JSC KREDOBANK

SEPARATE ANNUAL REPORT
2022

CONTENTS

SEPARATE REPORT OF THE MANAGEMENT BOARD (MANAGEMENT REPORT)

1. THE NATURE OF BUSINESS

1.1. Description of the external environment, where KREDOBANK JSC operates

The key factor affecting the Ukrainian economy, banking sector, and external operating conditions of KREDOBANK JSC in 2022 was the armed aggression of the Russian Federation and the ongoing Russian-Ukrainian war as of the date of preparation of this Report.

On February 24, 2022, Russian troops launched an invasion of Ukraine from Russia, Belarus, the previously annexed territory of Crimea, and the previously occupied areas of eastern Ukraine. The President of Ukraine, by his Decree under No. 64/2022 dated February 24, 2022, introduced martial law in Ukraine, which was approved by the Verkhovna Rada of Ukraine on the same day. In accordance with the Decree of the President of Ukraine under No. 69/2022 dated February 24, 2022, a general mobilization of those liable for military service and reservists was announced in Ukraine.

During the end of February and March, the Russian occupation forces concentrated their offensive on the directions of Kyiv, Kharkiv, Chernihiv, Mykolaiv, Odesa, but were never able to capture these cities. Among all the regional centers, the Russian troops were able to capture only Kherson, which was liberated by the Ukrainian army in November 2022. Having suffered a de facto defeat on the battlefield, the Russian occupation forces began to destroy Ukraine's energy infrastructure with massive missile attacks. The international community has classified such actions as war crimes. The war in Ukraine has led to tragic loss of life and suffering. The number of refugees from Ukraine exceeds 6 million; several million citizens have received the status of Internally Displaced Persons, and large-scale destruction of key infrastructure in Ukraine still takes place.

After the deepest decline at the beginning of the war, the economic activity in mid-2022 began to recover slowly due to the liberation of some parts of the Ukrainian lands from occupation, the adaptation of businesses and households to the conditions of war, and the operation of the "grain corridor". But given the negative impact on the economy of shelling energy infrastructure in the fourth quarter, the rate of GDP decline accelerated again.

The armed aggression of the Russian Federation and the Russian-Ukrainian war have extremely significant negative consequences for the economy and banking sector of Ukraine, the scale of which continues to increase. The war led to the physical destruction of production facilities and infrastructure, disruption of supply chains (including blocking exports), increased business costs, and temporary occupation of certain territories. Many enterprises had to suspend their work, transport and logistics relations between the regions were disrupted, the infrastructure was significantly damaged, thousands of Ukrainian citizens were killed, and millions of citizens became refugees. All this will have long-term consequences for the Ukrainian economy and its banking sector. According to preliminary estimates, the decline in GDP exceeds 29% yoy, while actual inflation was 26.6% at the end of 2022. A more accurate assessment of the impact of military operations on the economy is complicated by the fact that during the period of martial law and within three months after its end, the state statistics bodies of Ukraine suspended the publication of statistical information, with the exception of the Consumer Price Index.

The foreign exchange market in Ukraine operates under restrictions that were introduced under martial law. Most transactions on the interbank market take place with the participation of the National Bank: both for the purchase and sale of foreign currency. Since the beginning of the war, the Hryvnia exchange rate was fixed at the level of February 24, 2022 (29.25 UAH/USD) and it remained unchanged until July. On July 21, the NBU adjusted the official exchange rate of the Hryvnia against the US dollar by 25% to 36.57 UAH/USD, taking into account changes in the fundamental features of the Ukrainian economy during the war and the strengthening of the US dollar against other currencies. At the same time, the NBU continued its fixed exchange rate policy, which allows the National Bank to maintain control over the dynamics of inflation, as well as maintain the smooth operation of the financial system.

The NBU also partially simplified the requirements for the current operation of banks and refused to introduce new regulatory requirements. Regular sustainability assessments have been abolished, capital requirements for market risk have been deferred, and capital buffers will not be activated. At the same time, the Financial Stability Board agreed that the National Bank will conduct an assessment of the banks' sustainability in 2023, which will help to find out the true state of the sector after the acute phase of the current economic crisis related to the war. Thanks to the sustainability assessment, in particular forecasting the performance of banks according to the baseline scenario, the NBU plans to assess the viability of banks' business models and determine the real need for capital of the largest banks. Based on the results of the sustainability assessment, the banking regulator will adjust the regulatory easing regime and decide on further implementation of the requirements for banks in accordance with EU regulations.

Since the beginning of martial law, the NBU has postponed making a decision on changing the discount rate and kept it at 10% per annum, but in June it was rapidly raised by 15 percentage points up to 25% per annum and was kept it at this level until the end of the reporting period. The goal of the transition to a tighter monetary policy was to increase the attractiveness of Hryvnia assets, reduce pressure on the foreign exchange market and, as a result, strengthen the ability of the National Bank to ensure exchange rate stability and contain inflationary processes during the war. The NBU also expanded the corridor of interest rates on monetary transactions with banks in order to create conditions for the revival of the interbank market.

The Russian-Ukrainian war already significantly affects the activities of the banking sector of Ukraine and KREDOBANK JSC, as well as its financial result. The impact of the war on the banking sector is manifested through the following components:

- Interruptions in the operation of bank branches and ATMs, significant damage or destruction of banking infrastructure in the areas of military operations;
- Reduction of the loan portfolio due to the actual termination of new lending by banks (except for lending by state-owned banks to the sectors of the economy and enterprises that are critical under martial law);
- Reduced banks' commission income due to reduced demand for customer services;
- Growth of the share of demand funds in the structure of customer funds;
- Inability of some borrowers to service loans, deterioration of payment discipline due to the termination of enterprises, loss of income sources by individuals, forced change of residence by millions of Ukrainian citizens;
- Formation of significant reserves for non-performing loans, which leads to a negative financial result for some banks (21 banks in 2022) and a significant decrease in profit in the sector as a whole;
- Reduction in the amount of banks' capital due to shortfall in income, material losses and depreciation of the loan portfolio.

Today, it is still difficult to assess accurately the final scale of the crisis phenomena caused by active military operations on the territory of Ukraine. Credit risk remains essential for the banking sector. The unpredictability of the scenarios for further deployment of military operations does not allow us to determin accurately what proportion of customers will be able to return to normal credit servicing and in what time horizon. The military operations and economic downturn impact on the quality of loans will stretch over time. According to the NBU, at the moment, the losses of the banking sector due to the war can be estimated at 30% of the loan portfolio. Although the final amount of losses from deterioration of loan servicing can only be determined over time, even in an optimistic scenario, the losses for banks will be significant. Also among the significant environmental risks for KREDOBANK JSC and the banking sector there are traditionally low level of creditors' rights protection and inefficient work of the judicial system, significant uncertainty regarding the implementation of macroeconomic policy and regulatory changes of the National Bank in crisis conditions.

1.2 Changes of the Officers and Officials Staff

In 2022, the Supervisory Board of KREDOBANK JSC acted as a collegial body controling and regulating the activities of the Management Board. During the entire reporting period, the Supervisory Board consisted of 7 members. On April 29, 2022, on the basis of the Shareholder's Decision, 6 out of 7 members of the Supervisory Board of the previous convocation were re-elected for another three-year term; Liubomyr Kharkhalis' powers as part of the Supervisory Board were terminated, and a new member of the board Rafał Zalewski was elected, who assumed his duties as a member of the board on October 4, 2022, after approval by the National Bank of Ukraine.

In 2022, the Management Board of KREDOBANK JSC acted as a collegial executive body. During January-February, the Management Bank's consisted of 5 members. Since the decision of the Supervisory Board of KREDOBANK JSC dated February 25, 2022 established a 6-person Management Board, starting from March 2022, the Bank's Management Board has consisted of 6 people. By the decision of the Supervisory Board, Anton Kirkach was appointed as a new member of the Bank's Board starting on March 1, 2022.

1.3 Available Structural Divisions

As of 01.01.2023, the organizational structure of KREDOBANK JSC includes the Central Bank and 66 branches. During the year, the number of Bank's branches decreased by 16 branches, of which 17 branches stopped their operation, and 1 branch was opened. The Bank's network of institutions covers almost all regions of Ukraine, with the exception of the Luhansk and Donetsk regions and the territory of the annexed

Autonomous Republic of Crimea. Some branches were temporarily suspended during the reporting period due to safety concerns for customers and employees.

The information on the change in the number of structural divisions of KREDOBANK JSC in the recent years is given in the table below:

INDICATORS (UNITS)	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGED IN 2022*
Number of branches, incl.	102	93	86	82	82	66	-16
Opened during the reporting period	3	3	2	4	0	1	x
Terminated their activities during the reporting period	12	12	9	8	0	17	x

The Central Bank performs the functions of the Strategic Management Center, which forms the Bank's policy, in particular regarding: the Bank's strategy; financial and operational planning; offering products and services adapted to the needs of customers; introducing new technologies; compliance of the organizational structures; limiting risk and ensuring the Bank's security; organizing internal control; personnel policy and developing internal regulatory documents; and also implements the individual operational tasks.

The branches are separate divisions of the Bank, the operations of which are reflected on the Bank's balance sheet. The branches organize and sell banking products and services, ensuring the proper quality of customer service and the expected efficiency of operations.

The network of own ATMs is the additional sales channels of KREDOBANK JSC, and it includes about 250 units and nearly 100 self-service terminals, as well as the modern systems for remote customer service with the help of Internet and telephone.

1.4 Information on the Acquisition of Shares

During the reporting period, KREDOBANK JSC did not acquire its own ordinary registered shares to its own account.

1.5 Brief Description of the Current Business Model, Core Products and Services

KREDOBANK JSC operates as a universal commercial bank that provides services to both individuals and corporate customers as well as small and medium-sized businesses.

The business lines and products that KREDOBANK JSC considers to be the key for generating revenue both in the reporting period and in the medium term are:

- Micro, small and medium-sized businesses (SMEs): packages for SMEs, foreign economic activity services, working capital loans, overdrafts, investment loans, agricultural loans, leasing;
- Corporate business: packages for corporate customers, foreign economic activity services, working capital loans, investment loans, overdrafts, agricultural loans, leasing;
- Retail business: packages for individuals, consumer loans, credits for the purchase of vehicles (car loans), mortgages;
- Treasury operations: investments in domestic public debt instruments, investments in US and EU debt instruments with an investment rating, and investments in deposit certificates of the National Bank of Ukraine.

Taking into account the crisis phenomena caused by Russian aggression and active military operations on the territory of Ukraine, as well as a significant increase in credit risk in these conditions, KREDOBANK JSC imposed restrictions on the growth of its loan portfolio in 2022, especially in the retail segment. The new loans were provided mainly under the state support program for lending. In the 4th quarter of 2022, the Bank stepped up its search for partners among international financial organizations for additional credit support to Ukrainian businesses (in particular, SMEs) within the framework of partner programs for financing and providing loan guarantees.

The Bank applies different methods of competition, taking into account the specifics of individual product markets and segment groups of the customers: offering customers guarantees of their funds' reliability as a member of the capital group of the largest Polish bank - PKO Bank Polski SA, developing convenient products that meet customer needs at a competitive price and ensuring the appropriate quality of service. The seasonal factor does not significantly affect the activities of KREDOBANK JSC. The Bank's activities are characterized by the same seasonal fluctuations as the entire Ukrainian economy, and there are no individual significant signs of seasonality or cyclical business of KREDOBANK JSC.

Given the presence of strategic foreign capital in KREDOBANK JSC, its main competitors are the other banks with foreign capital that among their strategic priorities have the development of retail business and servicing small and medium-sized businesses. According to the data published by the NBU, the market share of KREDOBANK JSC (calculated as a percentage of the total indicator of the banking sector of Ukraine) was 1.44% by loans and 1.70% by deposits as of January 01, 2023.

Operating in 22 regions of Ukraine and the city of Kyiv, KREDOBANK JSC at the same time remains one of the regional leaders in Lviv region and Western Ukraine. In particular, according to the NBU, in the market of eight regions of Western Ukraine, the market share of KREDOBANK JSC is 7.5% by attracted customer funds and 5.1% by loans granted, and the "home" market of Lviv region has 13.6% by deposits and 6.7% by loans.

1.6 Awards Received

During the reporting period, a high-quality product offer that meets the customers' expectations and needs, the excellent financial condition and reliability, the measures of corporate social responsibility of KREDOBANK JSC were noted by the experts. In 2022, the Bank received the following distinctions and awards:

- 1-st place in the Bank Deposits Reliability Rating according to the Standard-Rating agency;
- 1-st place in the "Deposits" and "Car loans" categories of the "Best Banking Products" rating based on the results of 2021, which is conducted quarterly by Prostobank Consulting agency;
- 2-nd place in the rating of social responsibility of Ukrainian banks according to the Standard-Rating agency;
- 2-nd place in the category "Mortgage to Purchase Housing in the Secondary Market" and "Credit Cards" of the rating "Best Banking Products" based on the results of 2021, which is conducted quarterly by Prostobank Consulting agency;
- 3-rd place in the "Car Loans" category of the "25 Leading Banks of Ukraine" research by the Financial Club agency;
- 4-th place in the Ukrainian Banks' Financial Reliability Ranking by the YouControl counterparty monitoring system;
- 4-th place in the Ukrainian Banks' Reliability Ranking by the forinsurer.com portal;
- 5-th place in the Bank Sustainability Rating from the Minfin financial portal;

In addition, Jerzy Jacek Shugaev (Chairman of the Management Board of KREDOBANK JSC) received a special award in the Bank Manager of the Year competition from the Gazeta Bankowa Polish publication for ensuring the bank's stable operation despite the ongoing war.

2. THE KREDOBANK JSC GOALS AND THE STRATEGY FOR ACHIEVING THESE GOALS

The mission of KREDOBANK JSC is to be a reliable financial partner for the customers and to be the attractive employer for the employees. Through the resources specialization and concentration, the Bank strives to achieve and maintain a long-term business stability, thereby ensuring the return on investment of its shareholders.

The long-term vision of KREDOBANK JSC is an efficient and secure bank that provides a value growth for the shareholders.

The values of KREDOBANK JSC are: Reliability, Customer Satisfaction, Continuous Improvement, Entrepreneurship.

During the reporting period, KREDOBANK JSC implemented the Strategy approved by the Supervisory Board of KREDOBANK JSC at the end of 2020, covering the period until the end of 2023. The Strategy was implemented taking into account new external factors caused by Russia's military aggression and the ongoing Russian-Ukrainian war at the time of preparation of this report and within the limits of existing objective capabilities. In accordance with the Strategy, KREDOBANK JSC remains a universal bank that provides high-quality service for the retail customers as well as small and medium-sized businesses, and for the corporate customers with a transparent business and a high creditworthiness.

The Strategy assumes that KREDOBANK JSC:

- Builds the value based on the long-term relationships with satisfied customers and enthusiastic employees;
- Dynamically and at the same time wisely increases the scale of its business;
- Carries out a profound digital transformation in all aspects of activity;
- Improves the operating model and multi-channel distribution model;
- Uses the potential of synergies due to belonging to the PKO Bank Polski group to create an "ecosystem" of financial services for the Polish-Ukrainian businesses;
- Provides activities diversification and discipline in the field of risk management and cybersecurity, resistance to market shocks.

During the strategy implementation, KREDOBANK JSC pays the priority attention to the quality of banking service, continues to improve digital customer service technologies and develop IT systems, ensuring the implementation of customer expectations. KREDOBANK JSC strives for long-term cooperation and mutual loyalty in relations with the customers and employees. Guided by the essential needs of its customers, KREDOBANK JSC offers them the modern banking products and financial solutions, develops industry competencies and strengthens the competitive advantages in the markets of mortgage and car loans, leasing, SME services and Polish-Ukrainian businesses. Strengthening the Bank's "digitalization" is aimed at increasing the level of self-service and reducing the cost of operations, increasing the efficiency of customer offers while properly protecting the customers' and the Banks' assets.

The main strategic goals of KREDOBANK JSC are determined as achieving th expected level of return on capital; increase in the total number of customers by all segments; to increase the level of customer satisfaction and their activity; to increase the share in servicing the foreign trade turnover between Ukraine and Poland; to respond faster in the IT-sector to the business needs and increase the reliability of key IT systems; to maintain a moderate appetite for risk; to increase the operational efficiency; to increase the level of employees' involvement and satisfaction. KREDOBANK JSC has started implementing over ten strategic projects aimed at carrying out strategic initiatives and achieving approved strategic goals.

KREDOBANK JSC plans to proceed with its continuous activities, but the implementation of the Strategy approved by the Supervisory Board for 2021-2023 will continue to be carried out taking into account new external factors and within the limits of existing objective capabilities. The Bank's management is aware of the extremely high risks both for the banking sector as a whole and for the Bank in particular, which are associated with exogenous factors, primarily the armed aggression of the Russian Federation and the ongoing Russian-Ukrainian war. Taking into account the above, the Bank's management conducts constant operational monitoring of its activities and ensures a quick response to current events and changes in the situation. Also, when assessing possible scenarios, the Bank's management assesses possible losses as acceptable from the point of view of the available capital and the need to maintain it at a sufficient level and such that they will not affect the Bank's ability to continue operating on a continuous basis.

Comprehensive support from the strategic shareholder (the largest Polish bank PKO Bank Polski S.A.), will remain an important factor in determining the long-term stability of KREDOBANK JSC to external challenges and threats.

3. RESOURCES, RISKS, AND RELATIONSHIPS

3.1 The Key Financial and Non-Financial Resources and Their Usage

The capital contributed by the shareholders is the main financial resource of KREDOBANK JSC, which ensures its financial stability and allows to attract the additional financial resources to the market. As of 01.01.2023, the authorized capital of KREDOBANK JSC is UAH 2,249.0 million and its amount was not changed during 2022.

The regulatory capital of KREDOBANK JSC as of 01.01.2023 is UAH 3,727 million and since the beginning of the year, it was increased by UAH 485 million or by 15%. This ensures that the value of the regulatory capital adequacy ratio (N2) is kept at 21.6% at the end of the reporting period. Thus, KREDOBANK JSC was well provided with the regulatory capital the reporting period. In the regulatory capital structure, 93% is accounted for the fixed capital, and 6% for the additional capital.

The information on changes in the amount of capital of KREDOBANK JSC in the recent years is given in the table below:

INDEXES	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGED IN 2022*
Authorized capital, mln.UAH	2 249.0	2 249.0	2 249.0	2 249.0	2 249.0	2 249.0	-
Regulatory capital, mln.UAH	1 410.5	1 806.2	1 961.2	2 284.9	3 242.1	3 727.0	+484.9
Value of the regulatory capital adequacy ratio (N2)	15.7%	16.9%	15.3%	16.2%	15.0%	21.6%	+6.6 p.p.

During the reporting period, the liquidity of KREDOBANK JSC was at a safe level. The value of the bank's mandatory liquidity coverage ratio (LCR) as of 01.01.2023 was 217% in foreign currency and 209% in all currencies, which significantly exceeds the minimum value of 100% set by the NBU. The value of the new standard of long-term liquidity NSFR (Net Stable Funding Ratio) was 167%, which significantly exceeds the minimum value established by the NBU.

During 2022, customer balances in KREDOBANK JSC increased by 35% YoY to UAH 33.0 billion despite the sharp deterioration of the banking sector's operating conditions in the context of Russian aggression; it reflects the high assessment of the Bank's reliability by customers even in the crisis conditions. The possibility of using credit lines from a shareholder (PKO Bank Polski SA), in particular, a long-term irrevocable line in the amount of USD 30 million and a long-term credit line in the amount of USD 47 million has of great importance in managing liquidity in KREDOBANK JSC.

Still the human resources (Bank staff) and their intellectual capital remained the main non-financial resource of KREDOBANK JSC in the reporting period. The total number of employees of KREDOBANK JSC as of 01.01.2023 amounted to 1 643 people and decreased by 276 people or 14% compared to the beginning of 2022. The absolute majority of the Bank's employees have higher education (90% of their total number), and the average age of employees is 39 years. According to the gender structure, the employees of KREDOBANK JSC are dominated by women, who make up 73% of the total number of employees.

The information on changes in the number of employees of KREDOBANK JSC during the recent years is given in the table below:

INDEXES	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGED IN 2022*
Number of employees, persons	2 162	2 097	2 117	1 999	1 919	1643	-276

KREDOBANK JSC implements a transparent HR policy, according to which the selection of employees, their career growth and material remuneration are based on the assessment of qualifications, professional skills and work results. The HR policy of KREDOBANK JSC is aimed at improving the efficiency of staff work, achieving the target level of customer satisfaction as well as achieving the certain strategic goals.

3.2 Risk Management System, Risk Management Strategy, and Policy

The risk management is one of the key functions of KREDOBANK's strategic management in the field of banking operations, through which the Bank identifies, evaluates, monitors and controls the level of risk. The main risk management standards in the Bank are determined by the risk management Strategy. The Strategy provides for the continuous analysis of existing and possible future risks, their evaluation, timely decision-making to minimize or avoid them, as well as monitoring compliance with established restrictions, procedures, and processes.

The implementation of the set goals and objectives related to risk management is achieved through the use of a wide range of methods and tools used to manage all identified types of risks in the Bank.

In order to determine the maximum level of risk that the Bank is willing to accept, the Bank's Supervisory Board approved the Risk Appetite Statement, which defines the aggregate level of risk appetite, the types of risks that the Bank will accept or avoid in order to achieve its business goals and the level of risk appetite for each of them (individual level).

The Bank's Risk Management takes place in all structural divisions of the Bank. The organizational structure of the risk management system is based on the responsibilities distribution between the Bank's structural divisions using the three line defense model:

1) First line: at the level of the Bank's business units and the Bank's support units. These units accept the risks and they are responsible for risks, carry out current risk management and report on the current management of those risks;
2) Second line: at the level of risk management unit, the compliance control unit and the prevention and counteraction unit for the legalization (laundering) of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction (AML/CFT division);
3) Third line: at the level of Internal Audit Division to verify and evaluate the effectiveness of the risk management system.

The subjects of the Bank's risk management system are:

- Supervisory Board of the Bank,
- Risk Management Committee,
- Audit Committee,
- Committee on Appointments and Remuneration,
- Management Board of the Bank,
- Assets & Liabilities Management and Tariffs Committee,
- Small Credit Committee of the Bank,
- Credit Committee of the Bank,
- Bank's Committee on Non-Performing Assets Management,
- Committee on Operational Risk and Information Security;
- Committee for Cost Control and Tenders;
- Change Management Committee,
- Internal Audit Department,
- Chief Risk Manager and Risk Management Departments,
- Chief Compliance Manager and Compliance Control Unit,
- Responsible Officer of the Bank and the AML/CFT division,
- Business units and support units (first line of defense).

The Bank's Supervisory Board is fully responsible for creating a comprehensive, adequate and effective risk management system that the Bank is exposed to in its activities. The Bank's Supervisory Board has established a permanent risk management unit(s) that reports to the Chief Risk Officer (CRO) and a compliance control unit, which reports to the Chief Compliance Officer (CCO) and ensures the independence of these units.

The Bank's Management Board ensures the implementation of tasks, and decisions of the Bank's Supervisory Board on the implementation of the risk management system, including risk management strategy and policy, risk management culture, procedures, methods, and the other measures of effective risk management. The Management Board of KREDOBANK Group is an active participant in the Bank's risk management process, making decisions on operations that have bigger risk based on regular information about the profile and the level of risk, as well as the cumulative level of risk appetite. The aggregate level of risk appetite that the bank intends to accept and retain in order to achieve its business goals is defined as the total amount of the Bank's internal capital required to cover all the significant risks of the Bank.

In order to ensure the effectiveness of the risk management system, the risk management unit(s) performs the risk management functions defined in the Regulations on the Central Bank Organization. The Chief Risk Officer (CRO) heads the Risk Vertical, which unites all risk management units, bears responsibility for the activities of these divisions, and has the right to attend meetings of the Management Board and the Bank's Committees of the Management Board of the Bank, as well as has the right to impose a ban (veto) on the decisions of these bodies if the implementation of those decisions will lead to a violation of the established risk appetite and/or approved risk limits, as well as in the other cases established by the Supervisory Board of the Bank and shall immediately inform the Supervisory Board of the Bank or the Risk Management Committee about these decisions.

The compliance control unit performs the compliance risk management functions defined in the Regulations on the Central Bank Organization in order to ensure the effectiveness of the risk management system. The Chief Compliance Officer (CCO) is responsible for the activities of this division and has the right to attend meetings of the Management Board and Banks' Committees of the Management Board, and other collegial bodies formed by the Bank's Management Board, as well as has the right to impose a ban (veto) on the decisions of these bodies if the implementation of such decisions will lead to a violation of the legislation requirements, the relevant standards of professional associations that apply to the bank, epy conflicts of interest, as well as in the other cases established by the Supervisory Board of the Bank and shall immediately inform the Supervisory Board of the Bank and/or the Risk Management Committee about these decisions.

The main purpose of the Bank's credit risk management process is to ensure that lending takes into account all significant risks associated with this activity, including those associated with martial law. The process of credit risk management is focused on timely risks identification, optimal principles and processes development for risk assessment, as well as supervision, control, reporting and application of the preventive measures within the credit activity.

The bank focuses on the introduction of new mechanisms for managing and controlling credit risk, improving credit activities, and improving the management information system in the field of credit risk, the purpose of which is to ensure the appropriate level of profitability and quality of the Bank's loan portfolio. Under martial law, during 2022, the Bank restricted active operations and uses a selective approach to lending. The decisions were made at the level not lower than the Bank's credit committees. Taking into account the current situation, the Bank is actively developing tools for reducing and distributing credit risk, in particular loan insurance and portfolio guarantees. The Bank periodically reports to the Management Board and the Supervisory Board on the level of credit risk and the results of credit risk stress testing.

The Bank is actively working towards the development and improvement of credit risk assessment software, servicing the credit decision-making process, in order to ensure rapid credit decision-making with a minimum level of credit risk; at the same time, a special attention is also paid to automating monitoring processes, improving the early response system. The Bank constantly monitors changes in legislation and recommendations of the supervisory authorities and, accordingly, implements changes in the internal bank documents.

3.3 Relations with Shareholders and Related Parties

During the reporting period, the relations with shareholders were carried out in accordance with the requirements of the current legislation, the Charter of KREDOBANK JSC and the regulation on providing shareholders with information and documents on the bank's activities. In the reporting period, KREDOBANK JSC operated as a joint-stock company with a single shareholder; the powers of the Annual General Meeting of the Bank during 2022 were exercised by the bank's sole shareholder alone.

The shareholder participated in the bank management through the members of the Supervisory Board. The members of the Supervisory Board, as the shareholder's representatives, within the limits of their competence defined by the Charter and the legislation of Ukraine, protected the rights of the shareholders and controlled the activities of the Management Board.

During the reporting period, the bank did not enter into any interested-party agreements. As of 01.01.2023, the value of the ratio of the maximum amount of loans, guarantees and sureties granted to one insider (N9) was 0.3%, while the maximum permissible level set by the NBU was less than 5%.

4. INFORMATION ON DEVELOPMENT AND ACTIVITIES RESULTS, PROSPECTS FOR FURTHER DEVELOPMENT

For KREDOBANK JSC, 2022 was the second year of implementation the strategy, covering the period of 2021-2023. Taking into account the sharp deterioration of external operating conditions due to Russian military aggression and the beginning of a full-scale Russian-Ukrainian war, the Bank carried out its activities in accordance with the chosen strategic priorities within the limits of available objective capabilities and resources. The absolute priority in the Bank's operation was to ensure the continuity of banking activities and customer service during martial law, with special attention to protecting the life and health of the Bank's employees and the customers. At the same time, the results achieved by the Bank in 2022 confirm the correctness and relevance of the selected strategic development priorities.

In 2022, KREDOBANK JSC was a part of the Banks of Foreign Banking Groups according to the classification of the National Bank of Ukraine. According to the assessment of banks in the implementation of banking supervision and taking into account the size of the Bank in the banking system, the structure and complexity of its operations, the Bank belongs to Category 3 (Universal Large) by the National Bank and has a "Universal" business model of activity.

In 2022, the net assets of KREDOBANK JSC increased by 17% and amounted to UAH 39.0 billion this, along with the withdrawal of banks with Russian state capital from the market, ensured the Bank's promotion to the 14-th position in the sector among 67 banks. The growth of assets is primarily due to the growth of highly liquid assets: the cash and funds in the NBU increased by 121%, and the funds in other banks increased by 133% with a reduction in the volume of the loan portfolio by 26%, which reflects the sharp deterioration of the banking sector in the context of Russian aggression and the resulting increase in the lending risks. At the same time, the Bank's market share by assets increased by 0.04 percentage points in 2022 (by 0.23 percentage points in 2020) and reached 1.66%, which is a record-breaking value for the last 20 years.

In 2022, KREDOBANK JSC issued UAH 4.5 billion in new loans, in particular, 86% of the total volume of new loans were issued to legal entities, and 14% were issued to individuals. Compared to 2021, the volume of new loans issued decreased by 69% due to the armed aggression of the Russian Federation and a significant increase in the risks of lending in war conditions. Adhering to a balanced and conservative approach to asset and liability management, KREDOBANK JSC kept the ratio of loans issued to customer funds raised below 100% during the reporting period.

According to the published data of the National Bank of Ukraine, among 67 Ukrainian banks in 2022, KREDOBANK JSC became the 6-th largest portfolio of loans to individuals (net) with a market share of 3.8%.

Despite a sharp deterioration in the banking sector's operating conditions in the context of Russian aggression, KREDOBANK JSC's operating income for 2022 exceeded the value of the previous year. The increase in operating income was driven by a multi-fold increase in trading income, an increase in net interest income (NII) by 7% YoY, while a decrease in net commission income (NCI) by 6% YoY. The Bank's net profit for 2022 decreased 5.6 times to UAH 142.4 million taking into account significant deductions to reserves for credit operations, the cost of which increased 9 times compared to the previous year.

