

**JOINT STOCK COMPANY
“STATE SAVINGS BANK OF UKRAINE”**

Consolidated management report

**Consolidated financial statements and
independent auditor’s report**

*For the year ended 31 December 2023
Translation from Ukrainian original*

JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

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Management Report of JSC "Oschadbank"

to consolidated financial statements of
JSC "Oschadbank" for the year
ended 31 December 2023

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1. Introductory words of Oschadbank Supervisory Board Chairman

Dear Friends,

The previous year 2023 was very important for our country, economy, banking sector and Oschadbank. We, like the country, survived. Moreover, the chosen strategy of being an active financial partner for Ukrainian business, prudent lending policy and efficient management contributed to the achievement of leading market positions and record-breaking financial results for our bank. The critical task of ensuring the continuity of processes and services was performed in the surprisingly difficult military context of blackouts, destruction and massive cyber attacks. The rapid deployment of Power Banking branches, the professionalism of information technology experts, and the dedication of the "first line of defence" specialists of our bank's branches and the entire bank should also be mentioned.

The annual report contains detailed information about Oschad's proposals valuable for Ukrainian business implemented in 2023: financing programmes and settlement mechanisms, which have become a valuable factor in the financial stability of our more than 6 million customers. Among the many such valuable initiatives, I would like to highlight the loans provided by Oschad under joint programmes with central authorities, regional military administrations, municipalities, as well as with partners who sell machinery, crop protection products, seeds, etc. It is also worth mentioning the grant programmes implemented by the government and foreign partners in cooperation with Oschadbank. The bank's specialists demonstrate an example of effective cooperation and partnership for joint success and ensuring the country's economic security.

Oschadbank was recognised in public nominations among the best financial institutions. More about this is in the report of the Chairman of the Management Board Sergii Naumov and information from business leaders.

Corporate governance: the composition of the independent members of the Supervisory Board was renewed in the reporting year. Juan Enrique Pérez Calot and Anton Pyatigin retained their seats on the Supervisory Board from the previous term (Anton Pyatigin subsequently resigned at his own request). In addition to me, renowned international experts Michal Krupinski, Elizabeth Nelson and Philip Heasley joined the Supervisory Board. The list of government representatives in the Supervisory Board remained unchanged: Julia Pashko (from the Verkhovna Rada Committee), Roza Tapanova (from the Cabinet of Ministers of Ukraine) and Oleksandr Rodnianskyi (from the President of Ukraine).

Committees have been formed and action plans have been determined. Regular meetings are held in strict compliance with the corporate governance principles stipulated by the legislation of Ukraine and in accordance with the best international practices.

I am grateful for my colleagues' decision to entrust me with the position of Chairman of the Supervisory Board. We waste no time in working with the bank's executives on current and strategic issues within our competence.

Our key priorities are to proactively contribute to the economic security of the state through reliable financing mechanisms, to ensure the smooth operation of operating systems, to be innovative, and to improve efficiency of processes. We know and appreciate the contribution of employees of our branches, regional directorates, and the Head Office, and we look closely at training and professional development, talent acquisition and development, as well as the reputation of each of us and the bank as a whole.

In conclusion, I would like to thank Oschadbank's management and staff for their hard work and assure you that the new Supervisory Board will continue to work together with the Management Board on developing our financial institution and meeting the needs of our customers and partners.

Kind regards,

Volodymyr Lavrenchuk



Volodymyr Lavrenchuk
Chairman of the Supervisory Board of
Oschadbank

2. Introductory words of Oschadbank CEO



Sergii Naumov,
Chairman of the Management Board of Oschadbank

Dear Friends,

More than **two years** have passed since **the enemy's** full-scale **invasion** of our country. This was a time of big challenges for many Ukrainians. The fight for independence requires extraordinary efforts from all of us. In order to achieve the great goal of liberating the country from the enemy, both ordinary Ukrainians and corporate citizens – companies and organisations – must join their efforts. Helping the country **to win the war and supporting citizens and businesses** in this difficult time have been Oschadbank's key functions since 24 February 2022. As with any responsible Ukrainian business, today the bank does not focus only on its profitability, but also on the stable performance of its social functions and helping people.

We believe that an important part of our policy of supporting Ukrainians is to maintain **the country's largest branch network**, which consists of about **1,200 branches**. At the same time, **450 of**

our branches are part of the **Power Banking** network, established at the NBU's initiative and capable of providing banking services even in the event of a prolonged blackout.

Another factor in the constant access of Ukrainians to banking services, even in front-line regions, is our **mobile branches, banks on wheels**. In fact, these are fully functional banking institutions based on vans. We presented them at the end of last year, and they have already departed to serve customers in the front-line areas, where **no other bank operates**.

Our remote service channels also operate consistently due to the fact that after the unprecedented DDOS attack on 15 February 2022 we invested heavily in the bank's cyber security. In addition, in the reporting year, Oschad **updated its mobile application 10 times** and added **25 features and services**.

Our bank has made significant achievements in terms of financial performance. According to the results of 2023, Oschadbank **received UAH 9.3 billion** of pre-tax profit – this result allowed to pay the highest amount of taxes to the budget for all the time of Oschadbank's activity. Its **net profit** after tax amounted to **UAH 6.0 billion**: never in its history has Oschadbank **had such a significant financial result**.

Operating profit in 2023 without revaluation and risk cost was about **UAH 12 billion** (more than 1.5 times than in 2022). It was driven by a year-on-year increase in net interest income, which **grew by 25%** (to **UAH 19 billion**) and net fee and commission income, which **grew by 12%** (to **UAH 7 billion**). A prudent lending policy resulted in **the release of UAH 1.4 billion** of provisions for expected credit risks.

During the full-scale war, Oschadbank did not stop lending: in 2023, we **increased** our loan and investment portfolio **by 16%** (to **UAH 263 billion**).

There are significant achievements of the bank in lending to individuals: the corresponding loan portfolio **increased by 30%**, which is to **UAH 15 billion** over the year. Oschadbank consistently holds **the lead** in mortgage and car lending, where it has a market share of 44% and 51% respectively. In 2023 **2,804** mortgage loans were **issued** by the bank for a total amount of **more than UAH 4 billion**. Last year, more than 4,000 borrowers became car owners thanks to our bank, and the total amount of car loans granted was UAH 3.3 billion.

We have invested in the development of new features of the Mobile Oschad application: **more than 10** updates during the year and 25 new features and services. In particular, it is now possible to apply for an eRecovery card, which may be used to receive compensation for property damaged as a result of the full-scale invasion and to manage instalment loans, in particular to change the amount of the instalment loan limit independently.

Oschadbank has traditionally actively increased its share in lending to micro-, small and medium-sized businesses. In the reporting year, this **loan portfolio** increased by **35%**, to **almost UAH 21.3 billion**. This success was achieved largely due to Oschad's participation in numerous national, regional, international and partner business support programmes. In addition, the bank is constantly improving its lending processes for entrepreneurs. Thus, in the reporting year, we offered **the OschadBusiness service**, which may be used to apply for a loan and receive a preliminary decision **within 24 hours online** without visiting a branch.

Moreover, in 2023, Oschadbank entered into loan agreements with **large corporate customers** totalling almost **UAH 27.4 billion**, thereby improving its position and ranking second in the corporate lending market. In this aspect, Oschadbank focused on critical industries: energy, agriculture, processing, food retail, etc. In 2023, Oschadbank's corporate business introduced **a new financial leasing service** in order to assist critical infrastructure enterprises to restore their fixed assets destroyed in the war. The first deal for more than **EUR 5 million** was made.

We have identified inclusiveness as an important area of strategic development for the bank in 2023. Oschadbank's new inclusive programme "My accessibility" is a response to the challenges we confront today, namely a significant increase in the number of Ukrainians with special needs in servicing due to the war.

Oschadbank continues to improve the physical accessibility of its branches. In addition to the 25 super-inclusive branches of our own design (2 of which, unfortunately, are located in the temporarily occupied territory), we continue to increase the share of the network that fully meets the state requirements for inclusiveness (currently, these are **about 50%** of Oschadbank's branches).

Another aspect is the service model, which provides for **special employees** in our branches responsible for servicing people with disabilities and another extremely important category of customers – war veterans and their family members. For this purpose, we implement special training programmes. They will allow Oschadbank's specialists to be able to advise not only on banking services, but also on a much wider range of issues: such as points of provision of psychological rehabilitation aid or issuance of references. Another area of work is improving IT services.

We are actively involved in partnership projects in the field of accessibility and inclusiveness. In mid-January 2024, a mobile rehabilitation module for war veterans and their families was opened in Ovruch, Zhytomyr region. We supported this project because it offered a solution for the rehabilitation of Ukraine's defenders in small towns. This initiative is a social franchise that may be joined by communities or donor organisations. We will continue to participate in such projects.

In conclusion, I would like to express my gratitude to our customers and partners **for their loyalty and faith** in Oschadbank, as well as to my colleagues for their professionalism and courage in the performance of day-to-day duties, which sometimes touches on heroism. I would like to assure you that in the future the bank will remain loyal to Ukraine and its independence and will help the country to survive all the hardships of the big war and bring victory closer.

Glory to Ukraine!

Sincerely yours,

Sergii Naumov

3. Nature of business

3.1. Macroeconomic environment and the bank's competitive position

Despite the continuation of full-scale hostilities and a high level of risks to energy and food security, last year Ukraine's economic development indicators exceeded the highest expectations. Massive missile attacks, significant electricity shortage at the beginning of the year 2023 and hacker attacks at the end of the year increased not only the level of production and logistics costs, but also the adaptability of Ukrainian businesses. GDP and inflation were positively influenced, albeit limitedly, by the access to river, sea, and rail routes for exports, favourable weather conditions, and sufficient crop yields. The budget deficit was financed by international aid and domestic borrowings. Stimulated economic activity has led to improved GDP growth in 2023, which reached 5.3%. At the same time, there was an insufficient level of export earnings amid declining prices for Ukrainian exports and logistical problems associated with the blockade of the borders.

Against the background of the gradual economic recovery, inflation declined sharply, from 26.6% at the beginning of the year to 5.1% YoY in December 2023. This was driven by the secondary effects of abundant harvests and an increase in the supply of certain food products, lower global oil prices, and a moratorium on increases in housing and utility prices. The enhanced differentiation of mandatory reserve requirements and the introduction of new monetary instruments linked to the volume of term deposits have reduced pressure on the hryvnia exchange rate and prices. The revival of economic activity and increased macrofinancial stability were facilitated by the reduction of the NBU key policy rate from 25% to 15% per annum.

The implementation of the strategy for mitigation of foreign exchange restrictions and the transition to a flexible exchange rate, which took place at the end of 2023, also contribute to macrofinancial stability and the return to the inflation targeting policy. The structural shortage of foreign currency and significant exchange rate fluctuations are offset by the NBU's foreign exchange interventions through currency sales.

Thanks to foreign currency inflows from international financial partners, Ukraine's international reserves increased by 42% in 2023 and exceeded USD 40.5 billion. This is sufficient to maintain exchange rate stability in the future.

To cover the state budget deficit, in 2023, the Government of Ukraine raised UAH 401,785.1 million, USD 3,688.3 million, and EUR 735.8 million from the placement of military government bonds at auctions. The increase in borrowings was also due to the expansion of the list of benchmark government bonds that are accepted as a cover for banks' mandatory provisions. In total, from the beginning of the full-scale war until 2023, the government raised UAH 554,175.7 million, USD 5,617.3 million, and EUR 1,713.1 at primary auctions.

High interest margins, low provisioning expenses during the year, and revaluation of financial assets resulted in high profitability of the banking sector, which was adjusted by an increase in the corporate income tax on banks. In 2023, solvent banks received net profit that was four times more than in 2022 and 12% more than in 2021. Provisions for losses from asset transactions decreased by 86% over the year.

Due to the improved demand for hryvnia loans amid the recovery in business activity, the net corporate loan portfolio grew in 2023, including due to government support programmes. The government programme "Affordable Loans 5-7-9%" has seen the largest growth in the business portfolio, in particular, in trade and agriculture. The growth of banks' loan portfolios and active work with non-performing assets contributed to the reduction in non-performing loans over the year by UAH 9.7 billion. A significant portion of the NPL portfolio is held by state-owned banks and belongs to customers from the temporarily occupied territories.

In 2023, banks continued to increase their funds in UAH. Attractive deposit rates contributed to the growth of term deposits, in particular from individuals. The vast majority of new term deposits in UAH were for three to six months. The volume of business funds is growing exclusively due to current assets. The downward trend in the dollarisation of deposits continues.

Important risks in the near future include an increase in the intensity of hostilities, a delay and uncertainty in the amount of international aid, the blockade of the western borders, rising costs of strengthening cyber security, and a shortage of qualified personnel.

In terms of its competitive position, Oschadbank is one of Ukraine's systemically important banks, ranking second in terms of loans, assets and deposits. As of the end of 2023, Oschadbank was the largest bank in Ukraine by the number of branches and the second largest bank by the number of ATMs and payment terminals. The Bank is actively involved in providing lending support to priority economy sectors and critical infrastructure enterprises, ensures the availability of banking services in full to ensure consumer right protection and social protection of citizens, and takes measures to minimise the consequences of materialised threats and crisis situations.

3.2. Brief description of current business model

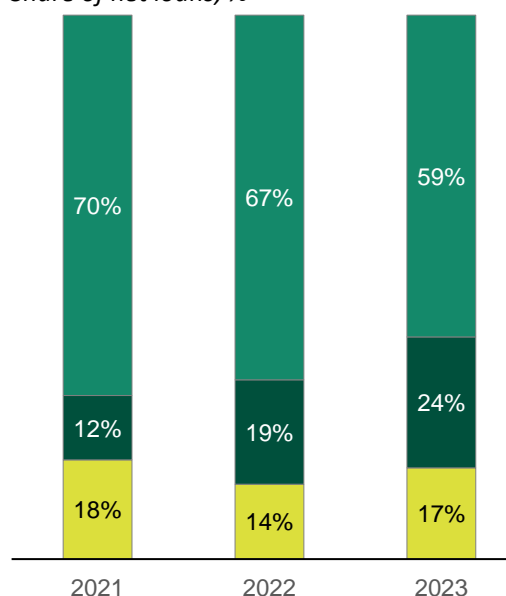
According to its business model Oschadbank is a universal bank that gives priority to expanding its retail and micro-, small and medium business (MSME), while retaining a firm position in corporate business.

As of the end of 2023, the breakdown of Oschadbank's assets was as follows: 50% is investment portfolio; 26% is net loan portfolio; 24% is other assets. The loan portfolio is primarily represented by the debt of corporate customers (59%), as well as that of individuals (17%) and MSME customers (24%). The term deposit portfolio comprises 84% retail deposits, 8% MSME deposits and 8% corporate deposits.

The bigger part of Oschadbank's interest income is generated by loans issued to legal entities and investments in securities.

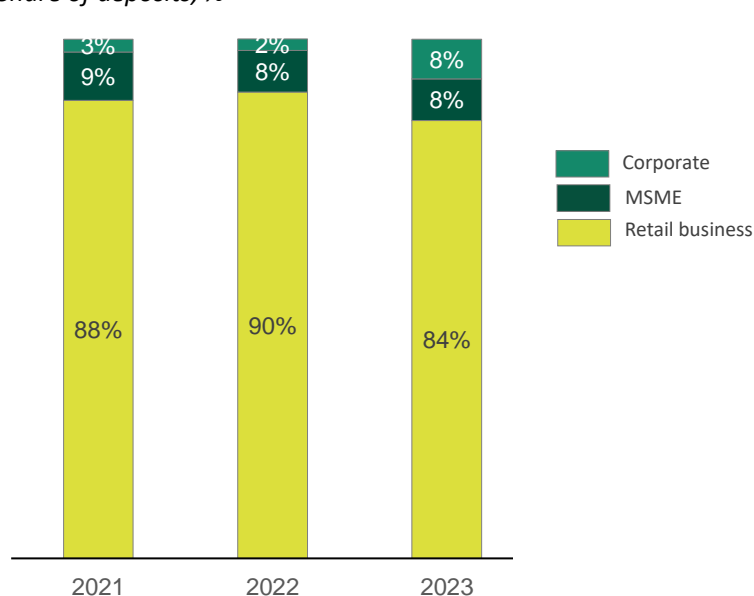
**Loan structure
in 2021-2023**

Share of net loans, %



**Structure of term deposits
in 2021-2023**

Share of deposits, %



3.3 Main products and services

As a universal financial institution, Oschadbank offers a wide range of banking products and services.

The main products of **retail business** include:

- liability products: term deposits, payroll programs, pension and social accounts, special current accounts and debit cards (including digital and virtual cards);
- asset products: car loans, consumer and mortgage loans, cash loans, credit cards, government home buying schemes;
- products generating fee and commission and trade income: payments of individuals, internal and international transfers, rent of individual safes, foreign currency exchange, transactions with banking metals;
- social benefits and fund payments;
- additional services: Oschad 24/7 remote service system, qualified electronic signature, free business call to the contact centre from Viber messenger.

The main products of **MSME** include:

- liability products: term deposits, deposits on demand and current accounts;
- asset products: working capital replenishment loans, purchase of vehicles and equipment (in particular, through partnership programmes), overdrafts (including unsecured ones), lending programmes within the scope of cooperation with international organisations (WNISEF, EBRD, EIB, and EIF), funding with the participation of ECA, cooperation programmes with Entrepreneurship Development Fund (Affordable Loans 5-7-9%, lending secured by state guarantees, etc.), microlending programme, guarantees, and bill avalisation; lending support programmes with regional state administrations;
- additional services:
 - CorpLight, a system for remote account management for MSME customers, which meets the present-day market requirements and holds the lead in the market due to its functions;

- Oschadbusiness online lending platform;
- participation in state and international grant programmes for the creation and development of own business (e-Robota, Entrepreneurship Development Fund, EU4business, GIZ, Deutsche Sparkassenstiftung für internationale Kooperation).

The main products of **corporate business** include:

- working capital replenishment loans, including overdrafts;
- lending for capital expenses;
- investment projects and lending and investment projects;
- trade financing;
- lending to enterprises in strategic economy sectors;
- lending to municipalities;
- transactions with debt securities;
- lending under partnership programmes with international financial institutions;
- lending under government financial support programmes;
- financing with the ECA participation;
- financial leasing;
- refinancing of asset banking transactions;
- documentary operations;
- raising funds on term placement basis;
- cash and settlement services (opening and maintaining current accounts, foreign currency purchase and sale transactions, cash services, payments in foreign/national currency, payment transactions using escrow accounts, payment transactions on current accounts with a special use regime, ensuring settlements in the natural gas market, servicing the Pension Fund's accounts).

During 2023, Oschadbank continued to maintain a **network of correspondent banks**, which as of 31.12.2023 consisted of 33 banks. Oschadbank serves 18 banks with 46 correspondent LORO accounts. Oschadbank opened 46 correspondent NOSTRO accounts in 20 financial institutions, including leading American and European banks.

Oschadbank also actively maintained cooperation with Ukrainian banks under General Agreements on Interbank Transactions. As of 31.12.2023, such agreements were concluded with 31 resident banks.

Part of the Oschadbank's **treasury** function is to provide the following services:

- purchase and sale of government securities (domestic government bonds) on behalf of customers of all business lines both in the primary and secondary markets (including the organised (exchange) and unorganised (over-the-counter) markets);
- brokerage services to resident customers in the domestic government bonds market;
- trading transactions with domestic government bonds;
- organisation and conduct of direct dealing with customers in foreign currency purchase/sale/exchange transactions.

4. Management objectives and strategy of their achievement

4.1. Mission, goal and corporate values

Oschadbank's mission is to change itself and initiate positive changes in the country, to be the bank of the first choice, emotionally close to every Ukrainian.

The strategic **goal** is to be a profitable, commercially oriented bank with high business stability, a leader of innovations and customer satisfaction.

Oschadbank's corporate values are:

Human

We strive to become the number one bank for customers and employees. Our team is the driving force behind positive changes. Each team member benefits from decent conditions for effective work, training, and development. Our customers are partners who trust us. We create high-quality modern products and services for them. We are building an accessible environment in which everyone will feel comfortable.

Development

We believe that the growth of each of us is the key to success of the Bank as a whole. We are convinced that the Bank's development is an important contribution to building a prosperous state. We encourage initiatives at all managerial levels, introduce innovations, and are committed to meet the expectations of customers in all areas, from products and technologies to the quality of services and communications.

Transparency

We work honestly and transparently. Oschadbank strictly adheres to the generally recognised principles, regulations of the National Bank of Ukraine and current legislation of Ukraine. We value decency and always strive to justify the trust of customers, employees, partners, and the shareholder.

4.2. Strategy of the Bank

The strategy envisages that Oschadbank will continue to be a universal bank with strong positions in retail, MSME and corporate segments. The Bank plans to increase its business volumes and market shares in the retail and MSME segments. In the corporate business, the focus should shift from the public sector to the private one.

Oschadbank's Development Strategy for 2021-2024 was approved by the shareholder – the Government of Ukraine (Ordinance of the Cabinet of Ministers of Ukraine dated 12 October 2021). However, its implementation was postponed due to the extraordinary circumstances caused by the full-scale unprovoked invasion of the Russian Federation.

Guided by the Main (Strategic) Lines of Action for State-Owned Banks during Martial Law and Post-War Economic Recovery, approved by the CMU on 07.05.2022 (Ordinance No 356-p of 07.05.2022), Oschadbank has developed a strategic document for the period of martial law, which includes 10 business and operational priorities (operations, risk management, human resources, legal work).

Oschadbank's strategic goals during martial law:

- I. To ensure financial support for priority economy sectors and critical infrastructure enterprises (facilities);
- II. To maintain the availability of banking services to ensure protection of consumer rights, particularly in the framework of social protection in the absence of physical threats to the bank's staff.
- III. To establish conditions for the swift resumption of full banking services to ensure the business continuity;
- IV. To deploy an effective system of physical security (Head Office and autonomous units, including personnel security), security of operating systems, including through the use of cloud solutions, and cyber security;
- V. To take additional measures aimed at risk mitigation, including materialisation of specific wartime threats (including physical, financial, cyber security of operating systems), elimination and/or minimisation of consequences of materialised threats from crisis situations;
- VI. To ensure uninterrupted efficient operation of the management function and high-level decision-making.
- VII. To maintain the bank's financial stability, ensure early detection and prompt response to stability threats.

Oschadbank's strategic document defines the following **business priorities** for the period of martial law:

1. Support of relocation of enterprises from the regions affected by the hostilities;
2. Support for the agricultural sector;
3. Support for export-oriented businesses and those replacing imports from Russia and Belarus;
4. Support for critical infrastructure enterprises;
5. Ensuring food security and affordability for people;
6. Housing support for citizens;
7. Prompt support for small and medium enterprises;
8. Support for businesses affected by the hostilities;
9. Continued digitalisation of services for individuals;
10. Retention of liabilities and fee and commission income.

Operational priorities:

- A. Ensuring uninterrupted operations.
- B. Adaptation of risk management.
- C. Human Resources management transformation.
- D. Compensation for losses caused by the Russian Federation.

The **accessibility development** strategy includes:

- scaling up the development of inclusive branches;
- creating a separate service model for inclusive services;
- use of the Bank's infrastructure in the national reintegration programme.

Oschadbank developed and approved by Decision of the Supervisory Board No 31 dated 16.10.2020 (item 3) **the NPA Management Strategy**, for the purpose of implementation of which the Operational Plan was approved. The latter set targets for reducing the level and volume of non-performing assets on a gross basis, net of provisions, and ways to ensure the achievement of targets (including those for 2023).

The main objective of the NPA Management Strategy in the area of non-performing asset management is gradual reduction of the NPL portfolio to 10% through repayment of debts, debt reclassification, write-off against provisions, as well as taking measures under CMU Resolution No 281 of 15.04.2020 in order to achieve the planned NPA decrease through the debt sale or partial debt forgiveness.

In the context of the ongoing military aggression of the Russian Federation against Ukraine and martial law throughout Ukraine and the introduction of temporary restrictions (until the termination/cancellation of martial law) for the use of out-of-court and court debt settlement instruments at the legislative level, Oschadbank continued to take all possible measures to ensure achievement of the goals and performance of the tasks set out in the NPA Management Strategy and the Operational Plan for implementing the NPA Management Strategy, targets for reducing the amount of distressed debts set out in the business plan for the relevant planning period.

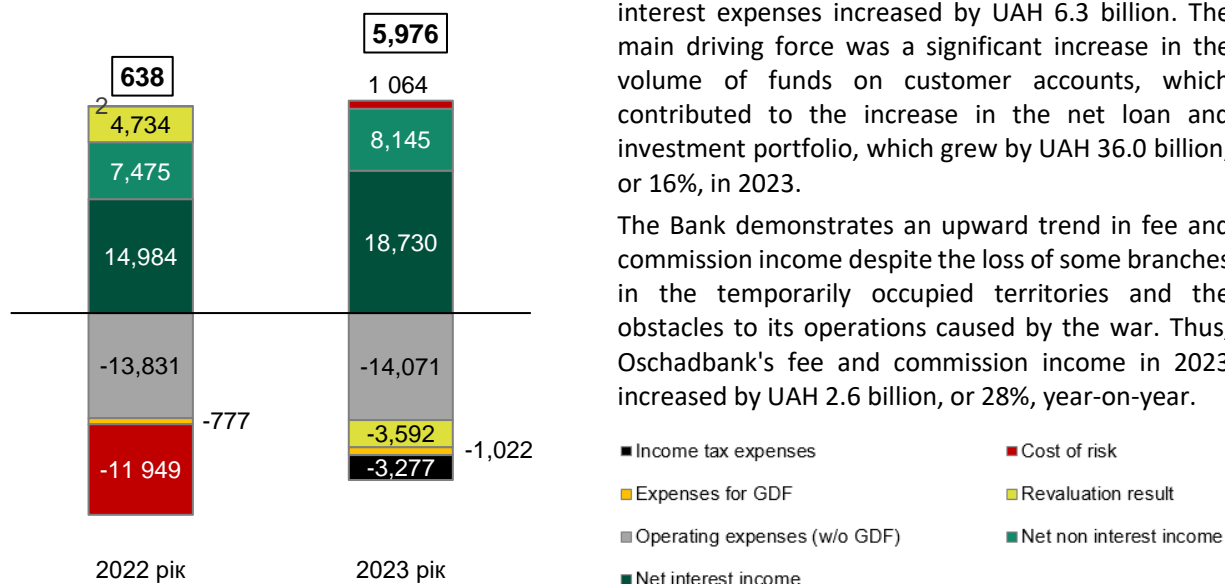
4.3. Criteria for measuring success and achievements

Oschadbank's net profit in 2023 amounted to UAH 5,976.5 million, with a positive financial result primarily due to the bank's high adaptability to martial law conditions.

Since the beginning of the military aggression, Oschadbank has focused on increasing the volume of customer deposits while accumulating resources for investment in the country's economy and prioritising the support for strategic economy sectors. The attracted resources allowed to increase the volume of interest rate transactions, offsetting the impact of aggression on the quality of the loan portfolio.

Financial result structure in 2022-2023

UAH mln.



As a result, net interest income in 2023 increased by UAH 3.8 billion year-on-year, including due to an increase in interest income by UAH 10.0 billion, while interest expenses increased by UAH 6.3 billion. The main driving force was a significant increase in the volume of funds on customer accounts, which contributed to the increase in the net loan and investment portfolio, which grew by UAH 36.0 billion, or 16%, in 2023.

The Bank demonstrates an upward trend in fee and commission income despite the loss of some branches in the temporarily occupied territories and the obstacles to its operations caused by the war. Thus, Oschadbank's fee and commission income in 2023 increased by UAH 2.6 billion, or 28%, year-on-year.

Achievement of the bank's financial targets by the end of 2023 and fulfilment of the main goals of the Shareholder (CMU) in all strategic areas of state-owned banks for the period of martial law is the main criterion for measuring success and consistently overcoming the challenges posed by the full-scale invasion and outbreak of hostilities from the side of the Russian Federation.

4.4. Significant changes in targets and achievements

In connection with the full-scale invasion and outbreak of hostilities from the side of the Russian Federation in February 2022, the bank's strategic challenges and objectives were revised.

With the introduction of martial law throughout Ukraine, the following unforeseen circumstances arose:

- active hostilities in certain regions of Ukraine, temporary occupation, encirclement (blockade) of certain regions, as well as a real threat to the lives of citizens, which constitute force majeure;
- damage and/or destruction of the property of citizens, including pledged property provided as security for fulfilment of obligations to Oschadbank;
- forced migration of citizens within the country and abroad;
- loss of jobs and a drop in the level of income of citizens in wartime conditions;
- loss of assets, suspension/termination of businesses;

- introduction of legislative restrictions for creditors regarding the settlement of debts of certain categories of citizens;
- the bank's inability to use the full range of debt settlement instruments set out in the NPA Management Strategy (restrictions on enforcement proceedings, mortgage lending in respect of real estate owned by individuals and mortgaged under consumer loans);
- impossibility of holding an auction for the sale of pledged property due to the absence of potential buyers / location of the pledged property in the temporarily occupied territory.

However, despite the fact that the combination of these circumstances has created difficulties in achieving the goals and performing tasks of managing non-performing assets, Oschadbank continues to take actions aimed at reducing the volume of non-performing assets, using all available debt settlement instruments and ensuring the most efficient allocation of time and human resources to the relevant areas of NPA management.

