices, and conducting periodic audits and inspections. Oversight of these measures is managed by the Bank's dedicated occupational safety Department, ensuring continual adherence to standards and ongoing enhancements in workplace safety and conditions.

Information Security Policy

UGB's Information Security Policy serves as a comprehensive internal framework outlining the bank's objectives, scope, and principles for safeguarding its information assets and cybersecurity practices. It is aligned with Ukrainian laws, National Bank of Ukraine regulations, and international standards, emphasizing data protection, employee responsibilities, and cyber-attack response strategies. The policy clearly defines the roles of the Committee for Information Security Management and the Information Security Department in implementing robust security measures across the entire bank.

This policy establishes a strong foundation for information security and cyber protection. It adheres to national legislative and regulatory requirements, while also integrating international best practices to safeguard the bank's information assets from a wide range of threats. The primary goal is to ensure UGB's continuous and secure operation, minimizing operational risks and maintaining a positive reputation with clients.

To achieve this goal, the policy mandates compliance with security measures throughout the entire lifecycle of ICT systems, from development to implementation and operation. This approach ensures proactive threat management. The policy also emphasizes ongoing staff training on information security protocols, such as phishing awareness programs. Additionally, it ensures all third-party agreements adhere to the bank's strict cyber protection requirements. By upholding a culture of accountability and adherence to legal guidelines, the Information Security Policy establishes an effective framework that safeguards sensitive information and strengthens UGB's overall security posture.

Grievance Mechanism

UGB values transparency and open communication with stakeholders. As part of this commitment, the Bank has established a grievance mechanism to address environmental and social (E&S) concerns. Stakeholders can submit their queries or complaints through a dedicated mailbox (grievances@ukrgasbank.com) accessible via the bank's website or through the webpage https://www.ukrgasbank.com/contacts/complaints_and_offers/ .

All communication is documented and responses are provided according to the bank's procedure for addressing external E&S queries and concerns. The grievance mechanism aims to inform stakeholders, ensure their proper involvement, and enable the bank to continuously improve its performance based on their feedback. Notably, in 2023, no complaints related to E&S issues were received.

GENERAL INFORMATION

OUR WEBSITE
All shareholders and investors can gain access to the Annual Report, presentations, key financial information, news, corporate governance documentation and other significant information about PUBLIC JOINT-STOCK COMPANY JOINT STOCK BANK "UKRGASBANK" at https://www.ukrgasbank.com

OUR REGISTERED ADDRESS
1 Yerevanska Street, Kyiv 03087, Ukraine

OUR POSTAL ADDRESS
19, 21, 23 Staronavodnytska Street, Kyiv 01015, Ukraine

Our SWIFT: UGASUAUK
Unified State Register Code: 23697280

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GRI Standards
The Sustainability section of this Annual Report provides a summary of UGB's sustainability performance in 2023. It highlights our accomplishments across various areas, including sustainability initiatives, governance, stakeholder engagement, material issues, sustainable and inclusive finance, environmentally responsible operations, employee well-being, community contributions, E&S risk management, and ethical business practices.

While the application of GRI Standards is not mandatory, we have referenced this globally recognized framework for sustainability reporting in preparing this section. However, this section does not fully conform to the GRI core format. At this stage, some information presented is limited due to the absence of tailored data analysis and reporting systems for certain data sets.