The information on the main financial indicators of KREDOBANK JSC the recent years is given in the table below:

INDICATORS (UAH, MLN.)	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGES FOR 2022*
Assets (total)	14 308	16 772	19 136	25 228	33 222	38 971	+5 749
Loans and Advances to Customers	7 857	9 625	11 684	13 282	16 804	12 506	-4 298
Securities	3 109	3 783	3 073	6 187	7 814	9 004	+1 190
Liabilities (total)	12 804	14 734	16 550	22 107	29 273	34 933	+5 659
Customer Funds	10 894	11 955	13 962	18 320	24 518	33 013	+8 494
Debt Owed to the Other Banks	1 624	2 022	1 612	2 839	3 712	972	-2 741
Capital (total)	1 504	2 038	2 586	3 122	3 948	4 038	+90
Authorized Capital	2 249	2 249	2 249	2 249	2 249	2 249	-
Net Interest Income	1 081	1 302	1 473	1 779	1 987	2 131	+144
Net Commission Income	389	437	465	473	549	515	-34
Net Profit	402	510	538	531	796	142	-654

The specified business indicators of the Bank were achieved both by expanding cooperation with the existing customer base, cross-selling additional banking products to the existing customers, and attracting new customers from all key segments. At the same time, in 2022, the Bank conducted an inventory of inactive customer accounts, during which almost 150 thousand inactive individual counterparties and about 0.7 thousand legal entities counterparties were closed. Taking into account the effects of the mentioned inventory, according to the results of 2022, the number of business customers in KREDOBANK JSC is 58 thousand persons. In the retail segment, the number of KREDOBANK JSC customers is 578 thousand people.

The information on changes in the amount of customers of KREDOBANK JSC in the recent years is given in the table below:

INDICATORS (THOUSAND PEOPLE)	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGES FOR 2022*
Number of customers, incl.	516.6	567.2	606.5	645.0	706.9	635.6	-71.2
Legal entities and entrepreneurs	51.5	53.5	53.7	56.8	56.9	58.1	+1.2
Individuals	465.1	513.7	552.8	588.2	650.0	577.6	-72.4

Among the main areas of development and initiatives aimed at ensuring the smooth operation and sustainability of KREDOBANK JSC in the crisis conditions of 2022, increasing the level of digitalization of the Bank and expanding remote service opportunities for customers, as well as responding to challenges related to Russian aggression, the following should be noted:

- Prompt (within a few weeks from the moment of declaring martial law) introduction of the feature of online document submission to open accounts for new customers (legal entities and individual entrepreneurs). This opportunity saves customers time, reduces the number of visits to the branch, and is important given the expansion of the scale of Russian aggression and the beginning of the relocation of some companies to safer regions of Ukraine. A special Business Online tariff package with free billing was also introduced for the new customers;

- Implementation of the remote certificate ordering service: bank customers got the feature of ordering necessary certificate remotely via KredoBank online banking or the iFOBS system without visiting a bank branch and obtaining electronic format or paper one at a bank branch. The new service is available for all types of certificates of any complexity: both for private customers, as well as for private entrepreneurs and companies;
- Special terms of service for the customers (legal entities and individual entrepreneurs) in the initial period after the introduction of martial law in Ukraine in order to support Ukrainian business, in particular, refusal to collect penalties (charges, fines, penalties, etc.) for non-fulfilment or improper fulfilment by the borrowers of their obligations under concluded agreements on credit and leasing operations; refusal to perform contractual debiting of funds from borrowers' accounts in the bank in case of non-fulfilment or improper fulfilment by the borrowers of their obligations; suspension of the other measures aimed at repayment of overdue debt under concluded agreements on credit and leasing operations at the expense of borrowers' funds/property;
- Introduction of credit holidays to pay the principal amount of debt on all loans issued to individuals for 90 days (from February 28 to June 1, 2022): Bank did not charge any penalties for late payment during this period, and credit holidays were set automatically and no additional actions were required on the part of the customers;
- Introduction of new online services for business customers under martial law: legal entities and individual entrepreneurs were able to open a current account remotely in addition to the existing one, change the tariff package and get new rights and accesses in iFOBS online banking;
- Launch of the Video Consultant Online service for business, with the help of which the business customers were able to get advice on remote document submission for simplified account opening, as well as on business lending programs available in the Bank;
- Start of issuing virtual bank cards via the mobile app for existing bank customers to both a new and existing account: a new account for a digital card is opened automatically, and account and card details are immediately available in online banking;
- Introduction of the feature of remote account opening and issuing a digital card using the bank's mobile application as well as sharing a digital document through the Diia application (without visiting branches), followed by using this for settlements or receiving quick transfers from Poland and Europe;
- Introduction of the feature of signing electronic documents for opening accounts for individuals using Diia.Signature in the Bank's branches, which reduces the time to open an account by half and significantly saves paper: as of the beginning of 2023, Kredobank is the first bank to implement the Diia.Signature to the branch service process;
- Thanks to close cooperation with the shareholder PKO Bank Polski, the Bank's customer can promptly and without commission send funds to their relatives in Ukraine or receive a salary from their employer. You can make a quick transfer from a PKO Bank Polski account using the iPKO or IKO online applications (from an account of other Polish banks) or through any branch or agency point of PKO Bank Polski or Poczta Polska;
- Introduction of the Transfers from the EU to Ukraine service, which allows transferring funds in Euros from the European Union states to a bank account using the SEPA Pan-European payment system;
- Introduction of a new Craft Banking service for premium customers, which provides a personal banking adviser for the customer, individual service in separate comfortable areas of branches, premium cards, concierge service and favourable financial services and comfortable conditions. Two premium service packages are available as a part of servicing: Craft Black and Craft based on Mastercard World Black Edition and Mastercard World Elite cards, respectively;
- Prompt recovery of the Bank's branch operation in the liberated Kherson, which suspended its operation during the Russian occupation; for full operation, the branch is provided with alternative sources of electricity and communications, in particular, the Starlink complex;
- Partnership with the European Bank for Reconstruction and Development (EBRD) with the signing of risk distribution and credit guarantees agreement for Ukrainian businesses, which can be used by the

Ukrainian agricultural sector, pharmaceuticals, food industry, retail trade, and logistics. According to the agreement, the EBRD will assume 50% of the credit risk of new financing, which will be provided by the Bank with a total value of 35 million Euros;

- Reaching agreements with the Export Credit Agency (ECA) on cooperation within the framework of the portfolio insurance program for the loans issued for the implementation of export contracts with simplified collateral requirements: Bank became the first bank with 100% foreign capital to join the ECA support program for exporters. Under the terms of the program, Ukrainian exporters can receive up to UAH 20 million in loans for up to 1 year, and the credit financing should be used exclusively for the implementation of the export contract;
- Active participation of the Bank's managers and experts in the international events dedicated to the restoration of Ukraine and mechanisms for restoring lending to Ukrainian enterprises: in particular, within the framework of the European Financial Congress held in Warsaw; at the International Business Forum BALTIC BUSINESS FORUM in the Polish city of Swinoujscie; during the Support for the Reconstruction of Ukrainian Economy: Polish and European Financial Instruments conference, organized by the Union of Entrepreneurs and Employers of Poland; at the VI Congress of the Future in the Polish city of Olsztyn; at the meeting of leaders of international financial institutions and banks in Moldova, which was held on the initiative of the European Fund for Southeast Europe (EFSE) and Green for Growth Fund (GGF), etc.

According to the decision of the Board of the National Bank of Ukraine under No. 120-рш dated March 9, 2022, KREDOBANK JSC was re-included in the list of systemically important banks, which consisted of 14 banks (in 2023, the NBU retained KREDOBANK JSC in this list, which now includes 15 banks). The status of a systemically important bank implies, in particular, the fulfilment of additional requirements for ensuring the safety margin (increased standards of instant liquidity and the maximum amount of credit risk per counterparty, as well as the need to form a buffer of systemic importance in the amount of 1% of capital in addition to the capital adequacy ratio). Also in 2022, KREDOBANK JSC successfully passed the Supervisory Review and Evaluation Process (SREP) conducted by the National Bank of Ukraine.

KREDOBANK JSC plans to proceed with its continuous activities, but the implementation of the Strategy approved by the Supervisory Board for 2021-2023 will continue to be carried out taking into account new external factors and within the limits of existing objective capabilities. The main internal risk for implementing the Bank's Strategy is a possible shortage of resources (labour, technological) for implementing the planned changes, projects and activities. The most significant external risk is the ongoing Russian-Ukrainian war, which already significantly affects the activities of the banking sector of Ukraine and KREDOBANK JSC, as well as its financial result. The Bank's management will manage the bank taking into account these extraordinary external challenges and will make every possible effort to ensure business continuity, preserve the value of KREDOBANK JSC for the shareholder, as well as to ensure the security of funds entrusted to the Bank, limit risks and protect the interests of its shareholder, customers, and employees.

5. KEY PERFORMANCE INDICATORS

At the end of 2022, the value of the ROE indicator according to the chosen calculation method was 4%, which is lower than the target level provided for in the Strategy. The level of return on assets (ROA) is 0.4%. However, despite the implementation of the worst-case scenario of military operations, the Bank remained profitable in 2022, although the profit was only 20% of that provided for in the Financial Plan.

Despite a significant acceleration of inflation in Ukraine (to 26.6% YoY in December 2022), during the reporting period, KREDOBANK JSC restrained the growth of operating expenses, which ensured that the Cost-to-Income Ratio (C/I) was kept at 44% as of 01.01.2023, which is 12 percentage points better than in 2021. The Bank's net interest margin as of 01.01.2023 was 6.4%, which is close to the level of the net interest margin on average for the banking sector.

Given the crisis conditions of the banking sector in 2022, the tasks of strengthening market positions and increasing market share were not a priority for KREDOBANK JSC. The main tasks were to ensure the Bank's smooth operation in the face of war and attacks on the energy infrastructure and to reduce the risks to life and health of the Bank's employees and customers. The dynamics of the Bank's market share in 2022 was multidirectional: the market share for loans in both segments and for household funds decreased, but the market share for assets and funds of legal entities increased.

Information on changes in the market share of KREDOBANK JSC by key business indicators in recent years is given in the table:

INDEXES	*MARKET SHARE OF KREDOBANK JSC*						
	2017	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGED IN 2022*
Net assets	1.07%	1.23%	1.28%	1.38%	1.62%	1.66%	+0.04 p.p.
Loans to legal entities	0.58%	0.64%	0.80%	1.00%	1.11%	1.10%	–0.01 p.p.
Loans to individuals	2.14%	2.21%	2.79%	3.24%	3.44%	3.10%	–0.34 p.p.
Funds of legal entities	1.29%	1.39%	1.36%	1.53%	1.78%	2.19%	+0.41 p.p.
Funds of individuals	1.03%	1.13%	1.19%	1.12%	1.39%	1.30%	–0.09 p.p.
Authorized Capital	0.46%	0.48%	0.48%	0.47%	0.47%	0.55%	+0.08 p.p.
Balance sheet capital	0.92%	1.32%	1.29%	1.48%	1.54%	1.85%	+0.31 p.p.

Calculated on the basis of data from the National Bank of Ukraine

Thus, as of 01.01.2023, the Bank's market share in assets was 1.66% and reached the highest value over the last 20 years. The Bank's share of corporate deposits increased most noticeably (by +0.41 p. p.) and reached 2.2% for the first time in the Bank's history. In the ranking of banks, KREDOBANK JSC rose from the 15th to the 14th position among Ukrainian banks in terms of assets. The bank also gained a foothold in the Top 15 leading Ukrainian banks in most major business indicators, in particular, it takes the 14th position on loans to legal entities, the 12th position on deposits of legal entities and the 12th position on retail deposits, the 10th position on loans to individuals (gross) and the 6th position on loans to individuals (net) among 67 banks in the sector.

6. INFORMATION ABOUT OTHER NON-FINANCIAL ASPECTS OF THE ACTIVITY

In accordance with the approved Code of ethics of KREDOBANK Joint-Stock Company, (hereinafter referred to as the Code of Ethics), the Bank:

- Builds its relations with the Employees on the principles of long-term cooperation, mutual respect and unconditional fulfilment of mutual obligations,
- Makes efforts to develop its employees and create a positive the internal atmosphere that provides the favourable conditions for the best performance of tasks;
- Complies with the norms of Ukrainian legislation in the field of Employees' social protection, pays official wages and taxes due in full, as well as the other social contributions and payments;
- Provides comfortable workplaces and takes care of labour protection, life safety and health protection of the employees;
- Defines that gender, age, social status, nationality, sexual orientation, ethnic origin, religious and political beliefs, marital status and health status cannot be a reason for discrimination and restriction of the professional activity. The Bank provides equal development and growth opportunities for the employees regardless of the above factors and strives to provide a comfortable working atmosphere for all employees;
- Creates an atmosphere of professionalism and goodwill, observing the etiquette of business communication in a daily cooperation with customers, business partners, suppliers, colleagues, subordinates and officers;
- Ensures the compliance with the consumers' rights in the conditions of fulfilling the established norms and rules of financial or operational nature by providing the appropriate level of services, as well as by ensuring the inviolability of the rights of financial services consumers;
- Takes an active part in counteracting the legalization (laundering) of proceeds from crime, terrorist financing and financing the proliferation of weapons of mass destruction;
- Ensures taking measures that are necessary and justified to prevent and counteract the fraud in the activities of its units;
- Ensures the safety of employees, which is an integral part of the Bank's activities;
- Maintains a transparent HR policy, according to which the Employees' selection, career growth and remuneration are based on an objective assessment of qualifications, professional skills and performance;
- Pays a special attention and invests in training and professional development of employees, as well as provides an opportunity to participate in different training events that contribute to improving work efficiency and career opportunities;
- Opposes any form of harassment and pressure on employees, strongly opposes any discrimination, attitudes or actions that contradict the principles of tolerance.

KREDOBANK JSC provides control over the risk compliance arising in the Bank's relations with the customers and the counterparties in order to prevent the Bank's participation and/or use in the illegal operations and takes the measures based on the following principles:

- Rule of law
- Legality;
- Priority of preventive measures;
- Inevitability of liability for illegal operations;
- Openness and transparency of the Bank's activities.

KREDOBANK JSC complies with the requirements of legislation, regulatory legal acts, relevant standards of the professional associations that apply to the Bank, rules of fair competition, Code of Ethics and ensures the proper management of risks associated with conflicts of interest.

KREDOBANK JSC strictly adheres to such fundamental values and principles as legality, trust, and respect for customers, honesty, transparency, social responsibility, in order to maintain its high business reputation before shareholders, customers, partners, competitors, etc., and strongly opposes any attempts at bribery in order to gain additional competitive advantages/benefits.

In order to create an effective system for preventing and combating corruption, eliminating corruption prerequisites in the activities of the Bank's employees, reducing corruption risks and related reputational and financial losses, the Anti-Corruption Policy of KREDOBANK JSC was approved.

Within its activities, as well as in relations to the customers and partners, counterparties, state authorities, local self-government bodies, the KREDOBANK JSC is guided by the principle of "zero tolerance" to any manifestations of corruption and takes all measures provided for by law to prevent, detect and combat corruption.

Due to the nature of its economic activity, the direct impact of KREDOBANK JSC on the environment is limited. In 2022, the Bank did not implement any activities or projects that could have a significant impact on the environment. At the same time, since the impact on the environment depends on the use of limited natural resources, KREDOBANK JSC monitors the consumption of such resources and tries to use water, electricity, gas, and paper efficiently and takes measures to reduce their consumption. In particular, the Bank is implementing a number of paperless initiatives and activities that provide for reducing the number of paperless documents through the introduction of digital technologies and paperless processes both in interbank cooperation and in the interaction with customers. By developing remote customer service channels, in particular, through internet banking systems and through the Contact Center, KREDOBANK JSC also contributes to the environment preservation, as it provides the significant savings in natural resources and energy compared to the customer service in a bank branch.

When carrying out its banking activities, KREDOBANK JSC adheres to the principles of environmentally responsible business. In particular, the credit policy and the credit risk management policy of KREDOBANK JSC stipulates that the Bank does not lend to the projects that harm the natural environment.

In 2022, in the context of Russian aggression and a full-scale war, KREDOBANK JSC as a member of the Capital Group of RKO Bank Polski S.A. not on paper but in real life proved to be a socially responsible business, implementing a number of measures to protect both its employees and their families, as well as other Ukrainian citizens from the regions of Ukraine most affected by Russian aggression, in particular:

- Since February 24, the Bank has organized a shelter for the families of employees who were evacuated from active hostilities in one of the Bank's offices in Lviv;
- With the support of the Bank's shareholder PKO Bank Polski, the evacuation of employees' families to Poland was organized: over 750 people were accommodated in the OSSA center near Warsaw;
- The assistance was provided in the evacuation of a group of more than 300 women with children from near Kyiv;
- Since the beginning of April, a shelter for refugees has been created in Lviv, designed for a stay of 100 people at the same time and located near the railway station, where 18 Kredobank's volunteers provided care to the guests: almost 800 people aged from 15 days to 90 years used the shelter;
- The Courage to Be Close joint initiative by Charity Found Foundation Kredo and the Bank to support children affected by the war, which included a children's drawing contest, charity exhibitions in Warsaw and Lviv, a virtual gallery, the sale of poster drawings via the Internet and in the NFT format: 1,000 satchels for first-graders from among the displaced were purchased for the funds from the sale of drawings and assistance from Kredobank;
- In the first days of the war, the Bank provided UAH 1.25 million for the defense and humanitarian needs of the city of Lviv, as well as assistance to medical institutions in Lviv, Kyiv and Kharkiv;
- Providing charitable assistance in the amount of UAH 7.7 million for the completion of the Mine Action Center of the Ministry of Defense of Ukraine, which will allow the Ukrainian military to carry out priority work on humanitarian demining of land, industrial and infrastructure facilities in the territories liberated from Russian occupation, as well as to train specialists in all types of mine clearance, etc.

7. INFORMATION ABOUT THE CONCLUSION OF DERIVATIVES OR TRANSACTIONS IN RELATION TO THE DERIVATIVE SECURITIES

During the reporting period, KREDOBANK JSC did not enter into significant derivatives and did not make any significant transactions in relation to the derivative securities.

8. CORPORATE GOVERNANCE REPORT

8.1 Information on the Corporate Governance Code

KREDOBANK JSC has developed its own corporate governance code in accordance with the requirements of the Law of Ukraine "On Joint-Stock Companies" and the best corporate governance practices.

The principles (Code) of corporate governance is a document that sets out the attitude of shareholders and officers of the Bank to the current trends in the field of corporate governance, to the main issues of corporate governance and to the methods of resolving them in the Bank. A strict compliance with this Code will enable the Bank to ensure effective management, make coordinated decisions, strengthen trust and increase responsibility, as well as avoid conflicts of interest, promote disclosure of information and its transparency, and thereby increase the interests' protection of the Bank's Shareholders/Shareholder and the trust of depositors, other creditors and the community.

The principles (Code) of corporate governance of KREDOBANK JSC were approved by Shareholder Decision No. 01/2019 as of 24.04.2019 and posted on the Bank's official website at the link: https://kredobank.com.ua/about/misiya-ta-cinnosti/vnutrishni-normatyvni-dokumenty .

8.2 List of Persons Who Directly or Indirectly Own a Significant Shareholding of the Issuer

As of 31.12.2022, KREDOBANK JSC has a single shareholder - PKO Bank Polski SA (Warsaw, Republic of Poland), which owns 100% of the Bank's shares. The Ministry of State Treasury of the Republic of Poland, which controls PKO BP S.A., is the largest shareholder of the PKO BP S.A., since it owns a 29.43% stake in the authorized capital of PKO BP S.A. The share of the other shareholders of PKO BP S.A. does not exceed 10% of the voting shares.

8.3 Information on Any Restrictions on the Shareholders Rights to Participate and Vote at the General Meeting

KREDOBANK JSC has no information about any restrictions on the rights of shareholders to participate and vote at the general meeting.

8.4 Information on the General Meeting of Shareholders

During 2022, KREDOBANK JSC had a single shareholder – PKO Bank Polski, and in accordance with Article 49 of the Law of Ukraine "On Joint-Stock Companies", the shareholder's decision on issues falling within the competence of the general meeting shall be drawn up by in writing in the form of a decision that has the status of minutes of the general meeting of the shareholders.

In 2022, the Shareholder made three decisions that have the status of minutes of the general meeting of shareholders, namely:

- 28.03.2022 on the issue:
  - Approving the new version of the Charter of KREDOBANK JSC;
- 29.04.2022 on the issues:
  - Considering the report of the Supervisory Board of KREDOBANK JSC on its activities in 2021;
  - Assessment of the activities of the Supervisory Board of KREDOBANK JSC in 2021;
  - Approval of separate financial statements of KREDOBANK JSC according to International Financial Reporting Standards for 2021 and the report of the independent auditor report by Crowe Ukraine AC;
  - Approving the Consolidated Financial Statements of KREDOBANK JSC for 2021 in accordance with International Financial Reporting Standards and the independent auditor report by Crowe Ukraine AC;
  - Distribution of profit of KREDOBANK JSC for 2021;
  - Approving the report on remuneration of the Supervisory Board members of KREDOBANK JSC for 2021;
  - Determination of the number of members of the Supervisory Board of KREDOBANK JSC;
  - Re-election/election of members of the Supervisory Board of KREDOBANK JSC
  - Termination of powers of a member of the Supervisory Board of KREDOBANK JSC;

  - Approval of the terms for conclusion of the civil contracts with the members of Supervisory Board of KREDOBANK JSC;

- 22.12.2022 on the issues:
  - Approving the new version of the Regulation on Remuneration of Members of the Supervisory Board of KREDOBANK JSC;
  - Approval of the terms of conclusion of civil contracts with members of the Supervisory Board of KREDOBANK JSC.

The proposals for consideration by the Shareholder (General Meeting of the Shareholders) were submitted by the Management Board of KREDOBANK JSC.

8.5 Information about the Supervisory Board and its Activities

The Supervisory Board makes the decisions on all the issues that, according to the Charter of KREDOBANK JSC, fall within the competence of the Supervisory Board. The Supervisory Board monitors the activities of the Bank's Management Board, the compliance with the Bank's Charter and other regulatory provisions. In this regard, the Supervisory Board periodically hears the reports of the Management Board on certain areas of activity and at the end of the year it hears the annual report of the Management Board and submits its recommendations to the General Meeting of the Bank. The Supervisory Board exercises the employer's right on behalf of the Bank in relation to the members of the Bank's Management Board.

The Supervisory Board consists of: Chairman of the Board, Deputy Chairman of the Board, members of the Board, including independent ones.

The Regulation on the Supervisory Board of KREDOBANK JSC provides for the distribution of powers between the Chairman and Deputy Chairman of the Supervisory Board in terms of organizing the work of the Board. The distribution of powers among the other members of the Supervisory Board is not provided; they perform the same functional duties as the members of a collegial body.

Composition of the Supervisory Board of KREDOBANK JSC as of 31.12.2022:

- Maks Kraczkowski - Chairman of the Board, representative of the shareholder - PKO Bank Polski,
- Jacek Matusiak - Deputy Chairman of the Board, representative of the shareholder - PKO Bank Polski,
- Grzegorz Oszast - representative of the shareholder - PKO Bank Polski,
- Rafał Zalewski - representative of the shareholder - PKO Bank Polski,
- Nataliya Ivanivna Chukhray - Independent Member,
- Lev Hnatovych Klyoba - Independent Member,
- Slavomir Bukovsky - Independent Member,

One can find the list of changes in the personnel of the Supervisory Board of KREDOBANK JSC during 2022 in the section "Changes in the Officers and Officials Composition" of this Management Report.

Based on the results of the collective suitability assessment of the management bodies of KREDOBANK JSC, the members of the Supervisory Board of the Bank have a sufficient set of knowledge, skills, professional and managerial experience for the Board (as a collective body) to exercise its powers, to understand all aspects of the Bank's activities, adequate risk assessment, decision-making, ensuring effective management and control over the Bank's activities in general, taking into account the size of the Bank, its business model, structure, list of operations, risk profile of the Bank, in particular, in such areas as Risk Management, Finance, Retail, and Corporate Business, Working with Toxic Assets, Investment Activities, Treasury, Corporate Governance, Security and Information Technologies.

The Supervisory Board of KREDOBANK JSC has a sufficient number of members who have knowledge, skills and experience in all areas of the Bank's activities, which allows them to discuss professionally the issues that are submitted to the Board for consideration and based on which the decisions are made. Members of the Bank's Management Board have the skills to stand one's ground and influence the collective decision-making process.

The meetings of the Supervisory Board of KREDOBANK JSC were held on average twice a quarter in 2022. A total of 8 meetings were held during the year, at which 86 decisions were made. The meetings of the Supervisory Board were convened by the Chairman of the Supervisory Board on his own initiative or at the request of the Bank's Management Board. Decisions of the Supervisory Board were made by a simple majority of votes of the Members of the Supervisory Board who participated in the meeting and had the right to vote, by open or secret voting. In the event that the same number of votes "for" and "against" the draft decision was cast, the vote of the Chairman of the Supervisory Board was considered decisive.

In addition to considering the issues at meetings, on the urgent issues and the issues that did not require discussion, the Bank's Supervisory Board in 2022 made 68 decisions by voting in absentia (as work proceeds), which is 14% less than their number in the previous year. All meetings of the Supervisory Board were recorded in minutes, and the decisions taken by the Supervisory Board were made in the form of separate decisions.

Information on the number of meetings of the Supervisory Board of KREDOBANK JSC and its decisions made in the recent years is given in the table below:

INDICATORS (UNITS)	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGED IN 2022*
Number of meetings of the Supervisory Board	5	8	9	8	8	8	-
Number of decisions of the Supervisory Board adopted as work proceeds (between meetings)	52	52	48	70	79	68	-11

The members of the Supervisory Board considered the issues on the basis of written materials (petitions, information, appendices, reports), which were prepared and submitted by the Management Board on its own initiative or at the direction of the Supervisory Board. All members of the Supervisory Board timely received the materials necessary for consideration and decision-making on the issues that were submitted to the board for consideration.

The Supervisory Board of KREDOBANK JSC has established three Committees of the Supervisory Board: Audit Committee, Risk Management Committee, and Appointment and Remuneration Committee.

The Audit Committee is a permanent collegial body of the Supervisory Board established for the purpose of preliminary study and preparation for the consideration by the Supervisory Board of issues related to the control and regulation of the Bank's activities in the field of financial reporting, internal control, internal and external audit, and accounting. Ms. Chukhray N. I. was elected as a Chairman of the Audit Committee of the Supervisory Board. In 2022, 10 meetings of the committee were held, at which 27 decisions/recommendations to the Supervisory Board were adopted. In addition, 1 decision/recommendation was adopted by poll without calling a meeting.

The Risk Management Committee of the Supervisory Board is a permanent collegial body of the Supervisory Board established for the purpose of preliminary study and preparation for the consideration by the Supervisory Board of issues related to the control and regulation of the Bank's activities in the field of risk management and internal control. Ms. Klyoba L. H. was elected as a Chairman of the Risk Management Committee of the Supervisory Board . In 2022, 10 meetings of the committee were held, at which 51 decisions/recommendations to the Supervisory Board were adopted. In addition, 2 decisions/recommendations were adopted by poll without calling a meeting.

The Appointment and Remuneration Committee of the Supervisory Board is a permanent collegial body of the Supervisory Board established for the purpose of preliminary study and preparation for consideration by the Supervisory Board of issues related to the selection, evaluation, appointment, determination of remuneration to members of the Management Board, heads of the risk vertical, compliance department and other departments of the Bank, the appointment of which falls within the competence of the Supervisory Board of the Bank, control, and regulation of the Bank's activities in the field of appointments and remuneration. Mr. Bukovsky S. I. was elected as a Chairman of the Appointment and Remuneration Committee of the Supervisory Board. In 2022, 7 meetings of the committee were held, at which 19 decisions/recommendations to the Supervisory Board were adopted. In addition, 1 decision/recommendation was adopted by poll without calling a meeting.

8.6 Information about the Executive Body (Management Board) and Its Activities

The Management Board of KREDOBANK JSC is a collegial executive body of the Bank, which manages its current activities, forms funds necessary for the implementation of its statutory activities, and is responsible for the efficiency of its work. The Bank's Management Board is responsible for resolving all issues related to the management of the Bank's day-to-day activities, except for the issues that fall within the exclusive competence of the General Meeting and the Bank's Board.

The Management Board consists of: Chairman of the Management Board, First Deputy Chairman of the Management Board, Deputy Chairmen of the Management Board, Member of the Management Board.

The Regulation on the Management Board of KREDOBANK JSC provides for the distribution of powers between the Chairman and the First Deputy Chairman of the Management Board in terms of organizing the work of the Management Board. The distribution of powers among the other members of the Management Board is defined in a separate Regulation on the Distribution of Powers and Supervision of Members of the Management Board of KREDOBANK JSC, approved by the Supervisory Board of the Bank. The Members of the Management Board exercise the supervision over their subordinate verticals of activity specified in the Bank's organizational structure approved by the Supervisory Board, which includes the Central Bank and other structural divisions of the Bank.

During 2022, the following permanent committees of the Management Board operated:

- Assets & Liabilities Management and Tariffs Committee;
- Credit Committee (credit committees);
- Committee on Non-Performing Assets Management;
- Committee on Operational Risk and Information Security;
- Committee for Cost Control and Tenders;
- Change Management Committee.

There were no changes in the structure and number of Management Board Committees during 2021.

Composition of the executive body (Management Board) of KREDOBANK JSC as of 31.12.2022:

- Jerzy Jacek Shugaev – Chairman of the Management Board;
- Wojciech Tarasiuk – First Deputy Chairman of the Management Board;
- Adam Patrick Svirsky – Deputy Chairman of the Bank's Management Board;
- Artur Cieslar – Deputy Chairman of the Bank's Management Board;
- Oleh Zenoviiovych Noga – Deputy Chairman of the Bank's Management Board;
- Anton Yevhenovych Kirkach – a member of the Management Board;

One can find the list of changes in the personnel of the Management Board of KREDOBANK JSC during 2022 in the section "Changes in the Officers and Officials Composition" of this Management Report.

The meetings of the Management Board of KREDOBANK JSC were held on average three times a month in 2022. A total of 34 meetings were held during the year. The decisions of the Management Board were made by a simple majority of votes of the general composition of the Management Board. In the event that the same number of votes "for" and "against" the draft decision was cast, the vote of the Chairman of the Management Board was considered decisive.