Given the role and importance of Oschadbank for the national economy as a systemically important institution, since the beginning of the full-scale war, the bank has been continuously developing and taking measures to support the micro-, small and medium businesses, as well as large business entities.

On 7 May 2022, the Cabinet Ministers of Ukraine approved the Main (Strategic) Lines of Action for State-Owned Banks During Martial Law and Post-War Economic Recovery.

The strategic lines of action envisage the following:

1. during martial law it is neither relevant nor feasible to meet the peacetime expected performance indicators for state-owned banks as set out in the Strategic Principles for Reforming the State-owned Banking Sector (Strategic Principles) as amended on 2 September 2020, nor it is possible to meet the key performance indicators set out in each of the state-owned banks' development strategies;
2. during martial law and post-war economic recovery, the mission of state-owned banks is to actively contribute to ensuring financial stability of Ukraine, maintaining and supporting stable functioning of the banking system, financing the priority economy sectors, and ensuring uninterrupted functioning of critical infrastructure enterprises (facilities), including state-owned ones;
3. one of the strategic goals during martial law and post-war economic recovery is to ensure financial support of the priority economy sectors and critical infrastructure enterprises (facilities);
4. the priorities in activities of state-owned banks should include, but not be limited to, financing of:
 - business entities suffered from the armed aggression of the Russian Federation against Ukraine and/or for prevention of such aggression, in particular, for satisfaction of needs of the Armed Forces of Ukraine;
 - agricultural sector of economy for the purpose of food supply;
 - and related industries that support operations of agricultural enterprises;
 - enterprises (facilities) of critical infrastructure;
 - enterprises of food industry, food retail and related sectors;
 - infrastructure projects, and transport and logistics infrastructure and projects related to development of new logistics solutions;
 - supporting the relocation of enterprises located in regions where active hostilities took place; projects for development of production capacities for import substitution of products imported from Russia and Belarus.

In addition to the wartime strategy, on 23 September 2023, the expanded Bank Management Board meeting approved the following priority strategic lines of action:

1. Development of accessibility and inclusiveness. Support for veterans and their families when servicing at the bank;
2. Cooperation with international partners for rebuilding Ukraine. Establishment of a customer hub to access various donor and loan programmes on the basis of Oschadbank;
3. Power Banking, endurance of branches;
4. Supporting the country's defence capability through risk-oriented financing and various government loan programmes.

Oschadbank actively participates in government programmes of compensation payments to Ukrainian citizens affected by the military aggression of the Russian Federation as a settlement bank.

5. Performance results and further growth

5.1. Major events of 2023

The military aggression caused numerous challenges and threats, the overcoming of which, according to the NBU estimations, was complicated by slow economic growth. Oschadbank's key achievements by business line are as follows.

Retail business. During the second year of the full-scale war, the bank continued to provide uninterrupted access to accounts of individuals through the existing network of institutions in the controlled territories and remote service channels. The Bank supported cash and non-cash transactions of its customers. Oschadbank ensured crediting of pensions, salaries and various types of social assistance, as well as payments to internally displaced persons from international organisations. All types of payments, including budget and utility payments, were accepted and sent.

General processes:

- **The Memorandum of Cooperation between CB, MSME and RB** was implemented to establish effective interaction between the business units to become the main servicing bank for customers, provide comprehensive services and increase the product consumption per legal entity;
- In order to improve the efficiency and competitiveness of the RB business line, **the RB rating system** was unified and approved. Its main tasks are to ensure transparency of performance evaluation criteria, motivate the network for the best results, stimulate internal competition, carry out analysis to improve the bank's external and internal processes, and improve the bank's image by highlighting the achievements of the business line;
- A model of the branch sales organisation supervision was introduced to improve the efficiency of each branch of the bank. All supervisors have individual KPIs and are responsible for the results of their group of branches. The project demonstrates its effectiveness.

In the business line of **lending to individuals**:

- Oschadbank is the market leader in mortgage lending in 2023 (41% share), including the e-Housing (eOselia) programme and car loans (54% share);
- Lending was resumed and expanded in the branches of Sumy, Kharkiv, Mykolaiv, Dnipro, Chernihiv, and Zaporizhzhia regional directorates;
- Oschadbank was the first among partner banks to issue e-Housing loans in Zaporizhzhia, Kharkiv and Mykolaiv in unfinished construction projects for the mass segment of borrowers at 7% per annum;
- Regional programmes were launched for the Zakarpattya, Chernivtsi, Odesa and Dnipropetrovsk regional directorates (Kryvyi Rih) to compensate interest on mortgage loans under the government programme;
- 10 developers were certified;
- The risk rules for secured loans were optimised, and pilot projects for review of applications without the risk management department were implemented to speed up decision-making;
- New partnership lending programmes for 6 car brands were introduced;
- The approaches to the requirements for notarisation of car loan pledge agreements (a car worth up to UAH 4 million) were changed;
- 17 pages with the terms and conditions of partnership programmes were created on Oschadbank's website;
- The process of batch increase/decrease of the credit line limit under BPC was launched; the automatic acceptance of the loan agreement (without the back office) for standard cash loans and the function of crediting a cash loan to any Oschadbank card were implemented;
- The remote restructuring of card loans was introduced;
- New products "target cash" and "loyal cash" were launched, and lending to external customers in the amount of up to UAH 400 thousand was introduced;
- A new product "instalment plan with individual limits" was introduced. It provided for the issuance of a second limit to new customers, remote change of the limit via the Contact Centre, branches and Mobile Oschad, display of instalment plans in the application, etc.

In the business line of **liability transactions with individuals**:

- Oschadbank is the leader in terms of market share (21.5%) in terms of term deposits (+UAH 13 billion since the beginning of the year);
- A new deposit product "My Victory" and the charity event "Brave Hryvnia" were launched;
- An interface for transfers between cards via the IVR system was developed;
- The differentiated exchange rate formation mechanism was introduced for regional directorates and branches;

- The cash operations were optimised; a set of changes for cashiers was introduced as part of the assessment of their workload and performance, the motivation structure and the control institute;
- For the first time, a survey of cashiers as an internal customer was introduced to communicate with the Head Office / Regional Directions, identify needs/problem areas of work, difficulties with IRDs, and processes that need to be improved;
- Printing receipts for accepted payments via POS terminals was launched in 8 regional directorates;
- A service for paying out MY TRANSFER transfers from legal entities via Mobile Oschad was introduced;
- The number of MY TRANSFER transfers paid out via Mobile Oschad increased 35 times;
- The identification in the DIIA application in making transfers via international payment systems was launched;
- A new technological process for sending SWIFT transfers from an account and without opening an account was introduced;
- Oschadbank won tenders for charitable aid, benefits, subsidies and financial assistance from such organisations as ACTED (France), People in Need (Czech Republic), the International Committee of the Red Cross Mission in Ukraine, the Ministry of Social Policy, the Pension Fund of Ukraine, etc.

In the field of Premium Banking: Due to the efficient service model, more than 2,000 new premium customers were attracted thereby bringing the total number of premium customers to more than 63,000. The segment accounts for about 21% of RB's revenue.

High-quality customer service is provided in 69 premium zones operating in each regional directorate and in the . Oschadbank's premium business line in 2023:

- Best Bank in Private Premium Customer Services in Ukraine according to Euromoney Global Private Banking Awards 2023;
- Mailing a digest with an overview of financial markets and the economy was launched;
- The bank supported and promoted Ukrainian art among its premium customers, helping them to get involved in contemporary art and invest in it.

The Personal Banking service model continues to develop actively. More than 600,000 customers have a personal manager. The coverage level of customers under the service model is 70% of active affluent customers. The segment accounts for about 33% of RB's revenue.

Oschadbank holds approximately 20% of the acquiring market in terms of the number of POS terminals (about 80,000) and is actively developing this business line.

In the field of acquiring:

- A new service for representatives of retail chains was introduced (chat bot for servicing Oschadbank's POS terminals);
- New network customers were attracted to service;
- GooglePay payments were introduced on Oschadbank's Internet acquiring page;
- The Pension Fund's e-services web portal has implemented services for paying voluntary contributions in a personal account;
- The Internet acquiring project was implemented in the AVIAS mobile application;
- Additional merchant acquiring services were introduced (cash replenishment of cards through POS terminals, partial approval of payment transactions by card or by card/cash);
- The "loan by instalments" service was introduced on the websites of 5 stores;
- A project was implemented to issue a digital co-branded card in cooperation with the ATB supermarket chain;
- The MyHousing mobile application for residents of condominiums and management companies was put into commercial operation.

In the business line of payroll projects:

- More than 225 thousand new accounts were opened with salary transfers;
- 9.5 thousand new payroll projects were implemented;
- Partnership with 7 chain stores was expanded;
- Cooperation with a major grocery chain was launched;
- The "payroll card for customers" product was significantly improved: the rate on mobile savings was increased to 6%, the fee for transfers to Oschadbank cards was cancelled, and a new payroll package with loyal tariffs for high-status payroll projects was introduced;
- Cooperation with YOUCONTROL was launched in terms of automated transfer of the external database of legal entities for the purpose of processing and involving payroll projects;

- Training was conducted to improve the efficiency of making calls to customers representing legal entities in order to attract them to the payroll project;
- Revenue per payroll customer increased by 35%.

Oschad 24/7:

- 10 updates were installed;
- More than 25 new features, services, improvements and changes were implemented;
- The increase in financially active users of the application since the beginning of the year is 221 thousand customers;
- The channel's share by number of transactions is 67% (57% in 2022);
- Direct income from operations for 12 months 2023 is UAH 1.6 billion (growth 27% compared to 2022);
- 47% of active customers use Oschad 24/7.

Chat bot:

- An AI-based virtual assistant in the chat bot, which independently processes 65% of requests, was introduced;
- The range of chat bot services (referral programme, transition to the My Bonuses account) was expanded;
- The possibility of applying for a MORE credit card in the chat bot without visiting a branch was introduced.

Contact Centre:

- The service of free business call to the contact centre from Viber messenger was launched;
- The Soft-Collection process was modified to add communication activities with guarantors and contact persons.

Customer experience management:

- About 56 thousand requests from various channels of communication with customers were processed, which resulted in the improvement of 35 processes/products of the bank, and over 20% of customer issues were resolved;
- Management of citizens' appeals was centralised and the process of processing customers' appeals at the Head Office level was changed (the share of centrally processed appeals increased from 30% to 92%);
- Amendments were made to the Procedure for Interaction among Units and Impact on Processes/Products of JSC "Oschadbank" in Retail Business Following the Analysis of Customer Experience in terms of changes in communication between the unit and the bank Head Office units when reviewing and processing appeals;
- The "Quality of Service" section on the bank's information portal was created and filled with materials;
- A pilot was launched to assess the quality of service by cashiers using a QR code in the branch, which will be scaled up to the entire branch network next year, which will have an impact on motivation;
- A mechanism for consolidating and analysing complaints about long queues was launched as part of the project "Working with queues in branches", which affects the staffing of branches and changes in the bank's processes/products for reducing customer service time (2 procedures are currently in progress);
- The standards for servicing customers with disabilities, mental disorders and combat experience were developed to form the basis for staff training under the My Accessibility project next year;
- A customer survey on the bank's TOP 8 products (CSI) and the customer loyalty indicator by segment (NPS) was initiated to monitor and improve these indicators over time as part of the bank's approval of product KPIs.

Marketing activities:

- A new communication platform "MY" was introduced, within which design of 1,200 branches was updated (7,300 framelites, 1,000 manifestos, 3,030 image walls, 2.7 million leaflets, 7,575 corporate shawls); a TV campaign was launched (70% of the Ukrainian population who watch TV saw Oschad's advertisements at least 3 times; on average, the commercials were aired 125 times a day totalling to 8,900); an out-of-home campaign was conducted (413 million contacts were reached); digital advertising was implemented on YouTube (70 million views; 40 million views in Google banners; 31 million views in social media feeds, the KPI of views was exceeded, the figure was 116%);
- As part of the "MY" concept, the bank's social media pages were completely updated (change in the strategy, descriptions of the bank's Facebook, Instagram, TikTok, LinkedIn, Twitter pages and their content). Oschadbank's social media pages have been recognised as the best social media pages following the audit of the social media pages of the country's largest banks by the independent agency Sasquatch Digital. They won first place in the Social Media Communications category at the PR case study competition by Marketing Media Review (MMR);
- A number of events were held to support the bank's image (Art during the War at the Khanenko Museum, Art on the Battlefield (VOUGE), Entrepreneur of the Year at Mystetskyi Arsenal, How are you? at the

Ukrainian House, Crystal Ice Rink at River Mall, Winter Country at the National Exhibition Centre, and Christmas Tree at the Central Railway Station);

- A patriotic mural project was implemented on the Head Office building (12-G Hospitalna Street). Elements of the Vyshyvanka pattern were placed on the facade of the Chernivtsi regional administration, and in Kharkiv, we joined the art event "Birds of Ukraine";
- Accessibility communications were introduced;
- The special project "Bank of Sounds" was implemented in cooperation with the Feel Fund (23 million ad views, UAH 772 thousand raised);
- For the first time, SEO optimisation of the website was implemented (during the year, the web site was increased by 10 positions on the first page of Google for car loans and by 12 positions for mortgages);
- For the first time, an electronic register of permits for outdoor advertising was implemented;
- A number of regular surveys (BHT, CSI, UX, etc.) was introduced;
- In the retail business, the "Mortgage" advertising campaign was conducted (online advertising: 28.3 million views, 24 thousand clicks, 864 leads, OLX portal branding: 1.42 million views, 236 leads, HROMADSKE Explainer: 200 thousand unique views, short videos on social media: 330 thousand reach, targeted Viber: 48 thousand delivered messages); the advertising campaign "Deposit "Poremoha" (28 million views, 128,000 clicks, 1,810 applications), digital campaigns for the car loan products (14 thousand leads), My Military Card (107,000 clicks, 1,263 leads), Digital Card (10,000 leads) were conducted; advertising for used cars and cash loans was launched; to form an opinion on the bank's primacy in the primary mortgage market, posts were published on social media (153,000 reach);
- In the premium banking, an in-depth qualitative study was conducted and the premium positioning was defined; 6 online seminars with 100K+ views were held, customers were provided with gifts (the book "There are Bright Places, Even in Dark Times", "Art Colouring"), the unique book packaging for premium cardholders was developed, and the art exhibition in the premium centre was updated;
- In the MSME, the sub-brand "OschadBusiness" was launched on the market; the branch network was rebranded (3,311 framelites, 578 image walls, 703 signs, 599,280 leaflets); branded materials (brandwalls, roll-ups, bags, business cards, T-shirts, caps, promotional stands, winder flags, card design) were updated; rebranding and complete update of the strategies of OschadBusiness pages on social networks were carried out; the MSME section on the website was rebranded; the SEO optimisation was launched; the bank participated in agricultural events (Battle of Agrotitans, UCAB Agrotechnology); a co-promotion with Nova Poshta was conducted, in the framework of which 500 My Export tariff packages were opened, four digital campaigns were conducted and 32 million ad views to potential target audience were received; lead generation Viber mailing for individual entrepreneurs and legal entities was launched for the first time; and research was conducted: UX, the market of services for individual entrepreneurs and legal entities, the market of deposits and loans;
- The composition of the Promoters project, which consists of the bank's employees who are active in social media across Ukraine and aims to support the bank's reputation on Facebook, was updated (due to dismissals and mobilisation). In total, we have 247 promoters. The project's efficiency is 91.5% against a target of 90%.

MSME. In 2023, one of the Bank's main tasks was to overcome the consequences of the armed aggression of the Russian Federation, namely:

- financial support to agricultural enterprises for sowing and harvesting;
- increase in lending to other industries other than agriculture, including trade and process industry;
- maintaining the quality of the loan portfolio in the territories controlled by the Government of Ukraine;
- ensuring that MSME customers have access to their accounts regardless of location;
- preservation of funds on current and deposit accounts of customers;
- improving banking services for customers of the micro-, small and medium business segment;
- introducing new banking products and improving existing ones;
- transformation of service processes to improve the quality of banking services in the context of the full-scale war;
- supporting the Ukrainian economy through participation in national and international grant programmes.

In 2023, a number of products and services were introduced for MSME customers, in particular:

- new loan products under the government programme Affordable Loans 5-7-9%;
- joint lending support programmes with regional state administrations;
- government grant support programme for combat veterans and their families;

- the second stage of the lending programme with a grant component, which is fulfilled by the German Government (BMZ) and implemented by the German Federal Company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) through Deutsche Sparkassenstiftung für internationale Kooperation (DSIK) with the support of Entrepreneurship Development Fund;
- the EU4Business for Microbusiness Grant programme for the restoration of microbusinesses' economic activity, which was implemented under the international technical assistance programme "Application and implementation of the EU-Ukraine Association Agreement in the area of trade / EU4Business: competitiveness and internationalisation of SMEs", funded by the German Government and implemented by the German federal company GIZ through the Entrepreneurship Development Fund;
- issuance and use of a cloud-based QES, as well as remote re-issuance of an existing QES to a cloud-based QES;
- ability to sign payments in the mobile version of the remote service system CorpLight;
- functionality of the remote service system CorpLight (SEP4, ISO 20022) and mandatory legislative changes to the forms of payment documents.

The performance of Oschadbank in terms of servicing micro-, small and medium businesses in 2023 was characterised by the following indicators:

- 29.5 thousand representatives of micro-, small and medium business became customers of the bank;
- 4,559 new loans in the amount of UAH 12.8 billion were issued to MSME customers;
- According to the results of 2023, the bank moved from the 4th to the 3rd place in the market of lending to MSME customers, and from the 3rd to the 2nd place in the market of liabilities of MSME customers.

Corporate business. Since the first days of military aggression, Oschadbank's corporate business has been working to ensure the economic security and financial stability of the country. During the year 2023, in cooperation with customers, we focused on tasks related to:

- resumption of corporate lending;
- meeting business demand for financing strategic economy sectors and critical infrastructure enterprises (agriculture, energy, oil and gas, wholesale and retail food trade, and mechanical engineering);
- support for export-oriented businesses;
- participation in government concessional financing programmes;
- participation in government programmes for restoration and provision of housing;
- support for maritime transportation, which has been resumed since the beginning of the Russian Federation's armed aggression against Ukraine.

The corporate businesses also financed projects under the government programme "Affordable Loans 5-7-9%" (including those in combination with government guarantees on a portfolio basis); active cooperation with customers under the Export Credit Agency's (ECA) loan insurance programme continued. In total, corporate businesses entered into loan agreements worth UAH 27 billion during the year.

Customer portfolio. In 2023, the number of active corporate business customers of Oschadbank increased by 225, which constituted an increase of 8% of the existing pool of active customers.

During the war, Oschadbank has set one of its main tasks to contribute to ensuring the country's food security. Since the beginning of the full-scale war, the bank has increased its financing of food retail by almost 3.5 times: agreements worth UAH 1.6 billion were concluded.

In 2023, Oschadbank continued to secure a leading position in the municipality lending market with a share of 61.4% as of 01.01.2024. Since the beginning of the full-scale war, this market has stopped, and in 2023, Oschadbank entered into its first loan agreement with the Zaporizhzhia City Council in the amount of UAH 200 million.

Oschadbank's corporate businesses financed about UAH 5 billion to support the implementation of the government programme eOselia. The financial institution used the funds raised to disburse tranches to partner banks, which were able to continue preferential lending to certain categories of citizens in order to address the housing issue. The loans from Oschadbank covered 25% of the annual funding target for the programme.

Oschadbank has entered into the loan agreement worth USD 60 million with a major agro-industrial holding in order to finance an investment project for building a soybean advanced processing plant. Agriculture and processing industry are among the industries that are the backbone of the Ukrainian economy in terms of production, export earnings, tax revenues and job gains. Therefore, the implementation of investment projects, especially in the field of advanced processing of agricultural products, is extremely important both for maintaining the national economic stability in wartime and for its post-war recovery. The transaction was approved by the Vice

Prime Minister of Ukraine Yuliia Svyrydenko, and the customer expressed his gratitude for the professionalism of Oschadbank's corporate business team.

As the result of UAH 360 million financed by Oschadbank, another agro-industrial company (with a significant market share in Europe and the world before the full-scale war) received working capital that would allow it to restore its production facilities destroyed by the Russian military invasion and reach pre-war sales of products. Financial support was provided through the government programme "Affordable Loans 5-7-9%" and the government guarantee programme.

New products and services. The first financial leasing agreement was signed with a Ukrainian company for the purchase of Liebherr loading and unloading equipment worth more than EUR 5 million. As part of this agreement, a trilateral agreement was concluded between Oschadbank, the lessee company and LIEBHERR, a global leader in the manufacture of loading and unloading equipment. The project will help to increase the capacity of export and import transportation. This is extremely important for the country's economic potential, taking into account the Russian aggressor's attempts to block or destroy the logistics arteries connecting Ukraine to the world. Oschadbank was the first bank in the market to open escrow accounts in euros for non-resident companies that planned to participate in auctions for the allocation of access to cross-border transmission capacity held on the auction platform of NPC Ukrenergo.

In terms of the possibility of opening escrow accounts and connecting to the remote service system under an agreement for full package of banking services, taking into account amendments to legislation:

- BS "Escrow for Allocation Auctions" has been modified
- BS "Escrow for Exchange Trades" has been modified
- BS "Escrow for Energy Market" has been modified

There is positive dynamics in the standardisation of corporate customer services in terms of transferring customers to services under a public agreement for full package of banking services.

Payments for natural gas were made in accordance with the Regulation on Imposing Public Service Obligations on Natural Gas Market Entities both directly to the account of Gas Supply Company Naftogaz Trading LLC under the trilateral debit transfer agreements and under agreements on transferring funds to accounts with the State Treasury of Ukraine for further distribution.

Partnership. Oschadbank and the Korean government agency KIND signed a memorandum on cooperation in economic recovery and development of Ukraine.

A mechanism for insuring military risks in the transportation of goods by sea was developed in cooperation with the Ministry of Economy of Ukraine, the Ministry of Finance of Ukraine and the National Bank of Ukraine.

Institutional capacity. Oschadbank was given a guarantor bank's status to ensure that legal entities fulfil their obligations to the customs authorities in accordance with the requirements of the Customs Code of Ukraine.

Oschadbank's corporate business team was strengthened by recruiting highly qualified specialists for the following positions: Deputy Director of the Department in charge of business development; Head of Structured Trade Finance Division; General Manager in charge of communication policy and stakeholder relations at CBD.

A simplified procedure for servicing legal entities during martial law has been introduced.

Conditions for connecting new accounts/users to the remote service system Corp2 have been simplified.

NPL management. In 2023, Oschadbank made every effort to reduce the volume of non-performing assets in the context of martial law.

In February 2023, following the results of an electronic auction, for the first time Oschadbank sold the right of claim under a pool of consumer loan agreements concluded from 1992 to 2019 inclusive (42,601 agreements with a total debt of UAH 164.99 million). The sale was carried out on the basis of a Dutch auction for UAH 6.3 million, or almost 4% of the total gross book value of assets, which was significantly higher than previously expected and much higher than the ratio of sale prices of similar assets by the Deposit Guarantee Fund even in pre-war 2021 (0.7%).

One of Oschadbank's significant achievements in the NPA management is the cancellation of distressed debt recognition for the assets of some borrowers belonging to large business with the subsequent transfer of their servicing agreements to the Corporate Business Department, which resulted in the reduction of non-performing assets by the equivalent of UAH 2,855 million.

Additionally, it should be noted that as the result of the professional actions of Oschadbank's employees, the resolution of the Northern Commercial Court of Appeal dated 11.05.2023 in case No 910/19364/21 upheld the appeal of Oschadbank and invalidated decision of the ACU No 506-p dated 16.09.2021 to impose a fine of UAH 13.88 million on Oschadbank for the violation set out in clause 12 of Article 50 of the Law of Ukraine On the Protection of Economic Competition. The ACU insisted that Oschadbank had carried out economic concentration

in the form of acquiring ownership of the debtor's real estate (in the enforcement proceedings) as an integral property complex without obtaining its permission. On 07.12.2023, Oschadbank received a full refund of the fine paid. Oschadbank, together with the National Association of Banks of Ukraine, actively participated in the development of amendments to the antimonopoly legislation on the recovery of collateral in order to prevent any discrepancies in the application of legal provisions, which could have led to numerous misunderstandings between the ACU and banks in the future. The updated legislation shall come into force in 2024.

In 2023, after the French Supreme Court satisfied, in December 2022, Oschadbank's claims for compensation of losses incurred as a result of the ARC's annexation by Russia, the bank took measures to recognise and enforce the arbitral award in foreign jurisdictions: USA: a petition was filed with the federal U.S. District Court for the District of Columbia for the recognition of the arbitral award; UK: a petition was filed with the High Court of Justice (England and Wales) for the recognition and enforcement of the arbitral award in the UK, an ex parte order was obtained against the rf allowing its enforcement, the procedure for its servicing on the rf was initiated, and work is underway to find alternative ways to enforce the arbitral award.

Another achievement was that in 2023 Oschadbank's Debt Restructuring and Recovery Department was recognised as the best legal department in Ukraine for dealing with distressed debts for the fifth consecutive year (according to the annual forum of legal advisers organised by Yurydychna Praktyka (Legal Practice), a publishing company).

In terms of **cooperation with international financial institutions**, the bank worked to increase the limit of the guaranteed loan portfolio under the Guarantee Mechanism Agreement allocated by the EIF to Oschadbank by an additional EUR 25 million, which will help expand financing for MSME. An additional agreement was concluded in early 2023.

The bank pays considerable attention to the transparency of its activities to international partners and contractors, therefore only globally recognised audit firms are involved in the audit of its financial statements.

During 2023, Oschadbank continued to develop the field of **information technology**, in particular:

- the monitoring information system Zabbix was put into productive operation. It has been configured and integrated with the existing remote media content management system LG SuperSign CMS to monitor the availability of TV panels in branches. We continue to develop our monitoring information systems.
- implementation of outsourced support for user workstations was completed;
- the international standard ISO 20022 was introduced, namely the transition to a new generation of the NBU Electronic Payment System (SEP-4.0) was conducted;
- the function of a settlement bank under the government programme eRecovery was performed;
- the ORACLE ABS Database Management System was upgraded to version 19;
- the ABS architecture was optimised by implementing database housekeeping and transferring analytical processes that negatively affect the time of operational processes to the bank's analytical system, and the current ABS architecture was updated to a microservice architecture to expand services and customer service capabilities in terms of: "IPS Online": transfer of processing of IPS payments from file exchange to OnLine; "API Creation" (a set of APIs for the basic functionality of the core of ABS MMFO by the blocks "Customers", "Accounts", "Payments", "End-to-End Service" (without cashless transactions)): ability to perform certain transactions of legal entities and individuals regardless of the regional directorate that opened the account;
- interaction of the bank's information systems with the services of State Enterprise NAIS, namely the Unified Register of Debtors and the Automated Enforcement System, was introduced;
- processes for managing and controlling cash flows, calculated and set limits, including ATM loading limits, were automated;
- EDMS ASKOD software was implemented, which ensured centralised management and control over the registration and execution of resolutions of incoming and outgoing correspondence (including citizens' appeals and responses thereto), regulatory and administrative documents (orders and instructions); transfer of the bank's internal correspondence to a unified system (office memos); conduct of all preliminary stages of review and approval of internal regulatory documents in a unified system (instructions, methodologies, regulations, etc.) before their approval by a regulatory and administrative document; maintenance of the nomenclature in the EDMS; maintenance of an archive of registration cards with electronic documents and generation of relevant supporting documents; generation of statistical reports.

In the activities of **Treasury**:

- within the framework of management accounting, the treasury was identified as a business unit and the treasury's performance was calculated not only on the basis of accounting, but also on the basis of transfer pricing;

- the purchase/sale of domestic government bonds within the brokerage activities was optimised, as a result of which about 40% of all processed customer orders within the primary dealer's functions were carried out through brokerage activities; at the same time, the income from brokerage activities in the secondary market amounted to about 3% of the total income from the purchase/sale of domestic government bonds;
- following the full launch of Direct Dealing Unit for customers at the end of 2022, in 2023, the bank managed to increase revenues from the purchase and sale and exchange of non-cash foreign currency by 35% compared to 2022, and the number of new customers in 2023 increased by 27%.

The main risks of Oschadbank's activities in 2023 under wartime conditions were operational and credit risks, which threatened the bank's ability to ensure business continuity.

The active phase of military activities, temporary occupation of certain territories, loss and temporary relocation of personnel, attacks on critical infrastructure, threat of energy blockade, blackout, blockade of sea export routes – all these factors threatened the continuity of the bank's operations, physical safety of personnel, security of operating systems, availability of banking services to the population and companies of Ukraine, financial support for priority economy sectors and critical infrastructure enterprises.

However, the measures taken by the bank minimised such risks and created conditions for a quick recovery.

Oschadbank has ensured an effective system of physical security of personnel, including the procedures for relocation and evacuation of personnel, security of operating systems, including the use of backup data processing centres and cloud solutions. Cyber security measures were strengthened.

The bank ensured continuous efficient operation of the management function and critical business processes, restoration of the branch network in the de-occupied territories of Ukraine and continuous operation of the network as a whole, including ATMs and remote customer service channels.

Oschadbank fully complied with item 8 of NBU Resolution No 23 of 25.02.2022 "On Certain Issues of Activity of Banks and Banking Groups" in terms of ensuring the business continuity of the banking system of Ukraine during martial law.

The bank is also working to recover losses by the aggressor. To this end, information on economic losses as a result of hostilities, terrorist acts, sabotage caused by the military aggression of the Russian Federation against Ukraine is documented, recorded, accounted for and stored; information on the losses incurred is accumulated; strategies for protecting the bank's interests in courts are being developed.

At the initiative of the National Bank of Ukraine, the **Power Banking** project was created, and Oschadbank engaged 450 institutions (37% of the network) to that project. The project is very important because it gives customers confidence that they will not be left without banking services even in case of blackout.

5.2. Results of the 2023 year

As of 31 December 2023, Oschadbank is a universal systemically important bank of Ukraine. The Bank is sufficiently capitalised and ensures profitable activity, as well as complies with NBU requirements.

Oschadbank consistently holds the second position in the market in terms of net assets, customer accounts and equity, while ranking first in the retail deposit portfolio with a market share of 22%.

Oschadbank has a balanced structure of assets, ensures a sufficient level of liquidity to fulfil all obligations and carries out effective management of the balance sheet taking into account risks inherent in the national economy.

As of 01.01.2024, Oschadbank's assets amounted to UAH 346.5 billion and increased by UAH 77.3 billion, or 29%, in 2023, and have the following structure:

- cash and cash equivalents: 19% (increased by UAH 37.5 billion or 2.3 times over the year), amounting to UAH 65.9 billion as of 01.01.2024;
- loans and advances to customers: 26% (increased by UAH 5.9 billion or by 7% over the year), amounting to UAH 89.1 billion as of 01.01.2024;
- investments in securities: 50% (increased by UAH 30.1 billion or by 21% over the year), amounting to UAH 173.4 billion as of 01.01.2024;
- fixed and intangible assets: 4% (increased by UAH 4.0 billion or by 47% over the year), amounting to UAH 12.7 billion as of 01.01.2024.

During the year, the currency component of the structure of the bank's assets changed: share of assets in UAH (80%) increased by 3 p.p., in USD (16%) decreased by 3 p.p., and in EUR (4%) remained unchanged. The most significant positive changes in the structure of assets and liabilities were as follows:

- in assets: an increase in the investment portfolio by UAH 30.1 billion or 21.0%, and an increase in the loan portfolio by UAH 5.9 billion or 7.1%;

- in liabilities: an increase in funds raised from customer accounts by UAH 69.0 billion or 29%.

A significant portion of Oschadbank's assets is represented by the securities portfolio, which provides for a high level of secondary liquidity and hedges against exchange rate fluctuations.

In the reporting year 2023, Oschadbank maintained its profitable operations and received a record-breaking **profit of UAH 5,976.5 million**, an increase of UAH 5,338.1 million year-on-year.

In general, Oschadbank's net interest income increased by 25% **to UAH 18.7 billion**, compared to 2022, primarily due to an increase in the volume of funds on customer accounts, which allowed the bank to increase its net loan and investment portfolio.

Net fee and commission income amounted to UAH 6.6 billion at the end of the reporting year 2023 and increased by UAH 0.7 billion, or 12%, year-on-year.

In the reporting year, the bank released provisions for expected credit losses on interest-bearing assets in the amount of UAH 1.4 billion, while in 2022 the Bank created the corresponding provisions in the amount of UAH 11.0 billion. The main reason for the release of provisions was an improvement in the quality of the loan portfolio due to repayment of debt for individual NPA borrowers and a certain improvement (compared to the end of 2022) in expectations of macroeconomic development, which was reflected in the stabilisation of the provision coverage level.

In 2023, the bank's operating expenses amounted to UAH 15.1 billion, with an increase in the reporting period of +UAH 0.5 billion or +3.3%, of which UAH 0.25 billion was due to an increase in the DGF expenses.

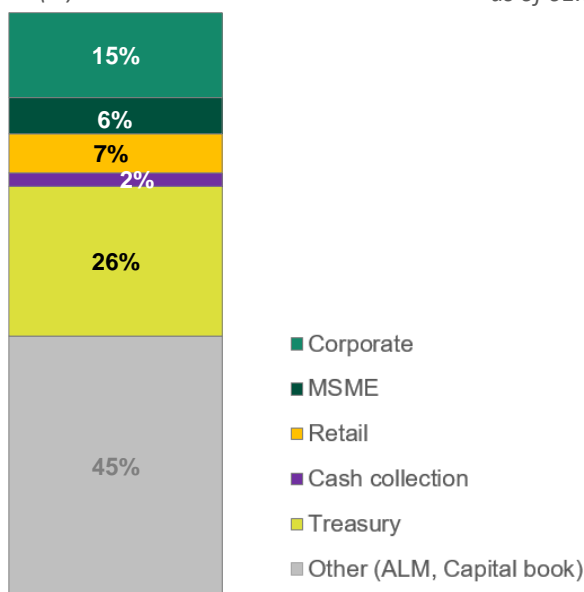
In 2023, Oschadbank transferred part of its net profit to the State Budget for the payment of dividends in the amount of UAH 192 million and UAH 96 million of the related advance payment of income tax. In February 2024, the bank made an advance transfer to the State Budget of Ukraine of part of its profit allocated to the payment of dividends based on the forecast results of operations in 2023 in accordance with Resolution of the Cabinet of Ministers of Ukraine No 129 dated 9 February 2024 "On Approval of the Basic Regulatory Requirement for Partial Profit Contribution by Business Entities with Corporate Rights of the State in their Statutory Fund to Pay Dividends Based on Their Performance in 2023" in the amount of UAH 692 million.

Development of a modern automated management accounting system. As part of the next stage of building a comprehensive management reporting system, the MAS II Advanced Approach programme, new business segments were identified and relevant management reporting on their profitability was prepared based on the transfer pricing system. In 2023, the calculation of the Level II Contribution Margin Scheme – Branch, Product, Customer was implemented, and detailed management reporting on management accounting objects was built, as well as calculations of allocation of capital costs and cost of risk were automated. The implemented tools enable analysis by components of carrying value, by retail business finance, behaviour and segments of activity, as well as by corporate and MSME business sectors, and allow us to analyse ways of increasing profitability of individual products, customers and customer groups.

According to the bank's management accounting system:

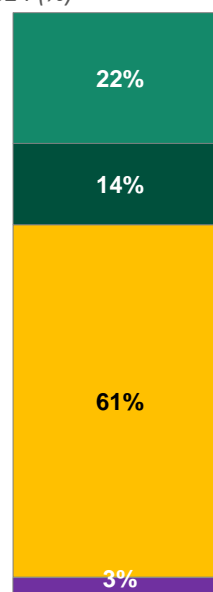
Breakdown of assets by segment

as of 01.01.2024 (%)



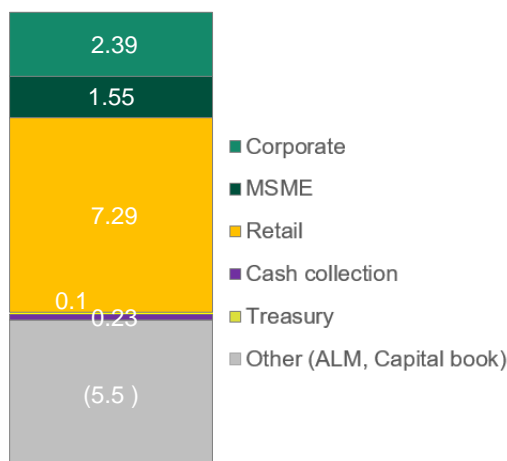
Breakdown of liabilities by segment

as of 01.01.2024 (%)



Breakdown of net profit by segment

for 2023, UAH billion



The MAS III Further Development programme, as the next stage in the implementation of a full-fledged management accounting model at Oschadbank, aims at building quantitative business performance indicators, automating the generation of IFRS_8 financial statement notes, calculating the fulfilment of targets and analysing competitor banks. Moving to Cognos BI version 11 with powerful analytical tools and building an automated process to support the generation of management reports will ensure a sustainable comprehensive assessment of business units, provide levers for operational profitability management and contribute to implementing strategic objectives.

Retail business. In 2023, the net loan portfolio of individuals increased by UAH 3.5 billion or 30%, while the banking system grew by 19%.

It should be noted that from Q3 2022, Oschadbank has been gradually resuming lending to individuals and, according to the results of 2023, became the main bank in Ukraine during martial law that provided mortgages and car loans (market shares of 44% and 54% in 2023, respectively). This enabled the bank to rank third in the market by this indicator, up from fourth in 2022.

The government mortgage programme e-Housing (eOselia) was supported. Oschadbank is a leader in eOselia loans. In 2023, 2,406 loans were issued for a total amount of UAH 3,685 million.

The balances on individual accounts at the end of the year amounted to UAH 189 billion. Oschadbank ranks first in the retail deposit market, which demonstrates the confidence of citizens. At the same time, the Bank is consistently diversifying the structure of funds acquired from individuals in the direction of reducing the share of funds in foreign currencies.

Marketing: As a result of the launch of the "MY" communication platform and integrated multichannel communication, the bank managed not only to stop the decline in spontaneous knowledge but also to increase spontaneous knowledge by +3 p.p. It is important to note that the key indicators (advertising vision, brand awareness, key message understanding) of Oschad's TV videos are significantly higher than the market average, which indicates a high level of creativity. As a result of digital promotion, the advertisement recall increased by +13.2% (market benchmark 6.02%), the likelihood of choosing Oschadbank among competitors increased by +2.5%, and the positive attitude towards Oschadbank increased by +2.5%. For the first time, the BRAND LIFT 2.0 tool was used, which allowed us to measure the effectiveness of advertising after viewing. The largest digital campaign in Oschadbank's history was launched.

MSME. The Bank pays constant attention to providing services to MSME. In 2023, 29.5 thousand new customers were attracted for servicing. The loan portfolio (principal debt) for MSME customers increased by UAH 4.6 billion (27.0%) in 2023. The loan portfolio growth was facilitated, among other things, by the bank's participation in the implementation of government business support programmes. Oschadbank is one of the leaders in lending under the government programme "Affordable Loans 5-7-9%".

Oschadbank is a provider of government grant programmes (micro-grants for starting a business, grants to processing companies, grants to agricultural customers, grants for greenhouse farming, grants to war veterans and their families). During the period of implementation of such programmes, the bank processed more than 40,000 grant applications (more than 2,000 applications per month), and more than 11,000 customers received grants. The amount of grants paid is UAH 7.9 billion.

In addition to government grants, in 2023, the bank successfully implemented a loan programme with a grant component from the German federal company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Deutsche Sparkassenstiftung für internationale Kooperation (DSIK), under which 58 MSME customers received grants totalling UAH 29.5 million with funding from the German government and support from the EDF.

In addition, in 2023, the bank implemented the micro-grant programme from the EU, GIZ and the EDF, under which 370 customers from the de-occupied territories and territories affected by the armed aggression of the Russian Federation received business support grants totalling UAH 57.9 million.

In the area of lending to MSMEs, Oschadbank continues to cooperate with international organisations (European Investment Bank, European Investment Fund, Entrepreneurship Development Fund, WNISEF). In 2023, an agreement was reached to increase the guarantee agreement limit within the framework of the implementing the joint Deep and Comprehensive Free Trade Agreement (DCFTA) under the Eastern Initiative, Phase 1 (guarantee facility) between the European Investment Bank, the European Investment Fund and Oschadbank to EUR 100 million. The main purpose of this guarantee agreement is to facilitate access to bank financing for micro-, small and medium-sized businesses by reducing the bank's requirements for collateral provided by the borrower under a bank loan, since 70% of the collateral for such a loan is guaranteed by the European Investment Bank.

In 2023, Oschadbank continued to expand the range of partnership programmes for the purchase of agricultural machinery and equipment. As of the end of the year, the bank cooperates with more than 300 partners. The loan portfolio under partnership programmes exceeded UAH 4 billion.

In 2023, the balances of MSME customers' funds increased by 22%, or by UAH 8.1 billion, and amounted to UAH 44 billion at the end of the year, allowing the Bank to significantly strengthen its position for customer account balances in the segment.

Corporate business. Throughout the year, the bank continued to finance strategically important economy sectors and critical infrastructure enterprises: agriculture, oil and gas, mechanical engineering, food wholesale and retail, and financial services.

Oschadbank ranks first in the market for financing municipalities and the energy sector, ranks second for financing wholesale trade, and ranks third for financing retailers.

In 2023, the corporate business managed to maintain its loan portfolio despite the overall decline in the corporate portfolio of banks (-1.2% according to the NBU) and a decrease in the total volume of the lending market by UAH 61 billion (excluding loans under the Affordable Loans 5-7-9% programme). As of 01.01.2024, the corporate loan portfolio by principal amounted to UAH 55.2 billion. In the reporting year, Oschadbank entered into loan agreements with companies in the large corporate business segment for the amount of more than UAH 27 billion. The share of the loan portfolio of Corporate Business Department is 57% of the total working loans.

The annual growth of attracted funds from customers and counterparties of corporate business was 131% for the year, with an average market growth rate of 40%. At the same time, the annual growth of funds of large corporate customers alone amounted to UAH 37.6 billion, which was higher than the growth of funds of the total portfolio of legal entities of almost all other banks in the market. The amount of funds raised by Corporate Business Department as of 01.01.2024 is almost UAH 67 billion. Over the year, the department doubled its share of the bank's total funds raised from 12% to 22%.

NPL management. In 2023, Oschadbank actively continued to work with non-performing assets and, despite the difficult situation in the country, made every effort to reduce the level and volume of non-performing assets, as well as to reach the target set out in the Business Plan in terms of NPA debt settlement.

It should be noted that despite the current operating environment and legislative restrictions on debt settlement during the period of martial law in Ukraine, in 2023, the bank managed to meet the target for repayment of NPA debt in full: the actual amount of funds/property received as debt repayment amounted to equivalent of UAH 2,507 thousand (percentage of target fulfilment in accordance with the bank's business plan for 2023 was 141%, percentage of operational plan fulfilment was 99%). In addition, Oschadbank continued to apply such measures to reduce the volume of non-performing assets as putting property on the books as debt repayments, restructuring, stand still, sale/assignment of rights of claims under asset transactions, debt write-offs at the expense of provisions, etc. and continued to actively work on the sale of foreclosed property.

During 2023, Oschadbank put on its books the real estate located in Rivne and Kyiv for the amount of UAH 125 million and sold foreclosed property for the amount of UAH 169.7 million (carrying value of the sold property is UAH 96 million), including through the sale of a complex of buildings and structures of the canning plant at an electronic auction, together with a land plot worth UAH 12.82 million by means of financial leasing (contract amount is UAH 13.07 million, 7 years term). Income from lease of the property reflected on the bank's balance sheet in 2023 amounted to UAH 8.1 million, including VAT.

In 2023, Oschadbank continued to apply financial restructuring (for LCB assets in the amount of UAH 51.3 million), as well as other types of restructuring: by LCB assets in the amount of UAH 1,894 million, by RB assets in the amount of UAH 13.7 million (an additional decision was made for "stand still" in the amount of UAH 0.2 million), by MSME assets on stand still terms in the amount of UAH 12.8 million.

In 2023, the debt for 3,763 assets in the amount of UAH 107.5 million was written off at the expense of provisions, including UAH 27.4 million for legal entities' assets, UAH 75.9 million for individuals' assets and UAH 4.2 million for receivables.

5.3. Prospects of further development

The Russia's full-scale invasion of Ukraine has dramatically changed all spheres of the country's life. Active hostilities lead to the destruction of infrastructure and production facilities, the breakdown of technological links between regions, the death of citizens and a significant increase in forced migration.

The management personnel focuses on supporting stable operations of the bank in the current circumstances. The bank, as a critical infrastructure facility, is included in the list of authorised banks that operate in special period conditions.

The Supervisory Board, Management Board and specialised committees of the Bank continue to perform their functions. The bank has taken measures to relocate staff and arrange safe work condition using remote access to the IT resources.

In martial law, the work ensuring a sufficient amount of liquidity has been enhanced in order to provide timely service to corporate and retail customers. On an ongoing basis, damage/losses to the bank's property due to the military aggression are monitored, and losses due to the financial position deterioration / termination of operation of Oschadbank's counterparties are assessed and forecast.

Currently, the Bank operates within the existing business model and developed plans for ensuring business continuity.

Key areas of **retail business** development:

- development of inclusiveness of financial services and accessibility of services;
- OschadPAY for accepting payments in a smartphone with NFC using TapToPhone technology;
- services in **POS terminals**: DCC, Partial Approval, transfer of the payer's PAR to the merchant's cash desk, cash withdrawal/replenishment transactions, tips to any waiter's card.
- **Internet acquiring**: processing of transactions with VTS/M4M tokens and Click to Pay wallets, mobile SDK, payments in messengers (Telegram/Viber), processing of transactions via Cybersource, monitoring by the Webshield web crawler;
- use of customer experience to change/improve the bank's processes/products and expand the influence of the customer's voice;
- digitalisation;
- lending;
- use of customer experience to improve processes and products;
- development of premium and affluent service models;
- retention of liabilities;
- revenue increase;
- synergy of businesses within the framework of the memorandum on cooperation between CB, MSME and RB.
- development of investment services for premium and private customers.

Oschadbank will continue to transform the MSME customer service model in order to improve efficiency, ensure sustainable growth and further improvement of the quality of service, and will strengthen its position in the MSME market as a universal bank and a leader of innovation and satisfaction of micro-, small and medium businesses.

At the same time, the Bank will focus on:

- active growth of the MSME loan portfolio;
- automation and digitalisation of products, services and processes;
- changing the bank's marketing positioning in its relations with MSME customers (from a bank that provides a full range of services to MSME customers to a bank that cooperates with international financial institutions and regional government organisations to support MSME customers);
- maintaining a low share of distressed loan debts of MSME customers in the controlled territory of Ukraine.

As the result of 2024 (taking into account the hostilities in Ukraine), the bank plans to increase its loan portfolio of MSME customers by 15-20%, as well as to increase liabilities by 5-7% compared to the beginning of the year. In addition, fee and commission income from operations with MSME customers is expected to increase in 2024, due to the recovery of customers' business activity.

In order to further ensure the growth of business indicators in the area of **MSME customer** servicing, a number of measures are envisaged in 2024.

In terms of lending to MSME customers:

- continuing work within the framework of cooperation with the Entrepreneurship Development Fund, including under the programme Affordable Loans 5-7-9%, European Investment Bank, European Investment Fund and Deutsche Sparkassenstiftung für internationale Kooperation;
- revision of the terms and conditions of existing loan products in order to expand the number of potential MSME customers;

- optimisation of lending processes to ensure faster decision-making on lending;
- further development of the micro-lending programme;
- development of a platform for submitting online loan applications OschadBusiness;

In terms of cash and settlement services for MSME customers:

- further improvement of remote service channels;
- implementation of remote opening of current accounts for MSME customers;
- improvement of the process of connection to settlement and cash service products;
- provision of cross-sales of bank products to MSME customers for the purpose of their attraction for complex servicing and increase in average fee and commission income per customer.

In terms of expanding the functionality of the remote account service system CorpLight:

- implementation of a cloud-based qualified electronic signature;
- remote request for credit line tranches;
- conducting transactions from corporate plastic card accounts;
- introducing a module of feedback and correspondence with the bank;
- implementation of Push notifications.

Corporate business. For 2024, analysts predict a further decline in lending in the corporate business segment and a trend towards attracting liabilities. At the same time, Oschadbank's corporate business will continue to cooperate with the relevant ministries to develop lending programmes for priority economy sectors of the country: defence industry, municipalities, and large investment projects. The bank will also continue to work on expanding the range of international partners to support and develop Ukrainian entrepreneurship.

Oschadbank's leading position (which is planned to be maintained throughout 2024) in financing electricity generation and distribution companies, municipalities, agricultural producers, processing industry and retail chains is also one of the factors behind the plan to increase the bank's loan portfolio in 2024. According to the planned model, the corporate loan portfolio is expected to grow by 16% over the year, primarily by financing critical economy sectors and the defence industry to improve the country's defence capabilities.

In addition, the following initiatives are planned for 2024:

- Support for the country's defence capability by financing state-owned and commercial enterprises operating in this field;
- Financing priority economy sectors and critical infrastructure enterprises (agriculture, energy, oil and gas, food wholesale and retail, and mechanical engineering);
- strengthening its position in cooperation with municipalities;
- expanding cooperation with international partners;
- development of a new Factoring product and obtaining the relevant permit from the NBU;
- increasing the portfolio volume under the Financial Leasing product;
- implementation of the remote customer identification and verification, video verification of legal entities' representatives;
- expanding the list of API services for customers.

To strengthen the department's ability to attract and retain private sector customers, increase the share of non-credit income, and improve the quality of customer service, the bank plans to transform Corporate Banking Department in 2024.

When managing non-performing assets and foreclosed property, Oschadbank continues to work to reduce the amount of non-performing assets and foreclosed property in the context of martial law and extension of legislative restrictions on the use of a number of debt settlement instruments, in particular:

- claim-related work is carried out on assets recognised as non-performing (for which there are no legislative restrictions on debt recovery); participation in the appointed court sessions, including in video conference mode, is ensured;
- communication with borrowers cooperating with the bank is maintained in order to monitor their business operation and the status of preservation of collateral, as well as to resume payments on obligations to the bank;
- restructuring instruments, including financial restructuring of debt in accordance with the Law of Ukraine *On Financial Restructuring*, are used, while for the period of martial law, when it is impossible to reliably forecast the long-term cash flow available to creditors, the short-term restructuring instrument or stand still, which provides for partial repayment of debt to the bank during its validity period, may be applied to debtors as an interim settlement instrument. Among other things, the bank is working on automation of the programme for restructuring distressed debts of individuals on bank payment cards, in particular by engaging contractors and the Oschadbank's Contact Centre;
- it is planned to continue the work on auctioning (in accordance with the Dutch auction principle) the rights of claim under asset transactions of both individuals and legal entities;

- cooperation with collection companies to settle outstanding unsecured retail loans and unauthorised overdrafts of individuals continues;
- debt write-off procedures are being carried out against provisions;
- active work is being done to find buyers for foreclosed property (except for the property that is located in the immediate vicinity of the zone of active hostilities).

In terms of **Treasury's** activities, the following is planned:

- participation in the approval of business requirements for the refinement of Oschad 24/7 remote access system and/or Diia to automate the process of buying and selling domestic government bonds in the secondary market;
- participation in the project of managing the organisation of work with premium customers to introduce investment research services;
- resumption of the Bank's activities in the interbank market in terms of REPO transactions, Interbank lending operations, expansion of the list of services provided by the bank within the treasury products, in particular, the introduction of transactions with "currency swap" customers.

The main tasks of the bank's **operational activities** during martial law:

- in cooperation with the National Bank of Ukraine, to fulfill the project of implementing instant transfers in the NBU Electronic Payment System (SEP-4) based on the international standard for exchange of payment messages in 24/7 mode ISO 20022.

Key areas of **the project activities** in 2024 are as follows:

- further trial operation of the Bank's Tariffs module in the personal account, which provides access to up-to-date information on tariffs and services;
- work on the technical implementation of the transition to electronic document management and the complete abandonment of paper-based branch daily accounting records, their transmission and further storage in archival institutions, as well as the processing of product and cash documents for retail customers with a physical presence in a branch by imposing a "digital handwritten signature" (DHS) using a touchscreen device and ensuring remote signing off on documents by customers in the Oschad 24/7 mobile application;
- further testing of the Oschadbank Network functionality for maintaining operational reporting on the Bank's network;
- automation of the process of approving draft financial and business contracts and financial orders;
- automation of the processes of applying for and using leave;
- technical support of the maintenance of the Register of Parties Related to Oschadbank for dealing with insiders;
- automation of the process of buying and selling securities in the bank that allow customers to buy securities through Oschad 24/7 mobile application and DIA;
- further testing of the system of utility payments by individuals through Oschad 24/7 (Payment service);
- further implementation of technical solutions based on the Bars.AML module, which ensures compliance with the requirements of the currency legislation of Ukraine and fulfilment of the requirements of the Ukrainian legislation on financial monitoring;
- further technical development of the Payment Firewall software used to perform verification of whether a customer is included on sanctions or other restrictive lists;
- further trial operation of the mechanism of requests for inheritance cases under accounts (deposits) of deceased account (deposit) holders created by notaries and processed by Oschadbank, in particular by using the portal for servicing counterparties and the infrastructure of personal accounts.

A number of measures are taken to achieve these goals, which will contribute to the effective and prompt performance of high-priority tasks due to constant interaction with contractors and the effective work of operational units.

In terms of business continuity, implementation of previously approved strategic projects and work with all structural units to improve existing internal processes of Oschadbank continues.

In relations with IFIs and other foreign counterparties, the bank will take measures to ensure the largest possible amount of financial and/or other support for the bank, as well as its customers from priority sectors of the Ukrainian economy. Appropriate support may include guarantee lines, targeted lending programmes, in particular with an element of donor assistance, risk sharing programmes, technical assistance programmes, etc.

Key areas of **personnel** development:

- preservation of jobs, timely provision of staff for the bank's units and business verticals;
- staff performance management, scaling up performance appraisal;
- development of a fair remuneration system;
- development and implementation of leadership development programmes and talent pool management;

- supporting mental health of staff and creating a culture of care for mental health;
- systematic training in the area of inclusive services, both through training and distance learning;
- adaptation and socialisation of veterans who are the bank's employees;
- employer brand development;
- automation of military enlistment and recruitment processes;
- implementation and maintenance of optimal HR administration processes in line with the bank's wartime objectives.

6. Key resources of the Bank

6.1. Human capital

Oschadbank is one of the three major employers in the banking sector, so complex work aimed at preserving the workforce, its development, support, motivation, involvement, and care for personnel has been and remains a priority area.

In general, the Bank's team has skilfully adapted to new conditions, changes and challenges caused by the martial law. During 2023, human resources management processes became more well-planned and predictive in their nature, were controllable and capable of quickly responding to new challenges or threats, flexible.

Thus, the Bank and primarily the network of branches during the second year of the war were well-resourced with personnel having necessary qualifications, necessary work experience in the right place, contributing to the maintenance of business continuity and awareness of the role and importance of the Oschadbank as a systemically important bank for the country's economy.

Accordingly, the results for the previous year are predictable, namely:

- The staffing level, cumulatively, decreased by 6% compared to 20% in 2022.
- Average annual staff turnover rate decreased compared to the previous period and amounted to 15%.

Centralization, changes in structure, liquidation of Bank units are among the main factors of the reduction of personnel. During the year, 7 independent structural units of the Bank have undergone changes

Human Resources Department closed 82% of applications for personnel recruitment in order to close vacancies.

It should be noted that starting from 2022, internal candidates have been more prioritized for closing vacancies.

During the year, 58% of management positions in the Bank were filled due to internal personnel reserve.

For new employees who are involved in the work of the Team, a "Newcomer Package" was introduced in order to motivate and inspire them to work at Oschadbank, which is perceived quite positively.

As for the employee profile of Oschadbank, it can be noted that it did not undergo significant changes in 2023, as well as the gender distribution of employees. As of the end of the year, the Bank employed 72% women and 28% men. The average profile is as follows:



Starting from 2019 - 2020, the trend towards younger personnel has been evident and continues to dominate. Currently, the largest percentage of Oschadbank's personnel, namely 34%, are young people aged 31- 40, of whom 31% hold senior positions at various levels.

It should be noted that the Bank is also a reliable employer and fulfils its social role for privileged categories of employees (there are 34% of such employees at the Bank). These categories include single mothers/fathers, guardians, adoptive parents, disabled people, widows/widowers, employees on maternity leave, mobilized employees, participants in hostilities and persons who have 10 or less years left before the retirement on pension. Their labor rights are protected by the State. For years in a row Oschadbank has been complying with and even exceeding the quota for employing people with disabilities. Thus, the average registered number of employees with disabilities as defined by current legislation for 2023 in the system of Oschadbank amounts to 754 persons, which is 13% more than the stipulated mandatory quota.

In order to introduce a conscious and high-quality organization of an inclusive work environment, the Bank joined "RAZOM" National Network (an association of businesses created by the Confederation of Employers of Ukraine with the aim of joining efforts to promote the employment of persons with disabilities).

At the same time, the category of employees including mobilized, demobilized persons and participants in combat operations is expanding in the Bank's personnel structure. The Bank ensures job security for mobilized employees, material and psychological support for military families.

The "No Barriers" Program has been developed for the purpose of adaptation and socialization of demobilized employees. It covers the following areas:

- medical
- psychological
- social
- educational

It was within the framework of this Program that a two-day pilot training was held for managers of actually demobilized employees with the status of combat operations participant in cooperation with a psychologist specializing in restoring emotional health.

In addition, Oschadbank is open to employment of veterans. As part of the interaction with Veteran Hub, a Memorandum on interaction and cooperation was signed within the framework of "HR Practice" Project with the aim of creating and developing the strategy "Oschad is a Veteran-Friendly Bank", creating prospects and conditions for employment of veterans, as well as further provision of social protection by the Bank, psychosocial adaptation, professional support and legal assistance to veteran employees and their families.

On a par with current challenges, Oschadbank also pays considerable attention to the productivity and efficiency of personnel. In order to ensure the possibility of determining the contribution of each employee in accordance with the general goals and objectives of the Bank, the Performance Appraisal Management System was implemented in 2023. A pilot project was successfully conducted, within which the goals of 743 Bank managers of various levels were approved.