In addition to considering issues at the meetings, the Bank's Management Board made 1 054 decisions on urgent issues in 2022 by voting in absentia (as work proceeds), which is 33% less than in the previous year. Decisions that were submitted to the Members of the Management Board as work proceeds were considered adopted if all the Members of the Management Board present at the Bank at that time voted "for" their adoption.

Information on the number of meetings of the Management Board of KREDOBANK JSC and its decisions made in the recent years is given in the table below:

INDICATORS (UNITS)	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*CHANGED IN 2022*
Number of Management Board meetings	29	31	37	41	39	34	-5
Number of decisions of the Management Board adopted as work proceeds (between meetings)	1 786	1 888	1 786	1 892	1 564	1054	-510

Based on the results of the collective suitability assessment of the management bodies of KREDOBANK JSC, the members of the Management Board of the Bank have a sufficient set of general knowledge, skills, and professional and managerial experience to understand all aspects of the Bank's activities, adequate risk assessment, decision-making, ensuring effective management and control over the Bank's activities in general, taking into account the size of the Bank, its business model, structure, list of operations, risk profile of the Bank, in particular, in such areas as Risk Management, Finance, Retail and Corporate Business, Working with Toxic Assets, Investment Activities, Treasury, Corporate Governance, Security and Information Technologies.

8.7 Description of the Main Features of Internal Control and Risk Management Systems

A description of the main features of the Bank's risk management system is described in the "Risk Management System, Risk Management Strategy and Policy" section of this Management Report.

The Internal Control System Organization Policy in KREDOBANK JOINT STOCK COMPANY and the Bank Group defines the basic principles of organization and functioning of the internal control system in KREDOBANK JOINT STOCK COMPANY and the Bank Group at all organizational levels and draws up a list of requirements, principles and norms for the organization and functioning of the internal control system in order to ensure the effective corporate governance in the Bank.

The policy takes into account the specifics of the Bank's activities, the nature and volume of banking services in accordance with the built processes, taking into account the overall strategy of the Bank's activities.

The policy is implemented in accordance with the requirements of the legislation of Ukraine, standards of the professional associations, and regulatory legal acts of the National Bank of Ukraine, which apply to the activities of commercial banks and internal regulatory documents of the Bank.

The organizational structure, main goals, and principles of risk management that arise in all areas of the Bank's activities at all organizational levels are determined by the Regulation on Organizational Structure of the Risk Management System in KREDOBANK JOINT STOCK COMPANY.

Bank's internal control system:

- Consists of a control environment, risk management inherent in the Bank's activities, including risk compliance, control activities in the Bank, control over the information flows and communications of the Bank, and monitoring the effectiveness of the internal control system;
- Ensures the achievement of operational, informational, and compliance goals of the Bank's activities defined in its strategy and the business plan.
- It is implemented at each of the Bank's organizational levels.

The Bank creates and implements an internal control system based on the distribution of responsibilities between the divisions of the Bank, except for the functions that fall within the exclusive competence of the Bank's Supervisory Board/Management Board/Bank Committees in accordance with the requirements of the legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine. This distribution is based on the application of the following three line defense model:

1) The first line of defense consists of the Bank's structural divisions that carry out operational activities, in particular: product sales and customer service, as well as other structural divisions of the Bank that perform operational tasks generating risk in accordance with certain internal bank documents;

2) The second line of defense covers the functions of the compliance unit and risk management units, as well as the identification, measurement, control, monitoring and reporting of certain types of risks and threats and violations; the tasks are performed by specialized structural units that operate on the basis of relevant rules, methods and procedures; the purpose of these units is to ensure that the measures carried out on the first line are designed in a right way and effectively limit the risk, support risk measurement and analysis and performance;

3) The third line of defense is the activity of the internal audit unit, which performs an independent audit of elements of the Bank's management system, including the risk management system and the internal control system.

The subjects of the Bank's internal control system include:

- Supervisory Board of the Bank;
- Management Board of the Bank;
- Collegial bodies of the Bank;
- Business units, support units;
- Risk Management Division and Compliance Control Division;
- Internal Audit Department;
- Officers and employees of the Bank who exercise internal control in accordance with the powers defined by internal regulatory documents and that do not constitute a part of the Bank's bodies and divisions listed above.

The Bank creates a comprehensive, effective and adequate internal control system in compliance with the following principles: comprehensiveness and complexity; efficiency; adequacy; prudence; risk orientation; integration; timeliness; independence; continuity; and confidentiality.

The Bank ensures the proper functioning of the control environment, which provides for:

- Understanding by the Bank's Supervisory Board and Management Board the risks that the Bank may be exposed to, and ensuring the implementation, development and integration of the internal control system into the Bank's corporate governance system;
- Ensuring the distribution of powers and responsibilities between the collegial bodies, between the divisions and between individual employees of the Bank and avoiding conflicts of interest;
- Awareness and understanding of each employee of the Bank of their role in ensuring the functioning of the internal control system;
- Ensuring the development of a control culture by the Supervisory Board and Management Board of the Bank;
- Ensuring compliance of the employees' activities with the established control culture in the Bank.
- The responsibility for the effectiveness of the internal control system is assigned to:
- The Supervisory Board of the Bank and the Management Board of the Bank for the effectiveness of the internal control system;
- Divisions of the Bank's first line of defense for implementing measures to correct shortcomings in the internal control system;
- Risk management division and compliance control division for the quality of measures implemented to monitor the internal control system (except for evaluating the effectiveness of the internal control system);
- Internal Audit Department for the evaluation of the internal control system effectiveness.

The requirements of the Internal Control System Organization Policy in KREDOBANK JOINT STOCK COMPANY and the Bank Group are mandatory for employees of all the Bank's divisions.

The internal control system is described in the Bank's internal regulatory documents:

- The Internal Control System Organization Policy in KREDOBANK JOINT STOCK COMPANY and the Bank Group;

- Methodology for conducting internal control measures and evaluating control mechanisms in the structural divisions of the Central Bank of KREDOBANK JOINT STOCK COMPANY.

8.8 Procedure for Appointing and Dismissing Officials

In accordance with the Charter of KREDOBANK JSC, the Members of the Supervisory Board should be elected and dismissed by decision of the General Meeting of shareholders. The powers of a Member of the Board shall be terminated without a decision of the General Meeting in the following cases:

- At his/her request, subject to written notification of this to the Bank (Chairman of the Supervisory Board) two weeks in advance;
- If it is impossible to perform the duties of a member of the Supervisory Board for health reasons;
- If the sentence or decision of the court by which he/she was sentenced to punishment has entered into force, which excludes the possibility of performing the duties of a Member of the Supervisory Board;
- In the event of death, recognition of his/her incapacity, limited legal capacity, recognition as missed or deceased;
- If the Bank receives an application from an independent member of the Supervisory Board provided for in clause 7.32 of the Charter (from the date of the application receipt);
- In case of the employment relationship termination with the shareholder at whose request he/she was elected to the Supervisory Board, at the request of this shareholder;
- If the Bank receives a written notification about the replacement of a member of the Supervisory Board.

The Members of the Management Board shall be appointed and dismissed by the decision of the Bank's Supervisory Board.

8.9 Powers of Officials

The powers of officials of KREDOBANK JSC are defined by the Charter of KREDOBANK JSC, the Regulations on the Supervisory Board of KREDOBANK JSC, and the Regulations on the Management Board of KREDOBANK JSC, which are published on the official website of KREDOBANK JSC.

The term of office of the current members of KREDOBANK JSC's Supervisory Board is common, namely, until 29.04.2025 (three years from the date of election), but not later than the date of the annual General Meeting held after the second full reporting year of the Supervisory Board.

The term of office of the Management Board of KREDOBANK JSC as of December 31, 2022 is individual, namely:

- Jerzy Jacek Shugaev – until 25.05.2023;
- Wojciech Tarasiuk – until 28.09.2023;
- Adam Patrick Svirsky – until 02.01.2025;
- Artur Cieslar – until 18.06.2025;
- Oleh Zenoviiovych Noga – until 31.10.2023;
- Anton Yevhenovych Kirkach – until 01.03.2025.

8.10 Purpose of KREDOBANK JSC's Activities

According to the Charter, the purpose of KREDOBANK JSC is to provide banking and other financial services and carry out other activities to make a profit, ensure the protection of the legitimate interests of depositors and other customers of the Bank.

8.11 The facts of violating internal rules by the Members of Supervisory Board and executive body of a financial institution, which resulted in damage to the financial institution or the consumers of financial services

During the reporting period, no facts of violating internal rules by the Members of Supervisory Board and executive body of KREDOBANK JSC, which led to damage to the Bank or the consumers of financial services, were established.

8.12 The measures of influence applied during the year by state authorities to a financial institution, including the members of its Supervisory Board and the executive body

In the reporting period, 29 measures of state supervision (control) were carried out. During 2022, KREDOBANK JSC paid a fine in the amount of UAH 8.500.

The National Bank of Ukraine has carried out remote supervision on the topic: Compliance by KREDOBANK JOINT-STOCK COMPANY with the Requirements of Resolution No. 18 of the Board of the National Bank of Ukraine Dated 24.02.2022 On the Operation of the Banking System During the Introduction of Martial Law. Based on the results of remote supervision, it was decided not to apply measures of influence to the Bank.

In 2022, KREDOBANK JSC successfully passed the Supervisory Review and Evaluation Process (SREP), which in particular includes analysing the business models of banks in order to assess their viability and sustainability of strategies, assessing the organization level of the corporate governance and the internal control of banks, as well as assessing capital adequacy and liquidity.

In 2022, the inspections were also carried out by the Chief Directorate of the Pension Fund of Ukraine, the Regional Branch of the State Property Fund of Ukraine in the Lviv, Transcarpathian and Volyn regions.

8.13 The amount of the annual remuneration for the Members of the Supervisory Board and executive body of a financial institution

During 2022, the accrued and paid total annual remuneration of the members of the Supervisory Board of KREDOBANK JSC (taking into account the payment of the accrued remuneration for December 2021 and excluding the remuneration for December 2022, which was paid in January 2023) amounted to UAH 1173.6 thousands and PLN 43.6 thousands.

The total amount of funds paid to members of the Management Board of KREDOBANK JSC in 2022 amounted to UAH 49,438.0 thousand, including the amount of payments as remuneration for 2019-2021 equal to UAH 11,888.0 thousand.

8.14 Information on the results of the system functioning internal audit (control) during the year

KREDOBANK JSC has established a permanent independent internal audit division, which is part of the internal control system. The Internal Audit Department (hereinafter referred to as IAD) is a structural unit of the Bank (third line of defense) that reports and reports to the Audit Committee of the Supervisory Board and to the Supervisory Board itself. The Internal Audit Department operates on the basis of regulations approved by the Supervisory Board. During the reporting period, the Internal Audit Department carried out its activities in accordance with the Internal Audit Work Plan of KREDOBANK JSC for 2022 and the Operating Strategy of the Internal Audit Department for 2021-2023. The Internal Audit Department audited and evaluated the effectiveness of the internal control system (hereinafter referred to as the ICS) and the risk management system (hereinafter referred to as the RMS) and their components in the process of conducting scheduled/ unscheduled audits (incl. reviews) and inspections, taking into account the criteria for their assessment. During the reporting period, the Internal Audit Department conducted 16 scheduled audits of the Central Bank, and 9 scheduled inspections in 19 branches. Additionally, in 2022, IAD of KREDOBANK JSC carried out 3 unscheduled audits and 1 review. Based on the results of audits, reviews and inspections, the Internal Audit Division provided 456 instructions and recommendations, which as of 01.01.2023 have the following status:

- Closed (fulfilled) – 281 recommendations;
- Open (the deadline has not come or the deadline has been changed) – 175 recommendations.

The Internal Audit Department informs the Management Board and reports to the Audit Committee of the Supervisory Board and to the Supervisory Board of the Bank about the shortcomings of ICS and RMS functioning by providing periodic objective judgments, conclusions and assessments regarding the sufficiency and effectiveness of internal control and risk management systems, compliance of these systems with the types and volumes of operations carried out by the Bank, and internal control of the Bank. Shortcomings/ errors in the functioning of ICS and RMS components shall be reflected in the regular reporting to the Supervisory Board on the implementation of the Internal Audit Department's Work Plan. In particular, they indicate the materiality of comments/ shortcomings in the functioning of the ICS and RMS; the types of process risks operating in the Bank were identified as well as the main recommendations or proposals that were aimed at improving the Bank's performance in 2022 and in future periods. The assessment is carried out by internal auditors on the basis of verifying the adequacy and effectiveness of the established (regulated/ automated) control mechanisms, and in case of their absence and/ or insufficiency of such control mechanisms, the other factors and activities of the structural division aimed at implementing tasks and limiting the level of risk shall be verified.

According to the results of the activities of KREDOBANK JOINT-STOCK COMPANY in 2022, the Internal Audit Department estimates that the ICS and RMS are sufficient (effective, comprehensive, adequate). The Bank's control procedures are constantly adapted to the changes in risks and regularly documented. The identified shortcomings in terms of the adequacy and effectiveness of ICS and RMS have a little impact on the ability to achieve the goals of these systems. A standardized approach to documenting control procedures is used. The periodic reports are prepared based on the results of the assessment of the ICS and RMS on the basis of objective criteria. The authorized persons of KREDOBANK JSC coordinate control procedures and monitor them.

8.15 Facts of assets alienation during the year in the amount exceeding the amount established in the Charter

During the reporting period, there are no facts of assets alienation in the amount exceeding the amount established in the Charter of KREDOBANK JSC.

8.16 Results of assets valuation in case of their purchase and sale during the year in an amount exceeding the amount established in the Charter

Due to the absence during the reporting period of facts of the assets purchase and sale in excess of the amount specified in the Charter of KREDOBANK JSC, the corresponding assessment of assets was not carried out.

8.17 Information on the Rights Protection for the Financial Services Consumers by KREDOBANK JSC

When considering appeals from the citizens and legal entities, the Bank is guided by the internal regulation "On the Procedure for Considering Appeals to KREDOBANK JSC". This document sets the terms of processing and the limits of liability, as part of the requests processing received by the bank. The bank clearly defines the channels that can be used to submit an appeal to the bank: information line, in writing, via website, etc. (external sites).

The responsibility for reviewing requests and providing a response to the Applicant is assigned to an internal structural division: Customer Experience Management Department within the Marketing Department of the Central Bank (Head of Department – Shkolyk Olha Volodymyrivna).

During 2022, the Bank received 3917 requests, including requests from: individuals – 3434; legal entities – 237; NBU (regarding appeals received from the Customers of KREDOBANK JSC) – 84; individual entrepreneurs – 112; requests from lawyers and deputies – 50. During the reporting period, a total of 3882 requests were resolved, of which 205 were resolved in favour of the customer.

In 2022, the courts of Ukraine of different instances considered 18 court cases in which the grounds and the subject matter of claim were determined by the provision of financial services by the Bank and consumer protection. Based on the results of the proceedings: in 2 court cases, court's decisions were made in favour of KREDOBANK JSC; in 2 court cases, the disputes were resolved in favour of the plaintiffs (1 of them – the trial is ongoing at the stage of appeal; in both such cases, during the proceedings, the procedural and non-procedural measures of legal support achieved a significant actual reduction in the amount of money claims initially claimed by the plaintiffs against the Bank); in 1 court case, the proceedings were closed on procedural grounds; in 2 court cases, the court's decisions partially satisfied, partially refused to satisfy the plaintiffs' claims (1 of them is still ongoing at the appeal stage); in 11 court cases, the proceedings are ongoing in the court of first instance.

8.18 Information on transactions with related parties, including within the same industrial and financial group or the other association, conducted during the year

Information on this issue is covered in the Operations with Related Parties note to the Financial Statements of KREDOBANK JSC for 2022.

8.19 Information on the recommendations used by the bodies responsible for state regulation of financial services markets regarding the auditor's report

The audit report was prepared in accordance with International Standards on Auditing, taking into account the requirements of the Law of Ukraine "On Audit of Financial Statements and Auditing Activities", the Law of Ukraine "On Securities and Stock Market", the Law of Ukraine "On Banks and Banking Activities".

8.20 Information on the external auditor appointed during the year

The audit of the financial statements of KREDOBANK JSC is carried out by CROWE UKRAINE AUDITING COMPANY LLC.

8.21 Information on the activities of the external auditor

CROWE UKRAINE AUDITING COMPANY LLC is a member of the Crowe Global International Auditing network, one of the top 10 global auditing networks in the world, which consists of independent audit and consulting firms in over 150 states and has over 830 offices. AC CROWE UKRAINE is a representative of a network with an impeccable reputation, which demonstrates the highest standards of work quality and providing highly professional services.

The registration number of AC CROWE UKRAINE in the Register of Auditors and Auditing Entities is 3681. AC CROWE UKRAINE is an auditing entity that has the right to conduct a mandatory audit of the financial statements. AC CROWE UKRAINE is an auditing entity that has the right to conduct a mandatory audit of the financial statements of enterprises of public interest.

AC CROWE UKRAINE has been providing audit services to KREDOBANK JSC for the third year. In the reporting year, in addition to the audit of the financial statements of KREDOBANK JSC prepared in accordance with the requirements of International Financial Reporting Standards for the year ended on December 31, 2021, the audit company also provided audit services for the annual financial statements of the Bank's subsidiary Company – LLC "KREDOLEASING" for the year ended on December 31, 2021, prepared in accordance with (IFRS).

During the entire period of providing the services by AC CROWE UKRAINE, there were no cases of conflicts of interest and/or combining the functions of an internal auditor.

Over the past three years, no penalties have been applied to AC CROWE UKRAINE by either the Audit Chamber of Ukraine, the Audit Public Oversight Body, or the bodies that carry out state regulation on financial services markets. The bodies carrying out state regulation of the financial services market did not find the facts of unreliable reports submitted by the Bank, which is confirmed by the audit opinion.

Chairman of the Management Board of KREDOBANK JSC **Jerzy Jacek Shugaev**

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК»
KredoBank
09807862
АТ «КРЕДОБАНК» у м. Львів

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of hryvnias	**Note**	**31 December 2022**	**31 December 2021**
Assets			
Cash and funds in the National Bank of Ukraine	5	10 645 808	4 817 011
Due from other banks	6	5 313 436	2 279 441
Loans and advances to customers	7	12 505 602	16 803 942
Securities	8	9 004 174	7 814 347
Current income tax prepayment		4 544	35
Deferred Income tax asset	29	41 212	46 890
Investments in subsidiaries	9	10 000	10 000
Investment property	10	8 138	11 771
Intangible assets	12	224 275	223 701
Property, plant and equipment	11	836 223	935 787
Other financial assets	13	244 159	149 124
Other non-financial assets	14	132 936	129 535
Total assets		**38 970 507**	**33 221 584**
Liabilities			
Due to other banks	15	971 551	3 712 083
Customer accounts	16	33 012 516	24 518 258
Due to other financial institutions	17	102 303	101 080
Debt securities	18	-	486 123
Current income tax liabilities		12 877	32 650
Other financial liabilities	19	656 719	232 932
Other non-financial liabilities	20	126 509	139 296
Provisions	21	50 095	50 869
Total liabilities		**34 932 570**	**29 273 291**
Equity			
Share capital	22	2 248 969	2 248 969
Reserve and other funds		1 476 852	680 551
Revaluation reserve for property, plant and equipment		100 537	103 301
Revaluation reserve for securities at fair value through other comprehensive income		61 383	114 155
Retained earnings / (Accumulated deficit)		150 196	801 317
Total equity		**4 037 937**	**3 948 293**
Total liabilities and equity		**38 970 507**	**33 221 584**

Approved to issue and signed on behalf of the Management Board on March 31, 2023.

ПРИВАТНЕ АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. Львів

Jerzy Jacek Szugajew
Chairman of the Management Board

Vasyl Lototsky
Chief Accountant

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of hryvnias	Note	2022	2021
Interest income calculated using the effective interest method	24	2 890 570	2 520 608
Other interest income	24	107 101	157 953
Interest expense	24	(866 683)	(691 493)
Net interest income		**2 130 988**	**1 987 068**
Fee and commission income	25	739 149	739 441
Fee and commission expense	25	(224 649)	(190 752)
Gains less losses from trading in foreign currencies		566 526	76 239
Foreign exchange translation gains less losses		104 736	7 801
Gains less losses on derecognition of securities at fair value through other comprehensive income		(11 549)	5 910
Gains less losses on derecognition of financial assets at amortised cost		16 355	23 949
Credit loss expense on financial assets	26	(1 730 438)	(197 114)
Other operating income	27	87 016	50 251
Employee payments expenses	28	(690 698)	(673 548)
Depreciation costs	11,12	(317 729)	(324 811)
Administrative and other operating expenses	28	(495 363)	(532 569)
Profit before tax		**174 344**	**971 865**
Income tax expense for the year	29	(31 928)	(175 565)
Profit for the year		**142 416**	**796 300**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Financial instruments at fair value through other comprehensive income			
- Net change in the fair value of financial instruments at fair value through other comprehensive income	23	(64 321)	36 321
- Net change in the fair value of financial instruments at fair value through other comprehensive income transferred to net profit and loss	23	11 549	(5 910)
Other comprehensive income for the year		**(52 772)**	**30 411**
Total comprehensive income for the year		**89 644**	**826 711**
Basic and diluted profit per share attributable to shareholders on the basis of The Consolidated Financial Statements (UAH per share)	30	0,0006	0,0035

Approved to issue and signed on behalf of the Management Board on March 31, 2023.

Jerzy Jacek Szugajew
Chairman of the Management Board

Vasyl Lototsky
Chief Accountant

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. ЛЬВІВ

SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of hryvnias	**Note**	**Share capital**	**Reserve and other funds**	**Revaluation reserve for securities at FVOCI**	**Revaluation reserve for PPE**	**Retained earnings**	**Total equity**
Balance at 1 January 2021		**2 248 969**	**185 180**	**83 744**	**108 280**	**495 409**	**3 121 582**
Profit for the year		-	-	-	-	796 300	796 300
Other comprehensive income	23	-	-	30 411	-	-	30 411
Total comprehensive income for 2021		**-**	**-**	**30 411**	**-**	**796 300**	**826 711**
Distribution of profit to the reserve and other funds		-	495 371	-	-	(495 371)	-
Transfer of revaluation surplus on property to retained earnings upon disposal of property		-	-	-	(4 979)	4 979	-
Balance at 31 December 2021		**2 248 969**	**680 551**	**114 155**	**103 301**	**801 317**	**3 948 293**
Profit for the year		-	-	-	-	142 416	142 416
Other comprehensive income	23	-	-	(52 772)	-	-	(52 772)
Total comprehensive income for 2022		**-**	**-**	**(52 772)**	**-**	**142 416**	**89 644**
Distribution of profit to the reserve and other funds		-	796 301	-	-	(796 301)	-
Transfer of revaluation surplus on property to retained earnings upon disposal of property		-	-	-	(2 764)	2 764	-
Balance at 31 December 2022		**2 248 969**	**1 476 852**	**61 383**	**100 537**	**150 196**	**4 037 937**

Approved to issue and signed on behalf of the Management Board on March 31, 2023.

Jerzy Jacek Szugajew
Chairman of the Management Board

Vasyl Lototsky
Chief Accountant

SEPARATE STATEMENT OF CASH FLOWS

In thousands of hryvnias	Note	2022	2021
Cash flows from operating activities			
Interest received		2 752 351	2 916 201
Interest paid		(862 527)	(680 009)
Fees and commissions received		754 575	728 112
Fees and commissions paid		(224 649)	(190 752)
Income received from trading in foreign currencies		566 526	76 239
Other operating income received		72 557	43 156
Employee costs paid		(695 030)	(675 995)
Administrative and other operating expenses paid		(442 846)	(521 041)
Income tax paid		(50 532)	(180 600)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**1 870 425**	**1 515 311**
Net (increase)/decrease in due from other banks		(33 058)	15 093
Net (increase)/decrease in loans and advances to customers		3 522 759	(4 093 806)
Net (increase)/decrease in other financial and non-financial assets		(117 162)	25 778
Net increase/(decrease) in due to other banks		(2 948 516)	904 889
Net increase/(decrease) in customer accounts		5 250 678	6 698 853
Net increase/(decrease) in other financial and non-financial liabilities		401 889	(14 584)
Net cash from/(used in) operating activities		**7 947 015**	**5 051 534**
Cash flows from investing activities			
Acquisition of securities		(5 368 851)	(7 226 147)
Proceeds from disposal and redemption of securities		5 659 968	5 464 797
Acquisition of subsidiaries		-	(10 000)
Acquisition of property, plant and equipment		(60 301)	(70 576)
Proceeds from disposal of property and equipment		13 301	16 142
Acquisition of intangible assets		(104 929)	(149 587)
Net cash from/(used in) investing activities		**139 188**	**(1 975 371)**
Cash flows from financing activities			
Proceeds from the own debt securities placement		-	119 748
Redemption of issued own debt securities		(483 355)	(16 372)
Payment of lease liabilities		(78 815)	(77 674)
Net cash from/(used in) financing activities		**(562 170)**	**25 702**
Effect of exchange rate changes on cash and cash equivalents		1 302 247	(221 183)
Net increase/(decrease) in cash and cash equivalents		**8 826 280**	**2 880 682**
Cash and cash equivalents at the beginning of the year		7 082 166	4 201 484
Cash and cash equivalents at the end of the year	5	**15 908 446**	**7 082 166**

* The SEPARATE Statement of Cash Flows was prepared using the direct method

Approved to issue and signed on behalf of the Management Board on March 31, 2023.

АКЦІОНЕРНЕ ТОВАРИСТВО «КРЕДОБАНК» KredoBank 09807862 АТ «КРЕДОБАНК» у м. ЛЬВІВ

Jerzy Jacek Szugajew
Chairman of the Management Board

Vasyl Lototsky
Chief Accountant

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. INTRODUCTION

These financial statements were prepared in accordance with the International Financial Reporting Standards for fiscal year 2022 for Joint Stock Company "Kredobank" (hereinafter - the "Bank") in addition to the Consolidated Financial Statements of the Bank in accordance with IFRS, for submission to the National Bank of Ukraine (NBU) in compliance with the requirements of paragraph 8.1 of Section III of the instructions on the procedure for preparing and publishing the financial statements of banks of Ukraine, approved by NBU Board Resolution No. 373 on November 10, 2011, with amendments and additions. These separate financial statements should be reviewed together with the consolidated financial statements, which can be obtained on the Bank's official website (www.kredobank.com.ua).

The Bank was incorporated and is domiciled in Ukraine. The Bank is a joint-stock company limited by shares and was set up in accordance with Ukrainian laws.. The Bank was founded in 1990 as a joint stock company. Initially registered by the USSR State Bank the Bank was re-registered by the National Bank of Ukraine (the “NBU”) on 14 October 1991 under the name of West-Ukrainian Commercial Bank. In November 2005, the shareholders of the Bank made the decision to change the name to Kredobank. Under the decision of Extraordinary General Shareholders Meeting on 26 November 2009, the Bank changed its name to Public Joint Stock Company “Kredobank” in order to bring its activities into compliance with the requirements of the Law of Ukraine On Joint-Stock Companies.

As at 31 December 2022 and 31 December 2021, the Bank’s immediate parent company was PKO Bank Polski S.A. (Poland). The Bank is a member of the PKO Bank Polski Group (“PKO BP Group”). The largest shareholder of the PKO BP Group is the Ministry of State Assets of Poland, which controls PKO Bank Polski S.A. as owns 29.43% in the share capital of PKO Bank Polski S.A. Share of other shareholders of PKO BP S.A. does not exceed 10% of voting shares. The Bank does not have transactions with the Ministry of State Assets of Poland. As at 31 December 2022 and 31 December 2021, PKO BP S.A. owns 100% of shares of the Bank.

Principal activity. The Bank’s principal business activity includes commercial banking operations, corporate and retail banking operations within Ukraine.

The Bank operates under License #43 issued by the NBU on 11 October 2011 that provide the Bank with the right to conduct banking operations, including currency operations. The Bank also possesses licenses for custodial services issued on 10 October 2013 and licenses for securities operations issued on 7 November 2012. The Bank participates in the State deposit insurance scheme (registration #051 dated 19 October 2012), which operates according to the Law of Ukraine “On Deposit Guarantee Fund” dated 23 February 2012 (as amended).

During the period of martial law in Ukraine and three months from the date of its termination or cancellation, the fund reimburses each depositor of the bank for the full amount of the deposit, including interest accrued as of the end of the day preceding the day of the bank's withdrawal from the market. After the end of the three-month period from the date of termination or lifting of martial law in Ukraine, the fund guarantees reimbursement of deposits of up to UAH 600 thousand per person in the event of liquidation of the bank.

As at 31 December 2022, the Bank has 66 outlets (in 2021 – 82 outlets) in Ukraine.

In 2022, the average number of full-time employees of the Bank was 1 580 employees (in 2021: 1739 employees).

KREDOBANK JSC operates in accordance with the strategy for 2021-2023 approved by the Bank's Supervisory Board. The strategy was implemented in 2022, taking into account new external factors caused by Russia's military aggression and the ongoing Russian-Ukrainian war, and within the limits of existing objective capabilities. The main strategic goals of KREDOBANK JSC are to achieve the expected level of return on capital; increase the total number of customers in all segments; increase the level of customer satisfaction and activity; increase the share in servicing foreign trade turnover between Ukraine and Poland; quickly respond to business needs and improve the reliability of key IT systems; maintain a moderate risk appetite; increase operational efficiency; increase employee engagement and satisfaction.

The Bank's mission is to be a reliable financial partner for clients and an attractive employer for employees. Thanks to specialization and concentration of resources, the Bank strives to achieve and maintain long-term business stability, thereby ensuring the return on investment of its shareholders.

Registered address and place of business.

The Bank's registered address and place of business is:

78 Saharova Str.

79026 Lviv

Ukraine

Presentation currency.

These separate financial statements are presented in thousands of hryvnias ("UAH"), unless otherwise stated.

2. OPERATING ENVIRONMENT OF THE BANK

The armed aggression of the Russian Federation and the Russian-Ukrainian war, which is ongoing as of the date of preparation of this Report, were the key factors affecting the Ukrainian economy, the banking sector and the external conditions of JSC "KREDOBANK" JSC in 2022.

On February 24, 2022, Russian troops launched an invasion of Ukraine from Russia, Belarus, the previously annexed territory of Crimea, and the previously occupied areas of eastern Ukraine. The president of Ukraine, by His Decree No. 64/2022 of February 24, 2022, introduced martial law in Ukraine, which was approved by the Verkhovna Rada of Ukraine on the same day. In accordance with the decree of the president of Ukraine No. 69/2022 of February 24, 2022, a general mobilization of those liable for military service and reservists was announced in Ukraine.

During the end of February and March, the Russian occupation forces concentrated their offensive on the directions of Kiev, Kharkiv, Chernihiv, Mykolaiv, Odessa, but were never able to capture these cities. Among all the regional centers, Russian troops were able to capture only Kherson, which was liberated by the Ukrainian army in November 2022. Having suffered a de facto defeat on the battlefield, the Russian occupation forces began to destroy Ukraine's energy infrastructure with massive missile attacks. The international community has classified such actions as war crimes. The war in Ukraine has led to tragic loss of life and suffering. The number of refugees from Ukraine exceeds 6 million, several million citizens have received the status of Internally Displaced Persons, and large-scale destruction of key infrastructure in Ukraine is taking place.

After the deepest decline at the beginning of the war, the economy began to slowly recover in mid-2022 due to the liberation of part of Ukrainian lands from occupation, the adaptation of businesses and households to the conditions of war, and the operation of the "grain corridor". But given the negative impact on the economy of shelling of energy infrastructure in the fourth quarter, the rate of GDP decline accelerated again.

The armed aggression of the Russian Federation and the Russian-Ukrainian war have extremely significant negative consequences for the economy and banking sector of Ukraine, the scale of which continues to increase. The war led to the physical destruction of production facilities and infrastructure, disruption of supply chains (including blocking exports), increased business costs, and temporary occupation of certain territories. Many enterprises had to suspend their work, transport and logistics relations between the regions were disrupted, infrastructure was significantly damaged, thousands of Ukrainian citizens were killed, and millions of citizens became refugees.

All this will have long-term consequences for the Ukrainian economy and its banking sector. According to preliminary estimates, the decline in GDP exceeds 29% yoy, while actual inflation was 26.6% at the end of 2022. A more accurate assessment of the impact of military operations on the economy is complicated by the fact that during the period of martial law and within three months after its end, the state statistics bodies of Ukraine suspended the publication of statistical information, with the exception of the Consumer Price Index.

The foreign exchange market in Ukraine operates under restrictions that were introduced under martial law. Most transactions on the interbank market take place with the participation of the National Bank – both for the purchase and sale of foreign currency. Since the beginning of the war, the hryvnia exchange rate was fixed at the level of February 24, 2022 (29.25 UAH/USD) and it remained unchanged until July. On July 21, the NBU adjusted the official exchange rate of the hryvnia against the US dollar by 25% to 36.57 UAH/USD, taking into account changes in the fundamental characteristics of the Ukrainian economy during the war and the strengthening of the US dollar against other currencies. At the same time, the NBU continued its fixed exchange rate policy, which allows the National Bank to maintain control over the dynamics of inflation, as well as maintain the continuous operation of the financial system.

The NBU also partially simplified the requirements for the current operation of banks and refused to introduce new regulatory requirements. Regular sustainability assessments have been abolished, capital requirements for market risk have been postponed, and capital buffers will not be activated. At the same time, the Financial Stability Board agreed that the National Bank will conduct an assessment of the stability of banks in 2023, which will allow assessing the state of the banking sector after the acute phase of the current economic crisis related to the war. Thanks to the sustainability assessment, in particular forecasting the performance of banks according to the baseline scenario, the NBU plans to assess the viability of banks ' business models and determine the real need for capital of the largest banks. Based on the results of the sustainability assessment, the banking regulator will adjust the regulatory easing regime and decide on further implementation of requirements for banks in accordance with EU regulations.

Since the beginning of martial law, the NBU has postponed making a decision on changing the discount rate and kept it at 10% per annum, but in June the rate was increased by 15 percentage points to 25% per annum and remains at this level until the end of the reporting period. The goal of the transition to a tighter monetary policy was to increase the attractiveness of Hryvnia assets, reduce pressure on the foreign exchange market and, as a result, strengthen the ability of the National Bank to ensure exchange rate stability and contain inflationary processes during the war. The NBU also expanded the corridor of interest rates on monetary transactions with banks in order to create conditions for the revival of the interbank market.

Extremely important financial support for Ukraine is provided by international financial organizations and G-7 countries – according to published data, from the beginning of the war to the end of 2022, Ukraine received 32 billion USD of grants and loans from foreign partners. The financial assistance received made it possible to maintain the state's defense capability and meet a significant share of budget needs in 2022. Further cooperation with international partners and, in particular, the IMF will remain one of the key factors in supporting the functioning of the economy in the face of a full-scale war and recovery after its end.

The Russian-Ukrainian war is already significantly affecting the activities of the banking sector of Ukraine and KREDOBANK JSC, as well as its financial result. The impact of the war on the banking sector is manifested through such components as:

- interruptions in the operation of bank branches and ATMs, significant damage or destruction of banking infrastructure in areas of military operations;
- reduction of the loan portfolio due to the actual termination of new lending by banks (except for lending by state-owned banks to sectors of the economy and enterprises that are critical under martial law);
- reduced commission income of banks due to reduced demand for customer services;
- increase in the share of demand funds in the structure of customer funds;
- inability of some borrowers to service loans, deterioration of payment discipline due to the termination of enterprises, loss of sources of income by individuals, forced change of residence of millions of Ukrainian citizens;
- formation of significant reserves for non-performing loans, which leads to a negative financial result for some banks (21 banks in 2022) and a significant decrease in profit in the sector as a whole;
- reduction in the amount of banks ' capital due to shortfall in income, material losses and depreciation of the loan portfolio.

Today, it is still difficult to assess the final scale of the crisis phenomena caused by active military operations on the territory of Ukraine. Credit risk remains essential for the banking sector. The unpredictability of scenarios for the further deployment of military operations does not allow to determine exactly how much of customers will be able to return to normal loan servicing and in what time horizon.

The impact of military operations and the economic downturn on the quality of loans will stretch over time. According to the NBU, at the moment, the losses of the banking sector due to the war can be estimated at 30% of the loan portfolio. Although the final amount of losses from deterioration of loan servicing can only be determined over time, even in an optimistic scenario, losses for banks will be significant. Also among the significant environmental risks for JSC "KREDOBANK" and the banking sector remains the traditionally low level of protection of Creditors ' Rights and inefficient work of the judicial system, significant uncertainty regarding the implementation of Macroeconomic Policy and regulatory changes of the National Bank in crisis conditions.

In 2023, KREDOBANK JSC plans to continue activities, but the implementation of the strategy approved by the Supervisory Board for 2021-2023 will be carried out taking into account new external factors and within the limits of existing objective capabilities. The bank's management is aware of the extremely high risks both for the banking sector as a whole and for the Bank in particular, which are associated with exogenous factors, primarily the armed aggression of the Russian Federation and the ongoing Russian-Ukrainian war.

Taking into account the above, the bank's Management conducts constant operational monitoring of its activities and ensures a quick response to current events and changes in the situation. Also, when assessing possible scenarios, the bank's management assesses possible losses as acceptable from the point of view of the available capital and the need to maintain it at a sufficient level and such that they will not affect the Bank's ability to continue its activities on a continuous basis.

These separate financial statements reflect the current assessment of Management regarding the impact of operating conditions in Ukraine on the Bank's operating activities and financial condition. Future operating conditions may differ from the estimates of the Management.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and requirements of the National Bank of Ukraine on financial reporting by Ukrainian banks under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises and investment property, and by the investment securities at fair value through other comprehensive income. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern. Management prepared these separate financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, continuing financial support from the parent company, budgeted profitability of future operations and access to financial resources and analysed the impact of the current financial and economic situation on future operations of the Bank.

Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Bank. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held by the Bank and placing orders to sell the position in a single transaction might affect the quoted price.

The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the Bank. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held by the Bank and placing orders to sell the position in a single transaction might affect the quoted price.

The quoted market price used to value financial assets is the current bid price; the quoted market price for financial liabilities is the current asking price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 34).

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition

Financial instruments at fair value through profit or loss are initially recognised at fair value. Transactions costs that are attributable to the acquisition or issue of such financial assets are reflected as expenses at the date they are incurred.

All other financial instruments are initially recognized at fair value plus/minus transaction costs. Transaction costs and other payments that are directly attributable to the recognition of financial instruments are reflected as discount (premium).

The best indication of the fair value of a financial instrument at initial recognition is the transaction price-compensation paid or received for the corresponding financial instrument.

The transaction costs include fees paid to agents, consultants, brokers and dealers, regulatory bodies, stock exchanges, taxes etc.

The transaction costs and fee and commission income which are an integral part of the financial instrument yield are included in initial value of the financial instrument and are included in the effective interest rate. All transactions in the acquisition or sale of financial assets that provide for delivery during the period specified by law or market traditions ("ordinary" sale) are recognised at the date of settlement. All other acquisition transactions are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets classification: principal classification categories. The Bank classifies financial assets in the following categories:

- financial assets measured at amortised cost (AC);
- financial assets measured at fair value through other comprehensive income (FVOCI);
- financial assets measured at fair value through profit or loss (FVTPL).

The Bank classifies financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

A financial asset is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ·
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets at fair value through other comprehensive income, gains and losses are recognised in other comprehensive income, except for those items recognised in profit or loss in the same way as for financial assets measured at amortised cost:

- interest income calculated using the effective interest method; ·
- expected credit losses and reversal of impairment losses; and ·
- foreign exchange gains and losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Capital instruments are classified in a fair value accounting model with revaluation through profit/loss. Capital instruments that are not intended for sale may be classified as valuation at fair value with the recognition of revaluation in other comprehensive income without subsequent reclassification. At the time of derecognition of such instruments, the revaluation accumulated in the capital is not reclassified as profit/loss, but is transferred to another item of capital. All other equity instruments are accounted for at fair value, reflecting revaluation through profit / loss.

All financial liabilities are measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when the transfer of a financial asset does not comply with the terms of a withdrawal or when the principle of continued participation is applied;
- financial guarantee contracts, pledges, avals;
- loan commitments at a lower rate than the market;
- conditional indemnity recognized by the Bank as a purchaser in the business combination to which IFRS 3 «Business Combinations» applies. Such conditional consideration is subsequently measured at fair value through profit or loss.

Financial assets – classification and subsequent measurement: business model.

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realised.

The main types of business models, within which financial assets are held are the following:

- business model for holding financial assets to collect their contractual cash flows (held to collect);
- business model for holding financial assets to collect their contractual cash flows as well as to sell them (held to collect and for sale);
- other business models including: trading, managing assets on the fair value basis and maximising cash flows through sale.

In the case of a business model “held to collect” sales are not a blocking factor for classification to this model. Information about sales activity is not considered by the Bank in isolation, but as part of a holistic assessment of how the Bank stated objective for managing the financial assets is achieved and how the cash flows are realised. Therefore, the Bank consider the frequency, volume and timing of sales in prior periods, the reasons for these sales. The following sales may be consistent with the “held to collect” business model:

- deterioration of credit quality to a level that is not acceptable to the Bank under the risk management policy;
- getting out of crisis.

Also, the classification for the model “held to collect” is not contrary to sales made at the time of maturity of the asset under the terms of the contract, insignificant by volume or frequency sales.

The significance of sales is determined by comparing the volume of the sold portfolio to the total size of the portfolio attributed to this model at the beginning of the reporting period, and by comparing the result of assets sale to the revenue generated by such a portfolio. For the analysis of the volume of sales, aggregation is carried out for a period equal to the average maturity of the portfolio.

If sales volumes will substantially exceed those expected by the Bank at the time of evaluating business models, this will not lead to changes in business models for existing assets, but will have an impact on the definition of a business model, for new assets generated by the Bank.

For a business model, the goal of which is achieved by model for holding financial assets to collect their contractual cash flows as well as to sell them, sales volumes are not a significant criterion - even a significant volume and amount of them is allowed, however the purpose of sale is considered by the Bank. Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Cash flows are tested for their compliance with the basic terms of lending, namely, the test evaluates whether the contract for a financial asset provides for receiving cash flows on certain dates, which are exclusively payments of the principal amount and interest on the outstanding part of the principal amount.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When conducting the assessment, the Bank analyses:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank’s claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Reclassification of financial assets. Reclassification of financial assets is carried out prospectively only in case of changing the business model within which they are held from the beginning of the first reporting period after the change. If the business model changes, then all financial assets affected by such a change are subject to reclassification from the first day of the next reporting period (year). All new assets that will be recognised from the date of change in the business model should be immediately classified according to the new business model in force at the time of initial recognition of such assets.

Reclassification of financial liabilities. The classification of financial liabilities is not subject to change after initial recognition.

Measurement of expected credit losses (ECLs). ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- *financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls* – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date*: the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive;
- *financial guarantee contracts:* the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover

The Bank measures expected credit losses and recognizes loss allowances at each reporting date. The Bank measures loss allowances at an amount equal to lifetime ECL or 12-month ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Measurement of ECLs reflects: (i) an unbiased and probability-weighted sum determined by estimating the range of possible outcomes, (ii) the time value of money and (iii) all reasonable information about past events, current conditions and forecasted future economic conditions, available at the reporting date without undue cost and efforts.

Financial instruments that are not subject to a significant increase in credit risk compared to the date of initial recognition are classified to the first stage of impairment by The Bank.

Financial instruments that show signs of a significant increase in credit risk compared to the date of initial recognition and are not in default are classified to the second stage of impairment.

Financial assets in the state of default are classified by the Bank to the third stage of impairment. Financial assets that are credit-impaired on initial recognition are classified as purchased or originated financial assets. The Bank does not recognize loss allowances at the date of initial recognition of purchased or originated credit impaired financial assets – gross carrying value is its fair value. Initially, expected credit losses are included in credit-adjusted effective interest rate. Any changes in expected credit losses are recognized in profit or loss even if such changes exceed the amount of the previously formed loss allowances for such a financial asset.

Loss allowances are always recognized for purchased or originated credit-impaired financial assets on a lifetime basis.

Financial assets that are credit-impaired are defined as financial assets for which there is objective evidence of a loss or there are one or more events that have a negative impact on the expected future cash flows of such a financial asset.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Definition of default. The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising collateral (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank (for balances with other banks default is recognized if a financial asset is 30 days past due). Overdrafts are considered

past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding;

- the restructuring of the loan associated with financial difficulties of the borrower ;
- initiation of litigation, liquidation or bankruptcy proceedings of the borrower.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenants;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data obtained from external sources;
- start of liquidation or bankruptcy procedure for the borrower.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The rate of recovery. The Bank sets a certain period necessary to restore the quality of financial assets. The terms of the quality recovery period are deemed to be fulfilled if, during a 6-months period from the date the Bank introduces measures to restore the ability of the counterparty to fulfil its obligations, there are no signs of impairment, compliance with obligations to the Bank is ensured.

Significant increase in credit risk. When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forwardlooking information.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms. The Bank primarily identify whether a significant increase in credit risk has occurred for an exposure by analyzing indicators that are:

- the borrower is more than 30 days past due but less than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding;
- breaches of covenant, the identification of threatening features that are likely to affect the quality of debt service;
- based on data developed internally and obtained from external sources;
- the period of credit quality restoration has ended and there are no prerequisites for attributing them to impaired ones after restructuring (forbearance);
- the value of the LtV (loans to collateral ratio) exceeds 200% (for individual mortgages);
- for banks a significant increase in credit risk occurs if the borrowers' rating has declined by 3 notches.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired.

Inputs into measurement of ECLs. The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and

- exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data used in models for calculating regulatory capital. They are adjusted to reflect forward-looking information. PD estimates are estimates at a certain date, which are calculated based on statistical models and assessed using tools tailored to the various categories of counterparties and exposures. PD estimates are based on migration matrices, which are based on the type of credit product and payment periods.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties after the default date.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default.

For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period.

For overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take and that serve to mitigate ECLs. These include a reduction in limits and cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include:

- instrument type;
- client type;
- period of debt overdue;
- geographic location of the borrower;
- loan currency

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Forward-looking information. The Bank incorporates forward-looking information into its measurement of ECLs. This assessment is based on external information. External information may include economic data and forecasts published by governmental bodies, and selected private sector and academic forecasters, such as of Ministry of Economic Development and Trade of Ukraine, State Statistics Service of Ukraine, National Bank of Ukraine.

The Bank also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses. This key driver is forecasts of real GDP change, forecasts of unemployment and dynamics of the calculated wages, including per 1 employee.

Presentation of allowance for ECL in the separate statement of financial position

Loss allowances for ECL are presented in the separate statement of financial position as follows:

- *financial assets* measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the separate statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Collateral. When calculating the amount of expected credit losses for the credit-impaired assets, the Bank accepts the value of a collateral that meets the established eligibility criteria established by the Bank and determined by the regulator as a means of credit quality improving.

Write-off of financial assets. If the Bank does not have reasonable expectations for full or part of the recovery of a financial asset, the gross carrying amount of that financial asset is reduced. Such a reduction is considered as a (partial) derecognition of a financial asset**.** The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Bank derecognises financial assets when:

- the contractual rights to the cash flows from the financial asset expire;
- it transfers the financial asset and the transfer qualifies for derecognition;
- financial assets are written-off from the reserve.

The Bank transfers a financial assets only if:

- transfers the contractual rights to receive the cash flows of the financial asset, or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets all of the following conditions:
  - there is no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
  - the Bank is prohibited by the terms of the transfer contract from selling or pledging the original asset to the eventual recipients for the obligation to pay them cash flows;
  - the Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. Interest earned on such investments is passed to the eventual recipients.

When the Bank transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- if the Bank transfers substantially all the risks and rewards of ownership of the financial asset, the Bank derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Bank retains substantially all the risks and rewards of ownership of the financial asset, the Bank continues to recognise the financial asset;
- if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank determines whether it has retained control of the financial asset.

The control of the transferred asset is not available if the party to whom the asset is transferred has the real ability to sell it to an unrelated third party and may sell this sale unilaterally without the need to impose additional restrictions on such transfer.

If the control over a financial asset is not retained, the recognition of such an asset is terminated, otherwise, if the control over the financial asset is retained, its recognition continues to be recognized within the further continuing involvement.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not reclassified in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Significantly different are the conditions under which the net present value of the cash flows under the new terms discounted using the original effective interest rate (for a floating interest rate interest rate, the effective interest rate that was calculated at the last change in the nominal interest rate) differs by at least 10% of the discounted present value of cash flows remaining before the maturity date of the original financial liability.

Any expense or remuneration is the income/expense from derecognition if the changes in the terms of a financial liability are reflected in the accounting as a repayment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid is recognised in profit or loss.

If the exchange or amendment of debt obligations (modification) does not result in the cessation of recognition, any costs and remunerations from the exchange / modification adjust the carrying amount of the financial liability and are amortized over the term of the new liability (effective interest rate is not recalculated, but adjusted to reflect these costs/remunerations).

Modification of financial assets. Modified financial asset – an asset by which the contractual cash flows provided have been reviewed by agreement or modified.

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

The Bank performs a quantitative and qualitative evaluation of whether the modification is substantial, that is whether the cash flows under initial financial asset differ significantly from cash flows from modified financial asset or the asset that has replaced initial financial asset. To determine the type of modification and its consequences, a quantitative and qualitative analysis of changes in terms of the contract, and the combined effects of qualitative and quantitative factors, is conducted. If the cash flows are significantly different, the rights to the contractual cash flows for the original financial asset are considered to have expired. In making this assessment, the Bank is guided by the derecognition of financial liabilities by analogy.

The Bank concludes that the modification of the conditions is significant, based on such qualitative factors:

- change the currency of the financial asset;

- change of the borrower, except for changes due to the death of the borrower;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion (for example, adding a conversion condition).

If the modification of the terms of the loan agreement was so significant that it leads to the recognition of a new asset and at the same time the asset fulfills the conditions of classification to default - the new asset is classified as initially impaired.

Changes in the value of cash flows from existing financial assets or financial liabilities are not considered to be modifications if they are provided by the original terms of the contract.

As a part of credit risk management the Bank reviews the terms of loans to customers with financial difficulties (“the practice of reviewing the terms of credit agreements”) in order to maximize the return on the original contractual terms rather than to originate a new asset. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). As a result, the amount of the contracted cash flows remaining at the time of the modification is recognized as an initial financial asset is likely to be equivalent to the value of newly modified cash flows under the contract. The Bank performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

For loans in which the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Modification of financial instruments. The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Compensation paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs a quantitative evaluation of whether the modification is substantial. For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument to take into account the influence of such commissions.

Cash and funds in the National Bank of Ukraine. Cash and funds in the National Bank of Ukraine are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and funds in the National Bank of Ukraine include unrestricted balances with the NBU and deposit certificates. Funds restricted are excluded from cash and funds in the National Bank of Ukraine. Cash and funds in the National Bank of Ukraine are carried at amortised cost.

Due from other banks. Due from other banks are accounted for when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from banks are carried at amortised cost.

Securities. The ‘securities’ caption in the separate statement of financial position includes:

- debt securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity securities designated as at FVOCI.

Loans and advances to customers. ‘Loans and advances to customers’ caption in the separate statement of financial position includes:

- loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- net investment amounts in finance lease.

Repossessed collateral. Repossessed collateral represents financial and non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired (but not higher than carrying value of the settled overdue loans) and included in premises and equipment, other financial assets or inventories within other assets depending on their nature and the Bank’s intention in respect of recovery of these assets and are subsequently accounted for in accordance with the accounting policies for these categories of assets.

Financial guarantees and loan commitments. The Bank has credit related commitments including loan commitments, letters of credit and financial guarantees. Financial guarantees – are non-cancellable guarantee to make payments in the case when a client fails to fulfil its obligations to third parties. Financial guarantees has the same risk as loans.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments, the Bank recognises a loss allowance.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

Investment property. Investment property is property held by the Bank to earn rental income or for capital appreciation, or both. Investment property includes assets under construction for future use as investment property.

The same property can be divided into structurally separated parts used for different purposes: one part – to receive rental income or equity increase; the other part – for using in the Bank’s activity or for administrative purposes.

Investment property is initially recognised at cost of acquisition, including transaction costs, and subsequently remeasured at fair value to reflect market conditions at the end of the reporting period.

Fair value of investment property is the price that would be received from sale of the asset in an orderly transaction, without deduction of any transaction costs. The fair value of the Bank's investment property is determined based on reports of the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. The basis used for the valuation was market value.

Earned rental income is recorded in profit or loss for the year within other operating income.

Property, plant and equipment. Property, plant and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Since 2012, land and buildings are accounted for under the revaluation model. At the date of revaluation accumulated depreciation of buildings was eliminated against the gross carrying amount of the asset and the net amount was recalculated to the revalued amount of the asset.

Buildings held by the Bank are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the separate statement of profit or loss and other comprehensive income, in which case the increase is recognised in the separate statement of profit or loss and other comprehensive income. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for buildings included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset and through annual depreciation of the revaluation reserve.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises, leasehold improvements and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains or losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Land and construction in progress are not depreciated. Depreciation of other property, plant and equipment and assets in the form of right-of-use is calculated using the straight-line method in order to evenly reduce the initial cost to the residual value over their estimated useful lives according to the following standards

	Useful lives, years
Buildings	70
Furniture and fixtures	5-15
Motor vehicles	7
Computers and equipment	5-15
Leasehold improvements	over the term of the underlying lease

Intangible assets. The Bank's intangible assets have the definite useful life and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is depriciated on a straight line basis over expected useful lives of no more than 10 years.

Lease in which the Bank acts as a lessee

When concluding a contract, the Bank determines whether the contract or a separate part of it is a lease agreement. A contract or a separate part of it is a lease agreement if it transfers the right to control the use of a certain asset for a certain period of time in exchange for compensation. The Bank reevaluates whether the contract or a separate part of it is a lease agreement only if the terms of the contract are revised. If the contract or a separate part of it is a lease agreement, the Bank considers each lease component as a lease agreement, separately from the non-lease components of the contract.

The Bank defines the lease term as a non-canceled lease period, taking into account:

- periods covered by the lease extension option if the lessee is reasonably confident that he will take advantage of such an opportunity; and ·
- periods covered by the option for early termination of the lease, if the lessee is reasonably sure that he will not take advantage of such an opportunity.

The Bank reviews the lease term in the event of a change in the lease period that has not been canceled. The lease term starts from the start date of the lease, i.e. the date when the lessor makes the underlying asset available for use by the lessee.

Initial recognition. As of the start date of the lease, the Bank recognises the asset as a right of use and an obligation under the lease agreement. The right-of-use asset is valued at cost.

As of the start date of the lease, the Bank estimates the liabilities under the lease agreement in the amount of the present value of lease payments not yet paid on that date. Lease payments are discounted by applying the interest rate stipulated in the lease agreement. If such a rate cannot be easily determined, the Bank applies the discount rate of the National Bank of Ukraine.

Lease payments taken into account when assessing lease obligations for the right of use the underlying asset during the lease term include:

- fixed payments less any incentives to enter into a lease agreement to be received; ·
- variable lease payments based on an index or rate that was originally estimated using such an index or rate at the start date of the lease;
- amounts to be paid by the Bank under residual value guarantees;
- the exercise price of an asset purchase option, if the Bank is reasonably confident that it will take advantage of such an opportunity;
- penalties for termination of the lease, if the terms of the lease reflect the Bank's exercise of the option to terminate the lease early.

The Bank uses simplification and does not recognize assets under the right of use on the balance sheet in relation to:

- short-term lease agreements;
- lease agreements under which the underlying asset has a low value.

When applying this simplification, short-term lease agreements with a lease term of up to 365 days inclusive are considered. Leases that provide an option to acquire an underlying asset are not considered short-term. The Bank applies the threshold of UAH 150,000 when determining the underlying asset with a low value. Under leases to which the Bank applies exemptions, costs are recognised in the period to which they relate.

Subsequent measurement. After the start date of the lease, the Bank evaluates all assets under right of use, except those that meet the definition of investment property, at cost less accumulated depreciation, accumulated impairment, adjusted for the amount of revaluation of lease liabilities reflected against the cost of the asset under right of use.

Depreciation of a right-of-use asset is carried out from the start date of the lease until the end of the useful life of the underlying asset, if the lease transfers ownership of the underlying (leased) asset to the Bank at the end of the lease term, or if the cost of the right-of-use asset reflects the fact that the Bank will take advantage of the opportunity to purchase it. In other cases, the Bank amortises the right-of-use asset from the start date of the lease to an earlier of the following two dates: the end of the useful life of the right-of-use asset and the end of the lease term. Other requirements for depreciation and recognition of impairment of an asset by right-of-use are similar to those applied to own property, plant and equipment.

Revaluation of lease liabilities.

The Bank changes the valuation of lease liabilities by discounting the revised lease payments using the revised discount rate if any of the conditions are met:

- change in the lease term (due to a revision of the probability of executing an option to extend or terminate the lease ahead of schedule);
- change in the assessment of the possibility of acquiring the underlying asset;
- change in payments due to changes in the floating interest rate..

The Bank changes the valuation of lease liabilities by discounting revised lease payments using an unchanged discount rate if any of the conditions are met:

- change in the amounts expected to be paid under the liquidation value guarantee;

- changes in future lease payments as a result of changes in the index or rate used to determine such payments. The Bank reflects the amount of revaluation of the lease liability as an adjustment of the right-of-use asset (except in the case of a decrease in the carrying amount of the right-of-use asset to zero). If the carrying amount of the right-of-use asset has decreased to zero and the lease liability is further reduced, the Bank recognizes the remaining amount as part of the profit or loss.

Modifications to the lease agreement

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

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

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

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

The revised discount rate is defined as the interest rate provided for in the lease agreement for the remaining lease term or as the additional borrowing rate of the lessee on the effective date of the lease modification, if the interest rate provided for in the lease cannot be easily determined.

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

- educes the carrying amount of the right-of-use asset by the amount of partial or complete termination of the lease for modification, which reduces the scope of the lease agreement; any profit or loss associated with partial or complete termination of the lease is recorded under "other administrative and operating costs" of the Income statement;
- reflects adjustments to the right-of-use asset for all other modifications to the lease agreement.

Leases in which the Bank acts as a lessor

The Bank, as a lessor, classifies each lease as a finance or operating lease. This classification is made as of the date of the lease agreement or the date of commitment by the parties to the agreed basic terms of the lease agreement, and is revised only if the lease agreement is modified. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise, the lease is classified as operating. The classification of a lease as financial or operating depends on the substance of the transaction and not on the form of the contract.

The Bank leases its investment properties, including commercial real estate owned by it, as well as leased real estate. The Bank classified these leases as operating leases because it does not transfer virtually all of the risks and benefits of owning assets.

Some property leases contain extension options exercisable by the Bank. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Bank doesn’t expect any penalties as the leases will either be extended or lease liabilities will be fulfilled in accordance with the terms of the contract.

Accounts receivable under finance leases are included in loans and advances to customers.

Due to other banks, customer accounts, due to other financial institutions and debt securities. Due to other banks, customer accounts, due to other financial institutions and debt securities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Income taxes. In these separate financial statements income taxes have been provided for in accordance with Ukrainian legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/(credit) comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period date which are expected to apply to the period when the temporary differences will reverse. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is not recognised for retained earnings after acquisition or other changes in the reserves of subsidiaries whose dividend policy is controlled by the Bank if it is quite probable that the difference will not be repaid through dividends or otherwise in the future.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of each reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Accounts payable for operating activities and other accounts payable Accounts payable for operating activities are recognised when the counterparty has fulfilled its obligations under the agreement and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Interest income and expense. The Bank recognises interest income and expense in profit or loss using the effective interest method during the period from the date of initial recognition to the date of derecognition or reclassification of financial instruments. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated creditimpaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a creditadjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

Credit-adjusted effective interest rate – is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the amortised value of the financial asset which is purchased or originated credit-impaired asset. When calculating the credit-adjusted effective interest rate, the Bank estimates all contractual terms of the financial asset and expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income is calculated by applying the effective interest rate applied to the gross carrying amount of the financial asset at amortised cost except:

- purchased or originated credit-impaired assets. For such assets interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset from the date of initial recognition; the calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves;

- financial assets which are not purchased or originated credit-impaired assets, but subsequently have become credit-impaired. In this case, the Bank applies effective interest rate to the amortised cost of the asset in the subsequent reporting periods after the date of their recognition as credit-impaired. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

The effective interest rate is revised as a result of periodic reestimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Interest income calculated using the effective interest method presented in the separate statement of profit or loss and other comprehensive income includes:

- interest income calculated using the effective interest method on financial assets measured at amortised cost;
- interest calculated using the effective interest method on debt instruments measured at FVOCI.