The Performance Appraisal Management System of the Bank's employees provides for the comprehensive objective assessment of employees' performance, their contribution to the overall results of the structural unit and the Bank, as well as determines the impact of personal performance on the employee's financial incentives.

Performance Management is a fundamental process of continuous management and performance improvement that supports the Bank's Business Strategy, long-term goals and values, ensures addressing risk issues and includes measures to avoid conflict of interest.

At the same time, Personnel Training, Evaluation and Development System provides employees with the required level of professional knowledge and skills on an ongoing basis and, accordingly, provides the Bank with labor resources possessing required qualifications.

According to the approved calendar plan for personnel training and development for 2023, the following was carried out on an ongoing basis:

- basic training of employees of TSOBBs (newly hired, transferred, employees who came off maternity leave). Thus, 1728 employees took part in procedural and product training during the year, 2098 employees participated in general training;
- special trainings for TSOBB employees with the aim of boosting the level of professional skills (3317 participants);
- a 6-module program for the training of curators of retail businesses, micro, small and medium-sized businesses and of premium customer service area was introduced. During the year, 231 curator participated in three educational modules;
- Premium Managers Development Program was introduced, and competence development trainings and Practice Club were held within it Total number of Premium Managers Development Program participants amounted to 86.

The Bank is also implementing a Corporate Barrier-Free Communication Program, in particular, Servicing Standards for people with disabilities, functional impairments and persons with combat experience have been developed. The implementation of the new standards was carried out through a specialized training project, during which managers had the opportunity to improve customer-orientation skills, learn the rules of communication with customers, "gold standards of service", and provide first aid. In December 2023, internal trainers of Oschadbank underwent specialized training on inclusive service. Based on the results of this training educational materials were developed with the aim of further transfer of knowledge to network employees both through trainings and through the distance learning system

Distance learning and testing of employees in the specialized Distance Learning System is conducted on an ongoing basis. In 2023, 371 949 tests were conducted on 193 subjects, in which 17 962 employees took part.

During the year, there were significant changes in the emotional state of employees, which are associated with constant air alerts, blackouts and other negative phenomena caused by the military aggression of the enemy.

Accordingly, there was a need, both at the State level and in Oschadbank in particular, to care for the **mental health** of employees, to ensure psychological support and help. So, in line with the demands of the present day, a hybrid work format was launched, which enables the employees, if necessary, to work remotely, as well as a program to support mental health. During the year, a series of online lectures with a psychologist was held (2200 participants) a section "Lectures with a psychologist" was created on the corporate portal». A practicing psychotherapist has been hired by the Bank. On an ongoing basis, trainings on the provision of first aid are conducted, in particular, a large-scale training for cash collectors with certification on the provision of such aid was organized (more than 600 participants). A Telegram channel "Oschad Family" was created as part of the "Team Well-Being" program, which involves the organization of events and community for the physical and mental well-being of the team.

For the first time in the history of Oschadbank, voluntary health insurance (VHI) was introduced for all its employees. The VHI service is free of charge for employees. It is also possible to insure family members at corporate tariff at one's own expense. For employees who have Participant in Combat Operations Status, there are improved insurance conditions taking into account individual needs.

The Bank's team continues to donate to the needs of the Armed Forces, volunteer, participate in Donor Days, collect funds for the treatment of civilians; war victims. The donation for the ammunition for released/mobilized colleagues is carried out through the internal charity project "**Let's Help Together**". In 2023, more than UAH 3 million was collected for the treatment and needs of mobilized employees and mobilized family members of employees.

The corporate life of the team is also quite rich and is in line with the events that the whole country is experiencing. Employees actively participate in thematic flash mobs, charity sports events. During the traditional month of courage leading up to the Independence Day of Ukraine, a **national record** was set in the nomination "The largest corporate online race at a distance equal to the length of the perimeter of Ukraine." Experts of the National Register of Ukraine recorded the distance covered and handed over the Record Setting Certificate. More than 900 participants joined the running corporate challenge, who collectively covered a distance of more than 7,000 km.

Support for leadership during the war deserves special attention. Thus, the HR department organized 2 extended Management Board meetings to discuss the wartime strategy, recovery and development plans, participation in ensuring financial stability of Ukraine, creating conditions for rapid recovery, providing full banking services and ensuring functionality and business continuity of public sector banks.

6.2. Infrastructure

As of December 31, 2023, the operating network of Oschadbank included 1 182 institutions. Since the beginning of the year, operations have been resumed in 26 branches (Donetsk region (12), Kharkiv region (4), Mykolaiv region (3), Kherson region (4), Odesa region (2), Kyiv region (1)). 2 mobile units are operating in Donetsk region. The operations of 147 branches in temporarily uncontrolled territories have been temporarily suspended.

A total of 69 premium zones, as well as premium centers, have been opened in each Regional Directorate.

1 158 branches were accounted for as operating, while 32 branches were temporarily suspended in the Ukrainian-controlled territory due to active hostilities and threats to the lives of employees and customers. Residents of small and remote settlements are served by remote service units. Customer service has been restored in some settlements close to the zone of active hostilities by creating mobile units.

The main tasks of the network in 2023 included:

- ensuring prompt response to the challenges of war: timely organisational measures to temporarily terminate/suspend the operations of institutions in the occupied territory of Ukraine and the territory with active hostilities;
- ensuring the Bank's business continuity, including by organising the work of critical infrastructure (Power banking network), equipping it with the necessary equipment to operate in blackout conditions (backup power supplies, communications equipment etc.);
- developing and scaling mobile service format for citizens;
- resumption of branch operations in the de-occupied territories (Kharkiv, Kherson regions). It should be noted that Oschadbank was the first among other banks to resume operations after de-occupation, thus confirming its state status, unique role in society and social mission;
- restoring the network's efficiency, including the restoration of damaged premises, providing them with new banking machinery and equipment, communication channels, security equipment etc.;
- developing alternative sales channels for remote customer service, in particular mobile banking based on Oschad 24/7 application, the number of financially active users of which amounts to 2,7 million persons (which is 0,7 million more than at the beginning of last year).

6.3. Capital, liquidity and cash flows

Capital

In 2023, there was no additional emission of shares or increase of capital by other means. There was no sale or purchase of Oschadbank's shares.

During the reporting year, capital ratios exceeded the limits as required by the National Bank and the Basel Committee on Banking Supervision.

Liquidity ratios

Oschadbank complied with liquidity ratios set by the NBU during 2023. Thus, as of 01.01.2024, the liquidity coverage ratio (LCR) for all currencies is 280% (while >100% is required), liquidity coverage ratio (LCR) in foreign currencies is 315% (while >100% is required), net stable funding ratio (NSFR) is 199% (while >100% is required).

Primary and secondary provisions of liquidity

In 2023, Oschadbank constantly maintained sufficient provisions of primary liquidity (cash, correspondent accounts with the NBU and correspondent accounts with other banks) and secondary liquidity (portfolio of domestic government bonds and NBU deposit certificates). The significant volume of liquid assets in Oschadbank's portfolio allows covering the customer funds' outflow even in case of the stress scenario, without threat to business continuity.

Customer resource base

In 2023, the main source of funds was attraction of customer funds (from both individuals and legal entities). At the same time, 62% of the total customer funds are funds of individuals.

External borrowings

The Bank's external borrowings were serviced in accordance with terms and conditions stipulated by agreements. The Bank had sufficient liquidity in foreign currencies and plans to continue to service its external debt as scheduled.

During 2023, Oschadbank also complied with covenants stipulated by external borrowing agreements. As for the risk of violation of financial covenants (ratios, compliance with which is explicitly required by the respective agreements), which exists due to negative external influences, the Bank is confident in its creditors' support, including by providing official letters of suspension of obligations ("waivers") by them, and does not expect early repayment demands even in the event of short-term violations of covenants in the future.

7. Risk Management

7.1. Risk Management Strategy, System and Policies

The Bank's Risk Management System is developed in accordance with the requirements of the Regulation on the Organization of Risk Management System in Ukrainian Banks and Banking Groups, approved by the Resolution of the Board of the National Bank of Ukraine No. 64 dated 11.06.2018 (as amended), Regulation on the Organization of Internal Control System in Ukrainian Banks and Banking Groups approved by the Resolution of the Board of the National Bank of Ukraine No. 88 dated 02.07.2019, Regulation on the Organization of Distressed Assets Management Process in the Banks of Ukraine, approved by the Resolution of the Board of the National Bank of Ukraine No. 97 dated 18.07.2019 Other current legislation of Ukraine, including regulations of the National Bank of Ukraine.

Organisation of Risk Management Process in the Bank according to Risk Management Strategy in terms of functionality implies establishment of the processes under "Main" category and clear distribution of responsibilities among the Bank's units using the three defence lines model:

- the first line of defence is at the level of the Bank's business units and business support units. These units accept risks and are responsible for them. They perform ongoing risk management and report on the ongoing risk management in accordance with the functions stipulated in the units' regulations;
- the second line of defence is at the level of Risk Management Department, Compliance Department, Financial Monitoring Department in terms of managing AML/CFT risks;
- the third line is at the level of Internal Audit Department for checking and evaluating the efficiency of the risk management system.

Accordingly, the Risk Management System entities are:

- the Supervisory Board;
- the Supervisory Board's Risk and Compliance Committee;
- the Management Board;
- committees established by the Management Board;

- Chief Risk Officer (CRO) and Risk Management Department;
- Chief Compliance Officer (CCO) and Compliance Department;
- AML Officer and Financial Monitoring Department - in terms of managing AML/CFT risks
- Internal Audit Department;
- business and support units (first line of defence).

In the Risk Appetite Statement, the Supervisory Board determined the aggregate amount of risk appetite in accordance with the business model of Oschadbank, the types of risks that the Bank accepts or will avoid in order to achieve business goals, the level of risk appetite for each of them. Other risk appetite indicators and their permissible and limit values are also established.

The Bank develops and updates policies for management of all risks deemed significant. As of now, the following risk management policies are applicable in Oschadbank: Credit Risk Management Policy, Liquidity Risk Management Policy, Foreign Exchange Risk Management Policy, Banking Book Interest Rate Risk Management Policy, Market Risk Management Policy, Operational Risk Management Policy, Compliance Risk Management Policy.

The risk management policies are approved by the Supervisory Board, which also establishes the risk appetite indicators.

At the end of 2023, the Outsourcing Policy approved by the Supervisory Board and mandatory for all units was established in Oschadbank. An integral part of the Outsourcing Policy is the risk assessment of the Bank's outsourced functions and outsourcers.

In its internal regulatory documents, Oschadbank enforced and ensured the mechanism of veto right that may be used by CRO and CCO regarding the resolutions of the Management Board and collegial bodies established by it. Chief Risk Officer uses this right in cases when the implementation of such resolutions may lead to violation of approved risk limits, as well as in other cases determined by the Supervisory Board; Chief Compliance Officer uses this right in cases when the implementation of such resolutions may result in the violation of requirements of the current legislation, relevant standards of professional associations applicable to the Bank, conflict of interest, as well as in other cases determined by the Supervisory Board.

7.2. Compliance

One of significant risks determined by the Risk Management Strategy is compliance risk.

The main objective of Compliance Department is to ensure the Bank's compliance with current legislation, regulations, market standards, fair competition rules, standards of professional associations applicable to the Bank, corporate ethics rules, internal documents of the Bank, settlement of conflicts of interest, as well as to ensure the functioning of risk management system through timely identification, measurement, monitoring, control, reporting and provision of recommendations on mitigating compliance risk.

The following compliance documents have been implemented in Oschadbank pursuant to the Regulation on Organisation of Risk Management System in Ukrainian Banks and Banking Groups approved by NBU Resolution No 64 dated 11.06.2018 (as amended): Code of Conduct (Ethics); Compliance Risk Management Policy; Conflict of Interest Identification, Prevention and Management Policy; Whistleblowing Policy for Unacceptable Conduct / Violation of the Bank's Activities; Compliance Risk Assessment Methodology.

The anonymous and confidential whistleblowing mechanism introduced provides for protection measures for whistleblowers, as well as an appropriate response and procedure for dealing with relevant reports.

Conflict of Interest Identification, Prevention and Management Policy determines: mandatory minimum standards and principles of conflict of interest management; list of situations where there is a conflict of interest or a risk of its occurrence; procedures aimed at managing conflicts of interest and minimising their consequences; obligations of members of collegial bodies and all Bank employees to promptly inform on the circumstances that may or have led to a conflict of interest; obligations of members of collegial bodies to refuse to participate in decision-making on any issue that may cause a conflict of interest; the procedure for escalating issues of violations; the procedure for reporting and providing information on conflicts of interest.

The veto right mechanism is ensured by participation of the Chief Compliance Officer in meetings of the Management Board and collegial bodies established by the Management Board, and is also regulated in internal regulations governing the activities of the said collegial bodies. In addition, the veto right override mechanism is regulated in Oschadbank.

In order to develop the risk management culture and adherence to Bank corporate values by all employees, the Compliance Department provides training for the Bank employees on compliance with the current legislation, relevant standards of professional associations applicable to the Bank, the risk management culture, taking into account the Code of Conduct (Ethics).

7.3. Basics of internal control system organisation

In accordance with the NBU Resolution "On Approval of the Regulation on Organisation of Internal Control System in Ukrainian Banks and Banking Groups" No 88 dated 02.07.2019, Oschadbank has introduced and continues to strengthen the requirements to internal control system organisation through:

- clear distribution of duties, functions, powers and responsibilities between the Bank's Supervisory Board and Management Board, as well as between the Bank's units involved in the functioning of internal control system;
- control by the Bank's management bodies over compliance of units with the current legislation and internal requirements of the Bank;
- ensuring reporting by collegial bodies within the delegated authority to the governing bodies they are subordinated to;
- setting forth in internal documents the authorities, accountabilities, roles, responsibilities and procedures for interaction between units and employees, as well as control measures;
- control over information security and information exchange.

The internal control system of the Bank is based on the distribution of responsibilities among the Bank's units using the model of three lines of defence.

The Bank's business units and support units (first line of defence) accept risks and bear responsibility for them, carry out ongoing risk management and submit reports on ongoing risk management.

Risk Management Department, Compliance Department and Financial Monitoring Department (the second line of defense) monitor the effectiveness of control procedures on the first line of defense and ensure that control measures implemented by the first line of defense have been developed and are functioning properly.

The Risk Management Department, as a second-line unit, uses the following main controls:

- RAS risk metrics and key risk indicators (KRI) are implemented as control mechanisms for compliance with risk limits in the activities of the first line of defense. They are subject to constant monitoring of threshold values and are escalated to the Management Board and Supervisory Board in case of violation of these threshold values;
- ORSA procedure – identification of operational risk assessment and internal control mechanisms of the Bank's business processes, based on which risks, shortcomings of internal control system are identified and minimization measures are implemented;
- Internal operational risk event database (PIOP Module) – daily control of the completeness and correctness of the operational risk event database (OR) / monitoring of information regarding OR events, including for timely detection of significant OR events and informing the Management Board and Supervisory Board of such events; research and development of appropriate action plans to ensure timely decision-making, including on the elimination of deficiencies in internal control systems.

The Bank systematically controls the adequacy and efficiency of the existing internal control system and directly takes measures necessary for continuous management of compliance risks and their mitigation or prevention. For effective minimisation of compliance risks the following compliance control instruments are used:

- pre-approval - is considered as one of compliance control measures that plays an important role in compliance with the rules concerning, in particular, gifts, entertainment and travel or giving valuable items to government employees;
- compliance with antitrust laws; protection of consumers' rights; conflicts of interest;
- distribution of powers;
- limiting access to information based on the principle of providing the minimum necessary access for the performance of official duties.

As part of compliance risk management process control, the following measures are ensured:

- 1) control of key risk indicators (KRI);
- 2) self-assessment of compliance risk;
- 3) assessment of the compliance risk profile by the Bank's business lines;
- 4) implementation of compliance risk mitigation/avoidance plans;
- 5) collection of information on compliance risk events;
- 6) risk assessment of products, processes and activities;
- 7) compliance risk management system monitoring;
- 8) informing/reporting on compliance risks.

Internal Audit as a system of control over Oschadbank's activities is implemented by the Supervisory Board to assess and improve the internal control system and as a part of the supervisory function of Oschadbank activities in order to provide the Supervisory Board and Management Board with necessary support (assistance) in fulfilling

their responsibilities to achieve the goals. The Supervisory Board determines plans and working procedures, and monitors the activities of the internal audit function.

Internal Audit Department reports to the Supervisory Board and its Committees; periodic reporting based on the results of the internal audit includes information on implementation of the audit plan, aggregated information on the identified risks, assessment of the internal control system and recommendations to minimise the impact of risks and improve processes. In addition, the Bank Supervisory Board Audit Committee plays an important role in shaping a partnership between the Bank's senior management and the audit function to ensure effective interaction in organising the internal control and risk management systems.

Procedures and control measures applied by the units of each of the three lines of defence are specified in the Bank's internal regulatory documents owned by them, with a mandatory definition of the procedure, periodicity and time limits for the implementation of control measures, officials who are entrusted with control, and as well as the procedure for taking appropriate corrective actions to correct identified deficiencies.

The Supervisory Board and the Management Board ensure the proper functioning of control environment as a component of internal control system in the Bank for the employees to comply with the control culture, create the necessary atmosphere (tone at the top), as their influence and example determine the standards and norms in the organization of the control system.

7.4. Influence of the NBU Resolution No 64

The requirements of the Resolution of the Board of the National Bank of Ukraine No. 64 dated 11.06.2018 (as amended) are introduced and implemented by Oschadbank. The Bank constantly monitors amendments to this Resolution for timely implementation of its requirements. In general, the Bank's risk management strategy, system and policy meet the requirements of the said Resolution.

Oschadbank has implemented the principles of the risk management system, which are provided for by the regulator's requirements. In accordance with these requirements, top-level internal bank risk management documents were approved (Risk Appetite Statement, Risk Management Strategy, policies for managing significant types of risks (credit risk, operational risk, liquidity risk, banking book interest rate risk, market risk, compliance risk) Methodology for identification of significant risks).

7.5. Significant types of risks and plans to mitigate them

To ensure the Bank's financial stability, business continuity and achievement of certain business objectives, in order to identify, assess, monitor and control risks inherent to Oschadbank, the Bank has developed and implemented a Risk Appetite Statement and Risk Management Strategy. In accordance with these documents, the Bank has determined the structure of material risks and set limits/restrictions, as well as determined the risk appetite for all types of these risks. Such significant types of risks include: credit risk, liquidity risk, market risks, banking book interest rate risk, operational risk and compliance risk.

Credit risks

Oschadbank's current system of credit risk management ensures timely and adequate detection, measurement, monitoring, reporting, control, and mitigation of credit risks, on both individual and portfolio basis.

Special attention is paid to credit risk and credit debt management. The Bank's Credit Risk Management Strategy is set out in the Credit Policies and Credit Risk Management Policy of Oschadbank approved by the Supervisory Board in accordance with its competencies.

The main objective of credit risk management process in the Bank is to ensure stable development of lending, taking into account all significant risks associated with this activity. Credit risk management process is focused on timely identification of risks, development of optimal principles and processes of risk assessment, as well as supervision, control, reporting and application of preventive measures within credit activity. The Bank focuses on the implementation of new credit risk management and control mechanisms, improvement of credit activities and improvement of credit risk management information system, with the aim of ensuring an appropriate level of profitability and quality of the Bank's loan portfolio. The Bank is active in developing and improving credit risk assessment software, servicing the credit decision-making process, with the aim of ensuring quick credit decision-making with a minimum level of credit risk at the same time. Also, special attention is paid to the automation of monitoring processes, improvement of early warning system for NPL.

In order to determine the maximum level of risk that the Bank is ready to accept, the Bank Supervisory Board has approved the Risk Appetite Statement, which defines the aggregate level of risk appetite, the types of risks the Bank accepts or avoids in order to achieve its business goals, and the level of risk appetite for each of them.

During martial law, the main goal in terms of credit risk management is to adapt the principle of prudent lending to the extraordinary conditions in which the Bank is forced to operate, taking into account all available risks. Taking into account the risks in the current conditions, the determining factors for the modification of the Bank's credit policy during the period of martial law were as follows:

- despite the extraordinary growth of risk, Oschadbank cannot stop lending to private and state companies, critical infrastructure enterprises. On the contrary, it is an integral part of supporting the country's war effort that paves the way for further reconstruction;
- disruption of supply lines, deterioration of logistics, erosion of the customer base, fluctuations in prices for input and output resources and other market distortions make the possibility to achieve the previous business and financial results of customers, which banks traditionally rely on when making decisions, largely questionable;
- potential destruction of collateral, fixed assets of borrowers and even threats to physical security of key stakeholders.

Changes in credit policy during martial law, taking into account existing risks, are aimed at:

- implementation of the experience of IFIs in accepting the country's underlying risks. In its lending decisions, the Bank indirectly takes into account inherent risks, in particular the risks associated with the war, on which the key premise of "prudence in lending" is based;
- full awareness of the risks inherent in the activities of borrowers in the relevant sectors of the economy, regions, collateral for credit operations, etc.;
- formation of approaches according to which the Bank should not seek to mitigate risks that cannot be mitigated when structuring transactions;
- clear differentiation between the acceptance of risks inherent in war and reckless lending.

In addition, the approaches to assessing the level of credit risk under national standards are constantly being refined. The Bank assesses credit risk (prudential provisions) taking into account the requirements of the National Bank of Ukraine on determining the credit risk for asset banking transactions approved by NBU Resolution No 351 of 30 June 2016, as amended (hereinafter NBU Resolution No 351).

An important factor in the assessment of credit risk was the full-scale invasion and military aggression of the Russian Federation. To mitigate its impact on the banking system of Ukraine and credit risk, the resolution of the NBU Board "On Certain Issues of the Activity of Ukrainian Banks and Banking Groups" No 23 dated February 25, 2022 was approved, which, in particular, approved the "Rules of Operation of Banks in Connection with the Introduction of Martial Law in Ukraine" and separate resolutions of the Board of the National Bank of Ukraine regarding the amendment / implementation of the Regulation on Determination of Credit Risk by Banks of Ukraine for asset banking transactions, approved by NBU Resolution No. 351, including in particular, but not exclusively:

- determination of the number of days of overdue repayment in the event of non-fulfillment of the obligations under the agreement on the implementation of an asset transaction by the debtor was resumed;
- the verification of collateral was resumed for further consideration of fair value in the calculation of credit risk;
- additional criteria for establishing an event of default, in particular such as significant damage or destruction of own / long-term leased fixed assets or other property necessary for the debtor to carry out cash-flow-generating activities (including production equipment, storage facilities, vehicles, trade or office premises); location of all or a significant part of the debtor's business (including production equipment, storage facilities, vehicles, trade or office premises) on the territories specified in the List of territories on which hostilities are (were) conducted or temporarily occupied by the Russian Federation, in respect of which the date of termination of possible hostilities/termination of hostilities/temporary occupation is not determined, which resulted in significant difficulties or inability of the debtor to carry out the main activity; loss of sales markets or the ability to carry out activities, which is expressed in a significant decrease in net income from the sale of products (earned insurance premiums) compared to the net income from the sale of products (earned insurance premiums) for previous periods, etc.

The norms defined by NBU Resolution No. 23 are implemented by the Bank in internal documents.

In order to ensure effective management of distressed assets, Oschadbank in 2023 continued the implementation of the requirements of the Resolution of the NBU Management Board "On Approval of the Regulation on Organisation of Distressed Asset Management Process in Banks of Ukraine" No 97 dated 18 July 2019.

Liquidity risk, interest rate risk and market risks

To manage liquidity risk, Oschadbank monitors expected future cash flows from customer and banking transactions that are part of the asset and liability management process. The main objective of liquidity risk management is to ensure the availability of liquid funds sufficient to cover current and planned needs in order to optimise the Bank's expenses related to securing the required volume of liquid funds. Liquidity risk management is also aimed at ensuring the Bank's ability to cover cash outflows under a crisis scenario (in case of a systemic crisis or close to a systemic liquidity crisis).

The main objective of interest rate risk management is to limit the adverse effect of changes in interest rates on the Bank's financial result and capital. Interest rate risk is managed primarily by setting and reviewing yield curves of funds raising and placing, as well as by setting the target interest rate spread. To ensure the planned net interest

income and target interest rate spread, the Bank manages the balance sheet structure, in particular, interest-bearing assets and liabilities, taking into account the need to maintain an optimal ratio of interest rate risk and return. Floating interest rates on asset transactions are also introduced, which minimizes interest rate risks of the Bank due to changes in market interest rates.

Among market risks, currency risk is the most significant. The main objective of FX risk management is to limit the negative impact of changes in currency rates on the financial result and capital of the Bank. Oschadbank manages its currency position in terms of individual foreign currencies and banking metals to ensure optimal ratio between risk and return.

The Management Board ensures the performance of tasks and resolutions of the Supervisory Board on implementation of liquidity, interest rate and market risk management system, establishes the procedure for managing these risks and delegates powers for their current management to Asset and Liability Management Committee (ALCO). Within the limits of current management of liquidity, interest rate and market risks, ALCO monitors, considers risk reports and makes decisions on acceptance, mitigation or prevention of such risks.

Operational risks

The Bank creates an effective system of operational risk management with the aim of ensuring stable and continuous activity, cooperation of units at all organizational levels on operational risk management issues and implementation of an operational risk management culture.

In order to ensure an effective operational risk management system, the organizational structure of Oschadbank is developed according to the "three lines of defense" model. The Bank ensures the implementation and constant support of the processes of identification, assessment, response and monitoring of manifestations of operational risk.

In order to identify and measure operational risk, Oschadbank uses mandatory and additional tools in accordance with the requirements of the National Bank of Ukraine and best global practices.

The Bank shall assess operational risk taking into account its interrelation and influence on other risks inherent to its activity.

In order to ensure the integration of the culture of operational risk management at all organizational levels of management, the Bank provides constant periodic training of employees and ensures appropriate expert and advisory support to the units of the first line of defense.

Oschadbank has the Operational Risks Management Committee that monitors the level of operational risk, reviews reports on operational risks and makes decisions on how to manage operational risks.

The main emphasis in operational risk management under martial law is laid on the organization of business continuity and strengthening of cybersecurity requirements and measures (for more information see clause). 5.1.

The Management Board and the Supervisory Board regularly review the status of the Bank's compliance with established limits/restrictions and risk appetite indicators, as well as other management reporting on operational risk management in order to make timely and adequate management decisions.

The Bank is constantly working on improving the operational risk management system, including implementation / alignment with the regulations of the National Bank of Ukraine, taking into account international standards and recommendations on operational risk management.

Compliance risk

Compliance risk management entities that are closest to the source of risk, heads of the Bank's structural units, in whose area of activity a compliance risk has been identified or a compliance risk event occurred, shall determine measures to improve the efficiency of compliance risk management system in general or to mitigate/avoid the compliance risk identified in the course of their activities, in particular by developing and implementing appropriate action plans. The action plans are developed to eliminate/minimise identified internal control deficiencies, implement control measures, identify responsible persons/units for their implementation, including the frequency and deadlines of control measures, are agreed upon with the Compliance Department and submitted for approval by the relevant collegial bodies of the Bank in accordance with the procedures established by the Bank. Direct control over the implementation of action plans is carried out by the head of the structural unit that owns the process, in which the compliance risk was identified.

The Compliance Department carries out measures to monitor the compliance risk management system, taking into account the volume and complexity of the Bank's transactions, the likelihood of deficiencies, the qualifications and experience of the personnel etc. At the same time, priority is given to those processes in which deficiencies in the internal control system, in particular in the compliance risk management system, were identified in the previous periods, as well as to those processes of the Bank's activities in which violation of regulatory requirements by the Bank may lead to significant compliance risks.

8. Relations with the shareholder and related parties, impact of these relations on the Bank's performance, and managing these relations

8.1. Relations with the shareholder

In accordance with the Charter, the founder of Oschadbank is the State. 100% of the shares of Oschadbank is owned by the State.

Relations between the Bank and the shareholder are based on the principle "a Bank owned by the State is working for the State", based on the fact that the shareholder:

- defines the main (strategic) directions of the Bank activities and Oschadbank management strategy as part of the overall state-owned banks management strategy;
- ensures impartial and transparent management;
- does not interfere with the current operational activities;
- builds interaction on a mutually beneficial commercial basis;
- conducts regular monitoring and assessment of activities of the Bank.

The interaction of Oschadbank shareholder with the management bodies takes place in accordance with the requirements of Article 7 of the Law of Ukraine "On Banks and Banking".

Based on the principle of distribution of functions among the management bodies of the Bank set out in Article 7 of the Law "On Banks and Banking", and pursuant to the Principles of Strategic Reforms in the State Banking Sector (strategic principles) approved by the Cabinet of Ministers of Ukraine on 02.09.2020, to regulate the interaction among the Cabinet of Ministers of Ukraine, the Ministry of Finance of Ukraine and the Bank, on 29.10.2021 a Framework Agreement on cooperation was concluded, which aims to provide certainty on the interaction among the parties, to guarantee the commercial independence of the Bank in achieving its objectives, to provide the Ministry of Finance of Ukraine with an appropriate level of accountability and the ability to participate in certain important management and commercial issues of the Bank in order to privatise the Bank. The Cabinet of Ministers of Ukraine and the Bank act in accordance with the best international practices of corporate governance on any issues not explicitly regulated in Framework Agreement or the current legislation.