Other interest income presented in the separate statement of profit and loss and other comprehensive income includes interest income on non-derivative debt financial instruments measured at FVTPL and net investments in finance leases.

Interest expense presented in the separate statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

Fee and commission income and expense. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Commission income on credit related commitments at market rates are integral part of effective interest rate, if it is probable that the Bank will enter into a specific loan agreement and will not plan to realize the loan within a short period of time after it is provided. If there is no high probability that it will be issued to the borrower within the framework of the loan commitment, then the commission fees for the loan are recognized evenly over the duration of the loan commitment.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

All other payments, commission and other income and expenses are generally accounted for using the accrual method depending on the degree of completeness of the particular transaction, which is defined as the proportion of the actual service provided in the total amount of services to be provided. Other commission income, including commission fee for servicing accounts, remuneration for investment management services, other commission fees, are recognized as the services are provided.

Commissions due to negotiation or participation in third-party transaction negotiations (for example, purchase of loans, shares or other securities, or acquisition or sale of companies) that the Bank earns upon completion of the transaction are recognised after the completion of the transaction.

Foreign currency translation. The functional currency of the Bank and its subsidiary is the currency of the economic environment in which the Bank and its subsidiary operate. The functional and presentation currency is the national currency of Ukraine, hryvnias.

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the NBU at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the NBU are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

The principal rates of exchange used for translating foreign currency balances were as follows:

	31 December 2022, UAH	**31 December 2021, UAH**
1 US Dollar (USD)	36,5686	27,2782
1 Euro (EUR)	38,9510	30,9226
1 zloty (PLN)	8,2984	6,7277

Offsetting. Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off 1) must not be contingent on a future event and 2) must be legally enforceable in all of the following circumstances: (а) in the normal course of business, (б) the event of default and (в) the event of insolvency or bankruptcy.

Staff costs. Wages, salaries, contributions to the Ukrainian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to management being the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Geographical segments of the Bank have been reported separately in these separate financial statements based on the ultimate domicile of the counterparty. The ultimate domicile and the actual place of business of the counterparties generally coincide.

Presentation of separate statement of financial position in order of liquidity. The table below presents an analysis of assets and liabilities by maturity:

	31 December 2022			31 December 2021		
	Amounts to be recovered or settled per contract			**Amounts to be recovered or settled per contract**		
In thousands of hryvnias	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**
Assets						
Cash and funds in the National Bank of Ukraine	10 645 808	-	10 645 808	4 817 011	-	4 817 011
Due from other banks	5 313 436	-	5 313 436	2 279 441	-	2 279 441
Loans and advances to customers	5 948 895	6 556 707	12 505 602	7 501 744	9 302 198	16 803 942
Securities	8 245 547	758 627	9 004 174	4 401 835	3 412 512	7 814 347
Current income tax prepayment	4 544	-	4 544	35	-	35
Deferred Income tax asset	-	41 212	41 212	-	46 890	46 890
Investments in subsidiaries	-	10 000	10 000	-	10 000	10 000
Investment property	-	8 138	8 138	-	11 771	11 771
Property, plant and equipment	-	836 223	836 223	-	935 787	935 787
Intangible assets	-	224 275	224 275	-	223 701	223 701
Other financial assets	244 159	-	244 159	149 124	-	149 124
Other assets	132 936	-	132 936	129 535	-	129 535
Total assets	**30 535 325**	**8 435 182**	**38 970 507**	**19 278 725**	**13 942 859**	**33 221 584**
Liabilities						
Due to other banks	971 551	-	971 551	712 083	3 000 000	3 712 083
Customer accounts	32 915 548	96 968	33 012 516	24 051 406	466 852	24 518 258
Due to other financial institutions	102 303	-	102 303	1 313	99 767	101 080
Debt securities	-	-	-	486 123	-	486 123
Current income tax liabilities	12 877	-	12 877	32 650	-	32 650
Other financial liabilities	543 870	112 849	656 719	117 815	115 117	232 932
Other non-financial liabilities	126 509	-	126 509	139 296	-	139 296
Provisions	50 095	-	50 095	50 869	-	50 869
Total liabilities	**34 722 753**	**209 817**	**34 932 570**	**25 591 555**	**3 681 736**	**29 273 291**

New or Revised Standards and Interpretations

The Bank applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2022. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Bank cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Bank applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

Prior to the application of the amendments, the Bank had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Bank in determining the costs of fulfilling the contracts. The Bank, therefore, recognised an onerous contract provision as at 1 January 2022, which increased as of 31 December 2022.

In accordance with the transitional provisions, the Bank applies the amendments to contracts for which it has not yet fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB’s Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Bank applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the separate financial statements of the Bank as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the separate financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the separate financial statements of the Bank as it is not a firsttime adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the separate financial statements of the Bank as there were no modifications of the Bank's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the separate financial statements of the Bank as it did not have assets in scope of IAS 41 as at the reporting date.

New accounting provisions

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 «Insurance Contracts»

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not applicable to the Bank.

Amendments to IFRS (IAS) 1- «Classification of Liabilities as Current or Non-current»

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Bank is currently assessing the impact the amendments will have on current classification of liabilities.

Amendment to IAS 8 – «Changes in Accounting Estimates and Errors»

In February 2021, the IAS issued amendments to IAS 8, which introduce the definition of "accounting estimates". The amendments explain the difference between changes in accounting estimates and changes in accounting policies and error correction. In addition, the document explains how organisations use measurement methods and raw data to develop accounting estimates.

The amendments apply to annual accounting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates occurring at or after the start date of the specified period. Early application is allowed, provided that this fact is disclosed.

It is expected that this amendment will not significantly affect the Bank.

Amendment to IAS 1 and Practice Statement 2 – « Disclosure of accounting policies »

In February 2021, the IASB issued amendments to IAS 1 which provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The IASB also issued amendments to IFRS Practice Statement 2 to support the amendments in IAS 1 by explaining and demonstrating the application of the ‘four-step materiality process’ to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted as long as this fact is disclosed. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, the IASB concluded that transition requirements and an effective date for these amendments were not necessary.

The Bank is currently assessing the impact the amendments will have on accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Bank is currently assessing the impact of the amendments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the amounts recognised in the separate financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected credit losses (impairment) of financial instruments: an assessment whether there has been a significant increase in credit risk compared to the date of initial recognition, and including forward-looking information in the measurement of expected credit losses.

According to the requirements of IAS 9, the Bank applies an expected credit loss model that provides for timely reflection of deterioration or improvement in the credit quality of financial instruments, taking into account available information and forecasts for the future. The amount of expected credit losses recognized by forming an estimated provision for impairment depends on the state of impairment (deterioration of credit quality) since the initial recognition of the financial instrument.

The process of estimating expected credit losses under IFRS 9 consists of the following steps:

1) analysis of the level of credit risk regarding the presence of a significant increase in credit risk or the occurrence of a default event from the date of initial recognition and assignment to the appropriate stage of impairment;
2) calculation of the amount of expected credit losses (estimated provision for impairment)

In order to estimate the amount of expected losses in the Bank, 2 approaches are used:

1) assessment of the amount of expected credit losses on an individual basis – for individually significant banking operations for which default is recognised;

2) assessment of the amount of expected credit losses on a group basis – for individually non-significant banking operations and individually significant current operations for which no default was detected

In accordance with the requirements of IFRS 9 for the purposes of measuring expected credit losses, financial instruments are classified into one of three stages of impairment, based on how significantly the level of credit risk for the financial instrument has changed at the reporting date compared to the date of its initial recognition.

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

PD estimates are calculated according to statistical models and estimates using tools adapted to different categories of counterparties and credit risk exposures. PD estimates are based on migration matrices, which are based on the type of credit product and payment periods.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties after the default date.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which are estimated based on historical observations and forward-looking forecasts.

Detailed information on the calculation of expected credit losses is provided in Notes 3 and 32.

Buildings assessment. As noted in Note 3, buildings held by the Bank are subject to revaluation with sufficient regularity. The revaluation was carried out by the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. The valuation was based on a comparative sales method. In making the valuation, certain judgments were used, in particular to determine such property, plant and equipment, in determining the value by the method of comparing sales prices.

Property, plant and equipment were revaluated at market value. The valuation was based on a comparative sales method and was carried out by the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. For each real estate property several comparables were selected based on the following criteria: location, type, condition and size. Adjustments were applied for a price representing an offer rather than an actual transaction (bargain discount), location, size, floor and condition and other adjustments. Bargain discount applied by the internal appraiser was usually in the range from 10% to 15%. Other adjustments applied by the internal valuator were usually in the range from 10% to 15%. The evaluator used only a comparative method to evaluate all objects of property, plant and equipment.

Changes in such assumptions may affect the fair value of the assets. If the price per square meter differs by 10%, the fair value of buildings will increase / decrease by UAH 29 798 thousand (in 2021 - by UAH 30 100 thousand).

Definition of terms under leases. The Bank considers all available facts and circumstances that give rise to an economic incentive to exercise the extension options. The Bank determines the total lease term based on the option to extend the lease and terminate the longer lease term. Where practicable, the Bank seeks to include renewal options in new leases to provide operational flexibility. The Bank assesses at lease commencement date whether it is reasonably certain to exercise extension options. As a result, the lease term for most lease objects is 2-7 years.

5. CASH AND FUNDS WITH THE NATIONAL BANK OF UKRAINE

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Cash on hand	1 092 361	833 931
Cash balances on correspondent accounts with the NBU	5 548 406	381 220
Deposit certificates issued by the NBU	4 005 041	3 601 860
Total cash and funds with the National Bank of Ukraine	**10 645 808**	**4 817 011**

As at 31 December 2022 and 2021 the Bank was in compliance with the mandatory reserve requirements.

As at 31 December 2022, the Bank's cash and cash equivalents for the purposes of the separate statement of cash flows amounted to UAH 15 908 446 thousand (as at 31 December 2021: UAH 7 082 166 thousand)

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Cash and funds with the National Bank of Ukraine	10 645 808	4 817 011
Correspondent accounts with other banks	3 739 425	2 265 396
Placements of funds on the interbank market with an initial maturity of no more than three months	1 524 990	-
Loss allowances for expected credit losses	(1 777)	(241)
Total cash and cash equivalents	**15 908 446**	**7 082 166**

Cash and cash equivalents include cash and funds with the National Bank of Ukraine, funds on correspondent accounts with other banks, and all placements of funds on the interbank market with an initial maturity of no more than three months.

6. DUE FROM OTHER BANKS

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Correspondent accounts with other banks	3 739 425	2 265 396
Interbank placements with original maturities of less than three months	1 524 990	-
Guarantee deposits	50 861	14 355
Loss allowances for expected credit losses	(1 840)	(310)
Total due from other banks	**5 313 436**	**2 279 441**

Guarantee deposits include funds placed mainly as guarantee deposits for card payments and money transfers, as well as documentary operations.

Amounts due from other banks are not collateralised.

The credit quality analysis of due from banks is based on Moody's ratings.

The credit quality of due from banks outstanding as at 31 December 2022 is below.

In thousands of hryvnias	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Assets with 12-month expected credit losses - Stage 1				
- Aa1 – Aa3 rated	1 032 058	-	-	1 032 058
- A1 - A3 rated	2 379 042	512 060	43 884	2 934 986
- Baa1 - Baa3 rated	786	467 510	-	468 296
- Unrated	327 539	545 420	6 977	879 936
Loss allowances for 12-months expected credit losses	(1 673)	(104)	(63)	(1 840)
Total due from other banks	**3 737 752**	**1 524 886**	**50 798**	**5 313 436**

The credit quality of due from banks outstanding as at 31 December 2021 is as follows:

In thousands of hryvnias	**Correspondent accounts**	**Guarantee deposits**	**Total**
Assets with 12-month expected credit losses - Stage 1			
- Aa1 – Aa3 rated	476 914	-	476 914
- A1 - A3 rated	1 699 082	6 185	1 705 267
- Baa1 - Baa3 rated	13 442	-	13 442
- Unrated	75 958	8 170	84 128
Loss allowances for 12-months expected credit losses	(241)	(69)	(310)
Total due from other banks	**2 265 155**	**14 286**	**2 279 441**

As at December 31, 2022, the Bank had a concentration of current account balances with other credit institutions in the amount of UAH 3 267 958 thousand from the three largest banks with an investment class credit rating (as at December 31, 2021 – UAH 1 870 819 thousand).

The movements in expected credit losses during 2022 are as follows:

In thousands of hryvnias	**Note**	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Loss allowances for 12-months expected credit losses at 1 January 2022 - Stage 1		**241**	**-**	**69**	**310**
Remeasurement of loss allowance	26	1 188	18	(6)	1 200
Effect of exchange rate of foreign currency		244	86	-	330
Loss allowances for 12-months expected credit losses at 31 December 2022 - Stage 1		**1 673**	**104**	**63**	**1 840**

The movements in expected credit losses during 2021 are as follows:

In thousands of hryvnias	**Note**	**Correspondent accounts**	**Placement of funds in other banks**	**Guarantee deposits**	**Total**
Loss allowances for 12-months expected credit losses at 1 January 2021 - Stage 1		**465**	**-**	**65**	**530**
Remeasurement of loss allowance	26	(198)	-	4	**(194)**
Effect of exchange rate of foreign currency		(26)	-	-	**(26)**
Loss allowances for 12-months expected credit losses at 31 December 2021 - Stage 1		**241**	**-**	**69**	**310**

Refer to Note 35 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 32.

7. LOANS AND ADVANCES TO CUSTOMERS

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Corporate loans	8 432 351	9 111 803
Loans to individuals - car loans	2 466 604	3 617 917
Loans to individuals - mortgage loans	2 589 231	2 963 369
Loans to individuals - other consumer loans	1 460 080	1 766 079
Loss allowances for expected credit losses	(2 442 664)	(655 226)
Total loans and advances to customers	**12 505 602**	**16 803 942**

Changes in loss allowances for expected credit losses and advances to customers during 2022 are as follows:

In thousands of hryvnias	**Note**	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit for not impaired**	**Stage 3 Lifetime expected credit for credit-impaired**	**Purchased credit-impaired**	**Total**
Loss allowances for expected credit losses at 1 January 2022		**207 901**	**64 394**	**372 225**	**10 706**	**655 226**
New originated or purchased	26	30 774	9 254	15 908	-	**55 936**
Net remeasurement of loss allowance for expected credit losses*	26	34 610	1 030 761	530 737	11 932	**1 608 040**
Write-offs		(174)	(108)	(41 170)	(5)	**(41 457)**
Adjustment for interest income from credit-impaired loans		(14)	36	117 284	3 364	**120 670**
Effect of exchange rate of foreign currency		5 656	3 107	28 351	2 338	**39 452**
Other movements, including transfers to Stages:		(106 009)	(305 872)	415 397	1 281	**4 797**
- transfer from Stage 1		(128 335)	120 884	7 451	-	**-**
- transfer from Stage 2		16 573	(452 139)	435 566	-	**-**
- transfer from Stage 3		956	25 383	(27 620)	1 281	**-**
Loss allowances for expected credit losses at 31 December 2022		**172 744**	**801 572**	**1 438 732**	**29 616**	**2 442 664**

* Remeasurement of loss allowance for expected credit losses includes the following: changes for loans issued during 2022, for which there was a change in the level of expected loan losses from the date of issue to the end of the year; changes in loans issued before 2022 that remained in the portfolio as at 31 December 2022; changes for loans derecognised during the period. The table above discloses the accumulated impact of changes in the level of expected credit losses, including if a significant increase in credit risk was recognized several times during the year, which resulted in the transfer between stages for several times with its subsequent reduction and vice versa.

As at 31 December 2022, loans issued in 2022 and outstanding as at 31 December 2022 amounted to UAH 2 979 016 thousand (24% of loans and advances to customers as at 31 December 2022), including corporate loans - UAH – 2 513 711 thousand (20% of loans and advances to customers as at 31 December 2022), out of which 79% of loans have initial maturity up to 2 years and due to short term nature the days of debt overdue is the most significant criterion for significant increase of credit risk for such loans. Credit quality of corporate loans and advances increases, therefore new loan grantings exceed loan repayments of outstanding exposures. As at 31 December 2022 UAH 3 779 519 thousand of loans outstanding were fully repaid (22%), including loans in Stage 1 - UAH 3 649 212 thousand (loss allowance as at 1 January 2022 amounted to UAH 37 112 thousand).

Changes in loss allowances for expected credit losses and advances to customers during 2021 are as follows:

In thousands of hryvnias	Note	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit for not impaired	Stage 3 Lifetime expected credit for credit-impaired	Purchased credit-impaired	Total
Loss allowances for expected credit losses at 1 January 2021		**220 043**	**49 288**	**576 404**	**753**	**846 488**
New originated or purchased	25	155 661	197	1 755	52 133	**209 746**
Net remeasurement of loss allowance for expected credit losses*	25	(169 674)	125 036	1 210	16 254	**(27 174)**
Write-offs		(35)	(46)	(383 727)	(769)	**(384 577)**
Adjustment for interest income from credit-impaired loans		41	2	81 917	(5 126)	**76 834**
Effect of exchange rate of foreign currency		(2 056)	330	(14 929)	21	**(16 634)**
Other movements, including transfers to Stages:		3 921	(110 413)	109 595	(52 560)	**(49 457)**
- transfer from Stage 1		(19 126)	14 373	4 753	-	**-**
- transfer from Stage 2		6 159	(134 634)	128 475	-	**-**
- transfer from Stage 3		999	9 835	(10 838)	4	**-**
Loss allowances for expected credit losses at 31 December 2021		**207 901**	**64 394**	**372 225**	**10 706**	**655 226**

* Remeasurement of loss allowance for expected credit losses includes the following: changes for loans issued during 2021, for which there was a change in the level of expected loan losses from the date of issue to the end of the year; changes in loans issued before 2021 that remained in the portfolio as at 31 December 2021; changes for loans derecognised during the period. The table above discloses the accumulated impact of changes in the level of expected credit losses, including if a significant increase in credit risk was recognized several times during the year, which resulted in the transfer between stages for several times with its subsequent reduction and vice versa.

As at 31 December 2021, loans issued in 2021 and outstanding as at 31 December 2021 amounted to UAH 10 556 427 thousand (63% of loans and advances to customers as at 31 December 2021), including corporate loans - UAH 5 956 931 thousand (35% of loans and advances to customers as at 31 December 2021), out of which 70% of loans have initial maturity up to 2 years and due to short term nature the days of debt overdue is the most significant criterion for significant increase of credit risk for such loans. Credit quality of corporate loans and advances increases, therefore new loan grantings exceed loan repayments of outstanding exposures. As at 31 December 2021 UAH 5 059 725 thousand of loans outstanding were fully repaid (36%), including loans in Stage 1 - UAH 4 367 450 thousand (loss allowance as at 1 January 2021 amounted to UAH 66 838 thousand).

During 2022, the Bank assigned the rights of claim to customers ' credit debt in the amount of UAH 54 023 thousand (during 2021 - UAH 74 595 thousand), the net book value amounted to UAH 19 660 thousand (in 2021 - UAH 56 583 thousand).

The amount of loans that were written off during 2022, but remain the subject of enforcement activity, is UAH 11 787 thousand (in 2021 - UAH 96 162 thousand).

Economic sector risk concentration within the customer loan portfolio is as follows:

	31 December 2022		**31 December 2021**	
In thousands of hryvnias	**Amount**	**%**	**Amount**	**%**
Individuals	6 515 915	44	8 347 365	48
Agriculture and food processing	2 655 850	18	3 012 248	17
Trade	2 316 342	16	2 368 550	14
Manufacturing	1 819 284	12	1 767 355	10
Other services	904 344	6	905 447	5
Real estate and construction	472 631	3	610 539	4
Transportation	174 851	1	313 793	2
Mining	29 413	-	34 766	-
Health resorts	17 122	-	22 019	-
Hotels	1 603	-	3 521	-
Other	40 911	-	73 565	-
Total loans and advances to customers (before expected credit losses)	**14 948 266**	**100**	**17 459 168**	**100**

As at 31 December 2022, the total gross carrying value of top 10 borrowers of the Bank was UAH 1 607 780 thousand (31 December 2021: UAH 1 395 152 thousand), or 11% of the loan portfolio before expected credit losses (31 December 2021: 8% of the loan portfolio before expected credit losses).

As at 31 December 2022, loans and advances to customers in the amount of UAH 355 948 thousand (31 December 2021: UAH 361 058 thousand) were secured by deposits in the amount of UAH 394 125 thousand (31 December 2021: UAH 436 586 thousand). Refer to Note 16 and Note 32.

Credit quality analysis of the loans outstanding as at 31 December 2022 is presented below:

In thousands of hryvnias	**Stage 1 12-expected credit losses**	**Stage 2 Lifetime expected credit losses for not impaired**	**Stage 3 Lifetime expected credit losses for credit-impaired**	**Purchased credit-impaired**	**Total**
Corporate loans:					
- not yet past due	5 419 557	1 864 428	406 556	3 556	**7 694 097**
- less than 30 days overdue	9 973	754	-	-	**10 727**
- 30 to 90 days overdue	429	50 418	215 304	-	**266 151**
- 91 to 180 days overdue	-	1	32 744	-	**32 745**
- 181 to 360 days overdue	-	2	369 381	-	**369 383**
- over 360 days overdue	-	-	39 806	19 442	**59 248**
- Loss allowances for expected credit losses	(70 670)	(178 434)	(693 509)	(17 808)	**(960 421)**
Carrying value of the corporate loans	**5 359 289**	**1 737 169**	**370 282**	**5 190**	**7 471 930**
Loans to individuals - car loans:					
- not yet past due	1 090 262	762 885	66 788	4 909	**1 924 844**
- less than 30 days overdue	71 515	81 589	26 079	1 497	**180 680**
- 30 to 90 days overdue	570	91 469	24 993	2 490	**119 522**
- 91 to 180 days overdue	-	-	44 459	992	**45 451**
- 181 to 360 days overdue	-	-	136 115	378	**136 493**
- over 360 days overdue	-	-	59 614	-	**59 614**
Loss allowances for expected credit losses	(38 346)	(268 398)	(222 203)	(1 524)	**(530 471)**
Carrying value of the car loans to individuals	**1 124 001**	**667 545**	**135 845**	**8 742**	**1 936 133**
Loans to individuals - mortgage loans:					
- not yet past due	1 651 306	725 305	49 114	10 930	**2 436 655**
- less than 30 days overdue	-	763	1 553	-	**2 316**
- 30 to 90 days overdue	4 329	33 118	24 267	815	**62 529**
- 91 to 180 days overdue	-	-	17 048	-	**17 048**
- 181 to 360 days overdue	-	-	47 622	-	**47 622**
- over 360 days overdue	-	-	23 061	-	**23 061**
Loss allowances for expected credit losses	(32 461)	(192 206)	(86 888)	(6 198)	**(317 753)**
Carrying value of loans to individuals - mortgage loans	**1 623 174**	**566 980**	**75 777**	**5 547**	**2 271 478**
Loans to individuals - other consumer loans					
- not yet past due	415 886	378 253	48 742	17 918	**860 799**
- less than 30 days overdue	19 120	38 679	11 892	3 755	**73 446**
- 30 to 90 days overdue	921	69 430	19 389	7 567	**97 307**
- 91 to 180 days overdue	-	236	52 347	3 998	**56 581**
- 181 to 360 days overdue	-	126	161 346	55	**161 527**
- over 360 days overdue	-	23	209 976	421	**210 420**
Loss allowances for expected credit losses	(31 267)	(162 534)	(436 132)	(4 086)	**(634 019)**
Carrying value of other consumer loans to individuals	**404 660**	**324 213**	**67 560**	**29 628**	**826 061**
Total loans and advances to customers	**8 511 124**	**3 295 907**	**649 464**	**49 107**	**12 505 602**

Credit quality analysis of the loans outstanding as at 31 December 2021 is presented below:

In thousands of hryvnias	**Stage 1 12-month expected credit losses**	**Stage 2 Lifetime expected credit for not impaired**	**Stage 3 Lifetime expected credit for impaired**	**Purchased credit-impaired**	**Total**
Corporate loans:					
- not yet past due	8 647 180	153 196	172 054	-	**8 972 430**
- less than 30 days overdue	8 325	-	80	-	**8 405**
- 30 to 90 days overdue	350	61 922	3 790	11 901	**77 963**
- 91 to 180 days overdue	-	-	19 244	-	**19 244**
- 181 to 360 days overdue	-	2	6 680	-	**6 682**
- over 360 days overdue	-	1	27 078	-	**27 079**
- Loss allowances for expected credit losses	(72 164)	(32 291)	(67 600)	(5 912)	**(177 967)**
Carrying value of the corporate loans	**8 583 691**	**182 830**	**161 326**	**5 989**	**8 933 836**
- not yet past due	3 366 293	5 121	36 082	-	**3 407 496**
- less than 30 days overdue	82 734	1 199	13 281	-	**97 214**
- 30 to 90 days overdue	2 760	23 297	17 677	-	**43 734**
- 91 to 180 days overdue	-	-	24 022	-	**24 022**
- 181 to 360 days overdue	-	-	30 969	-	**30 969**
- over 360 days overdue	-	-	14 482	-	**14 482**
Loss allowances for expected credit losses	(48 041)	(13 295)	(69 800)	-	**(131 136)**
Carrying value of the car loans to individuals	**3 403 746**	**16 322**	**66 713**	**-**	**3 486 781**
Loans to individuals - mortgage loans:					
- not yet past due	2 866 786	9 152	31 499	9 798	**2 917 235**
- less than 30 days overdue	-	-	-	-	**-**
- 30 to 90 days overdue	5 409	3 602	9 673	-	**18 684**
- 91 to 180 days overdue	-	-	6 208	-	**6 208**
- 181 to 360 days overdue	-	-	3 387	-	**3 387**
- over 360 days overdue	-	-	17 855	-	**17 855**
Loss allowances for expected credit losses	(30 368)	(2 589)	(36 164)	(4 642)	**(73 763)**
Carrying value of loans to individuals - mortgage loans	**2 841 827**	**10 165**	**32 458**	**5 156**	**2 889 606**
Loans to individuals - other consumer loans					
- not yet past due	1 416 105	7 087	58 560	259	**1 482 011**
- less than 30 days overdue	64 893	1 209	18 466	-	**84 568**
- 30 to 90 days overdue	2 354	29 800	14 447	-	**46 601**
- 91 to 180 days overdue	-	16	48 438	145	**48 599**
- 181 to 360 days overdue	-	19	82 721	316	**83 056**
- over 360 days overdue	-	6	21 228	10	**21 244**
Loss allowances for expected credit losses	(57 328)	(16 219)	(198 661)	(152)	**(272 360)**
Carrying value of other consumer loans to individuals	**1 426 024**	**21 918**	**45 199**	**578**	**1 493 719**
Total loans and advances to customers	**16 255 288**	**231 235**	**305 696**	**11 723**	**16 803 942**

The Bank classifies loans and advances to customers by credit quality based on the borrower's financial condition and ability to service the debt.

Information on collateral as at 31 December 2022 is summarised below:

In thousands of hryvnias	**Corporate loans**	**Car loans**	**Mortgage loans**	**Consumer loans**	**Total**
Unsecured loans	**1 451 972**	**261 751**	**103 378**	**1 459 213**	**3 276 314**
Loans collateralised by:					
- cash deposits	355 948	-	-	-	**355 948**
- residential real estate	253 690	-	2 341 827	329	**2 595 846**
- other real estate	3 059 644	-	81 507	-	**3 141 151**
- other assets	3 311 097	2 204 853	62 519	538	**5 579 007**
Total loans and advances to customers (before expected credit losses)	**8 432 351**	**2 466 604**	**2 589 231**	**1 460 080**	**14 948 266**

Information on collateral as at 31 December 2021 is summarised below:

In thousands of hryvnias	**Corporate loans**	**Car loans**	**Mortgage loans**	**Consumer loans**	**Total**
Unsecured loans	**947 840**	**234 927**	**16 390**	**1 764 909**	**2 964 066**
Loans collateralised by:					
- cash deposits	361 058	-	-	-	**361 058**
- residential real estate	278 131	317	2 768 016	321	**3 046 785**
- other real estate	3 607 001	-	82 870	-	**3 689 871**
- other assets	3 917 773	3 382 673	96 093	849	**7 397 388**
Total loans and advances to customers (before expected credit losses)	**9 111 803**	**3 617 917**	**2 963 369**	**1 766 079**	**17 459 168**

The information on the collateral in the table above includes financial lease receivables. Namely, as at 31 December 2022 in the amount of loans secured by other assets, included financial lease receivables from legal entities in the amount of UAH 524 169 thousand (as at 31 December 2021 - UAH 1 060 644 thousand) and UAH 16 594 thousand - individuals (car loans) (as at 31 December 2021 - UAH 24 432 thousand). In the amount of loans secured by deposits, included financial lease receivables from legal entities in the amount of UAH 5 279 thousand as at 31 December 2021.

Other assets mainly include equipment, other movable property and property rights for future real estate. The disclosure above represents the lower of the carrying value of the loan or fair value of collateral taken as at 31 December, depending on what is the lowest amount; the remaining part is disclosed within the unsecured exposures. The carrying value of the loans was allocated based on liquidity of the assets taken as collateralised.

The financial effect of collateral is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements exceed its carrying value ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements equal to their carrying value or are lower than their carrying value ("under-collateralised assets"). The analysis below covers only the individually impaired loans.