At the same time, on 07.05.2022, the Cabinet of Ministers of Ukraine approved the Main (Strategic) Lines of Action for State-Owned Banks During Martial Law and Post-War Economic Recovery, which define the key objectives and areas of activity of state-owned banks during martial law and post-war economic recovery.

Oschadbank, as a state-owned bank, supports the Government of Ukraine in performing the state social and economic programmes. In particular, being aware of the necessity of providing financial services to socially vulnerable groups (poor, internally displaced persons, residents of regions in decline etc.), the Bank builds its business with due account of the social mission.

8.2. Relations with the related parties

The internal regulatory documents of Oschadbank take into account the requirements of the Law of Ukraine "On Banks and Banking" and NBU regulations on transactions with parties related to the Bank. The Bank conducts transactions with related parties in accordance with the procedure and on the terms and conditions that cannot differ from the procedure and conditions for transactions with other customers. In order to control the compliance with legal requirements and the Bank's internal documents when lending to related parties, Compliance Department provides compliance risk opinions for such lending decisions.

To monitor compliance with regulatory value of the maximum credit risk amount and procedure of transactions with related parties, while lending to parties related to the Bank, the Risk Management Department provides relevant opinions for approval of such credit decisions. In 2023, Oschadbank was compliant with the regulatory value of the maximum credit risk amount under transactions with related parties (N9).

The Bank keeps an electronic register of the related parties in accordance with criteria defined by the International Financial Reporting Standards, in compliance with the Ukrainian legislation.

8.3. Cooperation with the EBRD

During 2023, Oschadbank expanded cooperation with the EBRD under the TFP Trade Development Program. Work was also carried out to involve a risk-sharing instrument for the MSME loan portfolio through the participation of Oschadbank in the EBRD Sustainability and Livelihoods Program. In the future, the Bank aims to expand the extent of its participation in the EBRD programmes (as well as other IFIs) aimed at supporting and restoring Ukraine's economy, as well as supporting veterans of the war, their families and persons affected by the military actions.

In early 2022, in accordance with the Memorandum of Cooperation between Ukraine and the IMF (Letter of Intent), the roadmap of Oschadbank's entry into market for its "partial or full privatisation" (Oschadbank

Privatisation Roadmap) was agreed with the Ministry of Finance of Ukraine and the EBRD and submitted to the Government for approval. The Roadmap included, among other things, a detailed timetable for EBRD becoming a shareholder of Oschadbank.

Given the outbreak of hostilities and the corresponding change in priorities in February 2022, the work on the EBRD's equity investment in Oschadbank was transformed into the implementation of joint programmes to support Ukraine's economy. After the end of hostilities, the Bank's strategic goals will be reviewed and set by the State as a shareholder, taking into account the conditions prevailing at that time.

Based on the results of the "Centralisation" project, which was implemented with the technical support of the EBRD, the Bank successfully centralised support functions from the regional directorates level in 2023, reducing costs and improving centralised processes while improving customer service, increasing operational and sales outlets efficiency and the Bank's competitiveness.

9. Corporate governance

9.1. Main corporate governance model

The Bank has implemented a two-level model of corporate governance, in which:

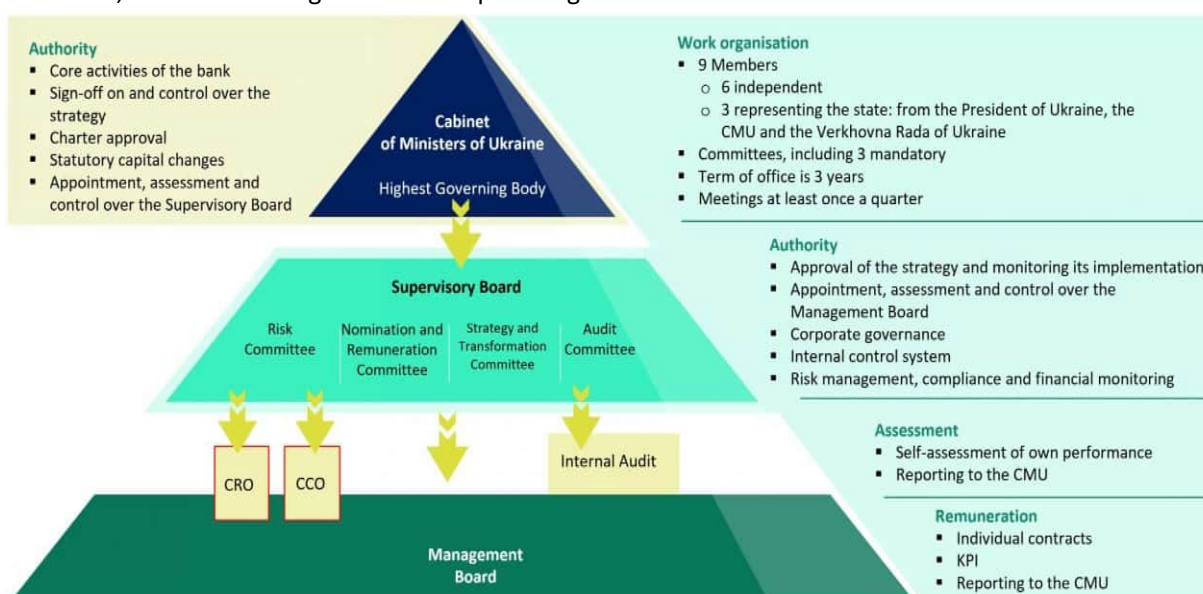
- the Highest Governing Body is a body that manages corporate rights of the State in the Bank;
- the Supervisory Board is a collegial management body of the Bank that, within its competence, manages the Bank, supervises and regulates activities of the Bank Management Board in order to implement the Bank's development strategy, protects the rights of depositors, creditors and the State as the shareholder;
- the Management Board is the executive body of the Bank responsible for the day-to-day management of the Bank's activities.

The distribution of functions among the management bodies of the Bank ensures an effective system of management and internal control.

Since 2018, the Bank has followed a management system insulated from political influence by strengthening the requirements for the independence of the Supervisory Board. The corporate governance system is in line with the recommendations of the OECD, the European Commission, the Basel Committee on Banking Supervision, to improve the competitiveness and efficiency of the banks as well as to create prerequisites for potential attraction of foreign investors to the banks capital.

At the same time, in 2023-2024, internal regulations were aligned with the requirements of the updated Law of Ukraine "On Joint-Stock Companies", in particular, in terms of changes in the competence of the Supervisory Board and the separation of the function of corporate secretary as an official of the company.

The Principles (Code) of Corporate Governance were approved by the Supervisory Board, which take into account requirements of the current legislation and the best international practices of corporate governance. The Code reflects the organisation of corporate culture and corporate values of Oschadbank; is a set of voluntary commitments based on balanced consideration of interests of the Shareholder, which is the State, and other stakeholders, as well as management and supervising bodies.



9.2. Current implementation status

Oschadbank's corporate governance is constantly being improved in line with the best practices of corporate governance and compliance with the new requirements of Ukrainian legislation and international regulations. During the reporting period, a number of processes were completed to bring corporate governance in line with updated legal requirements, and a number of positive changes were implemented. In particular, a new composition of the Supervisory Board was elected, which immediately began to effectively perform its functions within the limits of the specified powers in accordance with the need for the proper functioning of the two-level corporate governance system. The established Corporate Governance Centre headed by the Head of the Corporate Governance Centre (Corporate Secretary) continues to function effectively even under conditions of staff turnover. In order to assist the Supervisory Board in the implementation of its powers, the Supervisory Board has a Nomination and Remuneration Committee, an Audit Committee, a Risks and Compliance Committee, and a Strategy and Transformation Committee.

The Bank complies in a timely manner with the regulator's requirements for the organisation of the risk management system. An integrated risk management system for managing risks, reporting and accountability to the Supervisory Board, is in place. At the end of 2022, the Supervisory Board decided to appoint a Management Board Member in charge of Risk Management (Chief Risk Officer). Therefore, the Bank is currently reviewing the organisational structure of the Risk Management Department, taking into account the best international practices, which will continue to ensure the functioning of an effective risk management and interaction in Oschadbank.

The Supervisory Board regularly monitors the functioning of the risk management system. Regular meetings are held with the Management Board and heads of control units.

The new versions of the Principles (Code) of Corporate Governance, Regulation on the Procedure for Competitive Selection of Management Board members, Policy on the Provision of Non-Audit Services by External Auditors (Minutes No. 2 dated 19.01.2023), Regulation on the Nomination and Remuneration Committee of the Supervisory Board, Regulation on the Risk and Compliance Committee of the Supervisory Board, Regulation on the Audit Committee of the Supervisory Board (Minutes No. 5 dated 27.01.2023), etc. were approved as part of annual review.

In 2023, an annual assessment of the Supervisory Board's performance for 2022 was conducted. The new version of the Procedure for annual performance assessment of the Supervisory Board as a whole and each Member of the Supervisory Board in particular, Supervisory Board Committees was approved by the Supervisory Board. The segregation of powers and functions among the Bank's collegial bodies, the Supervisory Board, Supervisory Board Committees, the Management Board and Management Board Committees creates a quality system of checks and balances in the organisation of the corporate governance.

Oschadbank has implemented the Code of Conduct (Ethics) approved in the new version by the Supervisory Board (25.01.2024, Minutes No 3). In order to ensure 24/7 access for all parties concerned, the Code of Conduct (Ethics) is posted both on the internal portal and external web-page of the Bank. Each new employee is required to familiarise himself/herself with and sign the obligation to comply with the Code of Conduct (Ethics) and to attach this obligation to the personal data file of employees. All employees of Oschadbank undergo annual distance training and testing regarding compliance with the Code of Conduct (Ethics) and on risk management, in particular compliance risk.

In addition, Oschadbank has developed and approved the Programme of Employees' Training and Professional Development on Risk Management regulating the training and professional development of employees on risk management. The programme has been developed in accordance with the Regulation on Organisation of Risk Management System in Ukrainian Banks and Banking Groups approved by Resolution of the NBU's Board No. 64 of 11.06.2018. The activities planned under the Programme are carried out as part of the Calendar Plan for training on an annual basis.

The results of employees' testing in the framework of training courses on risks, including compliance risks, are analysed by control units in order to take appropriate measures, including making a decision on the need for repeated training for a particular employee or group of employees, followed by retesting.

General information on the training activities and statistics on the test results is reported, in particular, in Compliance Risk Assessment Reports for the relevant reporting period submitted for consideration by the Management Board and approval by the Supervisory Board. Therefore, control is ensured, including by the Supervisory Board, over the compliance with standards and subsequent development of risk management culture in Oschadbank as a whole.

At the same time, in order to strengthen and further develop the risk management culture, there are plans to develop and implement additional control procedures with participation in training, analysis of the results of training / testing of all employees.

The Supervisory Board controls the Bank's compliance with the Risk Appetite Statement on a quarterly basis by reviewing risk management reports submitted by General Risk Management Department.

10. Organisational development

10.1. Organisational structure

Oschadbank's organisational structure meets the current legislation and regulations of the National Bank of Ukraine in terms of efficient delegation of authorities and internal controls.

Oschadbank's Charter defines the following management bodies:

- the Highest Governing Body is the Cabinet of Ministers of Ukraine, which manages corporate rights of the State in the Bank and performs the functions of the supreme governing body;
- the Supervisory Board is a collegial management body that, within its competence, manages the Bank, supervises and regulates activities of the Management Board in order to implement the development strategy. The Supervisory Board does not participate in the day-to-day management of the Bank;
- the Management Board is the executive body responsible for the day-to-day management of the Bank activities.

To ensure the effective management, the Supervisory Board and Management Board establish committees, to which they delegate a part of their authorities, and control the use of delegated authorities through mechanisms of accountability.

Oschadbank's system of structural units and network of standalone institutions is built based on the territorial and functional logic, with due account of the scale and structure of operational activities, with observance of the principle of reasonable and efficient centralisation of certain functions.

During 2023, the Bank successfully implemented the centralization of support and cash collection functions, which were performed by Regional Directorates, with the optimization of organizational structure, maximum reduction of operating costs, improvement of processes and the introduction of a new organizational model of centralized management.

Organisational structure of Oschadbank as of 31.12.2023



10.2. Information on managers and officials

The **Supervisory Board**, as of December 31, 2023, was represented by the following team:

- Volodymyr Lavrenchuk, Chairman of the Supervisory Board, independent Supervisory Board Member;
- Juan Enrique Perez Calot, independent Supervisory Board Member;
- Elizabeth Nelson, independent Supervisory Board Member;
- Anton Pyatygin, independent Supervisory Board Member (up to 30.11.2023 inclusive);
- Michal Krupinski, independent Supervisory Board Member;
- Philip Heasley, independent Supervisory Board Member;
- Julia Pashko, Supervisory Board Member, state representative from the Committee on Finance, Taxation and Customs Policy of the Verkhovna Rada of Ukraine;
- Roza Tapanova, Supervisory Board Member, state representative from the Cabinet of Ministers of Ukraine;
- Oleksandr Rodnianskyi, Supervisory Board Member, state representative from the President of Ukraine.

The **Management Board**, as of December 31, 2023, was represented by the following team:

- **Sergii Naumov**, Chairman of the Management Board. Professional experience – more than 28 years. Appointed to the position on 03.11.2020 Key areas of responsibility: overall management of the Bank, managing the work of the Management Board, introduction, implementation and monitoring of the Bank development strategy, ensuring information, financial and internal security, protection of the Bank's property and values, managing reputational assets, shaping and maintenance of the Bank positive image etc.;
- **Oleh Strynzha**, Deputy CEO, CFO. Professional experience - more than 31 years. Appointed to the position on 01.09.2021 Key areas of responsibility: is in charge of implementing modern transformation in the financial management function in accordance with strategic objectives of the Bank, continuously evaluates short-term and long-term strategic financial targets, submits proposals to the Bank Supervisory Board and Management Board for setting strategic financial targets, ensures effective implementation of relevant policies determined by the Risk Management Department and Asset and Liability Management Committee, in particular with regard to liquidity management, FX positions and investments, is in charge of financial management, financial planning and financial reporting including business planning processes, cost budgeting, generation and timely submission of financial, statistical, tax and management accounting and ensures control over them etc.;
- **Yevhenii Drachko-Yermolenko**, Deputy CEO, Chief Operating Officer. Professional experience – more than 31 years. Appointed to the position on 14.02.2022 Key areas of responsibility: ensuring long-term and stable development of the Bank, supporting implementation of the Bank's development strategy by ensuring proper operational functioning of all Bank's units and supporting transformation processes, ensuring effective and transparent strategic and day-to-day management of the Bank's operational activities, ensuring the functioning of an effective model of back-office functions in terms of supporting customer, treasury and interbank transactions to achieve the Bank's business goals; continuous improvement of the efficiency of operations and business processes, ensuring adequate controls in processes to reduce potential compliance and operational risks, development, transformation and maintenance of an effective information technology architecture etc.;
- **Anton Tyutyun**, Deputy CEO in charge of Retail Business. Professional experience – more than 24 years. Appointed to the position on 15.03.2021 Key areas of responsibility: is responsible for implementing the main objectives of the Bank development strategy through its daily implementation in the retail business segment with a focus on e-banking and e-commerce, including, but not limited to, retail customer service, issuance of payment cards and transactions using them, providing merchant acquiring services to customers organising the Bank's branch network, insurance, etc. Ensures management and supervision of lending function for retail customers, including via automation of credit process; organises work of the Bank business - units retail business development area in order to increase the Bank's customer base in such segments as mass, affluent and premium, ensures sustainable profitability growth in the retail customer segment, market leadership in payment cards and POS terminals, development of non-cash payment platforms, strategic leadership in modernisation, digitalisation and innovation for the retail business segment, etc.;
- **Arsen Miliutin**, Deputy CEO in charge of NPL management. Professional experience – more than 23 years. Appointed to the position on 01.11.2021 Key areas of responsibility: reducing the share of non-performing assets in accordance with the Bank's strategy and regulatory requirements by organising repayment and write-off procedures for debt recognised as distressed by the Bank, as well as by organising the sale (management, use) of recovered property; ensuring achievement of the main objectives of the Bank's strategy for managing distressed assets by integrating it into daily operations, controlling the prudent management of distressed asset portfolios by Debt Restructuring and Recovery Department, giving preference to options/measures that provide the highest net present value of expected cash flows from assets, weighted by the probability of implementation of the respective options/measures etc.;
- **Yurii Katsion**, Deputy CEO in charge of Corporate Business. Professional experience – more than 25 years. Appointed to the position on 26.09.2022 Key areas of responsibility: fulfillment of the main goals of the Bank's development strategy through its daily implementation in the corporate business segment, achieving growth in the private corporate business segment, ensuring balanced management of the corporate portfolio with the aim of changing the ratio in it to increase private sector in accordance with the Bank's development strategy. Ensures selective expansion of infrastructure projects and municipal infrastructure projects in the corporate portfolio, the functioning of corporate business units in order to achieve the maximum level of customer satisfaction and increase the profitability of corporate customers portfolio, etc.;
- **Dariia Onyshchenko**, Management Board Member in charge of Risk Management (Chief Risk Officer) Professional experience – more than 11 years. Appointed to the position on 01.11.2022 Key areas of responsibility: development of comprehensive, adequate and efficient risk management system in line with the Bank's specific nature and its material risks' taxonomy, design and implementation of a Risk Appetite Statement (RAS), effective

and transparent strategic and operational risk management, establishment of limits and restrictions to ensure compliance with the Bank's risk appetite set by the Supervisory Board in the Risk Appetite Statement (RAS) and metrics. Development as well as implementation of the Risk Management Strategy approved by the Supervisory Board, fulfilment of current and strategic objectives of the Bank, ensuring of long-term stable development of the Bank, high quality of the Bank's loan and investment portfolio, development and support of an effective system of assessment, monitoring and control of the risk profile of the Bank as a whole and of business units separately, strategic risk management forecasting, development of a comprehensive risk reporting system, ensuring timely involvement of the Bank Supervisory Board in addressing significant issues of risk management, ensuring financial stability of the Bank, minimising possible financial losses from acceptance of risks, increasing the overall operational efficiency of risk procedures and the Bank's risk management culture etc.;

- Natalia Butkova-Vitvitska, Management Board Member in charge of Micro, Small and Medium Business. Professional experience – more than 18 years. Appointed to the position on 14.11.2022 Key areas of responsibility: control over lending in MSME segment, cash and settlement services for MSME customers, continuous improvement of existing products for MSME customers and development of new ones in accordance with market requirements, sales management in MSME segment, cross-selling support to retail customers and corporate business customers from MSME portfolio, ensuring operation of an effective system of risk management, customer identification (KYC) in subordinate units, financial monitoring and compliance, management of MSME unit, partnership with the Bank's Management Board for successful implementation of the development strategy and achievement of business goals, digitalization of processes related to MSME, use of data analytics for scaling.

10.3. 10.3 Principles of the Bank's corporate standards

Willingness to satisfy the needs of customers by providing high-quality banking services is an integral part of Oschadbank's mission. When making all decisions on the Bank's activities, public importance of services is taken into account, and efforts are made to meet the needs of the entire society, including its various layers.

Taking into account the nature and scale of the Bank's activities, its Shareholder and managers are aware of their responsibility to the society in the whole for observance of rights of customers (consumers of services) of the Bank, strict fulfilment of the requirements of current legislation; and honest competition principles. Taking into account the importance of corporate governance, the Supervisory Board of Oschadbank approved the Principles (Code) of Corporate Governance, which include the principle of effective distribution of powers and responsibilities among management bodies, principle of effective control over financial and economic activities, principle of effective risk management, prevention of conflicts of interest, principle of corporate social responsibility, principle of information openness, principle of compliance with laws and ethical provisions etc.

The Supervisory Board shall ensure compliance with the current legislation, internal documents and corporate governance principles.

In their activities, the employees of Oschadbank shall act pursuant to moral, ethical and business rules and principles defined by the Code of Conduct (Ethics), including requirements for the conduct in social networks, aimed at preventing reputational risks for the Bank.

The Bank has anti-bribery and anti-corruption policies, procedures and minimum standards to prevent bribery and corruption among Bank employees, managers and any third parties. These provisions are contained in the following internal regulations:

- Compliance Risk Management Policy;
- Code of Conduct (Ethics);
- Anti-corruption Programme.

Oschadbank has appointed Anti-Corruption Officer, who is the official in charge of prevention of corruption in accordance with the Law of Ukraine *On Prevention of Corruption*. In accordance with the Anti-Corruption Programme, the main task of the Anti-Corruption Officer is to prepare, ensure implementation and control the implementation of measures to prevent, combat and detect corruption and ensure compliance with the rules of ethical conduct in Oschadbank.

The existing whistleblowing mechanism for unacceptable conduct and violations of the activities of Oschadbank provides for protection measures for whistleblowers and a procedure for consideration and responding to such notifications, which is set out in Whistleblowing Procedure for Unacceptable Conduct / Violation of the Activities of Oschadbank. The work of Oschadbank team is based on the principles of transparency, mutual respect, and partnership. The Collective Agreement was concluded between the administration and personnel. It regulates rights and obligations of parties on issues of professional, labour, social and economic relations.

11. Environmental and social aspects of activities

11.1. Environmental aspects

Oschadbank adheres to European environmental standards and current Ukrainian environmental legislation and continues to implement international standards of environmental and social sustainability in its activities. So, according to the Credit Policy of Oschadbank, when lending to customers, the Bank strives to promote compliance with environmental and social responsibility in accordance with the standards specified in the Bank's internal regulatory documents on environmental and social policies of the Bank.

Oschadbank actively supports customers who are modernising their houses with raising energy efficiency and introducing green technologies.

For retail customers, the Bank offers a "Cash - loan" product which can be used to purchase equipment to insulate homes.

It should be mentioned that, when implementing joint programmes lending to MSME customers with international organisations (EIF, EIB, Entrepreneurship Development Fund, Deutsche Sparkassenstiftung für internationale Kooperation), Oschadbank complies with the European environmental regulations prohibiting the financing of activities harmful to the environment. As part of the EBRD's Trade Facilitation Programme, Oschadbank is committed to meet the EBRD's environmental and social requirements.

It should be noted that Oschadbank has identified the implementation of international standards of environmental and social sustainability in its activities as a priority area. In order to increase potential positive environmental and social effects of lending and investment activities of Oschadbank, as well as to prevent negative environmental and social consequences when considering and carrying out banking asset transactions, or to ensure the reduction of such negative consequences for the environment and society, Oschadbank is developing a set of internal regulatory documents aimed at improving environmental and social responsibility management system in accordance with the developed road map.

11.2. Social responsibility

In its activities, Oschadbank adheres to the basic principles that underlie social responsibility and are provided for by DSTU ISO 26000:2019 (ISO 26000:2010, IDT) "Guidelines on social responsibility", and due to which it effectively implements corporate social responsibility, which ensures correct labor practices and responsible use of resources.

Such PRINCIPLES are: responsibility, transparency, ethical conduct, respect for the interests of stakeholders, the rule of law, respect for international standards of conduct, respect for human rights.

The Bank does not use or support the use of child labor or forced labor.

Oschadbank creates safe working conditions and takes appropriate measures to prevent accidents and health damage that are a consequence of work or occur in the process of work, by reducing as much as possible the danger factors characteristic of the production environment.

The Bank does not apply and does not support discrimination in employment, remuneration, access to training, promotion, dismissal or retirement on the basis of race, nationality, religion, disability, gender, sexual orientation, belonging to any organization, political views or age. The Bank provides equal opportunities for professional development to all its employees, which depend only on the professionalism and personal potential of the employees.

The Bank does not interfere with the exercise of the right of employees to observe principles or customs or to fulfill their needs related to race, national origin, religion, disability, gender, sexual orientation, membership of any organization or political views.

The Bank ensures compliance with human rights, including those stipulated by the Universal Declaration of Human Rights and UN conventions. By creating a favorable working environment, the Bank ensures its compliance with the requirements of recognized international conventions, in particular basic conventions of International Labor Organization. The work of Oschadbank team is based on respect for personal dignity, inviolability of personal life and rights of each person, as well as on prevention of their violation or limiting. Any manifestations of mobbing (harassment) of employees are prohibited in the Bank.

The Bank is tolerant of people with special needs, both in terms of personnel and customer service. Thus, the average registered number of employees with disabilities as defined by current legislation in the system of Oschadbank for 2023 amounts to 754 persons, which is 13% more than the stipulated mandatory quota.

In 2023, Oschadbank participated in, initiated, and implemented many projects that clearly indicate its social orientation and social responsibility.

Social projects for employees are:

- voluntary health insurance;
- financial support for employees serving in the Armed Forces of Ukraine (average wage preservation, one-time payments for holidays, payments in case of injury/death);
- financial literacy (holding group excursions and teaching children financial literacy within the Bank and educational institutions);
- "Mental Health" project, in which a full-time psychotherapist works;
- internal charitable mutual aid project "Let's help together" (collection of funds for the treatment of civilians affected by the war, for ammunition for released/mobilized Bank employees);
- team well-being (organization of events and community for physical and mental well-being of the team - "Oschad Family");
- participation in charity sports events.

Despite the enemy's full-scale aggression against Ukraine, Oschadbank in 2023 continued the policy of socially responsible business and the implementation of numerous social projects.

Oschadbank transferred UAH 1 million to Kherson City Council's target fund "Recovery, development of infrastructure and housing fund of Kherson City Territorial Community". The money is intended to eliminate the consequences of the demolition of Kakhovka HPP Dam and shelling of the city, namely, for the purchase of transformers that contribute to the restoration of electricity supply in some areas of Kherson.

Oschadbank was the most active participant in the **Brave Hryvnia** charity campaign, a charity event organised by the National Bank of Ukraine, where everyone could help the Ukrainian military by donating coins in denominations of 10, 50 kopecks and 1, 2, 5, 10 hryvnias through the network of partner banks. In total, during the second wave of campaign, which took place in 2023, UAH 4,3 million was collected. Of which more than 50% are contributions from benefactors made through branches of Oschadbank.

In February 2023, Oschadbank and "Vidchui" NGO started collecting UAH 100 million to preserve the hearing of Ukrainian soldiers. The money goes to individual protective filters that will help preserve the hearing of 125,000 Ukrainian defenders. These devices are very necessary, as constant explosions, sounds of shots from small arms and artillery expose defenders of Ukraine to the danger of losing hearing, consciousness, and concussion.

Especially for "Chuyesh?" project Plus. Plus "Vidchui" NGO and Oschadbank have created the "Bank of sounds of Ukraine" This is a kind of open source repository with 100 audio recordings from the life of Ukraine and Ukrainians. Thanks to the donations of those who care made directly on the web-site, "Vidchui" foundation purchases and hands over to the soldiers individual sound filters that are comfortable to use and have a high degree of protection against peak sound waves.

Oschadbank, jointly with VISA, is conducting charity event "Give shelter to children", the purpose of which is to make off-line education in Ukrainian schools safer. To participate in the event, one need to pay for purchases with Visa card from Oshchadbank in the amount of at least UAH 50. From each transaction, 1 hryvnia is directed to the construction of bomb shelters in educational institutions.

In total, UAH 3 million were collected and two projects were implemented for the arrangement of safe shelters for students of Shostka educational complex - I-III degree comprehensive school No. 6 and preschool educational institution and Sniguriv Lyceum No. 3.

Oschadbank has been implementing its own inclusiveness strategy for almost ten years. In October 2023, "My Barrier-Free Environment" program was launched in Oshchad, which continues the development of the Bank's previous inclusive initiatives. The initiative, which was a logical continuation of Oschadbank's previous efforts to gradually transform its own network of branches into a barrier-free environment, will now be largely focused on improving the quality of services for people with disabilities and veterans. In addition to facilitating the accessibility of Bank branches, "My Barrier-Free Environment" is based on the principles of equal treatment of all customer groups, humane service, comfort during a physical stay in the branch and when contacting remotely.

In addition, Oschadbank has implemented a program to reintegrate veterans from among its own employees into the staff (as of the end of 2023, 450 Bank employees were mobilized into the ranks of the Armed Forces), and signed an agreement on employment of veterans with the Veteran Hub.

Among the implemented initiatives, the support of Ukrainian cultural process during the full-scale aggression against Ukraine shall be noted.

In March 2023, a panel discussion on the role of art during the war was held at Bohdan and Varvara Khanenko National Museum of Art with the support of Oshchadbank. A powerful pool of experts discussed the importance of preserving cultural heritage.

In June, the Ukrainian Museum of Modern Art, Past / Future / Art memory culture platform and the National Center "Ukrainian Home" with the support of Oschadbank held an exhibition of works by Ukrainian artists "How are you?" about the experience of 2022 and the discussion program dedicated to the commemoration of Russian-Ukrainian war.

In the summer of 2023, the National Centre "Ukrainian Home" presented a unique "Maria Draws" project - 100 unknown works of the legendary artist Maria Prymachenko. The partner of the project was Oschadbank jointly with Visa.

The Bank supported Maestro dell'Arco open All-Ukrainian festival-competition of young violinists. This musical project was created to identify, support and promote the realization of creative potential of talented young performers.

Employees of Oschadbank joined the 30th Race Under the Chestnut Trees at the end of May. Every year, the Race draws the attention of Ukrainians to the problem of congenital heart defects. With the donations of its participants, the organizers purchase the necessary equipment for the Medical Research and Practical Centre of Children's Cardiology and Cardiac Surgery of the Ministry of Health of Ukraine. More than 100 employees of Oschadbank ran a distance of 5 km in Kyiv, Sumy, Mykolaiv, Zaporizhzhia and Kropyvnytskyi.

12. Awards of the Bank during the reporting period

Awards received by Oschadbank in 2023:

- 1st place in the "Best credit support for business during the war" nomination, PaySpace Awards 2022.
- 1st place in "Best retail banking digitalization" and "Best financial inclusion provider" nominations of Ukrainian Association of Fintech and Innovation Companies (UAFIC) award.
- Anton Tyutyun, Deputy Chairman of the Management Board of Oschadbank, was recognized as the best Head of Retail Business according to FinAwards 2023.
- Best bank for SME customers, FinAwards 2023.
- Best Ukrainian Bank in Premium Customer Service in Ukraine (Ukraine's Best Private Bank for High Net Worth Individuals), Euromoney magazine rating "Global Private Banking Awards 2023".
- 1st place in the "State Banks" category in the "Corporate Bank" nomination, "Banks of the Year - 2023" rating by Financial Club.
- 1st place in the "State Banks" category in the "Savings Bank for the Public" nomination, "Banks of the Year - 2023" rating by Financial Club.
- Three representatives of Oschadbank - the Bank's Supervisory Board Members Roza Tapanova and Julia Pashko and the Bank's Management Board Member in charge of Micro, Small and Medium Business Natalia Butkova-Vitvitska - were included in the rating "50 Most Influential Women in FinTech".
- 1st place among the banks of Ukraine in terms of social networks community.
- Gold Award for the impeccable quality of direct passage of interbank payments through Swift system in 2022, STP Award 2022 from Commerzbank AG.
- Award "Communication in social networks" and "B2G project" in the case "Oschadbank: "My area of development", PR-case competition from MMR.
- Most Dynamic Bank in Microcrediting, Bankir International Financial Club, XV All-Ukrainian competition "Bank of the Year - 2023"
- Natalia Butkova-Vitvitska, the Bank's Management Board Member in charge of Micro, Small and Medium Business (MSME), was awarded with the Letter of Gratitude from the Ministry of Economy of Ukraine and the Export Credit Agency (EKA) for the development of financial instruments to support the export of Ukrainian goods, Export Credit Forum 2023.
- 1st place in the "Mortgage loan" nomination, "25 Leading Banks of Ukraine 2023", Financial Club.
- 1st place in the "Car Loan" nomination, "25 Leading Banks of Ukraine 2023", Financial Club.
- 1st place in the "SME and IE Loans" nomination, "25 Leading Banks of Ukraine 2023", Financial Club.
- 1st place in the "Agricultural Loan" nomination, "25 Leading Banks of Ukraine 2023", Financial Club.
- 1st place in the "Cash Collection" nomination, "25 Leading Banks of Ukraine 2023", Financial Club.
- Debt Restructuring and Recovery Department of Oschadbank is the best legal department of Ukraine in dealing with NPL, "Leading Legal Departments of Ukraine" - Best Legal Departments 2023 research within the framework of the 11th Annual Forum of Legal Advisors.

- HR-brand 2024 award in the "Jury's Choice" nomination, "My People" project.
- Oschadbank entered the TOP-25 Rating of employers of Ukraine, open to talents under 25, drawn up by Stud-Point Company
- 1st place in the "Mortgage Lending Development" nomination, "Bank integrity First-Half 2023" rating of the Association of Ukrainian Banks.

Independent auditor's report

To the Shareholder and Supervisory Board of
Joint Stock Company «State Savings Bank of Ukraine»

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Joint Stock Company «State Savings Bank of Ukraine» (the Bank) and its subsidiaries (the Group), which are presented on pages 1 to 97, and comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the requirements for the preparation of financial statements established by Law of Ukraine «On accounting and financial statements in Ukraine» No. 996-XIV.

Basis for 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Group's operations have been negatively affected by the Russian Federation's military invasion of Ukraine. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the 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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter

How our audit addressed the key audit matter

Allowance for loans to customers

Due to the significance of loans to customers, which account for 26% of Group's total assets, and the complexity of judgement that is required to be applied by the Group's management for timely identification of impairment events, including expected impact of the military aggression of the Russian Federation against Ukraine, and measurement of expected credit losses («ECL») in accordance with IFRS 9 *Financial instruments* («IFRS 9»), we considered this area as a key audit matter.

The calculation of ECL on a collective basis involves estimation techniques that use significant unobservable inputs and factors, complex statistical modelling and expert judgement. These techniques are used to determine probability of default, projected exposure at default and loss arising at default based on available historical data and external information, which is adjusted for forward looking information, including forecast of macroeconomic variables.

We reviewed the methodology and models developed by the Group to identify impairment events and to calculate the allowance for expected credit losses, which reflected continuing impact of the military aggression of the Russian Federation against Ukraine based on the facts and circumstances at the reporting date.

We analysed the Group's ECL calculation methodology for both individual and collective basis in terms of compliance with IFRS 9.

We tested the stratification of the Group's loans among different risk zones defined by the Group to account for the consequences of the Russia's military aggression against Ukraine.

Key audit matter

How our audit addressed the key audit matter

Additionally, for individually assessed defaulted loans, the Group applies judgment to estimate fair value of collateral and expected cash flows under a range of scenarios.

For loans to the state-owned companies, the Group assesses ECL based on the sovereign rating of Ukraine.

The use of different modelling techniques and assumptions could produce significantly different estimates of ECL. This could have a material effect on the financial results of the Group.

Information on the allowance for expected credit losses on loans to customers is included in Notes 12 and 29 to the consolidated financial statements.

To test allowance calculated on a collective basis we obtained an understanding, evaluated the design and tested operating effectiveness of the controls (including IT general controls) applied in the process of estimating the expected credit loss calculation. We evaluated, with assistance of our internal risk experts, underlying statistical models, key inputs and assumptions used and assessed incorporation of forward-looking information in the calculation of expected credit losses. We also assessed management judgement in respect of the determination of the significant increase in credit risk, probability of default and loss given default.

For significant credit exposures assessed collectively we evaluated impairment and significant increase in credit risk indicators and resulting staging.

For significant corporate exposures assessed individually, we evaluated the Group's approach to collateral valuation and monitoring procedures, assumptions used to estimate its fair value and expected cash flows under a range of scenarios.

In addition to the above, for state-owned companies we analysed probabilities of default applied by the Group in arriving at ECL amounts.

We assessed completeness and accuracy of disclosures in the consolidated financial statements regarding significant judgements and estimates of expected credit losses and credit risk.



(iii)

Key audit matter

How our audit addressed the key audit matter

Valuation of investment securities at fair value through profit or loss

Valuation of investment securities at fair value through profit or loss with embedded derivative feature was a key area of judgments for the Group's management due to complexity of the model, variety of inputs, subjectivity of assumptions and valuation techniques.

Due to the significance of investment securities at fair value through profit or loss, which account for 14% of the Group's total assets, and the complexity of judgement applied by the Group's management in valuation process we considered this matter to be a key audit matter.

The Group uses option pricing model to determine the fair value of the investment securities with embedded derivatives features. Determining the main inputs into the model (e.g., discount rate, volatility of the exchange rate) requires significant judgement from management due to illiquidity of available market inputs.

Notes 3, 13 and 26 to the consolidated financial statements disclose main sources of estimation uncertainty, judgements applied, changes introduced to the fair valuation of the investment securities with the embedded derivatives feature during 2023.

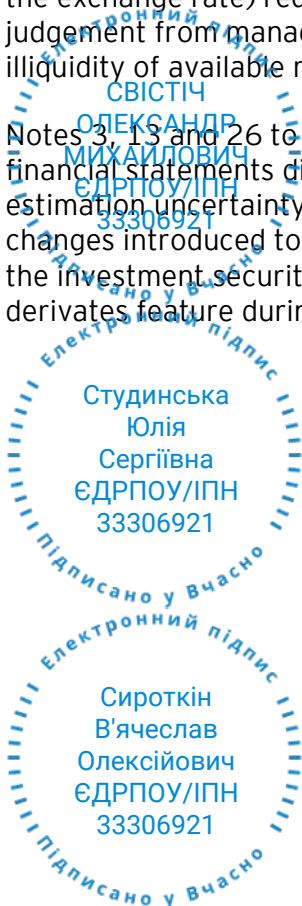
Our audit procedures included obtaining understanding of the process of fair value assessment established by the Group, key sources of inputs and assumptions.

We evaluated, with assistance of our internal valuation experts, the model, assumptions and judgements applied by the Group's management, including the determination of the volatility of exchange rates.

We analysed the Group's management judgement in respect of the source of input data used in the valuation model.

We tested inputs into the valuation model used by the Group's management, including historical exchange rates, terms of financial instruments and discount rates, and assessed mathematical accuracy of the calculations.

We also assessed the disclosures in the consolidated financial statements about the Group's investment securities at fair value through profit or loss.



Other information included in the Group's consolidated management report and the Bank's Annual Information of the Issuer of Securities for 2023

Other information comprises the information included in the Group's consolidated management report and the Bank's Annual Information of the Issuer of Securities (including the Corporate Governance Report) for 2023, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Електронний підпис
Сироткін
В'ячеслав
Олексійович
ЄДРПОУ/ІПН
33306921
Підписано у Вчасно

Електронна печатка
ТОВ "ЕРНСТ
ЕНД ЯНГ
АУДИТОРСЬКІ
ПОСЛУГИ"
ЄДРПОУ/ІПН
33306921
Підписано у Вчасно



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

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

We communicate with the Supervisory Board's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Supervisory Board's Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

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

Appointment of the auditor and period of engagement

We were first appointed for three years as independent auditors to perform a statutory audit of the Group's consolidated financial statements on 4 December 2019 by the Supervisory Board of the Bank. Our appointment was renewed by the Supervisory Board of the Bank on 24 October 2022. The period of total uninterrupted engagement for performing the statutory audit of the Group is five years.

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

We confirm that this independent auditor's report is consistent with the additional report to the Supervisory Board's audit committee of the Bank, which we issued on 17 April 2024 in accordance with Article 35 of Law No. 2258-VIII.

Provision of non-audit services

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

Reporting under the NSSMC requirements

- ▶ Full legal name of the Bank, information on the ultimate controlling party as well as the ownership structure are disclosed in Note 1 to the Bank's consolidated financial statements.
- ▶ As at 31 December 2023, the Bank has a subsidiary: PrJSC "Mortgage loans refinancing agency", which is located in Kyiv at 77 Saksaganskogo St.
- ▶ As at 31 December 2023, the Bank was not a controlling party or a participant of a non-banking group.
- ▶ The Bank is a public interest entity in accordance with the Law of Ukraine "On accounting and financial statements in Ukraine" No. 996-XIV.

Сироткін
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ТОВ "ЕРНСТ
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33306921

- ▶ Prudential ratios, established by the NSSMC for relevant activity of professional capital market and organized commodity market participants, are not applicable to banks, which are engaged in professional stock market activities in accordance with "Regulation on prudential ratios for professional stock market activities and risk management requirements" (as amended) approved by the NSSMC Decision No.1597 dated 1 October 2015.
- ▶ The Revision Commission has not performed a review of the Group's financial and economic activities based on the results of the financial year as the Revision Commission has not been formed.
- ▶ Limited liability company "Ernst & Young Audit Services" (ERDPOU: 33306921, website: www.ey.com/ua) has audited the Group's consolidated/Bank's separate financial statements according to the agreement №GFS-2022-00132 dated 31 October 2022. The audit was conducted during the period from 1 November 2023 to 18 April 2024.

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

For and on behalf Ernst & Young Audit Services LLC

Svistich O.M.
General Director

Studynska Y.S.
Partner

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

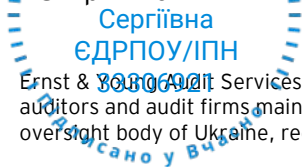
Registration number in the Register of
auditors and audit firms: 101256



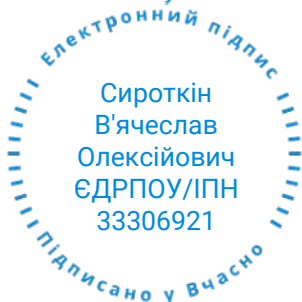
Syrotkin V.O.
Auditor

Registration number in the Register of
auditors and audit firms: 101252

Київ, Україна
18 April 2024



Ernst & Young Audit Services LLC is included in the Register of
auditors and audit firms maintained by the Audit public
oversight body of Ukraine, registration number: 3516



Документ підписано у сервісі Вчасно (початок)

(viii)

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Company "State Savings Bank of Ukraine" (hereinafter – the "Bank") and companies controlled by the Bank (collectively, the "Group") as at 31 December 2023 and the results of its operations, cash flows, and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (hereinafter – "IFRS").

In preparing the consolidated financial statements management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Bank's consolidated financial position and financial performance;
- Stating of compliance with IFRS, provided that any material departures are disclosed and explained in the consolidated financial statements; and
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:


- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the consolidated financial statements of the Bank comply with IFRS;
- Maintaining accounting records in compliance with the legislation of Ukraine;
- Application of reasonably available measures to preserve the Bank's assets; and
- Prevention and detection of cases of fraud and other violations.

The consolidated financial statements of the Bank for the year ended 31 December 2023 were approved and authorized for issue by the Bank's Management Board on 16 April 2024.

On behalf of the Management Board:


S. Naumov,
Chairman of the Management Board
16 April 2024




M. Demkovych,
Acting Chief Accountant
16 April 2024

JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of UAH)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income			
Interest income on financial assets measured at amortised cost and at fair value through other comprehensive income	5	28,890,272	18,981,901
Interest income on financial assets measured at fair value through profit or loss	5	3,706,743	3,566,906
Total interest income		32,597,015	22,548,807
Interest expense	5	(13,867,477)	(7,564,688)
Net interest income		18,729,538	14,984,119
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	29	1,363,633	(11,039,456)
Net interest income/(expense) after (accrual) /reversal of allowance for expected credit losses on interest bearing assets		20,093,171	3,944,663
Fee and commission income	6	12,025,296	9,386,584
Fee and commission expense	6	(5,375,663)	(3,447,839)
Dealing in foreign currencies, net		937,821	1,234,118
Translation differences, net		108,484	(3,588,937)
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	7	(3,700,138)	8,321,816
(Accrual)/reversal of allowance for expected credit losses on other financial assets and guarantees	29	110,430	(304,573)
(Accrual)/reversal of allowance for impairment losses on non-financial assets		(37,919)	(3,048)
Gains/(losses) arising on initial recognition of financial assets at an interest rate higher or lower than the market rate		(36,998)	(3,321)
Net gain/(loss) from transactions with debt financial instruments at fair value through other comprehensive income		-	903
Other income		557,429	547,691
Other expenses		-	(245,316)
Net gain/(loss) on modifications of financial assets	29	(342,401)	(603,165)
Net non-interest income		4,246,341	11,294,913
Operating income		24,339,512	15,239,576
Personnel expenses	8	(7,248,905)	(8,145,471)
Depreciation and amortization	8	(2,002,715)	(1,833,746)
Other administrative and operational expenses	8	(5,841,418)	(4,628,921)
Profit from operating activities		9,246,474	631,438
Profit/(loss) from derecognition of financial assets measured at amortized cost		7,208	4,547
Profit/(loss) before tax		9,253,682	635,985
Income tax (expense)/ benefit	9	(3,277,200)	2,357
Net profit /(loss)		5,976,482	638,342
Attributable to:			
Shareholder of the Bank		5,976,989	638,754
Non-controlling interest		(507)	(412)

Notes on pages 8-97 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)

	Notes	For the year ended 31 December 2023	For the year ended 31 December 2022
Net profit /(loss)		5,976,482	638,342
Other comprehensive income/(expenses)			
Items that will not be reclassified subsequently to profit or loss			
Net profit/(loss) from revaluation of shares at fair value through other comprehensive income		196,261	140,382
Net change in property revaluation reserve, net of deferred income tax effect		613,175	(82,486)
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating a foreign operation to reporting currency		164	1,068
Net change in fair value of investments at fair value through other comprehensive income net of deferred income tax effect		(51,164)	(86,383)
Net revaluation reserve for investments at fair value through other comprehensive income reclassified to profit or loss		-	1,188
Other comprehensive income/(expenses)		758,436	(26,231)
Total comprehensive income/(expenses)		6,734,918	612,111
Attributable to:			
Shareholder of the Bank		6,735,425	612,523
Non-controlling interest		(507)	(412)

On behalf of the Management Board:


S. Naumov
Chairman of the Management Board
16 April 2024




M. Demkovich,
Acting Chief Accountant
16 April 2024

Prepared by: O.V. Rybalka, 537-47-75, K.G. Zadneprovsky, 537-47-84

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023
(in thousands of UAH)

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	11	65,850,018	28,376,712
Loans to customers	12	89,109,019	83,215,595
Investments	13	173,447,680	143,398,851
Income tax prepaid		62,772	470,943
Deferred income tax assets	9	865,374	-
Investment property	14	542,598	626,789
Fixed assets	15	10,208,797	6,521,344
Intangible assets	15	2,465,154	2,106,476
Other financial assets	16	746,511	1,319,773
Other non-financial assets	16	3,237,800	3,237,587
Total assets		346,535,723	269,274,070
Liabilities and equity			
Liabilities			
Due to banks	17	366,363	543,326
Customer accounts	18	302,944,010	233,940,309
Provisions	21	939,501	1,179,977
Other financial liabilities	21	608,667	606,965
Other non-financial liabilities	21	1,450,879	1,289,951
Current income tax liabilities		2,953,486	49
Other borrowed funds	20	5,361,909	2,676,153
Eurobonds issued	19	2,935,584	6,041,534
Deferred income tax liabilities	9	-	97,833
Subordinated debt	22	250,816	716,442
Total liabilities		317,811,215	247,092,539
Equity			
Share capital	23	49,724,980	49,724,980
Accumulated deficit		(23,891,423)	(29,777,746)
Property revaluation reserve		1,985,382	1,473,482
Cumulative foreign exchange differences		2,701	2,537
Revaluation reserve for financial assets at fair value through other comprehensive income		9,730	60,894
Revaluation reserve for investments in equity instruments at fair value through other comprehensive income		880,862	684,601
Non-controlling interest		12,276	12,783
Total equity		28,724,508	22,181,531
Total liabilities and equity		346,535,723	269,274,070

On behalf of the Management Board:

S. Naumov
Chairman of the Management Board

16 April 2024



M. Demkovich
Acting Chief Accountant

16 April 2024

Prepared by: O.V. Rybalka, 537-47-75, K.G. Zadneprovsky, 537-47-84

Notes on pages 8-97 form an integral part of these consolidated financial statements.

Translation from Ukrainian original

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(in thousands of UAH)

Notes	Share capital	Property revaluation reserve	Cumulative foreign exchange differences	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for investments in equity instruments at fair value through other comprehensive income	Accumulated deficit	Total equity attributable to the Bank's shareholder	Non-controlling interest	Total Equity
1 January 2022	49,724,980	1,564,504	1,469	146,089	544,219	(30,106,919)	21,874,342	13,195	21,887,537
Profit/(loss)	-	-	-	-	-	638,754	638,754	(412)	638,342
Other comprehensive income/(expenses) net of income tax	-	(82,486)	1,068	(85,195)	140,382	-	(26,231)	-	(26,231)
Total comprehensive income/(expenses)	-	(82,486)	1,068	(85,195)	140,382	638,754	612,523	(412)	612,111
Payment of the profit share based on the financial result for the year	23	-	-	-	-	(318,117)	(318,117)	-	(318,117)
Disposal of premises revaluation reserve	-	(8,536)	-	-	-	8,536	-	-	-
31 December 2022	49,724,980	1,473,482	2,537	60,894	684,601	(29,777,746)	22,168,748	12,783	22,181,531
1 January 2023	49,724,980	1,473,482	2,537	60,894	684,601	(29,777,746)	22,168,748	12,783	22,181,531
Profit/(loss)	-	-	-	-	-	5,976,989	5,976,989	(507)	5,976,482
Other comprehensive income/(expenses) net of income tax	-	613,175	164	(51,164)	196,261	-	758,436	-	758,436
Total comprehensive income/(expenses)	-	613,175	164	(51,164)	196,261	5,976,989	6,735,425	(507)	6,734,918
Payment of the profit share based on the financial result for the year	23	-	-	-	-	(191,941)	(191,941)	-	(191,941)
Disposal of premises revaluation reserve	-	(101,275)	-	-	-	101,275	-	-	-
31 December 2023	49,724,980	1,985,382	2,701	9,730	880,862	(23,891,423)	28,712,232	12,276	28,724,508

On behalf of the Management Board:

S. Naumov
Chairman of the Management Board

16 April 2024

M. Demkovich,
Acting Chief Accountant

16 April 2024

Prepared by: O.V. Rybalka, 537-47-75, K.G. Zadneprovsky, 537-47-84

Notes on pages 8-97 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of UAH)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Interest received		28,868,115	17,915,815
Interest paid		(13,443,295)	(7,482,139)
Fees and commissions received		12,004,869	9,385,209
Fees and commissions paid		(5,373,921)	(3,447,688)
Foreign currency transactions		937,821	1,234,118
Transactions with derivative financial instruments at fair value through profit or loss		–	(501)
Other income received	7	363,617	190,236
Staff costs paid		(7,241,558)	(8,001,031)
Operating expenses paid		(5,644,757)	(4,175,583)
Cash flow from operating activities before changes in operating assets and liabilities		10,470,891	5,618,436
<i>Changes in operating assets and liabilities</i>			
<i>Decrease/(increase) in operating assets:</i>			
Loans to customers		(3,691,099)	(12,314,884)
Other assets:			
Other financial assets		811,414	(752,726)
Other non-financial assets		(374,794)	94,576
<i>Increase/(decrease) in operating liabilities:</i>			
Due to banks		(195,509)	(7,099,625)
Customer accounts		65,769,146	28,928,353
Other liabilities			
Other financial liabilities		56,469	(37,130)
Other non-financial liabilities		93,599	80,902
Net cash proceeds/(outflow) from operating activities before income tax		72,940,117	14,517,902
Income tax (paid)/benefit		(1,238,341)	(53,770)
Net cash proceeds/(outflow) from operating activities		71,701,776	14,464,132
Cash flows from investing activities			
Acquisition of investments		(4,224,034,712)	(3,864,800,137)
Proceeds on sale and redemption of investments		4,194,592,027	3,864,596,399
Purchase of fixed assets		(3,789,306)	(2,446,756)
Proceeds from sale of fixed assets		13,172	22,018
Purchase of intangible assets		(772,371)	(404,694)
Net cash proceeds/(outflow) from investing activities		(33,991,190)	(3,033,170)
Cash flows from financing activities			
Proceeds of other borrowed funds	20	3,538,000	540,000
Repayment of subordinated debt	22	(457,108)	(356,201)
Repayment of other borrowed funds	20	(968,524)	(1,193,210)
Repayment of lease liabilities	21	(185,890)	(160,643)
Repayment of Eurobonds issued	19	(3,108,331)	(3,949,410)
Payment of the profit share based on the financial result for the year	23	(191,941)	(318,117)
Net cash proceeds/(outflow) from financing activities		(1,373,794)	(5,437,581)
Net increase/ (decrease) in cash and cash equivalents before the effect of exchange rates changes		36,336,792	5,993,381

JOINT STOCK COMPANY "STATE SAVINGS BANK OF UKRAINE"

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
Effect of change in foreign exchange rates on cash and cash equivalents		1,212,410	3,501,703
Cash on hand located in the temporarily occupied territories		-	(106,909)
Effect of change in expected credit losses on cash and cash equivalents		(75,896)	(12,782)
Net increase/(decrease) of cash and cash equivalents		37,473,306	9,375,393
Cash and cash equivalents, at the beginning of the period		28,376,712	19,001,319
Cash and cash equivalents, at the end of the period	11	<u>65,850,018</u>	<u>28,376,712</u>

On behalf of the Management Board:


S. Naumov
Chairman of the Management Board

16 April 2024




M. Demkovich,
Acting Chief Accountant

16 April 2024

JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in thousands of UAH)**

1. ORGANIZATION

The Bank is a legal successor of all rights and obligations of the State Specialized Commercial Savings Bank of Ukraine registered by the National Bank of Ukraine (hereinafter – the “NBU”) on 31 December 1991, registration No. 4. Open Joint Stock Company “State Savings Bank of Ukraine” was established in accordance with the Decree of the President of Ukraine No. 106 dated 20 May 1999 On Corporatisation of the State Specialised Commercial Savings Bank of Ukraine and the Resolution of the Cabinet of Ministers of Ukraine No. 876 dated 21 May 1999 On Certain Issues of Management of the State Specialised Commercial Savings Bank of Ukraine, by converting the State Specialized Commercial Savings Bank of Ukraine into Open Joint Stock Company “State Savings Bank of Ukraine”. Open Joint Stock Company “State Savings Bank of Ukraine” was registered by the NBU on 26 May 1999, registration No. 4. In accordance with the Law of Ukraine On Joint Stock Companies, the type of open joint stock company "State Savings Bank of Ukraine" was changed to a public joint stock company by the Resolution of the Cabinet of Ministers of Ukraine No. 502 dated 6 April 2011 On Amendments to the Resolution of the Cabinet of Ministers of Ukraine No. 261 dated 25 February 2003. The change of name to Public Joint Stock Company “State Savings Bank of Ukraine” was registered on 7 June 2011. On 5 June 2019, the Cabinet of Ministers of Ukraine adopted Resolution No. 568 Issue of Joint Stock Company “State Savings Bank of Ukraine”, which was officially published and came into force on 10 July 2019, according to which the type of public joint stock company “State Savings Bank of Ukraine” was changed from public to private and renamed it to the joint stock company “State Savings Bank of Ukraine” (hereinafter – the “Bank”). The Charter was revised accordingly and was agreed with the National Bank of Ukraine. On 18 July 2019, its state registration was done.

On 27 August 2022, the Cabinet of Ministers of Ukraine adopted Resolution No. 958 "On Amendments to the Charter of the joint-stock company “State Savings Bank of Ukraine”, which was officially published on 1 September 2022, according to which the Charter of JSC “Oschadbank” is set out in a new version. Changes to the Bank’s Charter, after their approval by the NBU, enter into force from the day of their state registration.

On 21 October 2022, state registration of the new edition of the Bank's Charter was done.

The new edition of the Bank's Charter specifies that deposits of individuals placed with the Bank are guaranteed in the manner and in the amounts stipulated by the Law of Ukraine "On the System of Guaranteeing Deposits of Individuals". The Bank has been a member of the Individual Deposit Guarantee Fund since April 2022.

As at 30 September 2023 and 31 December 2022, 100% of the Bank’s shares were state-owned.

The Bank is operating under a banking license issued by the National Bank of Ukraine. The Bank has licences from the National Securities and Stock Market Commission (the "NSSMC") to carry out professional activities in the capital markets for trading in financial instruments, which include financial instruments portfolio management, sub-brokerage, brokerage, placement without providing a guarantee, and trading in financial instruments. The Bank also has licences from the NSSMC to carry out depository activities as a depository institution, custody of assets of collective investment institutions, and custody of assets of pension funds.

The Bank provides banking and other financial services (other than insurance services, except for insurance intermediary functions), and carries out other activities in national and foreign currencies. The Bank’s primary business is maintaining bank accounts and attracting deposits from legal entities and individuals, issuing loans, transferring payments, trading in securities and operating with foreign currencies.

The registered address of the Bank is at: 12G Hospitalna str., Kyiv, 01001, Ukraine.

These consolidated financial statements have been prepared for the Bank, PrJSC “Home Loans Refinancing Agency” (collectively referred to as “the Group”):

Name	Country of operation	Participatory/voting interest (%)		Type of activities
		as at		
		31 December 2023	31 December 2022	
JSC “State Savings Bank of Ukraine”	Ukraine	Parent company		Banking
PrJSC “Home Loans Refinancing Agency”	Ukraine	70.86	70.86	Loan refinancing

PrJSC “Home Loans Refinancing Agency” (hereinafter – PrJSC “HLRA”) was established on 17 February 2012. The primary activity of the company is refinancing mortgage loans through the issue of mortgage securities.

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On 30 November 2022, the Bank's supervisory board made a decision to put on the General Meeting of Shareholders of PrJSC “HLRA” agenda's the following: PrJSC “HLRA” liquidation, the election of a liquidation commission, approval of the procedure and terms of liquidation, and the procedure for distributing among shareholders of the property remaining after the satisfaction of creditors' demands. By this decision, the Bank's management board was empowered to make decisions and take all necessary actions on liquidation of the company. On 4 April 2023, the Bank's management board approved the proposals of PrJSC “HLRA” regarding the draft agenda of the Annual General Meeting of PrJSC “HLRA” and the plan of measures for the liquidation of PrJSC “HLRA”. On 5 May 2023, at the remote annual general meeting of shareholders, a decision was made to terminate PrJSC "HLRA" by liquidating it. A liquidation commission was elected from among the Bank's representatives, to which the powers of the supervisory board and the board of PrJSC “HLRA” were transferred and the liquidation is in process as at 31 December 2023.

These consolidated financial statements were approved by the Bank's Management Board on 16 April 2024.

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2. OPERATING ENVIRONMENT

In the context of continuing full-scale military operations in 2023, high level of security risks, significant level of budget deficit and dependence on external financial aid, the indicators of development of Ukraine’s economy showed positive dynamics. The development of alternative ways of exporting Ukrainian products, favorable weather conditions, high yields of agricultural crops and the adaptability of Ukrainian business had a positive impact on GDP indicator, which is amounted 5,3% y/y. At the same time, massive rocket attacks that occurred continuously throughout the year, shortage of electricity supply, disproportion in the labor market, the decrease in prices for Ukrainian export goods, and logistical problems related to the blocking of borders significantly reduced the level of export revenues and incomes of enterprises and the public. International support and borrowing on the domestic market made it possible to support Ukrainian economy and balance the state budget deficit.