The effect of collateral on individually impaired loans as at 31 December 2022 is summarised below:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of hryvnias	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**
Corporate loans	95 122	204 448	256 139	52 599
Mortgage loans	16 271	21 824	16 264	12 280
Consumer loans	-	-	438	-
Car loans	5 490	7 209	2 298	2 031
Total	**116 883**	**233 481**	**275 139**	**66 910**

The effect of collateral on individually impaired loans as at 31 December 2021 is summarised below:

	Over-collateralised assets		**Under-collateralised assets**	
In thousands of hryvnias	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**	**Carrying value of the asset**	**Fair value of collateral with discounts and expected disposal terms**
Corporate loans	63 186	105 514	98 859	76 211
Mortgage loans	8 233	10 163	4 871	3 112
Consumer loans	-	-	103	-
Car loans	998	2 085	25	-
Total	**72 417**	**117 762**	**103 858**	**79 323**

For other commercial loans without specifically identified impairment, the fair value of collateral was estimated at the inception of the loans and is adjusted for subsequent changes in value once a year in line with the significant market changes in value for real estate or for other pledged assets in accordance with the Bank's policies and procedures.

The fair value of collateral is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, discounted for the time required for its recovery and disposal. This amount includes possible costs of debt recovery through the foreclosure such as court expenses, disposal costs and other costs related to debt recovery through the foreclosure.

The fair value of real estate properties at the end of the reporting period is based on the actual expert opinion of the firm of independent appraisers engaged by the Bank on a contractual basis or by the internal appraiser who holds a relevant qualification certificate, which are not related (affiliates, related parties, associates) to the Bank according to the legislation.

The Bank's credit risk management policies and procedures are described in Note 32. The maximum credit risk exposure represents the carrying value of loans and advances at the relevant reporting date.

Collateral and other ways to improve the quality of loans and advances are described below.

The Bank accepts the following types of collateral:

- Loans to individuals - residential mortgage property and cars;
- Loans to legal entities and industrial companies - corporate properties such as property, plant and equipment, shares, accounts receivable and third party guarantees;
- Commercial real estate development - real property for which the financing has been received.

Although collateral might be an important factor to mitigate the credit risk, the Bank's policy provides for granting loans primarily based on the customer's creditworthiness rather than the proposed collateral value. Depending on the customer's condition and banking product, loans may be issued without taking collateral.

Finance lease receivables are included to loans. The table below summarises reconciliation between gross investments in lease and present value of minimal lease payments as at 31 December 2022:

In thousands of hryvnias	**Gross investment in lease**	**Present value of minimum lease payments**	**Unrealised financial income**
Finance lease receivables			
- less than 1 year	453 415	430 845	22 570
- from 1 to 5 years	216 553	198 176	18 377
- over 5 years	5 401	5 343	58
Less loss allowances for expected credit losses	**(160 163)**	**(160 163)**	**-**
Total after deduction of loss allowances for expected credit losses	**515 206**	**474 201**	**41 005**

Finance lease receivables are included to loans. The table below summarizes reconciliation between gross investments in lease and present value of minimal lease payments as at 31 December 2021:

In thousands of hryvnias	**Gross investment in lease**	**Present value of minimum lease payments**	**Unrealised financial income**
Finance lease receivables			
- less than 1 year	756 704	696 266	60 438
- from 1 to 5 years	438 260	392 266	45 994
- over 5 years	3 842	3 390	452
Less loss allowances for expected credit losses	**(25 656)**	**(25 656)**	**-**
Total after deduction of loss allowances for expected credit losses	**1 173 150**	**1 066 266**	**106 884**

Refer to Note 35 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 32. Information on related party balances is disclosed in Note 37.

Modified financial assets

The table below provides information on financial assets that were modified when the amount of the loss allowance was estimated at an amount equal to the amount of lifetime expected credit losses.

In thousands of hryvnias	**2022**	**2021**
Financial assets modified during the period		
Amortised cost before modification	1 050 975	58 296
Gains less losses from modification	(28 849)	(1 547)

8. SECURITIES

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Securities at fair value through other comprehensive income		
Ukrainian government bonds	3 337 972	7 814 337
Corporate shares	10	10
Total securities at fair value through other comprehensive income	**3 337 982**	**7 814 347**
Securities at amortised cost		
Government bonds of other countries	5 666 266	-
Loss allowances for expected credit losses	(74)	-
Total securities at amortised cost	5 666 192	**-**
Total securities	**9 004 174**	**7 814 347**

As at December 31 2022, government bonds of other countries include: US Treasury bonds – USD 139 039 thousand (UAH 5 084 444 thousand) and Polish government bonds – EUR 14 937 thousand (UAH 581 822 thousand).

The movements in amounts of expected credit losses on securities during 2022 are as follows:

In thousands of hryvnias	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Securities at fair value through other comprehensive income ***Ukrainian government bonds***					
Loss allowances for 12-months expected credit losses at 1 January 2022		**104 899**	**-**	**-**	**104 899**
Increase from acquisition of assets during the period	26	2 014	-	-	**2 014**
Repayment and sales of assets during the period	26	(44 483)	(3 829)	-	**(48 312)**
Remeasurement of loss allowance*	26	109 726	(11 388)	-	**98 338**
Effect of exchange rate of foreign currency		36 916	-	-	**36 916**
Transfer to the Stage:					
- from Stage 1		(209 072)	209 072	-	**-**
- from Stage 2		-	-	-	**-**
- from Stage 3		-	-	-	**-**
Loss allowances for 12-months expected credit losses at 31 December 2022		**-**	**193 855**	**-**	**193 855**
Securities at amortised cost ***Government bonds of other countries***					
Loss allowances for 12-months expected credit losses at 1 January 2022		**-**	**-**	**-**	**-**
Increase from acquisition of assets during the period	26	115	-	-	**115**
Remeasurement of loss allowance*	26	(45)	-	-	**(45)**
Effect of exchange rate of foreign currency		4	-	-	**4**
Loss allowances for 12-months expected credit losses at 31 December 2022		**74**	**-**	**-**	**74**

* Remeasurement of loss allowance for expected credit losses includes the changes for securities acquired during 2022, for which there was a change in the level of expected credit losses from the date of acquisition to the end of the year, as well as in securities purchased until 2022 that remained in the portfolio at 31 December 2022.

The movements in amounts of expected credit losses on securities during 2021 are as follows:

In thousands of hryvnias	**Note**	**Securities at fair value through other comprehensive income**	**Securities at amortised cost**	**Total**
Ukrainian government bonds				
Loss allowances for 12-months expected credit losses at 1 January 2021 - Stage 1		**87 934**	**1 154**	**89 088**
Increase from acquisition of assets during the period	26	124 187	-	124 187
Repayment and sales of assets during the period	26	(59 768)	(584)	(60 352)
Remeasurement of loss allowance *	26	(44 613)	(566)	(45 179)
Effect of exchange rate of foreign currency		(2 841)	(4)	(2 845)
Loss allowances for expected credit losses for credit-impaired assets as at 31 December 2021 – Stage 1		**104 899**	**-**	**104 899**

* Remeasurement of loss allowance for expected credit losses includes the changes for securities acquired during 2021, for which there was a change in the level of expected credit losses from the date of acquisition to the end of the year, as well as in securities purchased until 2021 that remained in the portfolio at 31 December 2021.

9. INVESTMENTS IN SUBSIDIARIES

In 2021, the Supervisory Board of KREDOBANK JSC decided to develop performance in the related financial services market in the form of a separate legal entity. In August 2021, by the decision of the Supervisory Board of KREDOBANK JSC, a subsidiary of the Bank, KREDOLEASING LLC, was established and passed state registration. The subject of activity of this company, 100% of the capital of which belongs to JSC "KREDOBANK", is the provision of financial services, namely leasing, factoring, provision of funds on loan. In November 2021, KREDOLEASING LLC received licenses to provide financial services and was entered by the National Bank of Ukraine in the state register of financial institutions. This investment in the amount of UAH 10,000 thousand is accounted for at the purchase price.

In 2022, due to Russian aggression and the introduction of martial law, the company did not expand its operations.

10. INVESTMENT PROPERTY

In thousands of hryvnias	Note	2022	2021
Investment properties at fair value at 1 January		**11 771**	**14 054**
Transfers to real estate occupied by the Bank	11	-	(1 949)
Net change of fair value		(3 633)	(334)
Investment properties at fair value at 31 December		**8 138**	**11 771**

As at 31 December 2022 and 31 December 2021, investment properties include commercial buildings held by the Bank to earn rental income, which were transferred from property, plant and equipment and leasehold improvements.

Information on income from operating lease is disclosed in Note 27.

As at 31 December 2022 and 31 December 2021, fair value of the Bank's investment properties was determined based on the reports of internal appraiser who holds the relevant professional qualification and has recent experience in valuation of property of the similar category and location. Valuation is based on market value of an asset by income approach.

The fair values of investment properties are categorised into Level 3 of the fair value hierarchy as at 31 December 2022 and 2021 (Note 35).

11. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment as well as assets in the form of right-of- use is presented as follows:

In thousands of hryvnias	Property and leasehold improvements	Computer and equipment	Security systems, cars and other equipment	Right-of-use assets - Premises	Total
Initial cost					
At 1 January 2021	**409 398**	**697 939**	**432 252**	**209 332**	**1 748 921**
Additions	9 421	27 788	33 367	103 217	173 793
Disposals	(9 359)	(23 267)	(22 979)	(57 324)	(112 929)
Transfers	1 949	-	(2 633)	-	(684)
At 31 December 2021	**411 409**	**702 460**	**440 007**	**255 225**	**1 809 101**
Additions	11 965	33 440	14 896	110 351	170 652
Disposals	(13 232)	(9 039)	(29 086)	(147 968)	(199 325)
Transfers	-	-	(2 616)	-	(2 616)
At 31 December 2022	**410 142**	**726 861**	**423 201**	**217 608**	**1 777 812**
Accumulated depreciation					
At 1 January 2021	**57 219**	**349 364**	**242 958**	**91 887**	**741 428**
Depreciation charge	23 147	69 124	56 684	73 781	222 736
Disposals	(3 637)	(23 298)	(18 373)	(45 542)	(90 850)
At 31 December 2021	**76 729**	**395 190**	**281 269**	**120 126**	**873 314**
Depreciation charge	24 819	62 576	46 262	80 599	214 256
Disposals	(8 198)	(8 090)	(22 764)	(106 929)	(145 981)
At 31 December 2022	**93 350**	**449 676**	**304 767**	**93 796**	**941 589**
Carrying amount					
At 31 December 2021	**334 680**	**307 270**	**158 738**	**135 099**	**935 787**
At 31 December 2022	**316 792**	**277 185**	**118 434**	**123 812**	**836 223**

The Bank presents right-of use assets that related to leased real estate and do not meet the definition of investment property as “Property, plant and equipment”

As at 31 December 2022, the cost of fully depreciated equipment that is still in use is UAH 340 422 thousand (31 December 2021: UAH 269 363 thousand).

As at 31 December 2022 and 31 December 2021, the Bank has no property, plant and equipment of which ownership, use and disposal are limited by laws of Ukraine or issued as collateral.

The Bank’s premises were not revaluated as at 31 December 2022 and 31 December 2021 as its carrying value at the annual balance sheet date did not differ significantly from the fair value according to the appraisers’ conclusions.

The valuation was based on a market approach and was carried out by the internal appraiser who holds relevant professional qualification and has recent experience in valuation of property of similar location and category. For each real estate property several comparables were selected based on the following criteria: location, type, condition and size. Adjustments were applied for a price representing an offer rather than an actual transaction (bargain discount), location, size, floor and condition and other adjustments. Bargain discount applied by the internal appraiser was usually in the range from 10% to 15%. Other adjustments applied by the internal valuator were usually in the range from 10% to 15%. The valuer used only income approach to value all objects of property, plant and equipment.

The fair value of the Bank's buildings are categorised into Level 3 of the fair value hierarchy.

The carrying value of own buildings subject to revaluation as at December 31, 2022 amounts to UAH 306 233 thousand (as at December 31, 2021 – UAH 300 201 thousand). Had the assets been recognised at cost less depreciation, the carrying value of the property, plant and equipment would have amount to UAH 148 095 thousand as at 31 December 2022 (31 December 2021: UAH 156 450 thousand).

Movements in lease liability were as follows:

In thousands of hryvnias	**Note**	**2022**	**2021**
Balance at 1 January		**135 111**	**123 712**
Changes from financing cash flows:			
Payment of lease liabilities - principal		(78 815)	(77 674)
Total changes from financing cash flows		**(78 815)**	**(77 674)**
Effect of exchange rate of foreign currency		6 556	(1 347)
Other changes:			
Lease additions		109 220	101 637
Other changes:		(48 746)	(11 015)
Interest expense	24	14 927	14 285
Interest paid		(14 703)	(14 487)
Total liability-related other changes		**60 698**	**90 420**
Balance at 31 December	19	**123 550**	**135 111**

Rental income recognised by the Bank during 2022 was UAH 8 232 thousand (2021: UAH 3 292 thousand) (Note 27).

12. INTANGIBLE ASSETS

Movements in intangible assets were as follows:

In thousands of hryvnias	**Software**	**Rights and licenses**	**Other intangible assets**	**Total**
Initial cost				
At 1 January 2021	**200 035**	**235 532**	**2 151**	**437 718**
Additions	84 164	65 423	-	149 587
At 31 December 2021	**284 199**	**300 955**	**2 151**	**587 305**
Additions	48 760	56 169	-	104 929
Disposals	(21 674)	(91 410)	-	(113 084)
At 31 December 2022	**311 285**	**265 714**	**2 151**	**579 150**
At 31 December 2022				
Accumulated depreciation				
At 1 January 2021	**87 007**	**172 845**	**1 678**	**261 530**
Depreciation charge	36 584	65 372	118	102 074
At 31 December 2021	**123 591**	**238 217**	**1 796**	**363 604**
Depreciation charge	32 722	70 633	118	103 473
Disposals	(21 194)	(91 008)	-	(112 202)
At 31 December 2022	**135 119**	**217 842**	**1 914**	**354 875**
Carrying amount				
At 31 December 2021	**160 608**	**62 738**	**355**	**223 701**
At 31 December 2022	**176 166**	**47 872**	**237**	**224 275**

Initial value of fully depreciated intangible assets still in use - UAH 117 880 thousand (as at December 31, 2021 - UAH 157 788 thousand).

As at 31 December 2022 and 31 December 2021 the Bank has no intangible assets pledged as collateral. However, there are restrictions on the ownership of computer software licenses used by the Bank.

13. OTHER FINANCIAL ASSETS

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Receivables from operations with plastic cards	217 197	90 458
Receivables from operations with customers and banks and other	16 458	31 859
Fees and commissions to be received	13 887	29 312
Cash that is unconfirmed	1 062	1 062
Loss allowances for expected credit losses	(4 445)	(3 567)
Total other financial assets	**244 159**	**149 124**

The analysis of change in the loss allowances for expected credit losses of other financial assets during 2022 is as follows:

In thousands of hryvnias	**Note**	**Fees and commissions to be received (Stage 2,3)**	**Receivables from operations with customers and banks and other (Stage 3)**	**Cash that is unconfirmed (Stage 3)**	**Total**
Loss allowances for expected credit losses as at 1 January 2022		**1 957**	**548**	**1 062**	**3 567**
Net remeasurement of loss allowance during the year	26	1 981	2	2 839	**4 822**
Amounts written off during the year as uncollectible		(557)	(548)	(3 481)	**(4 586)**
Effect of exchange rate of foreign currency		-	-	642	**642**
Loss allowances for expected credit losses as at 31 December 2022		**3 381**	**2**	**1 062**	**4 445**

The analysis of change in the loss allowances for expected credit losses of other financial assets during 2021 is as follows:

In thousands of hryvnias	**Note**	**Fees and commissions to be received (Stage 2,3)**	**Receivables from operations with customers and banks and other (Stage 3)**	**Cash that is unconfirmed (Stage 3)**	**Total**
Loss allowances for expected credit losses as at 1 January 2021		**2 139**	**450**	**-**	**2 589**
Increase from acquisition of assets during the period	25	-	-	1 062	**1 062**
Net remeasurement of loss allowance during the year	25	1 448	344	-	**1 792**
Amounts written off during the year as uncollectible		(1 630)	(327)	-	**(1 957)**
Effect of exchange rate of foreign currency		-	81	-	**81**
Loss allowances for expected credit losses as at 31 December 2021		**1 957**	**548**	**1 062**	**3 567**

The amount of loss allowances for expected credit losses on accrued income that are not impaired as at 31 December 2022 is UAH 119 thousand (at 31 December 2021 - UAH 108 thousand).

Receivables from operations with customers and banks in the amount of UAH 16 456 thousand as at 31 December 2022 (31 December 2021 - UAH 31 311 thousand) and receivables from operations with plastic cards in the amount of UAH 217 197 thousand (31 December 2021 - UAH 90 458 thousand) are represented by transit accounts for transfers and payment cards that are subject to the clearing on the next business day, and for which no expected credit losses assessment is performed.

Analysis by credit quality of other financial assets at 31 December 2022 is as follows:

In thousands of hryvnias	**Fees and commissions to be received**	**Receivables from operations with customers and banks and other**	**Receivables from operations with plastic cards**	**Cash that is unconfirmed**	**Total**
Assets without estimation of expected credit losses (not overdue)	**-**	**16 456**	**217 197**	**-**	**233 653**
Past due but not impaired other financial assets with 12-month expected credit losses (Stage 2)					
- not yet past due	3 518	-	-	-	**3 518**
- less than 30 days overdue	254	-	-	-	**254**
- 31 to 90 days overdue	1 374	-	-	-	**1 374**
Credit-impaired other financial assets (Stage 3)					
- not yet past due	-	2	-	1 062	**1 064**
- 91 to 180 days overdue	734	-	-	-	**734**
- 181 to 360 days overdue	2 190	-	-	-	**2 190**
- over 360 days overdue	5 817	-	-	-	**5 817**
Total credit-impaired other financial assets (gross)	**8 741**	**2**	**-**	**1 062**	**9 805**
Less loss allowances for expected credit losses	**(3 381)**	**(2)**	**-**	**(1 062)**	**(4 445)**
Total other financial assets	**10 506**	**16 456**	**217 197**	**-**	**244 159**

Analysis by credit quality of other financial assets at 31 December 2021 is as follows:

In thousands of hryvnias	**Fees and commissions to be received**	**Receivables from operations with customers and banks and other**	**Receivables from operations with plastic cards**	**Cash that is unconfirmed**	**Total**
Assets without estimation of expected credit losses (not overdue)	**-**	**31 311**	**90 458**	**-**	**121 769**
Past due but not impaired other financial assets with 12-month expected credit losses (Stage 2)					
- not yet past due	22 004	-	-	**-**	**22 004**
- less than 30 days overdue	165	-	-	**-**	**165**
- 31 to 90 days overdue	414	-	-	**-**	**414**
Credit-impaired other financial assets (Stage 3)					
- not yet past due	-	548	-	1 062	**1 610**
- 91 to 180 days overdue	1 935	-	-	**-**	**1 935**
- 181 to 360 days overdue	894	-	-	**-**	**894**
- over 360 days overdue	3 900	-	-	**-**	**3 900**
Total credit-impaired other financial assets (gross)	**6 729**	**548**	**-**	**1 062**	**8 339**
Less loss allowances for expected credit losses	**(1 957)**	**(548)**	**-**	**(1 062)**	**(3 567)**
Total other financial assets	**27 355**	**31 311**	**90 458**	**-**	**149 124**

The primary factors that the Bank considers in determining whether a receivable is impaired are its overdue status. As a result, the Bank presents above an ageing analysis of receivables that are individually determined to be impaired. Other receivables generally are not collaterised.

Information on related party balances is disclosed in Note 37.

14. OTHER NON-FINANCIAL ASSETS

In thousands of hryvnias	31 December 2022	31 December 2021
Prepayments for goods and unfinished construction	44 818	36 646
Prepaid expenses	36 112	32 635
Inventory	29 065	39 459
Prepayment for services	12 767	10 653
The Bank’s repossessed collateral and assets for sale	5 931	1 612
Prepaid taxes other than income tax	3 752	8 451
Other	491	79
Total other non-financial assets	**132 936**	**129 535**

15. DUE TO OTHER BANKS

In thousands of hryvnias	31 December 2022	31 December 2021
Correspondent accounts and overnight placements of other banks	967 700	708 227
Loans from the National Bank of Ukraine through refinancing	-	3 000 000
Funds in settlements for escrow operations	3 851	3 856
Total due to other banks	**971 551**	**3 712 083**

As at 31 December 2022 correspondent accounts and overnight deposits of other banks include UAH 3 020 thousand (31 December 2021: UAH 132 266 thousand) of balances on accounts of PKO BP S.A.

Refer to Note 35 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 32. Information on related party balances is disclosed in Note 37.

16. CUSTOMER ACCOUNTS

In thousands of hryvnias	31 December 2022	31 December 2021
Legal entities		
- Current/settlement accounts	17 618 992	11 557 569
- Term deposits	3 212 710	2 815 043
Individuals		
- Current/demand accounts	8 074 566	5 526 852
- Term deposits	4 106 248	4 618 794
Total customer accounts	**33 012 516**	**24 518 258**

Economic sector concentrations within customer accounts are as follows:

In thousands of hryvnias	31 December 2022		31 December 2021	
	Amount	**%**	**Amount**	**%**
Individuals	12 180 814	37	10 145 646	41
Trade	4 284 406	13	2 617 775	11
Information technology and telecommunications	3 677 108	11	1 928 301	8
Manufacturing	2 967 361	9	2 114 281	9
Financial services	2 607 382	8	1 870 643	8
Real estate	1 553 622	5	1 596 947	6
Agriculture	958 069	3	646 279	3
Transport and communication	740 475	2	334 041	1
Professional, scientific and technical activity	699 657	2	706 349	3
Provision of other types of services	485 870	1	296 860	1
Other	2 857 752	9	2 261 136	9
Total customer accounts	**33 012 516**	**100**	**24 518 258**	**100**

As at 31 December 2022, the Bank had 353 customers (31 December 2021: 283 customers) with balances above UAH 10 000 thousand each. The aggregate balance on accounts of these customers was UAH 14 786 256 thousand (31 December 2021: UAH 9 728 678 thousand), or 45% (31 December 2021: 40%) of total customer accounts.

As at 31 December 2022, included in customer accounts are deposits of UAH 46 897 thousand (31 December 2021: UAH 39 933 thousand) held as collateral for guarantees issued. Refer to Note 34.

As at 31 December 2022, included in customer accounts are deposits amounted to UAH 355 948 thousand (31 December 2021: UAH 361 058 thousand) held as collateral for loans granted to customers amounted to UAH 394 125 thousand (31 December 2021: UAH 436 586 thousand). Refer to Note 7.

As at 31 December 2022, included in current accounts of individuals are prepayments at loan agreements amounting UAH 38 456 thousand that are not due (31 December 2021: UAH 60 737 thousand); current accounts of legal entities are prepayments at loan agreements amounting UAH 27 158 thousand that are not due (31 December 2021: UAH 98 710 thousand).

Refer to Note 35 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 32. Information on related party balances is disclosed in Note 37.

17. DUE TO OTHER FINANCIAL INSTITUTIONS

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Entrepreneurship Development Fund	102 303	101 080
Total other financial institutions	**102 303**	**101 080**

In October 2021, the Bank received a loan for a term of two years from the Entrepreneurship Development Fund in the amount of UAH 100 000 thousand at the rate of UIRD 3 months, that is 9.64% as at 31 December, 2022. According to the agreement, the funds are allocated for lending to small and medium-sized enterprises under the fund's program to support the financing of investment projects of small and medium-sized businesses in Ukraine.

The Bank pledged domestic bonds with a total nominal value of UAH 107 947 thousand as collateral for the received loan (Note 8).

Change in amounts of due to other financial institutions are presented as follows:

In thousands of hryvnias	**2022**	**2021**
Due to other financial institutions as at 1 January	**101 080**	**115 580**
Repayment during the year	7 806	5 906
Interest paid	(6 583)	(6 081)
Other changes	-	(14 325)
Due to other financial institutions as at 31 December	**102 303**	**101 080**

Refer to Note 35 for the disclosure of the fair value of due to other financial institutions.

18. DEBT SECURITIES

In November 2017 the Bank performed placement of bonds of series «A» with a total nominal value of UAH 250 000 thousand.

In July 2018 the Bank performed placement of bonds of series «B» with a total nominal value of UAH 250 000 thousand. This series of bonds was fully acquired by the European Fund for South-Eastern Europe (SICAV-SIF).

In the fourth quarter of 2022, the Bank repaid two series of self-issued Bonds, Series "A" and Series "B". The amount of funds paid to the bondholders (nominal value) amounted to UAH 233 355 thousand and UAH 250 000 thousand, respectively. Also, the Bank made the last payment of interest income in the amount of UAH 4 625 thousand and UAH 4 968 thousand, respectively. The Bank has fulfilled its obligations under the above-mentioned bonds in full.

In thousands of hryvnias	**2022**	**2021**
Debt securities issued as of January 1	**486 123**	**384 810**
Placement of debt securities	-	119 748
Redemption/repayment of debt securities	(483 355)	(16 372)
Accrued interest expenses	38 337	45 860
Interest paid	(41 105)	(47 923)
Debt securities issued as of December 31	**-**	**486 123**

19. OTHER FINANCIAL LIABILITIES

Other financial liabilities are presented as follows:

In thousands of hryvnias	**Note**	**31 December 2022**	**31 December 2021**
Funds in settlements		430 843	27 673
Lease liabilities	11	123 550	135 111
Other accrued liabilities		101 887	69 621
Other		439	527
Total other financial liabilities		**656 719**	**232 932**

Refer to Note 35 for disclosure of fair value of each class of other financial liabilities.

20. OTHER NON-FINANCIAL LIABILITIES

Other financial liabilities are presented as follows:

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Accrued employee benefit costs	80 079	84 006
Amounts payable to Individuals' Deposits Guarantee Fund	26 000	20 180
Deferred income	9 663	14 355
Taxes payable other than on income	8 778	17 032
Accounts payable for the acquisition of assets	1 989	3 723
Total other non-financial liabilities	**126 509**	**139 296**

21. PROVISIONS

In thousands of hryvnias	**31 December 2022**	**31 December 2021**
Provisions for credit obligations	31 277	21 871
Provisions for liabilities	2 488	12 094
Provisions for vacation pay	16 330	16 904
Total provisions	**50 095**	**50 869**

The provision for credit obligations represents the expected credit losses created for the Bank's financial obligations to provide loans and guarantees provided by the Bank to customers. Information on movement in provisions for credit obligations is provided in Note 34.

22. SHARE CAPITAL

In thousands of hryvnias, except for number of shares	**Number of outstanding shares**	**Nominal amount**	**Total**
At 1 January 2021	224 896 946 916	2 248 969	2 248 969
At 31 December 2021	224 896 946 916	2 248 969	2 248 969
At 31 December 2022	224 896 946 916	2 248 969	2 248 969

The share capital of the Bank amounts to UAH 2 248 969 thousand (2021: UAH 2 248 969 thousand).

As at 31 December 2022 and 31 December 2021, the total number of issued shares, at which the reports on placement results were registered, comprised 224 896 946 916 ordinary shares with nominal value of UAH 0.01 per share. All ordinary shares have equal voting rights.

As at 31 December 2022 and 2021 all ordinary shares were fully paid and registered.

The Bank's shareholder structure is presented below:

Shareholder	**2022**	**2021**
PKO BP S.A.	100,00%	100,00%

23. OTHER COMPREHENSIVE INCOME RECOGNISED IN EQUITY

Analysis of other comprehensive income by equity component item is as follows:

In thousands of hryvnias	**Revaluation reserve for financial instruments at fair value through other comprehensive income**
Year ended 31 December 2021	
Financial instruments at fair value through other comprehensive income:	
- Net change in the fair value of financial instruments at fair value through other comprehensive income	36 321
- Net change in the fair value of financial instruments at fair value through other comprehensive income transferred to net profit and loss	(5 910)
Total other comprehensive income	**30 411**
Year ended 31 December 2022	
Financial instruments at fair value through other comprehensive income:	
- Net change in the fair value of financial instruments at fair value through other comprehensive income	(64 321)
- Net change in the fair value of financial instruments at fair value through other comprehensive income transferred to net profit and loss	11 549
Total other comprehensive income	**(52 772)**

24. INTEREST INCOME AND EXPENSE

In thousands of hryvnias	**2022**	**2021**
Interest income		
Loans and advances to legal entities	1 044 967	956 437
Loans and advances to individuals	1 065 724	1 279 138
Deposit certificates issued by the NBU	476 199	10 316
Securities at fair value through other comprehensive income	326 508	430 012
Securities at amortised cost	45 050	2 486
Due from other banks	39 223	172
Total interest income	**2 997 671**	**2 678 561**
Interest expense		
Customer accounts of legal entities	483 666	197 504
Customer accounts of individuals	204 732	203 175
Amounts due to the National Bank of Ukraine	122 683	198 157
Debt securities	38 337	45 860
Lease liabilities	14 927	14 285
Due to other banks	2 320	32 512
Other	18	-
Total interest expense	**866 683**	**691 493**
Net interest income	**2 130 988**	**1 987 068**

Interest income on impaired financial assets amounts to UAH 87 520 thousand for 2022 (2021: UAH 76 337 thousand).

Information on interest income and expense on transactions with related parties is disclosed in Note 37.

25. FEE AND COMMISSION INCOME AND EXPENSE

In thousands of hryvnias	2022	2021
Fee and commission income		
Cash and settlement transactions	534 838	548 369
Purchase and sale of foreign currency	166 147	137 167
Agency fee from insurance companies	17 474	29 703
Guarantees issued and other documentary	6 860	8 426
Other	13 830	15 776
Total fee and commission income	**739 149**	**739 441**
Fee and commission expense		
Cash and settlement transactions	220 382	187 240
Loan transaction fees	2 477	1 939
Received guarantees and other documentary	1 149	857
Transactions with securities	515	677
Other	126	39
Total fee and commission expense	**224 649**	**190 752**
Net fee and commission income	**514 500**	**548 689**

Information on fee and commission income and expense on transactions with related parties is disclosed in Note 37.

26. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

In thousands of hryvnias	Note	2022	2021
Due from other banks	6	1 200	(194)
Loans and advances to customers	7	1 663 976	182 572
Securities at fair value through other comprehensive income	8	52 040	19 806
Securities at amortised cost	8	70	(1 150)
Other financial assets - fees and commission income	13	1 981	1 448
Other financial assets - non-confirmed cash	13	2 839	1 062
Other financial assets - transactions with customers	13	2	344
Financial guarantee contracts	34	22	(544)
Loan commitments	34	8 308	(6 230)
Credit loss expense on financial assets		**1 730 438**	**197 114**

In addition to the expected credit losses on initial recognition, derecognition and other remeasurements (refer to Note 7), loans and advances to customers for 2022 include repayments of loans written off in prior periods as uncollectible in the amount of UAH 4 797 thousand (2021 - UAH 15 888 thousand).

27. OTHER OPERATING INCOME

In thousands of hryvnias	**2022**	**2021**
Enrollment in income balances on which the statute of limitations has expired	19 964	6 428
Support of operations from partner companies	18 877	12 257
Gain from leasing contracts	13 748	1 249
Income from operating leases	8 232	3 292
Liquidation of the reserve to cover losses	8 193	-
Gain from disposal of property, plant and equipment	6 266	7 437
Penalties and fine received	5 730	15 193
Gain from leases modification	2 453	1 237
Income from revaluation of property, plant and equipment	707	13
Reimbursement of legal expenses	583	(415)
Income from factoring operations	-	1 340
Income from repayment of purchased credit debt	-	761
Income from revaluation of investment property	-	107
Other	2 263	1 352
Total other operating income	**87 016**	**50 251**

28. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of hryvnias	**2022**	**2021**
Wages, bonuses and other employee costs	574 625	558 409
Social contributions accrued on employee benefits	116 073	115 139
Total employee payments expenses	**690 698**	**673 548**
Software maintenance	92 817	118 065
Contributions to Individuals' Deposit Guarantee Fund	92 042	72 803
Utility costs	61 182	56 973
Repair and maintenance of property, plant and equipment	52 695	50 808
Communication	43 329	53 498
Professional services	16 030	26 691
Charity	15 616	2 610
Security services	14 164	17 630
Impairment and disposal of property, plant and equipment	8 768	3 776
Advertising and marketing services	7 646	24 981
Negative result on lease agreements	7 192	2 596
Impairment of property	6 822	-
Taxes other than on income	6 779	9 668
Collection and transportation of valuables	5 552	7 107
Legal services	5 407	21 341
Cybersecurity systems	4 845	6 610
Operating lease expense for buildings	4 017	3 830
Business trips	1 544	3 789
Leases modification	1 063	495
Provision for losses	-	6 172
Other	47 853	43 126
Total administrative and other operating expenses	**495 363**	**532 569**

No discretionary pensions or other post-employment benefits are provided by the Bank.

29. INCOME TAX

(a) Components of income tax expense

Components of income tax expense are presented as follows:

In thousands of hryvnias	**2022**	**2021**
Current tax	26 250	179 451
Deferred tax	5 678	(3 886)
Income tax expense	**31 928**	**175 565**

(b) Reconciliation of tax expense and profit or loss multiplied by applicable tax rate

The Bank's applicable income tax rate is 18%. Reconciliation of expected and actual income tax expense is presented as follows.

In thousands of hryvnias	**2022**	**2021**
Profit before tax	**174 344**	**971 865**
The theoretical tax charge at the current tax rate (18%)	31 382	174 936
Tax effect of items which are not deductible or assessable for taxation purposes		
- costs /(income) not included for tax purposes related to provision	363	(1 281)
-other costs not recognised for tax purposes	826	521
Effect of accounting policies changes and other changes of temporary differences	(643)	1 389
Income tax expense for the year	**31 928**	**175 565**

(c) Deferred taxes by type of temporary differences

Differences between IFRS and statutory tax regulations in Ukraine give rise to temporary differences between carrying amounts of assets and liabilities used for financial reporting purposes and their tax bases, and on tax losses carried forward.

Tax effect of movements in these temporary differences is presented as follows.

In thousands of hryvnias	**1 January 2022**	**Credited/ (charged) to profit or loss for the year**	**31 December 2022**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	39 677	(8 163)	31 514
Commitment provision and other losses	7 213	406	7 619
Result of derecognition of securities at fair value through other comprehensive income	-	2 079	2 079
Net deferred tax asset	**46 890**	**(5 678)**	**41 212**

In thousands of hryvnias	**1 January 2021**	**Credited/ (charged) to profit or loss for the year**	**31 December 2021**
Tax effect of deductible/(taxable) temporary differences			
Premises and equipment	34 410	5 267	39 677
Commitment provision and other losses	8 594	(1 381)	7 213
Net deferred tax asset	**43 004**	**3 886**	**46 890**

The recognised deferred tax asset is the amount of income tax that may be credited against future income taxes and is recognized in the separate statement of financial position. Deferred income tax assets are recognized only to the extent that it is probable that the tax credit will be used. Estimation of future taxable profits and the amount of tax credit that can be used in the future is based on the medium-term business plan that prepares management and the results of its extrapolation for future periods.

30. BASIC AND DILUTED PROFIT PER SHARE

The Bank prepared its consolidated financial statements and separate financial statements as at and for the year ended 31 December 2022 and 31 December 2021 in accordance with IFRS 10 “Consolidated financial statements” and IAS 27 “Separate financial statements”. Basic profit per share is calculated and disclosed based on the IFRS consolidated financial statements. During the reporting period, the Bank had no dilutive financial instruments. Therefore, basic profit per share is equal to diluted profit per share

Profit per share is calculated as follows:

In thousands of hryvnias	**2022**	**2021**
Profit/(loss) for the year attributable to ordinary shareholders	139 532	795 446
Weighted average number of ordinary shares in issue (thousands)	224 896 947	224 896 947
Basic and diluted profit per share attributable to shareholders of the Group (UAH per share)	**0,0006**	**0,0035**

31. SEGMENT ANALYSIS

Operating segments are components engaged in business operations that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is a person or a group of persons who allocate resources and measure the Bank's performance. The CODM functions are performed by Management Board.

(a) Reportable segments

The Bank has the following three key reportable segments:

- Retail banking - banking services to individuals including current and saving accounts, deposits, investments, credit and debit cards, consumer and mortgage loans, currency transactions, money transfers.
- Corporate banking - direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities.
- Treasury and investment banking - financial instruments trading, capital market transactions, operations with foreign currencies and banknotes.

(b) Factors used to identify reportable segments

The Bank's segments represent strategic business units targeting different customers. They are managed separately since each business unit requires different marketing strategies and service levels.

(c) Measurement of operating segment profit or loss, assets and liabilities

Management Board reviews financial information prepared in accordance with the NBU requirements and IFRS.

The following approaches are applied to segment analysis.

- resources are reallocated among segments using internal interest rates set by Treasury Department. These internal interest rates are determined by reference to market interest rate benchmarks, contractual maturities of loans, and historical information on actual repayment of customer account balances;
- income tax, and certain other items are not allocated to segments.

For operating decision making purposes, segment performance is measured based on profit before tax.

Reports include information on intersegment transfer (internal) results of reportable segments. Transfer result is calculated as the difference between transfer revenue and transfer expense per each segment based on transfer prices set by major currency and maturity. For corporate and retail segments, transfer revenue is calculated as estimated revenue from sales of attracted resources to Treasury and Investment Banking segment at acquisition transfer prices; transfer expenses are calculated as estimated expenses on purchase of resources from Treasury and Investment Banking segment at transfer prices on placements.

Transfer prices and transfer revenue/expenses are calculated in accordance with "Methodology for determining and applying transfer prices within "KREDOBANK" approved by Resolution of Management Board No. 598 dated 11 August 2022.

***(d)* Reportable segment profit or loss, assets and liabilities**

Reportable segments for the year ended 31 December 2022 are presented as follows:

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Total**
Reportable segment assets	5 039 917	7 495 326	24 965 573	1 469 691	**38 970 507**
Reportable segment liabilities	12 187 345	20 860 293	1 082 600	802 332	**34 932 570**
Capital expenditures	-	-	-	165 230	**165 230**

Capital expenditures represent additions to non-current assets other than financial instruments and deferred tax assets.

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Eliminations**	**Total**
2022						
External revenues:						
- Interest income	1 065 724	1 044 967	886 980	-	-	**2 997 671**
- Fee and commission income	323 421	373 499	1 072	41 157	-	**739 149**
- Other operating income	22 034	505	-	64 477	-	**87 016**
Revenues from other segments						
- Interest income	865 287	1 340 093	1 613 975	-	(3 819 355)	**-**
Total revenues	**2 276 466**	**2 759 064**	**2 502 027**	**105 634**	**(3 819 355)**	**3 823 836**
Interest expense	(1 026 628)	(1 275 745)	(2 368 720)	(14 945)	3 819 355	**(866 683)**
Gains less losses from trading in foreign currencies	-	-	566 526	-	-	**566 526**
Foreign exchange translation gains less losses	-	-	104 736	-	-	**104 736**
Gains less losses on derecognition of securities measured at fair value through other comprehensive income	-	-	(11 549)	-	-	**(11 549)**
Credit loss expense on financial assets	(924 000)	(739 976)	(53 310)	(13 152)	-	**(1 730 438)**
Gains less losses on derecognition of financial assets measured at amortised cost	11 257	5 098	-	-	-	**16 355**
Fee and commission expense	(124 881)	(34 268)	(46 997)	(18 503)	-	**(224 649)**
Personnel expenses, depreciation costs, administrative and other operating expenses	(652 461)	(516 677)	(331 559)	(3 093)	-	**(1 503 790)**
Segment result	**(440 247)**	**197 496**	**361 154**	**55 941**	**-**	**174 344**
Income tax expense for the year						(31 928)
Profit for the year						**142 416**

Reportable segments for the year ended 31 December 2021 are presented as follows:

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Total**
Reportable segment assets	7 875 350	8 980 306	14 920 926	1 445 002	**33 221 584**
Reportable segment liabilities	10 154 149	14 475 641	4 236 601	406 900	**29 273 291**
Capital expenditure	-	-	-	220 163	**220 163**

Capital expenditures represent additions to non-current assets other than financial instruments and deferred tax assets.

In thousands of hryvnias	**Retail banking**	**Corporate banking**	**Treasury and Investment banking**	**Unallocated**	**Eliminations**	**Total**
2021						
External revenues:						
- Interest income	1 279 138	956 437	442 986	-	-	**2 678 561**
- Fee and commission income	323 644	385 388	1 172	29 237	-	**739 441**
- Other operating income	24 471	2 955	24	22 801	-	**50 251**
Revenues from other segments						
- Interest income	477 407	524 471	1 393 286	-	(2 395 164)	**-**
Total revenues	**2 104 660**	**1 869 251**	**1 837 468**	**52 038**	**(2 395 164)**	3 468 253
Interest expense	(942 909)	(851 056)	(1 278 407)	(14 285)	2 395 164	**(691 493)**
Gains less losses from trading in foreign currencies	-	-	76 239	-	-	**76 239**
Foreign exchange translation gains less losses	-	-	7 801	-	-	**7 801**
Gains less losses on derecognition of securities measured at fair value through other comprehensive income	-	-	5 910	-	-	**5 910**
Credit loss expense on financial assets	(177 816)	(7 347)	(18 462)	6 511	-	**(197 114)**
Gains less losses on derecognition of financial assets measured at amortised cost	26 069	(528)	-	(1 592)	-	**23 949**
Fee and commission expense	(109 289)	(29 769)	(44 774)	(6 920)	-	**(190 752)**
Personnel expenses, depreciation costs, administrative and other operating expenses	(650 744)	(568 198)	(307 467)	(4 519)	-	**(1 530 928)**
Segment result	**249 971**	**412 353**	**278 308**	**31 233**	**-**	**971 865**
Income tax expense for the year						(175 565)
Profit for the year						**796 300**

(e) Analysis of revenues by product and service

Analysis of Bank’s revenues by product and service is disclosed in Note 24 (interest income) and Note 25 (fee and commission income).

(f) Geographical information

Ukraine represents the only geographical segment, as majority of revenues and assets are attributable to Ukraine. The Bank has no significant revenues from outside Ukraine and all its non-current assets other than financial instruments are attributable to Ukraine. Refer to Note 32 for geographical analysis of Bank's assets and liabilities.

(g) Major customers

The Bank has no customers representing more than 10% of total revenue of the Bank.

32. FINANCIAL RISK MANAGEMENT

Risk management relates to financial risks, operational risks, and legal risks. Financial risks comprise market risk (including currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. The purpose of financial risk management is to establish risk limits and ensure adherence to such limits. The operational and legal risk management is intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank is exposed to credit risk, which is the risk that a party to a financial instrument fails to meet its contractual obligations resulting in a financial loss to the other party. Exposure to credit risk arises as a result of the Bank’s lending and other transactions with counterparties giving rise to financial assets.

The maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the separate statement of financial position. For guarantees and credit related commitments, the maximum exposure to credit risk is the total amount of commitments (see Note 34). Credit risk is managed by making strategic decisions on acceptable credit risk, approving credit limits, updating principles and processes for credit risk assessment, implementing and improvement of risk assessment tools that allow maintaining risk within acceptable parameters, developing information tools that computerize credit risk assessment process and ensure quality and integrity of data used in the process, planning of operations and preparing recommendations, obtaining collateral, and by other tools intended to mitigate credit risk as described in Note 7.

The Bank structures its exposures to credit risk by establishing limits per borrower or group of borrowers. Management approves credit risk limits on a regular basis. Such risks are regularly monitored and reviewed at least on a yearly basis.

The Bank established the following corporate bodies responsible for approving credit limits per individual borrowers:

- Management Board reviews and approves credit applications up to USD 5.0 million and, in case of loan restructuring, up to USD 6.25 million;
- Supervisory Board reviews and approves credit applications above USD 5.0 million and, in case of loan restructuring, above USD 6.25 million;
- Credit Committee reviews and approves credit applications up to UAH 90 million, Small Credit Committee - up to UAH 25 million, and Credit Restructuring Committee - up to USD 5 million. Credit Committee and Small Credit Committee generally meet two times per week. Credit Restructuring Committee generally meet once a week;
- separately granted the authority to make new credit decisions in two hands up to UAH 15.0 million; as well as the authority to make new credit decisions in one hand - to the directors of individual departments of the bank with a maximum limit of up to UAH 2.0 million, to make decisions on carrying out credit operations as part of the restructuring of credit debt to the director of the executive direction of managing non-performing assets up to UAH 3.0 million.

Loan applications prepared by account managers are forwarded to relevant department that performs credit analysis and makes a decision or passes them on to the relevant credit committee for approval of credit limit within the scope of authority. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

When considering new loan offers, the Bank applies tools for reducing and distributing credit risk, in particular loan insurance and portfolio guarantees, under the terms of contracts concluded by the Bank with international financial organizations and/or government agencies.

During the period of martial law, the Bank introduced more stringent requirements for analyzing the business activities of clients and assessing their solvency. At the same time, a selective approach is applied to borrowers, which provides for taking into account the place of business activity of the client and the potential threat of military operations spreading to the territory where the client is registered and conducts business activities. The Bank does not cooperate with legal entities and individuals from the sanctions lists, as well as whose activities are related to or depend on persons registered or operating in the Russian Federation and / or the Republic of Belarus.

During the period of martial law, the Bank has temporarily restricted two-person credit decisions on new credit operations.

In order to limit credit risks, the group reviews new loan proposals for issuing new loans to individuals in certain justified cases and makes credit decisions on them not lower than the Bank's Credit Committee, except for:

- offers to set a credit limit on credit cards under the Preapproved scheme (with an automatically calculated limit);
- offers for debt restructuring or settlement.

At the same time, the Bank understands the financial difficulties of borrowers caused by military aggression of the Russian Federation and the Republic of Belarus, interruption of supply chains, collapse of existing sales markets, interruption of production lines, loss of collateral. The Bank has developed standardized programs and applies simplified approaches to debt restructuring, taking into account the requirements of the NBU.

The basis of the analysis and assessment of the creditworthiness of clients - legal entities is the determination and establishment of an internal rating, which is carried out to determine the probability of default by the client and recognition of default status within 1 (one) year. Determining and establishing the internal rating of clients is not only a tool for reviewing individual loan proposals and supporting the credit decision-making process, but also a basis for providing a more detailed analysis of the quality of the Bank's loan portfolio.

The Bank's rating scale includes 24 rating categories, indicated in capital letters (from A1 to H3), depending on the risk of default by the client, and the probability of default for each rating category (in%).

The Credit Risk Department monitors the implementation of rating models, its timely review and updating.

The Bank reviews ageing of outstanding loans and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 6,7,8,13.

The Bank organises an effective process of managing distressed assets in compliance with the following principles:

- economic feasibility - the Bank's measures for managing distressed assets are economically and, if possible, statistically sound, and the Bank's calculations based on its own experience indicate that their implementation will ensure that the Bank receives economic benefits higher than the costs incurred during management distressed assets;
- priority - the Bank, when deciding on the option of debt settlement of the debtor / counterparty, measures aimed at the sale of recovered property, gives preference to the option / measures that provide the highest net present value of expected cash flows from the asset;
- timeliness - identification of assets with signs of potential problems at an early stage and taking timely and adequate measures aimed at reducing the amount of losses of the Bank from distressed assets;
- structure - a clear division of functions, responsibilities and powers in the management of distressed assets between the structural units involved and employees of the Bank, establishing a proper relationship between them, determining those responsible for proper interaction between the Bank's divisions at all organizational levels models of three lines of protection;
- adequacy - compliance of the process of problem assets management organized by the Bank with the level, volume, structure of problem assets in the Bank, dynamics of their changes, ensuring priority of the Bank's financial, time and human resources on assets with the highest value / exposure and risk of credit risk;
- comprehensiveness and complexity - the process of problem assets management is a complex system of interconnected processes that cover the full life cycle of PA and integrated with the corporate governance system and risk management system of the Bank;
- efficiency - ensuring a reduction in the level (as a percentage of the corresponding amount of assets) and the amount of problem assets (in absolute terms) with the achievement of optimal balance between time and debt repayment on such assets / proceeds from sale / assignment of claims on such assets to the Distressed Assets Management Strategy;
- monitoring - constant control over the achievement of goals and objectives set by the Distressed Assets Management Strategy and the Operational Plan for Implementation of the Distressed Assets Management Strategy, efficiency of actions of the Bank's divisions and employees, efficiency of the Bank's debt settlement and sale of foreclosed assets.

The Bank organises the process of problem assets management, which covers all organizational levels of the Bank, defines a clear division of functions, responsibilities and powers among all its entities, as well as their responsibilities in accordance with such distribution, ensures the order of their interaction and reporting.

The Bank's collective management bodies are informed of the monthly report on the analysis of the quality of the loan portfolio with a detailed analysis of the level of credit risk in the loan portfolio as a whole and in the areas of lending.

In addition, the Bank adheres to a system of internal concentration limits, which consists of targeted long-term strategies of the Bank in terms of the structure of individual segments of the loan portfolio and concentration limits set for individual sectors of the economy..

In order to prevent exceeding the concentration limits, these limits are subject to monitoring (control). The concentration limits are monitored monthly and quarterly by the Credit Risk Department. The results of the monitoring are subject to presentation as part of the management risk reporting to the Management Board of the Bank and the Supervisory Board.

In accordance with the requirements of IFRS 9, the Bank applies a model of expected losses, which provides for the timely reflection of the deterioration or improvement of the credit quality of financial instruments, taking into account available information and forecasts for the future. The amount of expected impairment recognised through the formation of an allowance for impairment depends on the amount of impairment (credit quality deterioration) from the date of initial recognition of the financial instrument..

The process of estimating the amount of expected losses under IFRS 9 consists of the following steps

- analysis of the level of credit risk for the presence of a significant increase in credit risk or the occurrence of a default event from the date of initial recognition and attribution to the appropriate stage of impairment;
- calculation of the amount of expected credit losses (estimated allowance for impairment).
- In order to assess the amount of expected losses the Bank uses 2 approaches:
- assessment of the amount of expected losses on an individual basis - for individually significant active banking operations (in the amount of UAH 2,000 thousand or the equivalent in foreign currency according to the NBU exchange rate at the reporting date), for which default was recognized;
- assessment of the amount of expected losses on a group basis - for individually insignificant active banking operations and individually significant active operations for which the fact of default is not detected.

For the purposes of assessing expected credit losses, financial instruments, in accordance with the requirements of IFRS 9, are classified into one of three stages of impairment, based on how significantly the level of credit risk for the financial instrument has changed as of the reporting date compared to the date of its initial recognition.

The amount of expected losses (calculation of the estimated reserve) is estimated on a monthly basis, as of the first day of each month following the reporting month, as well as on the date of termination of recognition.

The levels of parameters of individual and group assessment of depreciation PD, LGD, CCF, are evaluated at least once a year, and in case of significant changes in economic conditions, the level of defaults and other crisis phenomena in the economy as a whole and in areas of economic activity, changes in the Bank's credit policy or regulatory documents on credit risk management of the Bank, the parameters are evaluated as of the date of assessment of impairment of credit operations.

Credit risk of off-balance sheet financial instruments is defined as the possibility of losses due to nonperformance of contractual obligations by the other party to the financial instrument. The Bank applies the same credit policy to contingent liabilities as it does to balance sheet financial instruments: approval procedures, risk control, and monitoring procedures are established.

To prevent critical losses due to credit risk, the Bank constantly monitors compliance with the regulatory values of credit risk established by the NBU.

As at December 31, 2022, the maximum amount of credit risk per counterparty (N7), which is defined as the ratio of the amount of all claims of the bank to the counterparty or group of related counterparties and all financial obligations provided by the bank in relation to the counterparty or group of related counterparties to the regulatory capital of the bank, was 15,67%, with a regulatory value of no more than 20% (the value of the standard as of December 31, 2021 was 9,03%).

As at December 31, 2022, the large credit risk ratio (N8), which is defined as the ratio of the sum of all large credit risks in relation to counterparties, groups of related counterparties, all persons associated with the bank to the regulatory capital of the bank, was 56,59%, with a standard value of no more than 800% (the standard value as of December 31,2021 was 0.00%).

***Market risk*.** The Bank is exposed to market risks arising from open positions in: (a) currency, (b) interest rate and (c) equity instruments, all of which are largely dependent on general and specific market developments. Supervisory Board of the Bank and Management Board of the Bank set acceptable risk limits and monitor adherence to the limits on a daily basis. However, this approach does not prevent losses outside the limits in the event of significant market developments.

Currency risk. Management sets currency risk limits and overall acceptable risk exposure for overnight and intra-day positions, with periodical control performed. The Bank is exposed to currency risks arising from open foreign currency positions and bank metals. These positions are calculated as the differences between assets and liabilities in the same currency as at the reporting date. The Bank evaluates and monitors levels of long and short foreign currency open positions using hryvnia as a base currency. Open position limits are set at the level required by the NBU and calculated as open currency position of regulatory capital of the Bank. Compliance with these limits is monitored on a daily basis by the Department of market risk and liquidity risk. The Department of market risk and liquidity risk submits weekly reports to Asset, Liability and Tariff Management Committee (ALTCO) on a weekly basis.

The Bank's currency risk exposure as at the reporting date is presented as follows:

	31 December 2022				**31 December 2021**			
In thousands of hryvnias	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
US Dollars	10 670 416	10 252 281	(170 071)	248 064	6 279 484	6 284 888	2 059	(3 345)
EUR	5 252 842	5 423 556	176 058	5 344	3 064 184	3 053 915	(4 371)	5 898
British pounds	80 223	77 913	(2 200)	110	28 602	29 435	737	(96)
Russian roubles	8 571	10 312	-	(1 741)	6 142	6 050	-	92
Other	410 066	404 869	(3 835)	1 362	317 093	314 311	4 373	7 155

The following table presents sensitivity analysis of profit or loss and equity to reasonably possible changes in exchange rates as at the reporting date applied to Bank's functional currency, with all other variables remaining constant:

	At 31 December 2022		At 31 December 2021	
In thousands of hryvnias	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
US dollar strengthening by 10% (2021: strengthening by 10%)	20 341	24 806	(274)	(334)
US dollar weakening by 10% (2021: weakening by 10%)	(20 341)	(24 806)	274	334
Euro strengthening by 10% (2021: strengthening by 10%)	438	534	484	590
Euro weakening by 10% (2021: weakening by 10%)	(438)	(534)	(484)	(590)
Russian rouble strengthening by 10% (2021: strengthening by 10%)	(143)	(174)	8	9
Russian rouble weakening by 10% (2021: weakening by 10%)	143	174	(8)	(9)
Other currencies strengthening by 10% (2021: strengthening by 10%)	121	147	579	706
Other currencies weakening by 10% (2021: weakening by 10%)	(121)	(147)	(579)	(706)

Interest rate risk. The Bank is exposed to interest rate risk arising from the effects of fluctuations in the prevailing market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, however it may decrease or cause losses in case of unexpected fluctuations.

The vulnerability of the Bank's financial result to changes in interest rates is an indicator of the sensitivity of assets and liabilities to changes in interest rates in the long term. Sensitivity factors include assumptions about maturity and timing of interest rate changes and product updates. The table below shows the potential impact on the Bank's profit in the 12 m horizon, calculated using the NII method, in the event of an increase/decrease in interest rates on financial instruments denominated in major currencies

		At 31 December 2022		At 31 December 2021	
	Type of financial instrument rate	**Rate change (b. p.)**	**Impact on profit or loss (thousands of hryvnias)**	**Rate change (b. p.)**	**Impact on profit or loss (thousands of hryvnias)**
UAH	- variable rate	+200/-200	+139 635 / -139 635	+200/-200	+122 908 / -122 908
	- constant rate	+200/-200	-70 672 / +70 672	+200/-200	-37 434 / +37 434
USD	- variable rate	+200/-200	+11 159 / -11 159	+200/-200	+5 374 / -5 374
	- constant rate	+200/-200	+72 824 / -72 824	+200/-200	+18 201 / -18 201
EUR	- variable rate	+200/-200	+7 742 / -7 742	+200/-200	+8 652 / -8 652
	- constant rate	+200/-200	+62 890 / -62 890	+200/-200	+29 726 / -29 726

The Bank monitors interest rates on financial instruments. The table below summarises effective interest rates on interest bearing financial instruments as at the relevant reporting date::

	2022				**2021**			
% per annum	**UAH**	**US Dollars**	**EUR**	**Other**	**UAH**	**US Dollars**	**EUR**	**Other**
Assets								
Cash and funds in the National Bank of Ukraine								
- deposit certificates issued by the NBU	23%	-	-	-	8%	-	-	-
Due from other banks								
- guarantee deposits	-	-	-	-	0%	0%	0%	-
- interest bearing correspondent accounts with other banks	0%	3%	2%	0%	0%	0%	-1%	0%
Loans and advances to customers								
- at fixed rate	20%	5%	5%	0%	20%	5%	5%	7%
- at variable rate	16%	7%	7%	-	13%	4%	5%	-
Securities at fair value through other comprehensive income	13%	4%	-	-	12%	4%	2%	-
Securities at amortised cost	-	2%	1%	-	-	-	-	-
Liabilities								
Due to other banks								
- at fixed rate	0%	0%	0%	0%	0%	0%	0%	0%
- at variable rate	-	-	-	-	9%	-	-	-
Due to other financial institutions								
- at fixed rate	-	-	-	-	-	-	-	-
- at variable rate	10%	-	-	-	7%	-	-	-
Customer accounts								
- current and settlement accounts	4%	0%	0%	0%	2%	0%	0%	0%
- term deposits	13%	0%	0%	-	8%	1%	0%	-
Debt securities	-	-	-	-	9%	-	-	-

"-" in the table above means that the Bank has no assets or liabilities denominated in the corresponding currency. Information presented in the table relates to fixed rates, unless stated otherwise.

Other price risk. The Bank is exposed to early repayment risk due to providing fixed rate loans, including mortgages, which allow a borrower to early repay its loan. The Bank's current year profit and equity as at the reporting date would not be significantly influenced by changes in early repayment rates, since such loans are carried at amortised cost, and loan amount at early repayment is equal or close to amortised cost of loans and advances to customers.

Geographical risk concentration. Geographical analysis of Bank's assets and liabilities as at 31 December 2022 is presented as follows:

In thousands of hryvnias	**Ukraine**	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	10 645 808	-	-	**10 645 808**
Due from other banks	152 478	5 160 958	-	**5 313 436**
Loans and advances to customers	12 504 553	62	987	**12 505 602**
Securities	3 337 982	5 666 192	-	**9 004 174**
Other financial assets	240 194	3 937	28	**244 159**
Total financial assets	**26 891 015**	**10 831 149**	**1 015**	**37 723 179**
Non-financial assets	**1 244 585**	**2 743**	**-**	**1 247 328**
Total assets	**28 135 600**	**10 833 892**	**1 015**	**38 970 507**
Liabilities				
Due to other banks	964 680	6 871	-	**971 551**
Customer accounts	32 180 420	716 587	115 509	**33 012 516**
Due to other financial institutions	102 303	-	-	**102 303**
Other financial liabilities	610 597	46 115	7	**656 719**
Total financial liabilities	**33 858 000**	**769 573**	**115 516**	**34 743 089**
Non-financial liabilities	**189 434**	**41**	**6**	**189 481**
Total liabilities	**34 047 434**	**769 614**	**115 522**	**34 932 570**
Net position	**(5 911 834)**	**10 064 278**	**(114 507)**	**4 037 937**

Assets and liabilities have been classified based on counterparty's resident country. Cash on hand, property, leasehold improvements, and equipment have been classified based on the country of their physical presence.

Liabilities due to other banks, concentrated in OECD countries, include UAH 3 020 thousand of liabilities due to the parent bank (2021: UAH 132 266 thousand) (Note 37).