Measures to ensure exchange rate stability and attractiveness of hryvnia assets led to a sharp decrease in inflation in 2023 – from 26,6% at the beginning of the year to 5,1% y/y at the end of the year. An important role was also played by the secondary effects of high harvests and an increase in the supply of certain food products, a moratorium on price increases for utility services, and a decrease in global energy carrier prices. The introduction of new monetary instruments related to the volume of term deposits involved and the differentiation of mandatory provisioning ratios contributed to reducing the pressure on hryvnia exchange rate and prices. The revival of economic activity and an increase in the level of macro-financial stability was facilitated by softening of the NBU's interest rate policy, in particular, the reduction of the NBU's discount rate from 25% to 15% per annum.

The gradual softening of currency restrictions and the transition to managed exchange rate flexibility, which took place at the end of 2023, contributed to the regulator's return to inflation targeting policy. The structural currency deficit and exchange rate fluctuations were compensated by the NBU's currency interventions through the sale of currency.

Due to foreign currency inflows from international financial partners, the level of international reserves of Ukraine increased by 42% during 2023 and exceeded USD 40,5 bln.

During 2023, to cover the state budget deficit, the Government of Ukraine raised UAH 401 785,1 mln., USD 3 688,3 mln. and EUR 735,8 mln. from the placement of military government bonds at auctions. Intensification of fund attraction took place, among other things, due to the expansion of the list of benchmark government bonds, which are accounted for as coverage of the Banks' required reserves

As for the banking system, the volume of net assets of solvent banks has increased by a quarter over the year. As of 01.01.2024, 63 banks were operating in the sector. The results of financial stability assessment carried out by the NBU in 2023 indicate that most banks have a sufficient level of capitalization.

During 2023, international rating agency Fitch Ratings confirmed long-term default ratings of the issuer of Ukraine in national and foreign currencies at the level of SS and SSS, respectively.

In April 2023, international rating agency Standard & Poor's lowered the long-term default rating of the issuer of Ukraine in foreign currency from CCC+ to CCC, confirming it in September 2023 with a negative forecast. The long-term default rating of the issuer of Ukraine in the national currency was confirmed at the level of CCC+.

The management staff focuses on maintaining the Bank's stable operations, which corresponds to the existing circumstances and available information. However, given the current situation, there is a possibility of the emergence of external factors that may have a negative impact on the stability of the banking system in general, and therefore on the results of operations and financial condition of the Bank, the nature and consequences of which cannot be determined currently.

3. MATERIAL ACCOUNTING POLICIES INFORMATION

3.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board (“IASB”) and the

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requirements of the Law of Ukraine *On Accounting and Financial Reporting in Ukraine* #996-XIV on preparation of financial statements.

Basis of consolidation

These consolidated financial statements include the financial statements of the Bank and the companies regarding which the Bank has the powers, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns through its power over these companies.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interest. Total comprehensive income of the subsidiaries is attributed to the owner of the Bank and to the non-controlling interest even if this results in a deficit balance of the non-controlling interest.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets of the subsidiary not owned, directly or indirectly, by the Bank's shareholder.

Non-controlling interest is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from the Bank's share capital.

3.2. Basis of presentation

These consolidated financial statements are presented in thousands of UAH, unless otherwise indicated.

These consolidated financial statements have been prepared on the historical cost basis, except for buildings, investment property and financial instruments that are measured at revalued amount or fair value, respectively, at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern basis

This consolidated financial statements were prepared on a going concern basis. During the preparation of the financial statements, the Group's management assessed the Group's ability to continue its operations in future, taking into account hostilities in Ukraine, which have already caused and continue to cause significant negative consequences for the economy of the country as a whole and for the Group's customers as described in Note 2.

The Group has analyzed the potential impact of military aggression against Ukraine on its financial condition, expects a moderate recovery of the Ukrainian economy and is focused on:

- forecast values of macroeconomic indicators for 2024 were compiled taking into account the data from the National Bank of Ukraine, macro benchmarks used as a basis for the preparation of the state budget for 2024, and the data contained in international information and analytical systems (Bloomberg).
- continuing to provide financing for the economy of Ukraine, the loan portfolio of retail businesses will show growth trends, that of legal entities will focus on lending to critical sectors of the economy, agro-industrial sector enterprises, including due to monetary support of state programs;
- public lending, including under the state "eOselya" program and lending to MSME customers, including due to loans under state programs to support small businesses, farmers, etc.;

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- attraction of resources in the amounts required by the Bank for active transactions, with restrictions on the acceptability of the cost of such resources for the Bank with an emphasis on retail business;
- the Group does not expect a deterioration in the quality of loan portfolio;
- the Bank is planning to maintain its market position at the level of 2023. In order to achieve the goals, it is planned to: increase loan and investment portfolio, the resource base (mainly due to the attraction of customers' funds), increase the amount of net commission income and trading result;
- the Bank's Management Board will continue to implement measures to optimize operating expenses, which will partially compensate for the negative impact of macroeconomic factors on the growth of their volume. At the same time, additional expenses related to the increase in the cost of goods/works and services, inflationary expectations of suppliers of goods/works/services, increased IT infrastructure costs, recovery of the operation of the Bank's branch network, are possible;
- regulatory requirements take into account all officially approved plans of the NBU as of the forecast date on the implementation of new requirements during the forecast period.

The assumptions underlying the assessment of business continuity do not take into account external factors that may change in the future, namely: changes in the capital market situation in Ukraine and the world as a whole, other and/or macroeconomic influences not included in the Bank's assessments, geopolitical changes, significant changes in legislation, including banking, changes in reporting and accounting standards, changes in tax legislation, changes in the operational design of the NBU's monetary and exchange rate policy, as well as other changes that may occur in the future and that the Bank cannot control.

The management believes that the Bank will timely and fully fulfill its own obligations within the next 12 months and will repay about USD 83 mln. equivalent (USD 90 mln. including interest) of external borrowings (of which about USD 44 mln. has already been repaid in 2024).

The unpredictable development of military operations on the territory of Ukraine causes significant uncertainty, which may affect assumptions on the Group's ability to maintain business continuity and, consequently, on the Group's ability to ensure the sale of its assets and repayment of liabilities.

At the same time, the management of the Group, carrying out the consistent development of the management of business continuity and operational risks, based on forecast indicators of liquidity, capital standards, the amount of expected credit losses, believes that there are sufficient grounds for drawing up these consolidated financial statements based on the going concern assumption.

3.3. Functional currency

Items included in the consolidated financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Bank, its subsidiary and special purpose entity (hereinafter – the “functional currency”). The functional and currency of presentation of these consolidated financial statements is Hryvnia (hereinafter – “UAH”). All amounts are rounded to thousands, unless otherwise indicated.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into UAH at the appropriate spot exchange rates ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses arising from these translations and from the settlement of foreign exchange transactions are included in net gain on foreign exchange transactions.

The official exchange rates at reporting date used by the Group in the preparation of the consolidated financial statements are:

	31 December 2023	31 December 2022
UAH/USD 1	37.9824	36.5686
UAH/EUR 1	42.2079	38.9510

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3.4. Financial assets and financial liabilities

3.4.1. Classification and measurement of financial assets and financial liabilities

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognised using settlement date accounting.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 test) on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated by the Group as at FVTPL:

- 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 (SPPI test) on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Equity instruments

The Group irrevocably elected to present changes in fair value of equity investments in OCI. This election was made on an investment-by-investment basis.

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost.

3.4.2. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different, that is, whether there is a significant difference between the cash flows of the initially recognised financial asset and the cash flows of the modified asset or the financial asset that replaced it. 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.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

Modification of terms is deemed substantial in case of change of currency of financial asset, change of debtor, combination of two or more financial assets or vice versa, change of type of financial asset. Modification of terms is considered unsubstantial in case of change of the nominal interest rate, repayment schedule or maturity extension.

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If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. 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.

Financial liabilities

If the contractual terms of the liabilities are renegotiated or otherwise modified, the Group accounts for it as an extinguishment of the original financial liability and the recognition of a new financial liability, if the modification of the terms is substantial. The modification of terms is considered substantial 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 terms is accounted for as an extinguishment of the original debt, any costs or fees incurred are recognised as part of the gain or loss at the extinguishment date. If the modification is not accounted for as an extinguishment of the debt, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

3.4.3. Impairment of financial assets

The Group recognizes a provision for expected credit losses on all debt financial assets, that are carried at amortized cost or fair value through other comprehensive income as well as loan commitments and financial guarantee agreements. An impairment loss is not recognized for equity instruments. ECL assessment model is described in Note 29.

3.5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of Ukraine and other banks, funds provided to banks in countries belonging to the Organisation for Economic Cooperation and Development (OECD) and other countries which may be converted to cash within three months from date of recognition, except for guarantee deposits for operations with payment cards.

3.6. Investments

“Investments” caption in the consolidated statement of financial position includes:

- Debt securities measured at amortised cost;
- Debt securities mandatorily measured at FVTPL (including a hybrid instrument with embedded derivative);
- Debt securities measured at FVOCI; and
- Equity investment securities designated by the Group at FVOCI.

3.7. Fees and commission

Fee and commission income and expense that are integral to the effective interest rate of a financial asset or financial liability are included in the calculation of the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.8. Investment property

Investment property is property (land or a building or part of a building), subject to enforcement activities under Ukrainian law held to earn rentals under operating leases. Investment property is initially recognised at cost and subsequently measured at fair value.

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3.9. Fixed assets and intangible assets

Fixed assets and intangible assets, other than buildings and properties under construction, are carried at historical cost, less accumulated depreciation and amortization and any recognised impairment loss, if any.

Depreciation of property and equipment and amortization of intangible assets is charged on the historical (revalued) cost of property and equipment and intangible assets and is designed to write off assets over their expected useful economic lives. It is calculated on a straight-line basis at the following annual rates:

Buildings	0.7%-5%
Furniture, office equipment, and vehicles	5%-33%
Intangible assets	10%-17%

The Group has adopted a revaluation model for the subsequent measurement of its buildings and properties under construction. Buildings and properties under construction are carried in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation determined on the basis of market evidence in the course of the assessment performed by professional valuation experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

During the revaluation of buildings and properties under construction, the accumulated depreciation is deducted from the initial (revalued) value of the item of property and equipment, and the net carrying amount obtained on a net basis is revalued to fair value. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

3.10. Collateral repossessed by the Group

Collateral repossessed by the Group are non-financial assets received during the settlement of overdue loans. These assets are initially recognized at fair value and included in other non-financial assets, property and equipment or investment property depending on their nature and the Bank's intention in respect of their recovery, and are subsequently accounted for in accordance with the accounting policies for these categories of assets. Repossessed collateral included in other non-financial assets is measured and carried at the lower of its carrying amount and fair value less costs to sell..

3.11. Leases

Operating leases - Group as a lessee

The Group applies the exemption from short-term lease recognition and to low-value asset lease agreements, maximum USD 5 thousand in UAH equivalent at the national exchange rate against foreign currencies as of the date of such measurement. Short-term lease payments and leases of assets where the underlying asset is invaluable are recognized in the straight-line lease expense over the lease term.

Finance leases – Group as a lessor

Where the Group is a lessor in a lease which transfers all substantial risk and rewards from ownership to the lessee, such asset is classified as finance lease and accounts receivable in the amount of net investments in finance lease and is recognised within loans to customers.

3.12. Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized.

Current and deferred taxes for the year

Current and deferred taxes are recognised in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items charged or credited directly to equity, in which case the current and deferred taxes are also dealt with in equity.

3.13. Guarantee contracts issued and letters of credit

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Issued financial guarantee and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognised at fair value.

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

Issued performance guarantees

Performance guarantees are contracts, that provide for the payment of compensation in favor of one of the parties in the event of non-performance by the other party. Performance guarantees are in scope of IFRS 9 and effectively are a form of a contingent loan commitment. Performance guarantees liabilities are measured under IFRS 9 similarly to loan commitments.

3.14. Share capital

Contributions to share capital are recognised at historical cost. Contributions made before 31 December 2000 are stated at cost, which is restated using the consumer price index to take into account effect of hyperinflation as required by IAS 29 *Financial Reporting in Hyperinflationary Economies*.

3.15. Critical accounting judgements and key sources of estimation uncertainty

In preparing these consolidated financial statements, management has made judgement, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions concerning the future and other key sources of uncertainty estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period include:

	31 December 2023	31 December 2022
Loans to customers	89,109,019	83,215,595
Investments	173,447,680	143,398,851
Buildings and construction in progress	3,660,491	2,671,383
Expected credit losses for guarantees and other commitments	633,230	908,068

Assessment of ECL

Expected credit losses are estimated as follows:

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

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Evaluation of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Estimating provisions for expected credit losses for financial assets at amortised cost or FVOCI requires complex modelling and using significant judgement on future economic conditions, expected cash flows and debt service quality. Significant judgement is required when applying accounting policy requirements to estimate expected credit losses in respect of the following:

- Determining criteria used to identify significant increases in credit risk;
- Selecting relevant models and judgements to estimate expected credit losses;
- Determining quantity and relative weighting of scenarios for each type of product/market and respective expected credit losses;
- Determining groups of similar financial assets to estimate expected credit losses.

The Group's exposure to credit risk is stipulated by the risk of financial losses in case of default of any counterparty, customer or market partner. Credit risk primarily arises on interbank commercial and consumer loans, as well as loan commitments related to the above lending activities; however, it may also arise as a result of issuing financial guarantees, letters of credit or bills of acceptance. The credit risk management policy is described in Note 29.

Credit risk assessment on a loan portfolio involves subsequent assessment of probability of default, respective loss rates, and conditions that correlate with defaults between counterparties. The Group estimates credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD) and taking into account adjustments based on forward-looking information.

The value of real estate received as collateral for credit transactions is determined by the Bank at fair value. As at 31 December 2023, it is possible to state the recovery of the real estate market, both in terms of activity in terms of the number of deals, and in terms of changes (increases) in the prices of actual concluded contracts. A certain risk of uncertainty of fair value may be realized in the real estate market in the event of a significant deterioration of the security situation caused by the military aggression of the Russian Federation, and its change may potentially have a significant impact.

As at 31 December 2023, in calculating the expected credit loss (ECL) estimates, the Group performed additional segmentation of the loan portfolio based on the region and the impact of military operations on the respective region.

The loan portfolios were segmented into *Orange*, *Red* and *Green* zones based on the proximity or affiliation of the region to the areas of military operations and/or temporarily occupied territories.

Thus, according to the Group's assessment, the *Orange* zone includes regions that are at increased risk due to their proximity to the areas of hostilities or temporarily occupied territories.

For calculating the ECL for loans included in the *Orange* zone portfolios, the Group used the probability of default (PD) values, which were estimated based on the actual default rates in the respective regions of the zone for the period from 1 March 2022 to 1 December 2023, with further with further adjustment for expected changes in accordance with the forecast of changes in the macro economic environment.

The total allowance for ECL on loans in the temporarily occupied territory was recognised at 100%.

As at 31 December 2023, the Group applied adjustments to PD estimates in accordance with the forecast of changes in the macroeconomic environment using updated regression models of default rates from changes in macroeconomic indicators and established multipliers depending on the status of the territories (temporary occupation/de-occupied territories/territories of military operations, etc.) for portfolio assessment by customer segments and loan products.

Provisions for guarantees and other commitments

Judgments and estimates related to the provision for guarantees and other commitments is an area of significant management judgment because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations (Note 29).

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Valuation of financial instruments

Financial instruments at FVOCI and derivative financial instruments, including embedded derivatives, are carried at their fair values. If a quoted market price is available for an instrument, the fair value is calculated based on this market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contractual terms of financial instruments as well as market-based valuation parameters, such as interest rates, volatility, exchange rates, and credit rating of a counterparty. Where market-based valuation parameters are not available, management makes a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools is used, including proxy observable data, historical data, and extrapolation techniques. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price if the value of the instrument is not supported by comparing with available market data.

The Group considers that the accounting estimates and assumptions related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (a) they are highly susceptible to change from period to period because they require management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments, and specific feature of the transactions and (b) the impact that recognizing a change in the valuations would have on the assets reported in consolidated statement of financial position as well as its income/(expense) could be material.

Had management used different assumptions regarding interest rates, volatility, exchange rates, credit rating of a counterparty, offer date, and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted in a material impact on the Group's net profit reported in the consolidated financial statements.

As described in Note 26, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 26 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Estimates of derivative financial instruments at fair value through profit or loss are calculated based on the judgments used to determine the inputs for fair value models of such instruments.

Since October 2022, JSC "Oschadbank" has been participating in the implementation of the state "eOselya" program. In addition to JSC "Oschadbank" other banks also participate in the program. The "eOselya" program is implemented through PJSC "UFHC", which provides loan funds to banks for up to 22 years at an interest rate of 3% per annum and secured by Ukrainian government bonds for further granting by banks of mortgage loans to retail clients at an interest rate of 7% per annum and for up to 20 years.

The terms and conditions of the program, including the interest rates on loans, are market-based for both banks and retail clients, as they are offered to a wide range of clients and currently constitute the basis of the Ukrainian mortgage market. According to the results of the NBU's survey of banks on loans granted to individuals for the purchase, construction and reconstruction of real estate secured by real estate and information provided by PrJSC "Ukrfinzhytlo" in 2023, more than 95% of mortgage loans were granted by banks under the state "eOselya" program.

Given that the terms and conditions of the loans from PJSC «UFHC» and the terms and conditions of the loans to retail clients are market-based (as such transactions were made in the principal market which the Bank has access to), no difference between the carrying amount and fair value and the related gains or losses on initial recognition of financial instruments at a value higher/lower than fair value arises on initial recognition.

Buildings and properties under construction, investment property

The Group provides revaluation of properties (buildings) as part of property and equipment and investment property with sufficient regularity so that the carrying amount does not differ significantly from that, which would be determined using fair value at the end of the reporting period. The frequency of revaluations depends on changes in the fair value of the revalued items of property and equipment and investment property. If the fair value of a revalued asset differs materially from its carrying amount, a revaluation is performed.

Real estate (buildings) in property, plant and equipment (Note 16) and investment property (Note 14) are stated at fair value. The last valuation was conducted on 31 December 2023 with the involvement of an independent appraiser. The value of real estate was determined by an independent appraiser using income and comparative approaches.

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The Group believes that the accounting estimates and assumptions used in determining the fair value of buildings and office space are the same source of valuation uncertainty and are subject to the same limitations as the accounting estimates and assumptions described above.

Deferred tax assets

Deferred tax assets in the amount of UAH 865,374 thousand (31 December 2022: UAH zero) represent income taxes recoverable through the use of taxable income in the future (Note 9). Deferred tax assets are recognized in the statement of financial position to the extent that it is probable that future taxable income will be available against which the unused tax losses and unused tax benefits can be used. The measurement of future taxable income and the amount of tax assets as at 31 December 2023 that are probable in the future is based on the business plan that is expected to generate profit during 2024. The key assumptions for going concern and ensuring profitable operations in 2024, taking into account the impact of military actions in Ukraine, are disclosed in the Going concern section of this note.

Taking into account the forecasted future profit in the next year and the fact that the applicable Ukrainian legislation does not impose any restrictions on the term of use of tax losses carried forward, management believes that recognition of deferred tax assets is appropriate.

Exchange rate of hryvnia to foreign currencies

National Bank of Ukraine by Board's Resolution No. 18 dated 24 February 2022 “On the operation of the banking system during the introduction of martial law” fixed the official exchange rate of the hryvnia to foreign currencies, and from October 3, 2023, it switched to the regime of managed flexibility of the exchange rate. At the same time, as at 31 December 2023, the commercial weighted average exchange rate of UAH to USD when buying/selling on the cash foreign exchange market of Ukraine differs from the official exchange rate of UAH to USD by 2.79% and 4.03%, respectively. The Bank continues to account monetary assets and liabilities denominated in foreign currencies at the official exchange rate of the hryvnia to foreign currencies established by the National Bank of Ukraine on the reporting date, as required by the Group's accounting policy.

Other sources of uncertainty

While the Ukrainian government has introduced a range of stabilization measures aimed at providing liquidity to Ukraine's banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could negatively affect the Group's consolidated financial position, results of operations, and development prospects.

The effects on the Group's consolidated financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and capital markets cannot be reliably estimated. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

4. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Amendments to the standards, which come into force on 1 January 2023

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

The following new or amended standards and interpretations had no significant impact on the Group's consolidated financial statements:

IFRS 17 Insurance Contracts (issued in May 2017 and effective on or after 1 January 2023)

IFRS 17 is a new comprehensive standard for insurance contracts that addresses recognition and measurement, presentation and disclosure of information. IFRS 17 replaces IFRS 4 Insurance Contracts, which 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. Limited scope exceptions apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. The core of IFRS 17 is the general model, supplemented by:

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a specific adaptation for insurance contracts with direct participation in investment income (the variable compensation approach);

a simplified approach (the premium allocation approach) mainly for short-duration contracts.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide for credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

separate the insurance coverage component and apply IFRS 17 to it;

apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

Loan contracts that meet the definition of an insurance contract, but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on borrower's death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

The Group has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a material impact on the financial statements for the year ended 31 December 2023.

As part of this determination, the Group assessed credit cards and similar products that include insurance coverage. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. The Group has determined that insurance risk associated with an individual customer has not been assessed in setting the price of the contracts as these products are offered at the same price to all applicants, and therefore they are exempt from IFRS 17.

For loan contracts that meet the definition of an insurance contract, but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, e.g., a loan with waiver on death, there is a choice to apply either IFRS 9 or IFRS 17 to such contracts. This choice is made at a portfolio level and is irrevocable. The Group has made an irrevocable choice to apply IFRS 9 to each portfolio of these products.

Other amendments and interpretations apply for the first time in 2023, but do not have an impact on the Bank's

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and outputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. These amendments do not have any material impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements 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. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, an effective date for these amendments is not necessary.

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The amendments affected the Group's accounting policy disclosures, but not the measurement, recognition or presentation of any items in the Group's financial statements.

5. NET INTEREST INCOME

Net interest income is presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Interest income comprises:		
Interest income, calculated using effective interest method:		
Interest income on financial assets measured at amortised cost		
interest on loans to customers	13,083,438	10,611,970
interest on investments	14,405,427	7,817,504
interest on due from banks	888,985	69,868
other interest income	–	1,259
Total interest income on financial assets measured at amortised cost	28,377,850	18,500,601
Interest income on financial assets measured at fair value through other comprehensive income		
interest on investments	512,422	481,300
Total interest income, calculated using effective interest method	28,890,272	18,981,901
Interest income on financial assets measured at fair value through profit or loss		
interest on investments	2,877,622	2,914,870
interest on loans to customers	829,121	652,036
Total interest income	32,597,015	22,548,807
Interest expense comprises:		
Interest expense on financial liabilities measured at amortised cost		
interest on customer accounts	(13,292,012)	(6,419,062)
interest on Eurobonds issued (Note 19)	(356,725)	(627,470)
interest on other borrowed funds (Note 20)	(120,439)	(100,468)
interest on subordinated debt (Note 22)	(44,556)	(61,081)
Interest on funds due to banks:		
interest on liabilities due to National bank of Ukraine	–	(308,595)
Total interest expense on financial liabilities measured at amortised cost	(13,813,732)	(7,516,676)
Interest on lease liabilities (Note 21)	(53,745)	(48,012)
Total interest expense	(13,867,477)	(7,564,688)
Net interest income	18,729,538	14,984,119

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6. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense are presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Commission income		
Payment card transactions	8,375,467	6,486,284
Cash and settlement transactions	3,000,066	2,448,835
Foreign currency transactions	231,185	140,619
Loan servicing to customers	155,667	107,984
Off-balance sheet transactions	56,877	48,144
Transactions with securities	5,304	2,770
Other	200,730	151,948
Total fee and commission income	12,025,296	9,386,584
Fee and commission expense		
Payment card transactions	(5,110,724)	(3,276,339)
Cash and settlement transactions	(106,369)	(101,926)
Foreign currency transactions	(118,606)	(39,778)
Off-balance sheet transactions	(25,036)	(16,701)
Dealing with securities	(4,917)	(1,617)
Other	(10,011)	(11,478)
Total fee and commission expense	(5,375,663)	(3,447,839)

7. NET GAIN/(LOSS) ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain/(loss) on transactions with financial instruments at fair value through profit or loss is presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
<i>Trading transactions, net</i>		
- derivative financial instruments	-	(501)
- investments	1,472	253
<i>Change in fair value:</i>		
- loans to customers	(819,516)	(2,202,242)
- investments	(2,882,094)	10,524,306
Total net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(3,700,138)	8,321,816

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8. OPERATING EXPENSES

Operating expenses are presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Personnel expenses		
Salary and bonuses	5,271,184	5,165,255
Social security costs	1,227,900	1,391,204
Other short-term employee payments	748,683	1,588,340
Other employee expense	1,138	672
Total personnel expenses	7,248,905	8,145,471
Depreciation and amortization:		
Depreciation of fixed assets (excluding right-of-use assets) (Note 15)	1,394,220	1,291,606
Amortization of intangible assets (Note 15)	417,729	347,728
Depreciation of right-of-use assets (Note 15)	190,766	194,412
Total depreciation and amortization	2,002,715	1,833,746
Other administrative and operational expenses		
Fixed assets maintenance	2,226,758	1,562,670
Deductions to the Individual Deposit Guarantee Fund	1,022,253	777,211
Communication services	463,572	387,216
Utilities	251,547	301,163
Revaluation of fixed assets	-	194,278
Fuel expenses	172,476	160,195
Taxes other than income tax	187,406	144,480
Office maintenance	179,005	112,661
Leases	131,770	105,919
Security	77,489	71,145
Professional services	107,932	67,866
Insurance	20,269	32,677
Advertising costs	47,863	30,219
Business trip expenses	17,263	8,233
Expenses from revaluation of investment property	84,262	67
Other expenses	851,553	672,921
Total other administrative and operational expenses	5,841,418	4,628,921
Total operating expenses	15,093,038	14,608,138

9. INCOME TAX

The Group assesses income tax by multiplying the tax rate by the object of taxation, which is determined by adjusting (increasing or decreasing) the pre-tax financial result (profit or loss), determined in the financial statements of the Bank in accordance with international financial reporting standards, by the differences which occur in accordance with the current Ukrainian tax legislation. Amount of differences are determined based on the data of separated tax accounting.

In 2023, the Group's and subsidiary's profits are subject to corporate income tax at the rate of 50% (2022: 18%). Starting from 2024, the income tax rate will be 25%.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

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The tax effect of the movements in these temporary differences in 2023 is presented below:

	1 January 2023	Credited/ (charged) to profit or loss	Credited to other comprehensive income	31 December 2023
Tax effect of deductible temporary differences				
Other liabilities	212,395	22,479	-	234,874
Other assets	30,055	20,997	-	51,052
Allowance for expected credit losses on the loans to customers	-	6,439	-	6,439
Debt securities	29,866	1,119	(23,386)	7,599
Tax losses carried forward	1,784,276	693,080	-	2,477,356
Total deferred tax assets	2,056,592	744,114	(23,386)	2,777,320
Deferred tax asset not recognised	(1,832,031)	593,353	-	(1,238,678)
Net deferred tax assets	224,561	1,337,467	(23,386)	1,538,642
Other assets	(130,137)	(50,609)	-	(180,746)
Debt securities	-	-	-	-
Property, equipment and intangible assets	(170,999)	14,635	(336,158)	(492,522)
Allowance for expected credit losses on the loans to customers	(21,258)	21,258	-	-
Total deferred tax liabilities	(322,394)	(14,716)	(336,158)	(673,268)
Net recognised deferred tax liabilities	(97,833)	1,322,751	(359,544)	865,374

The tax effect of the movements in these temporary differences in 2022 is presented below:

	1 January 2022	Credited/ (charged) to profit or loss	Credited to other comprehensive income	31 December 2022
Tax effect of deductible temporary differences				
Other liabilities	150,026	62,369	-	212,395
Other assets	36,893	(6,838)	-	30,055
Debt securities	3,816	4	26,046	29,866
Tax losses carried forward	2,047,777	(263,501)	-	1,784,276
Total deferred tax assets	2,238,512	(207,966)	26,046	2,056,592
Deferred tax asset not recognised	(1,981,334)	149,303	-	(1,832,031)
Net deferred tax assets	257,178	(58,663)	26,046	224,561
Tax effect of taxable temporary differences				
Other assets	(130,137)	-	-	(130,137)
Debt securities	(29,521)	206	29,315	-
Property, equipment and intangible assets	(229,516)	40,411	18,106	(170,999)
Allowance for expected credit losses on the loans to customers	(41,708)	20,450	-	(21,258)
Total deferred tax liabilities	(430,882)	61,067	47,421	(322,394)
Net recognised deferred tax liabilities	(173,704)	2,404	73,467	(97,833)

The Tax Code of Ukraine, as amended at the time of preparation of the financial statements, does not have any restrictions on the timing of the transfer of tax losses of previous years to reduce the object of income tax in subsequent reporting periods.