Geographical analysis of Bank's assets and liabilities as at 31 December 2021 is presented as follow:

In thousands of hryvnias	**Ukraine**	**OECD**	**Non-OECD**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	4 817 011	-	-	**4 817 011**
Due from other banks	69 934	2 206 102	3 405	**2 279 441**
Loans and advances to customers	16 802 548	14	1 380	**16 803 942**
Securities	7 814 347	-	-	**7 814 347**
Other financial assets	142 001	7 098	25	**149 124**
Total financial assets	**29 655 841**	**2 213 214**	**4 810**	**31 873 865**
Non-financial assets	**1 344 106**	**3 613**	**-**	**1 347 719**
Total assets	**30 999 947**	**2 216 827**	**4 810**	**33 221 584**
Liabilities				
Due to other banks	3 575 961	136 122	-	**3 712 083**
Customer accounts	24 231 341	177 741	109 176	**24 518 258**
Due to other financial institutions	101 080	-	-	**101 080**
Debt securities	1 834	484 289	-	**486 123**
Other financial liabilities	211 632	21 289	11	**232 932**
Total financial liabilities	**28 121 848**	**819 441**	**109 187**	**29 050 476**
Non-financial liabilities	**222 611**	**197**	**7**	**222 815**
Total liabilities	**28 344 459**	**819 638**	**109 194**	**29 273 291**
Net position	**2 655 488**	**1 397 189**	**(104 384)**	**3 948 293**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by Asset, Liability and Tariff Management Committee (ALTCO).

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to banks, corporate and retail customer deposits, and debt securities. The Bank invests the funds in portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring compliance of balance sheet liquidity ratios with regulatory requirements.

The Bank calculates liquidity ratios on a daily basis in accordance with the NBU requirements. These ratios include:

- Liquidity Coverage Ratio (LCR) in all currencies. As at 31 December 2022, LCR in all currencies was 209%, with the required ratio being not less than 100% (31 December 2021: 132% with the required ratio being not less than 100%).
- Liquidity Coverage Ratio (LCR) in foreign currencies. As at 31 December 2022, LCR in foreign currencies was 217% with the required ratio being not less than 100% (31 December 2021: 117% at the minimum value 100%).
- Net stable financing ratio NSFR. As at 31 December 2022 this indicator was 167%, with the required ratio being not less than 90% (31 December 2021: this indicator was 117% with the required ratio being not less than 90%).

The Treasury Department receives information on liquidity profile of financial assets and liabilities. The Treasury Department ensures availability of adequate portfolio of short-term liquid assets, largely made up of liquid securities, deposits with banks, and other inter-bank facilities, to maintain sufficient liquidity.

The tables below show Bank's liabilities by remaining contractual maturity. The amounts disclosed represent contractual undiscounted cash flows, including total credit related commitments and commitments to extend financial guarantees. Such undiscounted cash flows differ from the amounts reported in the separate statement of financial position, since the amounts in the separate statement of financial position are based on discounted cash flows. If the amount payable is not fixed, the amount disclosed is determined by reference to terms and conditions as at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate as at the reporting date.

The analysis of undiscounted cash flows for financial liabilities as at 31 December 2022 is presented as follows:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to other banks	971 551	-	-	-	**971 551**
Customer accounts	28 256 886	4 807 454	88 482	9 708	**33 162 530**
Due to other financial institutions	3 229	106 919	-	-	**110 148**
Financial lease liabilities	852	9 849	111 358	1 491	**123 550**
Other financial liabilities	533 169	-	-	-	**533 169**
Credit related commitments	2 534 385	-	-	-	**2 534 385**
Spot and forward contracts					
- inflows	193 011	-	-	-	**193 011**
- outflows	(193 058)	-	-	-	**(193 058)**
Total potential future payments for financial liabilities	**32 300 025**	**4 924 222**	**199 840**	**11 199**	**37 435 286**

Liquidity requirements to support calls under guarantees and letters of credit are considerably less than the amount of relevant liabilities and commitments disclosed in the above maturity analysis, as the Bank does not generally expect the third party to draw funds under such agreements.

The analysis of undiscounted cash flows for financial liabilities as at 31 December 2021 is presented as follows:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Liabilities					
Due to other banks	738 397	388 767	3 632 353	-	**4 759 517**
Customer accounts	18 414 567	5 794 695	458 297	19 342	**24 686 901**
Due to other financial institutions	1 930	9 122	103 213	-	**114 265**
Debt securities	2 825	498 712	-	-	**501 537**
Financial lease liabilities	195	19 798	87 352	27 766	**135 111**
Other financial liabilities	119 693	-	-	-	**119 693**
Credit related commitments	4 512 658	-	-	-	**4 512 658**
Spot and forward contracts					
- inflows	(7 909)	-	-	-	**(7 909)**
- outflows	7 903	-	-	-	**7 903**
Total potential future payments for financial liabilities	**23 790 259**	**6 711 094**	**4 281 215**	**47 108**	**34 829 676**

Customer accounts are classified based on remaining contractual maturities in the above analysis. However, in accordance with the Civil Code of Ukraine, for deposit agreements concluded prior to 6 June 2015, individuals have the right to withdraw their deposits prior to maturity, with their right to accrued interest forfeited. Some corporate deposit contracts envisage a possibility of early withdrawn. Certain deposit contracts with individuals concluded after 6 June 2015 also envisage early withdrawals. However, the management believes, taking into account experience, that most counterparties will not demand funds ahead of schedule.

As at 31 December 2022 and 2021 undiscounted cash flows for deposits with early withdrawal option in distribution by maturity buckets are as follows:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 31 December 2022	203 413	1 061 456	20 226	1 708	**1 286 803**
At 31 December 2021	50 432	732 745	1 535 559	11 687	**2 330 423**

The Bank monitors the following contractual maturities as at 31 December 2022 and 31 December 2021:

In thousands of hryvnias	**Demand and less than 1 month**	**1-12 months**	**From 12 months to 5 years**	**Over 5 years**	**Total**
At 31 December 2022					
Financial assets	16 941 585	13 456 260	5 492 533	1 822 801	**37 713 179**
Financial liabilities	(29 731 688)	(4 801 584)	(198 689)	(11 128)	**(34 743 089)**
Net liquidity gap based on expected maturities	**(12 790 103)**	**8 654 676**	**5 293 844**	**1 811 673**	**2 970 090**
Spot and forward contracts					
- inflows	193 011	-	-	-	**193 011**
- outflows	(193 058)	-	-	-	**(193 058)**
At 31 December 2021					
Financial assets	8 632 430	10 516 725	10 368 804	2 345 906	**31 863 865**
Financial liabilities	(19 200 753)	(6 167 987)	(3 634 859)	(46 877)	**(29 050 476)**
Net liquidity gap based on expected maturities	**(10 568 323)**	**4 348 738**	**6 733 945**	**2 299 029**	**2 813 389**
Spot and forward contracts					
- inflows	7 903	-	-	-	**7 903**
- outflows	(7 909)	-	-	-	**(7 909)**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is critical to management. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its response to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by a number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of financing for the Bank.

The Bank has open credit line with its Parent company PKO Bank Polski SA for USD 30 and 47 million. Bank may regularly use this credit line for the replenishment of working capital and maintenance of the operational liquidity.

33. CAPITAL MANAGEMENT

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the by the National Bank of Ukraine, (ii) to safeguard the Bank's ability to continue as a going concern. In the opinion of management, the total amount of capital managed by the Bank is equal to the amount of capital represented in the separate statement of financial position. The amount of capital managed by the Bank as at 31 December 2022 is UAH 4 037 937 thousand (as at 31 December 2021 - UAH 3 948 293 thousand). Compliance with capital adequacy of the Bank, the National Bank of Ukraine carried out each decade. Other objectives of capital management are evaluated annually.

Ukrainian legislation requires that banks form a reserve to cover unforeseen losses on all asset items and offbalance sheet liabilities. The reserve must represent 25% of bank's regulatory capital but not less than 25% of bank's registered share capital. The reserve is formed through charges from net profit for the reporting year retained by the Bank after taxes and retained earnings for previous years.

Charges to the reserve must be no less than 5% of bank's profit until the reserve reaches 25% of bank's regulatory capital.

Should a bank's operations pose a threat to interests of depositors and other bank's creditors, the National Bank of Ukraine has the right to require increase in the reserve and annual charges thereto. If, as a result of bank's operations, regulatory capital is reduced to an amount lower than share capital, annual charges to the reserve must be 10% of bank's net profit until the reserve reaches 35% of bank's share capital.

The reserve may only be used to cover the bank's losses for the reporting year in accordance with the decision of the bank's board (Supervisory board) and in accordance with the procedure established by the general meeting of its shareholders. Furthermore, effective Ukrainian legislation envisages no restrictions on distribution of the reserve among bank's shareholders upon bank's liquidation after satisfaction of all creditors' claims.

As at 31 December 2022 the Bank's reserve fund amounts to UAH 1 476 852 thousand (31 December 2021: UAH 680 551 thousand)

Under the current capital requirements set by the National Bank of Ukraine, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. The table below presents regulatory capital based on the Bank's reports prepared under the NBU requirements, which comprises the following components:

In thousands of hryvnias	**2022**	**2021**
Primary capital	3 491 033	2 703 297
Additional capital	245 952	548 782
Diversion	(10 010)	(10 010)
Total regulatory capital	**3 726 975**	**3 242 069**

As at 31 December 2022 and 31 December 2021, the Bank complied with the requirements regarding the minimum regulatory capital adequacy ratio (H2), which should be at least 10%. The value of the H2 normative as at 31 December 2022 is 22% (31 December 2021: 15%).

During 2022 and 2021 the Bank adhered to all economic standards and open currency position limits set by the NBU.

The NBU performs stress testing on a regular basis to check compliance with the regulatory requirements under certain stress test assumptions. If results of the stress test show that required capital adequacy could fall below the required level in the future, the NBU might require an increase of regulatory capital above the minimum regulatory requirements.

34. CONTINGENCIES AND COMMITMENTS

Legal proceedings**.** From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims. The total amount of provision for litigation is UAH 2 488 thousand as at 31 December 2022 (31 December 2021: UAH 12 094 thousand)

Changes in provisions for potential liabilities are:

In thousands of hryvnias	Note	2022	2021
Commitment provision at 1 January		**12 094**	**8 117**
Provision added during the year	26	2 213	7 637
Amounts utilized during the year	26	(10 406)	(1 465)
Amounts used during the year		(2 701)	(2 064)
Effect of exchange rate of foreign currency		1 288	(131)
Commitment provision at 31 December	21	**2 488**	**12 094**

Tax legislation. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically found in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these separate financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Management believes that it has complied with all existing tax legislation. 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. No provision for potential tax assessment has been made in these separate financial statements.

Capital expenditure commitments. At 31 December 2022, the Bank had contractual capital expenditure commitments in respect of property, plant and equipment totalling UAH 2 792 thousand (31 December 2021: UAH 3 803 thousand) and in respect of intangible assets in the amount of UAH 3 986 thousand (31 December 2021: UAH 9 045 thousand).

The Bank has already allocated the necessary resources in respect of these commitments. The Bank's management believes that future net income and funding will be sufficient to cover these and any similar commitments.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

As at 31 December 2022, all commitments to extend credits are revocable and amount to UAH 2 328 205 thousand (31 December 2021: UAH 4 178 850 thousand)

Credit related commitments were as follows:

	At 31 December 2022			
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantee contracts and letters of credit	**206 180**	**-**	**-**	**206 180**
Loss allowances for expected credit losses	240	-	**-**	**240**
Carrying value (provision)	240	**-**	-	**240**

	At 31 December 2021			
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial guarantee contracts and letters of credit	**309 411**	**24 398**	**-**	**333 809**
Loss allowances for expected credit losses	298	16	-	**314**
Carrying value (provision)	298	16	-	**314**

As at 31 December 2022, commitments under guarantees and letters of credit were secured with deposits in the amount of UAH 46 897 thousand (as at 31 December 2021 - UAH 39 933 thousand) (Note 16). The total outstanding contractual commitments to extend credit, import letters of credit, and guarantees do not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Changes in expected credit losses estimates under credit-related loan commitments are presented as follows:

In thousands of hryvnias	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2022		**17 304**	**959**	**3 608**	**21 871**
Transfer to Stage 1		388	(380)	(8)	-
Transfer to Stage 2		(1 596)	1 652	(56)	-
Transfer to Stage 3		(63)	(924)	987	-
Net remeasurement of loss allowance	26	(14 738)	(4 166)	19 182	278
New loan commitments and financial guarantees issued	26	10 053	6 593	47	16 693
Loan commitments and financial guarantee contracts that have been derecognised	26	(2 517)	(1 728)	(4 396)	(8 641)
Foreign exchange and other movements		918	237	(79)	1 076
Balance at 31 December 2022		**9 749**	**2 243**	**19 285**	**31 277**

In thousands of hryvnias	**Note**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January 2021		**27 381**	**297**	**1 444**	**29 122**
Transfer to Stage 1		343	(332)	(11)	-
Transfer to Stage 2		(315)	357	(42)	-
Transfer to Stage 3		(37)	(279)	316	-
Net remeasurement of loss allowance	25	(36 629)	921	2 399	(33 309)
New loan commitments and financial guarantees issued	25	31 703	151	262	32 116
Loan commitments and financial guarantee contracts that have been derecognised	25	(4 682)	(156)	(743)	(5 581)
Foreign exchange and other movements		(461)	-	(17)	(478)
Balance at 31 December 2021		**17 303**	**959**	**3 608**	**21 871**

35. FAIR VALUE DISCLOSURES

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

(a) Recurring fair value measurements

Recurring fair value measurements are those that IFRS require or permit in the separate statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follow

	2022				**2021**			
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Assets at fair value								
Financial assets								
Securities at fair value through other comprehensive income								
- Ukrainian government bonds	-	3 337 972	-	**3 337 972**	7 814 337	-	-	**7 814 337**
- Corporate shares	-	-	10	**10**	-	-	10	**10**
Non-financial assets								
- Premises	-	-	300 201	**300 201**	-	-	334 680	**334 680**
- Investment properties	-	-	8 138	**8 138**	-	-	11 771	**11 771**
Total assets recurring fair value measurements	**-**	**3 337 972**	**308 349**	**3 646 321**	**7 814 337**	**-**	**346 461**	**8 160 798**

The table below presents the valuation method and the input data that were used in the fair value measurement for Stage 2 valuations as at 31 December 2022:

In thousands of hryvnias	**Fair value**	**Valuation approach**	**Input data used**
Assets at fair value			
Financial assets			
Securities at fair value through other comprehensive income			
- Ukrainian government bonds	3 337 972	Market approach	Bond prices market quotes for similar bonds
Total estimated multiple fair value of Stage 2	**3 337 972**		

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	2022				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Assets					
Cash and funds in the National Bank of Ukraine	**10 645 808**	**-**	**-**	**10 645 808**	**10 645 808**
Due from other banks	**-**	**5 313 436**	**-**	**5 313 436**	**5 313 436**
Loans and advances to customers	**-**	**-**	**12 673 787**	**12 673 787**	**12 505 602**
- Corporate loans	-	-	7 527 857	7 527 857	7 471 930
- Loans to individuals - consumer loans	-	-	910 557	910 557	826 061
- Loans to individuals - mortgage loans	-	-	2 225 210	2 225 210	2 271 478
- Loans to individuals - car loans	-	-	2 010 163	2 010 163	1 936 133
Securities at amortised cost	**5 627 496**	**-**	**-**	**5 627 496**	**5 666 192**
Other financial assets	**-**	**-**	**244 159**	**244 159**	**244 159**
Total	**16 273 304**	**5 313 436**	**12 917 946**	**34 504 686**	**34 375 197**

	2021				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Assets					
Cash and funds in the National Bank of Ukraine	**4 817 011**	**-**	**-**	**4 817 011**	**4 817 011**
Due from other banks	**-**	**2 279 441**	**-**	**2 279 441**	**2 279 441**
Loans and advances to customers	**-**	**-**	**16 668 738**	**16 668 738**	**16 803 942**
- Corporate loans	-	-	8 781 919	8 781 919	8 933 836
- Loans to individuals - consumer loans	-	-	1 637 045	1 637 045	1 493 719
- Loans to individuals - mortgage loans	-	-	2 763 290	2 763 290	2 889 606
- Loans to individuals - car loans	-	-	3 486 484	3 486 484	3 486 781
Other financial assets	**-**	**-**	**149 124**	**149 124**	**149 124**
Total	**4 817 011**	**2 279 441**	**16 817 862**	**23 914 314**	**24 049 518**

Fair values analysed by level in the fair value hierarchy and carrying amount of liabilities not measured at fair value are as follows:

	2022				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Liabilities					
Due to other banks	**-**	**971 551**	**-**	**971 551**	**971 551**
- Correspondent accounts of other banks	-	971 551	-	971 551	971 551
Customer accounts	**-**	**-**	**32 983 252**	**32 983 252**	**33 012 516**
- Current/settlement accounts of legal entities	-	-	17 618 992	17 618 992	17 618 992
- Term deposits of legal entities	-	-	3 205 842	3 205 842	3 212 710
- Current/demand accounts of individuals	-	-	8 074 566	8 074 566	8 074 566
- Term deposits of individuals	-	-	4 083 852	4 083 852	4 106 248
Due to other financial institutions	-	**-**	**98 985**	**98 985**	**102 303**
Other financial liabilities	**-**	**-**	**656 719**	**656 719**	**656 719**
Total	**-**	**971 551**	**33 738 956**	**34 710 507**	**34 743 089**

	2021				
In thousands of hryvnias	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Carrying value**
Liabilities					
Due to other banks	**-**	**3 615 647**	**-**	**3 615 647**	**3 712 083**
- Correspondent accounts of other banks	-	712 083	-	712 083	712 083
- Term placements and loans of other banks	-	2 903 564	-	2 903 564	3 000 000
Customer accounts	**-**	**-**	**24 504 520**	**24 504 520**	**24 518 258**
- Current/settlement accounts of legal entities	-	-	11 557 569	11 557 569	11 557 569
- Term deposits of legal entities	-	-	2 809 289	2 809 289	2 815 043
- Current/demand accounts of individuals	-	-	5 526 852	5 526 852	5 526 852
- Term deposits of individuals	-	-	4 610 810	4 610 810	4 618 794
Due to other financial institutions	**-**	**-**	**97 256**	**97 256**	**101 080**
Other financial liabilities	**-**	**-**	**232 932**	**232 932**	**232 932**
Debt securities	**-**	**500 644**	**-**	**500 644**	**486 123**
Total	**-**	**4 116 291**	**24 834 708**	**28 950 999**	**29 050 476**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current weighted average interest rate for existing instruments with similar remaining maturity.

For assets, the Bank used assumptions about counterparty's incremental borrowing rate and prepayment rates. Liabilities were discounted at the Bank's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Bank.

The table below presents the potential impact on the Bank's profit on FVOCI-valued securities:

	At 31 December 2022		**At 31 December 2021**	
	Rate change (b. p.)	**Impact on profit or loss (thousands of hryvnias)**	**Rate change (b. p.)**	**Impact on profit or loss (thousands of hryvnias)**
UAH	+100/-100	-13 900 / +14 309	+100/-100	-30 986/ +31 691
USD	+100/-100	-36 884 / +37 429	+100/-100	-39 155 / +39 892
EUR	+100/-100	-2 938 / +2 982	+100/-100	-1 217/ +1 232

36. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

The procedure for classifying financial instruments is described in Note 3.

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2022:

In thousands of hryvnias	**Financial instruments measured at amortised cost**	**Financial instruments at fair value through other comprehensive income**	**Finance lease receivables**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	10 645 808	-	-	**10 645 808**
Due from other banks				
- Correspondent accounts with other banks	3 737 752	-	-	**3 737 752**
- Loans from other banks	1 524 886	-	-	**1 524 886**
- Guarantee deposits	50 798	-	-	**50 798**
Loans and advances to customers				
- Corporate loans	7 013 389	-	458 541	**7 471 930**
- Loans to individuals - car loans	1 920 473	-	15 660	**1 936 133**
- Loans to individuals - other consumer loans	826 061	-	-	**826 061**
- Loans to individuals – mortgage loans	2 271 478	-	-	**2 271 478**
Securities	5 666 192	3 337 982	-	**9 004 174**
Other financial assets	244 159	-	-	**244 159**
Total financial assets	**33 900 996**	**3 337 982**	**474 201**	**37 713 179**

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2021:

In thousands of hryvnias	**Financial instruments measured at amortised cost**	**Financial instruments at fair value through other comprehensive income**	**Finance lease receivables**	**Total**
Assets				
Cash and funds in the National Bank of Ukraine	4 817 011	-	-	**4 817 011**
Due from other banks				-
- Correspondent accounts with other banks	2 265 155	-	-	**2 265 155**
- Guarantee deposits	14 286	-	-	**14 286**
Loans and advances to customers				**-**
- Corporate loans	7 891 588	-	1 042 248	**8 933 836**
- Loans to individuals - car loans	3 462 763	-	24 018	**3 486 781**
- Loans to individuals - other consumer loans	1 493 719	-	-	**1 493 719**
- Loans to individuals – mortgage loans	2 889 606	-	-	**2 889 606**
Securities	-	7 814 347	-	**7 814 347**
Other financial assets	149 124	-	-	**149 124**
Total financial assets	**22 983 252**	**7 814 347**	**1 066 266**	**31 863 865**

As at 31 December 2022 and 31 December 2021, all of the Bank's financial liabilities were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

37. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2022, the outstanding balances with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Correspondent accounts with other banks (interest rate: 0%)	323 745	-	-	-
Gross amount of loans and advances to customers	-	-	-	418
Loss allowances for expected credit losses	-	-	-	(9)
Investments in subsidiaries	-	-	10 000	-
Other assets	5 018	-	-	67
Correspondent accounts and overnight placements of other banks (interest rate: 0%)	3 020	-	-	-
Customer accounts (interest rates for deposits: 0.01-12%, for current accounts: 0-7%)	-	6 180	5 545	4 312
Other liabilities	38	-	-	2 436

The income and expense items on transactions with related parties for 2022 were as:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Interest income	519	-	-	40
Interest expense	(1 711)	(1 081)	(208)	(52)
Other income	-	-	47	-
Loss allowances for expected credit losses	-	-	-	(1)
Fee and commission income	46	126	18	77
Fee and commission expense	(16 499)	-	-	(182)
Other expenses	-	(528)	-	-

As at 31 December 2022, other rights and obligations with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Loan commitments received	2 824 081	-	-	-
Other commitments granted	193 011	-	-	81
Other rights received	193 058	-	-	-
Guarantees and collateral received	-	-	-	1 044

Loan commitments received relate to the undrawn borrowing facilities received from the Parent Bank PKO Bank Polski S.A. denominated in USD.

Total amounts of loans granted to related parties and repaid by them in 2022 are presented below:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Amounts lent to related parties during the year	-	-	-	908
Amounts repaid by related parties during the year	-	-	-	(990)

As at 31 December 2021, the outstanding balances with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Correspondent accounts with other banks (interest rate: 0%)	192 559	-	-	-
Gross amount of loans and advances to customers	-	-	-	494
Loss allowances for expected credit losses	-	-	-	(7)
Investments in subsidiaries	-	-	10 000	-
Other assets	2 586	-	-	4
Correspondent accounts and overnight placements of other banks (interest rate: 0%)	132 266	-	-	-
Customer accounts (interest rates for deposits: 1,2-8%, for current accounts: 0-6%)	-	30 803	9 638	2 718
Other liabilities	53	-	-	21 923

The income and expense items on transactions with related parties for 2021 were as:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Interest income	-	-	-	82
Interest expense	(11 183)	(2 198)	(183)	(21)
Other income	-	-	12	-
Loss allowances for expected credit losses	-	-	-	9
Fee and commission income	-	158	5	15
Fee and commission expense	(8 440)	-	-	(1)
Other expenses	-	(878)	-	-

As at 31 December 2021, other rights and obligations with related parties were as follows:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Loan commitments received	2 107 149	-	-	-
Other commitments granted	8 432	-	-	586
Other rights received	7 909	-	-	-
Guarantees and collateral received	535	-	-	1 044

Loan commitments received relate to the undrawn borrowing facilities received from the Parent Bank PKO Bank Polski S.A. denominated in USD.

Total amounts of loans granted to related parties and repaid by them in 2021 are presented below:

In thousands of hryvnias	**Parent company**	**Entities under common control**	**Subsidiary**	**Key management personnel**
Amounts lent to related parties during the year	-	-	-	946
Amounts repaid by related parties during the year	-	-	-	(1 196)

Key management personnel amounts are presented below:

	2022	**31 December 2022**	**2021**	**31 December 2021**
In thousands of hryvnias	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries	40 927	2 276	30 359	1 140
Social insurance contributions	2 104	160	1 890	131
Other long-term employee benefits:				
- Bonus payments	-	-	-	20 651
Total	**43 031**	**2 436**	**32 249**	**21 922**

Short-term benefits fall due wholly within twelve months after the end of the period in which management rendered related services. Other long-term payments include payments that are not expected to be fully settled within twelve months of the end of the period in which management provided the relevant services.

38. SUBSEQUENT EVENTS

After 31 December 2022, there were no subsequent events requiring changes or additions to the financial statements or disclosures in the separate financial statements.

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FREE TRANSLATION FROM THE UKRAINIAN ORIGINAL

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of KREDOBANK, JSC

Report on the Audit of the Separate Financial Statements

Opinion

We have conducted audit of separate financial statements of KREDOBANK (the Bank), which comprise The separate statement of financial position as at December 31, 2022, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying separate financial statements, presents fairly, in all material respects, the separate financial position of the Bank as at December 31, 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and meets the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the preparation of separate 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code) and 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the separate financial statements, which discloses that on February 24, 2022, russian troops began invading Ukraine and active hostilities are currently taking place. As noted in Note 2, these events or conditions, together with other issues set out in Note 2, indicate that there is significant uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on this issue has not been modified.

During the audit of the separate financial statements, we concluded that the use of the principle of going concern by management in the preparation of separate financial statements is appropriate. Our assessment of management's assumptions about the Bank's ability to continue to apply the going concern basis in accounting included:

- assessment of the negative consequences of continued military aggression on the banking sector of Ukraine;
- analysis of the scenarios of the situation identified by the Bank's management and possible actions in response to the leadership of Ukraine, the world community and the Bank's management;
- analysis of possible changes in the basic indicators of the Bank's activities in terms of asset impairment, falling volumes and margins of banking operations;
- analysis of regulatory capital adequacy and liquidity, ways to maintain them at a sufficient level.

We have found that forecasts of the situation and the corresponding negative consequences are very difficult to build due to the unpredictability of the actions of the Russian leadership. At the same time, management assumptions about the most likely scenarios are relevant.

Our responsibilities and the responsibilities of management for going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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.

Key Audit Matter	***How the Key Audit Matter Was Considered in Our Audit***
Provision for loan impairment (Note 7) The estimation of the provision for loan impairment is a key area of professional judgment of the Bank's management. Identifying of impairment and determination of amount of expected reimbursement include some assumptions and analysis of different factors, including the financial position of borrower, expected future cash flow and fair value of collaterals. The use of various assumptions may be result of various estimates of the provision for loan impairment. Taking into account the materiality of customer credit balances and a certain level of subjectivity of judgments, we have determined the valuation of the provision for impairment as the key matter of the audit.	Our audit procedures included assessment of methodology used by the Bank to determine the signs of depreciation and calculating the provision for impairment, testing input data and assumption analysis. For provisions for loan impairment with detected individual signs of impairment, we have audited assumptions underlying the basis for detecting impairment and its quantitative assessment, including the analysis of financial indicators of borrowers, forecasts for future cash flows and collateral assessment. For provisions of loan impairment, calculated on collective basis, which have not been demonstrate individual signs of impairment, we analysed Bank's models and audited relevance and accuracy input data used in these models.

Other Information

Management is responsible for the other information. The other information comprises the Management Report. The other information which we expected to receive after the date of this Auditor`s report is Annual Information on the Issuer of Securities.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

Responsibilities of Management and Those Charges with Governance for the Separate Financial Statements

Management is responsible for preparation and fair presentation of these separate financial statements in accordance with the Law of Ukraine On Accounting and International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Preparing the separate financial statements, management is responsible for assessment Bank's ability to continue as a going concern, disclosure, if applicable, issues regarding going concern and apply going concern as a basis for accounting, except, if the management plans to liquidate the Bank or discontinue the activity or have not any other real alternatives for it.

Supervisory Board is responsible for overseeing the process of financial reporting of the Bank.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to release the auditor's report in which we express our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee than an audit conducted 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 separate financial statements.

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

- identify and assess the risks of material misstatement of the separate 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We provide the Supervisory Board with information about the planned scope and timing of the audit and significant audit results, including any significant deficiencies in internal control measures identified by us during the audit.

We also acknowledge to the Supervisory Board that we have complied with the relevant ethical requirements for independence, and inform them of any relationship and other matters that may reasonably be considered to affect our independence and, where applicable, of appropriate safeguards.

From the matters communicated with Supervisory Board, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 the requirements of other laws and regulations

Law of Ukraine "On Audit of Financial Statements and Auditing Activities"

In accordance with the Law of Ukraine "On Auditing Financial Statements and Auditing Activities", auditors must provide additional information and assurances.

Basic information about the audit firm

Full name	AC «CROWE UKRAINE»
Location	Obolonska Naberezhna 33, Kyiv, 04210 Ukraine
Information on inclusion in the Register of audit firms and auditors	Registration number in the Register of Auditors and Audit Entities 3681 An auditing entity that has the right to conduct a statutory audit of financial statements An auditing entity that has the right to conduct a statutory audit of the financial statements of public interest entities
Name of the body that appointed the auditing entity to conduct the statutory audit	Supervisory Board of the Bank
Date of appointment of the audit entity	30.09.2020 (Minute of the meeting of the Supervisory Board №127/2020)
Duration of the audit task	3rd year

The audit report is consistent with the supplementary report for the audit committee.

We did not provide services prohibited by law.

The key audit partner and audit entity are independent of the Bank in conducting the audit.

We did not provide services other than statutory audit services and services disclosed in the management report or financial statements.

ISAs require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The term "sufficient certainty" allows for some risk of significant monetary inconsistencies that may remain undetected; it is also assumed that the auditor cannot provide an absolute guarantee of the accuracy and completeness of the financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The terms of the ISAs require that the audit be planned in such a way as to ensure that errors and inconsistencies that could materially affect the financial statements are sufficiently probable. However, because the auditor will not audit all transactions performed by the entity during the year, the audit may not provide complete assurance that errors and inconsistencies, including fraud, will be identified.

The partner in the audit engagement that results in this independent auditor's report is Vitaliy HAVRYSH.

For and on behalf of AC CROWE UKRAINE

CROWE UKRAINE Reg.no 33833362

Partner /
Audit Director

Registered Auditor #100594

Vitaliy HAVRYSH

Kyiv, Ukraine

March 31, 2023