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The deferred income tax assets and liabilities as at 31 December 2023 and 2022 were measured based on the tax rates expected to be applied to the periods when the temporary differences are expected to be utilized. 25% and 18% in accordance.

As at 31 December 2023, deferred tax assets in the amount of UAH 1,238,678thousand (31 December 2022: UAH 1,832,031 thousand) were not recognised in the consolidated statement of financial position as the Group’s management believes that the probability that these deferred tax assets will be utilized in the future is low.

Reconciliation of income tax expenses and accounting profit based on the consolidated financial statements is explained as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Profit/(loss) before tax	9,253,682	635,985
Statutory tax rate	50%	18%
Tax at the statutory tax rate	4,626,841	114,477
Effect of the tax rate that differs from 18% (special purpose entity in another jurisdiction)	7	1
Effect of a change in the statutory tax rate	(771,424)	
Effect of non-deductible expenses	10,580	4,533
Change in deferred tax assets not recognised	(593,353)	(149,303)
Effect of writing-off bad debt that does not meet the criteria of bad debt	–	18,186
Other adjustments	4,549	9,749
Income tax expense/(benefit)	3,277,200	(2,357)
Current income tax expense	4,599,951	47
Recovery of deferred income tax	(1,322,751)	(2,404)
Income tax expense/(benefit)	3,277,200	(2,357)

Movements in deferred tax assets/(liabilities) are presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At the beginning of the period	(97,833)	(173,704)
Change in deferred income tax liabilities recognised in profit or loss	1,322,751	2,404
Tax effect of property revaluation reserve change recognised in other comprehensive income	(336,158)	18,106
Tax effect on revaluation reserve of securities measured at fair value through other comprehensive income	(23,386)	55,361
At the end of the period	865,374	(97,833)

10. EARNINGS PER SHARE

For the purposes of these consolidated financial statements, the earnings per shares are not disclosed whereas 100% of the shares belong to the state.

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11. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Correspondent accounts	27,332,945	12,911,000
Less: allowance for expected credit losses	(98,482)	(21,420)
Total correspondent accounts	27,234,463	12,889,580
Cash on hand	15,592,135	11,974,282
Balances with the National Bank of Ukraine	23,023,420	3,512,850
Total cash and cash equivalents	65,850,018	28,376,712

The National Bank of Ukraine sets requirements for mandatory reserve standards, and these requirements were changed during 2022 and 2023. The amount of mandatory reserves must be kept on a correspondent account with the NBU and is calculated as a percentage of certain liabilities of the Bank based on the borrowed funds for the previous reserve period.

During 2022 and 2023, the Bank complied with mandatory provisioning standards at the level established by the NBU, which were in effect in the respective reporting periods. As at 31 December 2023 and 2022, the funds of the mandatory reserve are fully included in cash and cash equivalents, as there are no restrictions on their use.

As at 31 December 2023, cash on hand in the amount of UAH 92,744 thousand (31 December 2022: UAH 106,909 thousand) has 100% expected credit losses, which were located in the Bank's branches located in the temporarily occupied territories of Ukraine and over which control was lost. Therefore these cash on hand did not conform the definition of cash and cash equivalents, they were reclassified as restricted cash and cash equivalents in Other financial assets, Note 16.

Movements in expected credit losses for cash and cash equivalents are presented in Note 29.

As at 31 December 2023 corresponding accounts including cash and cash equivalents in the amount of UAH 14,892,791 thousand (22.57%) were placed in two banks of one banking group (31 December 2022: UAH 9,694,541 thousand (34.14%) were placed in two banks of one banking group), which is the evidence of high concentration.

12. LOANS TO CUSTOMERS

	31 December 2023	31 December 2022
Loans to customers measured at amortised cost	88,720,959	82,734,176
Loans to customers measured at fair value through profit or loss (Note 26)	388,060	481,419
Total loans to customers	89,109,019	83,215,595
Loans measured at amortised cost		
Loans to legal entities:		
Loans to corporate entities	86,831,357	81,210,567
Less: allowance for expected credit losses	(19,930,693)	(19,793,660)
Total loans to corporate entities	66,900,664	61,416,907
Loans to state and municipal authorities	7,059,913	10,094,679
Less: allowance for expected credit losses	(200,727)	(253,599)
Total state and municipal authorities	6,859,186	9,841,080
Mortgage loans	601	1,543
Total mortgage loans	601	1,543
Loans to individuals:		
Mortgage loans	7,036,575	3,683,923
Less: allowance for expected credit losses	(789,269)	(772,268)
Total mortgage loans	6,247,306	2,911,655
Other loans	12,486,568	12,646,782
Less: allowance for expected credit losses	(3,773,366)	(4,083,791)
Total other loans	8,713,202	8,562,991
Total loans measured at amortised cost	88,720,959	82,734,176

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Loans to customers measured at fair value through profit or loss		
Loans to corporate entities	388,060	481,419
Total loans measured at fair value through profit or loss	388,060	481,419

Movements in the allowance for expected credit losses of loans to customers are disclosed in Note 29.

As at 31 December 2023, loans with gross carrying amount of UAH 46,649,292 thousand (41%) (31 December 2022: UAH 46,793,095 thousand (43%)), were granted to ten borrowers, which represents a significant concentration.

The table below represents the structure of the Group’s borrowers by economic sectors:

Analysis by sector	31 December 2023		31 December 2022	
	Gross carrying value	Allowance for ECL	Gross carrying value	Allowance for ECL
Energy	20,363,179	(4,765,359)	20,627,849	(4,680,409)
Individuals	19,523,143	(4,562,635)	16,330,705	(4,856,059)
Agriculture	16,048,310	(1,933,764)	14,227,669	(1,966,173)
Oil, gas and chemical production	12,109,593	(577,718)	12,180,124	(497,880)
Construction and real estate	9,731,222	(5,490,944)	9,798,994	(5,420,767)
Trade	10,477,794	(935,935)	9,669,016	(1,636,751)
Food and beverage manufacturing and processing	7,202,695	(2,492,567)	6,679,837	(2,384,681)
Road construction and maintenance	5,427,202	(180,616)	6,100,301	(188,851)
Mining and metallurgy	5,422,494	(3,023,074)	4,892,472	(2,719,830)
Municipal authorities	1,634,529	(20,110)	3,994,378	(64,748)
Transport	783,388	(113,862)	1,138,665	(53,638)
Industrial and consumer goods manufacturing	1,358,245	(91,683)	1,064,339	(103,182)
Services	1,131,581	(410,640)	895,916	(264,892)
Engineering	398,197	(48,021)	171,083	(49,704)
Financial services	1,771,265	(20,707)	66,522	10,064
Press and publishing	48,814	(836)	41,631	(4,783)
Media and communications	16,113	(2,137)	15,025	(1,844)
Other	355,310	(23,447)	224,387	(19,190)
Total	113,803,074	(24,694,055)	108,118,913	(24,903,318)

The Group repossessed real estate property and other assets as a repayment of non-performing loans. As at 31 December 2023, such assets in the amount of UAH 712,402 thousand, were included in other assets (31 December 2023: UAH 682,856 thousand (Note 16)).

Loans to individuals are presented by the following products:

	31 December 2023	31 December 2022
Mortgage loans	7,036,575	3,683,923
Other loans:		
Payment card loans	4,821,323	5,558,342
Car loans	4,765,739	4,209,385
Consumer loans secured by real estate and guarantees	1,322,058	1,344,085
Other consumer loans	1,577,448	1,534,970
	19,523,143	16,330,705
Less: allowance for impairment losses	(4,562,635)	(4,856,059)
Total loans to individuals	14,960,508	11,474,646

In October 2022, the Bank became a participant in the new state programme of affordable mortgage lending "eOselya" initiated by the President of Ukraine (Note 20). During 2023, the Group issued 2,406 loans in the amount of UAH 3,684,853 thousand (during 2022, the Group issued 340 loans in the amount of UAH 462,388 thousand). As at 31 December 2023, the gross carrying value of these loans amounted to UAH 3,626,383 thousand (31 December 2022: UAH 460,746 thousand).

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13. INVESTMENTS

	31 December 2023			31 December 2022		
	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost
Ukrainian government debt securities						
Short-term Ukrainian government debt securities	-	-	5,317,988	197	-	18,282,939
Medium-term Ukrainian government debt securities	27,325	6,511,947	64,909,440	3,236	6,094,568	28,765,399
Long-term Ukrainian government debt securities	48,941,812	2,102,830	5,786,755	54,575,386	2,006,502	5,779,243
Allowance for expected credit losses	-	-	(976,731)	-	-	(475,453)
Total Ukrainian government debt securities	48,969,137	8,614,777	75,037,452	54,578,819	8,101,070	52,352,128
Other:						
Corporate debt securities:						
Bonds issued by corporate entities	-	-	-	-	-	40,863
Bonds issued by State Mortgage Institution	-	-	904,658	-	-	853,700
Allowance for expected credit losses	-	-	(30,239)	-	-	(10,699)
Total corporate debt securities	-	-	874,419	-	-	883,864
Other debt securities:						
Debt commitments of the NBU	-	-	38,809,458	-	-	26,533,398
Bonds issued by local government authorities	-	-	229,208	-	-	232,834
Allowance for expected credit losses	-	-	(2,097)	-	-	(2,177)
Total other debt securities	-	-	39,036,569	-	-	26,764,055
Total debt securities	48,969,137	8,614,777	114,948,440	54,578,819	8,101,070	80,000,047
Equity securities:						
Corporate shares	-	915,326	-	-	718,915	-
Total equity securities	-	915,326	-	-	718,915	-
Total investments	48,969,137	9,530,103	114,948,440	54,578,819	8,819,985	80,000,047

Movements in the allowance for expected credit losses of investments are disclosed in Note 29.

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As at 31 December 2023, in compliance with the terms of the agreement on storage of cash of the National Bank of Ukraine, Ukrainian state debt securities were pledged as collateral, state bonds at fair value through profit or loss with carrying amount of UAH 12,891,406 thousand (31 December 2022: UAH 13,181,984 thousand).

As at 31 December 2023, Ukrainian state debt securities carried at amortized cost with a carrying amount of UAH 8,561,799 thousand were used as collateral under a credit line received from PJSC "UFHC" (31 December 2022: UAH 1,689,234 thousand) (Note 20).

As at 3 March 2023, the Bank excluded from the pledge Ukrainian government debt securities provided as collateral under the general loan agreement with the National Bank of Ukraine. As at 31 December 2022 pledged under this agreement Ukrainian state debt securities carried at amortized cost with a carrying amount UAH 1,927,686 thousand.

Company shares are investments in equity instruments designated at fair value through other comprehensive income, which are represented mainly by shares of Visa and Mastercard payment systems. The Group considers these shares to be a strategic investment and has no plans to trade them. As at 31 December 2023 the fair value of shares of Visa and Mastercard payment systems amounted to UAH 884,874 thousand (31 December 2022: UAH 689,467 thousand). During 2023, the Group received UAH 4,322 thousand of dividends (during 2022: UAH 3,303 thousand).

14. INVESTMENT PROPERTY

As at 31 December 2023, the Group carried assets within investment property in amount of UAH 542,598 thousand (31 December 2022: UAH 626,789 thousand), that were foreclosed on the Group's balance sheet during the procedure of financial restructuring of funds due from a borrower under the Law of Ukraine On Financial Restructuring and was revalued by independent appraiser using the income method. Based on the Restructuring Plan made up by the Bank and the borrower, the assets were transferred for operating lease to the borrower till 28 December 2024.

Movements in investment property items are presented below:

	31 December 2023	31 December 2022
Balance at 1 January	626,789	633,099
Disposals	-	(705)
Revaluation loss recognized in profit or loss	(84,262)	(67)
Other changes	71	(5,538)
Balance at 31 December	542,598	626,789

As at 31 December 2023, the income from operating lease comprised UAH 5,697 thousand (31 December 2022: UAH 5,988 thousand).

The investment property was revalued at fair value as at 31 December 2023. The assessment was carried out using the income method. As a result of the revaluation, the value of investment property decreased by UAH 84,191,000. The decrease in the value of investment property is reflected in consolidated statement of profit and loss and other comprehensive income for 2023 as part of operating expenses in the amount of UAH 84,262 thousand. (Note 8) and as part of other total income – UAH 71 thousand.

Undiscounted cash flows for the operation lease agreement are presented below:

	31 December 2023	31 December 2022
2023	-	91,054
2024	115,052	106,175
Total	115,052	197,229

As at 31 December 2023, the change in undiscounted lease payments occurred in connection with changes to the terms of the contract.

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15. FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets and intangible assets are presented as follows:

	31 December 2023	31 December 2022
Fixed assets		
Buildings	3,653,960	2,664,771
Computer equipment	3,643,226	1,702,342
Office equipment	973,453	1,046,350
Incomplete investments	640,688	449,448
Communication and network equipment	359,794	308,951
Vehicles	872,278	269,008
Construction in progress	6,531	6,612
Other property and equipment	58,867	73,862
Total fixed assets	10,208,797	6,521,344
Intangible assets		
Computer software	2,371,721	2,006,196
Other intangible assets	93,433	100,280
Total intangible assets	2,465,154	2,106,476

The group "Buildings" within fixed assets includes right-of-use assets.

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Movement of fixed assets is presented below:

	Buildings	Vehicles	Office equipment	Computer equipment	Communication and network equipment	Construction in progress	Incomplete investments	Other property and equipment	Total property and equipment
Gross carrying amount									
1 January 2022	3,755,705	883,041	3,895,171	4,044,536	1,112,573	4,828	380,978	454,035	14,530,867
Additions other than through business combinations	15	117,332	126,372	688,465	65,126	2,944	232,379	-	1,232,633
Impairment loss recognized in profit or loss	(37,382)	-	-	-	-	-	-	-	(37,382)
Impairment loss recognized in other comprehensive income	(105,991)	-	-	-	-	-	-	-	(105,991)
Increase/(decrease) through transfers	28,205	-	14,292	77,851	7,365	(1,160)	(163,824)	37,271	-
<i>Increase/(decrease) through transfers from construction in progress, incomplete investments</i>	28,205	-	14,292	77,851	7,365	(1,160)	(163,824)	37,271	-
Increase/(decrease) through other changes	28,610	-	-	-	-	-	-	-	28,610
Disposals and retirements	(12,099)	(12,237)	(47,023)	(10,789)	(6,211)	-	(85)	(13,199)	(101,643)
31 December 2022	3,657,063	988,136	3,988,812	4,800,063	1,178,853	6,612	449,448	478,107	15,547,094
1 January 2023	3,657,063	988,136	3,988,812	4,800,063	1,178,853	6,612	449,448	478,107	15,547,094
Additions other than through business combinations	-	676,355	267,142	2,480,521	162,337	6,194	421,054	-	4,013,603
Impairment loss reversal recognized in profit or loss	5,699	-	-	-	-	-	-	-	5,699
Increase/(decrease) through revaluation	648,701	-	-	-	-	-	-	-	648,701
Increase/(decrease) through transfers	29,263	-	18,098	168,044	10,998	(6,275)	(229,613)	9,485	-
<i>Increase/(decrease) through transfers from construction in progress, incomplete investments</i>	29,263	-	18,098	168,044	10,998	(6,275)	(229,613)	9,485	-
Increase/(decrease) through other changes	(59,333)	-	-	-	-	-	-	-	(59,333)
Disposals and retirements	(3,313)	(514)	(42,713)	(27,052)	(5,416)	-	(201)	(10,807)	(90,016)
31 December 2023	4,278,080	1,663,977	4,231,339	7,421,576	1,346,772	6,531	640,688	476,785	20,065,748

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	Buildings	Vehicles	Office equipment	Computer equipment	Communication and network equipment	Construction in progress	Incomplete investments	Other property and equipment	Total property and equipment
Accumulated depreciation and amortization									
1 January 2022	795,303	655,452	2,500,320	2,539,145	706,879	–	–	386,653	7,583,752
Depreciation	300,623	65,714	380,246	561,601	147,499	–	–	30,335	1,486,018
Impairment loss recognized in profit or loss	10,329	10,199	106,869	7,764	21,735	–	–	–	156,896
Impairment loss recognized in other comprehensive income	(10,935)	–	–	–	–	–	–	–	(10,935)
Increase/(decrease) through other changes	(102,006)	–	–	–	–	–	–	–	(102,006)
Disposals and retirements	(1,022)	(12,237)	(44,973)	(10,789)	(6,211)	–	–	(12,743)	(87,975)
31 December 2022	992,292	719,128	2,942,462	3,097,721	869,902	–	–	404,245	9,025,750
1 January 2023	992,292	719,128	2,942,462	3,097,721	869,902	–	–	404,245	9,025,750
Depreciation	295,299	72,636	355,642	711,223	125,718	–	–	24,468	1,584,986
Impairment loss recognized in profit or loss	–	449	–	–	–	–	–	–	449
Impairment loss reversal recognized in profit or loss	(2,422)	–	(2,199)	(2,646)	(650)	–	–	–	(7,917)
Increase/(decrease) through revaluation	(432,631)	–	–	–	–	–	–	–	(432,631)
Impairment loss recognized in other comprehensive income	13,427	–	–	–	–	–	–	–	13,427
Increase/(decrease) through other changes	(241,418)	–	–	–	–	–	–	–	(241,418)
Disposals and retirements	(427)	(514)	(38,019)	(27,948)	(7,992)	–	–	(10,795)	(85,695)
31 December 2023	624,120	791,699	3,257,886	3,778,350	986,978	–	–	417,918	9,856,951
Net carrying amount									
31 December 2023	3,653,960	872,278	973,453	3,643,226	359,794	6,531	640,688	58,867	10,208,797
31 December 2022	2,664,771	269,008	1,046,350	1,702,342	308,951	6,612	449,448	73,862	6,521,344

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Buildings and office premises owned by the Group were revalued at market value as at 31 December 2023. The assessment of the fair value of the buildings was carried out with the involvement of an independent appraiser. To determine the fair value of buildings and office premises, the appraiser used a comparative approach. To reduce the value of the objects of comparison to the value of the objects of evaluation, the appraiser applied a bargaining adjustment in the range of 15% to 20%. The sensitivity analysis of the fair value of buildings to possible changes in the bargaining adjustment is presented in Note 26.

As a result of the revaluation, the value of fixed assets of the "Buildings" group increased by UAH 1,046,554 thousand. The increase in the value of buildings is reflected in the consolidated statement of profit and loss and other comprehensive income for 2023 as part of operating expenses in the amount of UAH 14,292 thousand (Note 8) and as part of other income in the amount of UAH 132,932 thousand and as part of other comprehensive income – UAH 595,610 thousand, the Group recognized expenses from deferred income tax as part of other comprehensive income – UAH 332,304 thousand.

As at 31 December 2023, the Group has recognized impairment of buildings that have been destroyed or control over which was lost. The impairment of fixed assets is recognized in the consolidated statement of profit and loss and other comprehensive income for 2023 as part of operating expenses in the amount of UAH 9,209 thousand (Note 8) and by reducing the property revaluation reserve in the amount of UAH 5,894 thousand.

As at 31 December 2023, the Group has recognized the reversal of the impairment of the buildings over which control has been restored. The reversal of the impairment of fixed assets is recognized in the consolidated statement of profit and loss and other comprehensive income for 2023 as part of other income in the amount of UAH 23,163 thousand and due to an increase in the property revaluation reserve in the amount of UAH 23,461 thousand.

As at 31 December 2023, the Group recognized impairment of fixed assets that were destroyed or control over which was lost: buildings with a carrying amount of UAH 142,767 thousand, vehicles with a carrying amount of UAH 10,199 thousand, office equipment with a carrying amount of UAH 106,869 thousand, computer equipment with a carrying amount of UAH 7,764 thousand, communication and network equipment with a carrying amount of UAH 21,735 thousand. The impairment of fixed assets is recognized in the consolidated statement of profit or loss and other comprehensive income for 2022 as a part of operating expenses in the amount of UAH 194,278 thousand (Note 8) and by reducing the property revaluation reserve in the amount of UAH 95,056 thousand.

Had the buildings been accounted for at historical cost less accumulated depreciation and impairment losses, their carrying value would be UAH 1,242,728 thousand as at 31 December 2023 (31 December 2022: UAH 1,271,152 thousand).

Certain buildings not yet put into operation are included in the construction in progress category. The carrying amounts of this buildings as at 31 December 2023 were UAH 6,531 thousand (31 December 2022: UAH 6,612 thousand).

Movements of right-of-use assets are presented as follows:

	Buildings	
	For the year ended 31 December 2023	For the year ended 31 December 2022
Gross carrying amount		
1 January	1,006,493	977,883
Additions and changes in contract terms	(59,333)	28,610
31 December	947,160	1,006,493
Accumulated depreciation		
1 January	674,772	582,366
Depreciation	190,766	194,412
Changes in contract terms	(241,418)	(102,006)
31 December	624,120	674,772
Net carrying amount		
1 January	331,721	395,517
31 December	323,040	331,721

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For the year ended 31 December 2023, the Group recognized expenses under short-term leases in the amount of UAH 7,446 thousand and leases with low value underlying asset in the amount of UAH 33,269 thousand (31 December 2022: UAH 8,280 thousand and UAH 39,538 thousand, respectively).

Movements of intangible assets are presented as follows:

	Computer software	Other intangible assets	Total intangible assets
Gross carrying amount			
1 January 2022	3,126,356	90,559	3,216,915
Additions other than through business combinations	35,249	369,445	404,694
Increase/ (decrease) through transfers	359,626	(359,626)	-
Disposals	(712)	-	(712)
31 December 2022	3,520,519	100,378	3,620,897
1 January 2023	3,520,519	100,378	3,620,897
Additions other than through business combinations	112,283	664,131	776,414
Increase/ (decrease) through transfers	670,952	(670,952)	-
Disposals	(19,062)	-	(19,062)
31 December 2023	4,284,692	93,557	4,378,249
Accumulated amortization			
1 January 2022	1,167,329	77	1,167,406
Amortization	347,707	21	347,728
Disposals	(713)	-	(713)
31 December 2022	1,514,323	98	1,514,421
1 January 2023	1,514,323	98	1,514,421
Amortization	417,703	26	417,729
Disposals	(19,055)	-	(19,055)
31 December 2023	1,912,971	124	1,913,095
Net carrying amount			
31 December 2023	2,371,721	93,433	2,465,154
31 December 2022	2,006,196	100,280	2,106,476

Intangible assets are mainly represented by software licences.

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16. OTHER ASSETS

Other assets comprise:

	31 December 2023	31 December 2022
Other financial assets		
Restricted cash and cash equivalents	521,344	963,783
Less: allowance for expected credit losses	(92,752)	(106,917)
Total restricted cash and cash equivalents	428,592	856,866
Settlements with money transfer systems	87,647	310,114
Income accrued	327,910	268,985
Other receivables	29,767	27,357
Less: allowance for expected credit losses	(127,405)	(143,549)
Total accounts receivable for transactions and other receivables	317,919	462,907
Total other financial assets	746,511	1,319,773
Other non-financial assets		
Collateral repossessed by the Group	712,402	682,856
Prepayments:		
Prepayments for purchase of assets	1,167,569	1,536,155
Deferred expenses	1,119,653	748,878
Prepaid services	104,086	144,325
Less: allowance for expected credit losses	(113,264)	(80,152)
Total prepayments	2,278,044	2,349,206
Inventories	208,703	162,281
Precious metals	23,568	29,415
Miscellaneous assets:		
Receivables from employees and third parties	37,425	33,222
Obligatory payments	14,557	13,319
Other	14	5
Less: allowance for expected credit losses	(37,137)	(33,016)
Total miscellaneous assets	14,859	13,530
Receivables on taxes other than income tax		
Receivables on value added tax (VAT)	224	299
Total receivables on taxes other than income tax	224	299
Total other non-financial assets	3,237,800	3,237,587

Movements in allowance for other financial assets are disclosed in Note 29.

Restricted cash and cash equivalents as at 31 December 2023 are represented by balances on escrow accounts with the National Bank of Ukraine in the amount of UAH 349,518 thousand (31 December 2022: UAH 786,801 thousand) and cash on hand in the amount of UAH 92,744 thousand (31 December 2022: UAH 106,909 thousand), which were kept in the Bank's branches located in the temporarily occupied territories of Ukraine (Note 11), were reclassified to restricted cash and cash equivalents in Other financial assets.

Movements in allowance for other financial assets are disclosed in Notes 27.

In 2023, the Group sold the property repossessed by the Group as a pledgee with a carrying value of UAH 95,420 thousand. The result from the sale of this property in the amount of UAH 13,761 thousand was recognized in the consolidated statement of profit or loss and other comprehensive income within Other income.

Precious metals are represented by gold and silver in vault.

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17. DUE TO BANKS

Due to banks comprises:

	31 December 2023	31 December 2022
Correspondent accounts of other banks	366,363	543,326
Total due to banks	366,363	543,326

18. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2023	31 December 2022
Term deposits:		
Balances on term deposits from customers	99,372,104	78,928,950
Balances on other deposits from customers	2,563,878	2,507,162
Demand accounts:		
Balances on current accounts from customers	198,755,336	150,677,669
Balances on demand deposits from customers	2,252,692	1,826,528
Total customer accounts	302,944,010	233,940,309

Balances on other deposits from customers included deposits from customers for which the agreements have expired and for which customers did not withdraw funds for three or more years.

As at 31 December 2023, total balances on accounts of top ten customers amounted to UAH 37,140,902 thousand which represented 12% of total customer balances (31 December 2022: UAH 15,463,883 thousand, which represented 7%). As at 31 December 2023, total balance on accounts of one largest customer comprised 5% of total balances on customers' accounts (31 December 2022: 1%).

The table below represents customer accounts' structure by industry sectors:

	31 December 2023	31 December 2022
Analysis by sector of economy:		
Individuals	188,852,202	168,637,281
Energy	15,992,561	14,628,762
Trade	14,907,078	8,786,690
Agriculture	9,798,926	7,830,821
Services	8,883,024	5,481,932
Construction and real estate	6,894,704	4,047,533
State authorities and local governments	3,683,279	3,981,625
Financial services	6,024,665	2,631,779
Transport	6,143,959	2,494,109
Engineering	4,095,573	2,426,258
Media and communications	6,735,517	1,794,974
Food and beverage manufacturing and processing	1,537,451	1,391,742
Industrial and consumer goods manufacturing	2,164,692	1,332,156
Oil, gas and chemical production	15,040,163	1,073,826
Mining and metallurgy	1,897,936	779,598
Press and publishing	133,946	70,144
Other	10,158,334	6,551,079
Total customer accounts	302,944,010	233,940,309

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As at 31 December 2023, included in customer accounts are deposits in the amount of UAH 412,919 thousand (31 December 2022: UAH 42,181 thousand), that are held as a collateral for financial guarantees issued and other commitments (Note 24).

The Group derecognized liabilities on customer accounts for which clients identification data was no longer available. At the same time, the Group recognized a provision to cover possible payments under these liabilities in full. The provision was accrued to cover payments on liabilities on customer accounts in case of receiving of all information for client identification as required by the current legislation of Ukraine. As at 30 December 2023 amount of provisions for liabilities to customers comprised UAH 280,848 thousand (31 December 2022: UAH 271,909 thousand) (Note 21).

19. EUROBONDS ISSUED

Eurobonds issued are presented as follows:

Currency	Date of issue	31 December 2023			31 December 2022		
		Maturity	Coupon rate p.a., %	Carrying value	Maturity	Coupon rate p.a., %	Carrying value
USD	March and July 2011	March 2023 March 2024–	9.375	–	March 2023 March 2023–	9.375	1,319,187
USD	March 2013	March 2025	9.625	<u>2,935,584</u>	March 2025	9.625	<u>4,722,347</u>
Total Eurobonds issued				<u>2,935,584</u>			<u>6,041,534</u>

Changes within the Eurobonds issued are presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2023
At the beginning of the period	6,041,534	7,908,096
Repayment on Eurobonds	(3,108,331)	(3,949,410)
Interest expense (Note 5)	356,725	627,470
Interest paid	(463,020)	(781,461)
Effect of changes in the foreign exchange rates	108,676	2,236,839
At the end of the period	<u>2,935,584</u>	<u>6,041,534</u>

On 8 March 2023, the Group made full repayment in the amount of USD 35,000 thousand (UAH 1,279,901 thousand as of the maturity date) of the balance of Eurobonds issued in March and July 2011. On 16 March and 18 September 2023, the Group made repayments of USD 25,000 thousand each (a total of UAH 1,828,430 thousand as of the maturity date) of Eurobonds issued in March 2013. The repayments were made on time, in accordance with the terms of the Eurobonds issue. Along with the planned redemptions of the principal amount of Eurobonds, the Group also paid accrued interest.

On 4 March and 8 September 2022, the Group made repayments of USD 35,000 thousand each (a total of UAH 2,303,823 thousand as of the maturity date) of Eurobonds issued in March and July 2011. On 17 March and 16 September 2022, the Group made repayments of USD 25,000 thousand each (a total of UAH 1,645,587 thousand as of the maturity date) of Eurobonds issued in March 2013. The repayments were made on time, in accordance with the terms of the Eurobonds issue. Along with the planned redemptions of the principal amount of Eurobonds, the Group also paid accrued interest.

The Bank is obliged to comply with certain covenants specified in the Eurobond issue. Other liabilities include: requirement to submit financial statements according to the schedule, restriction to declare or pay dividends or make other distributions if this may lead to delays in repayment of the Eurobonds or if such distributions, in aggregate, exceed 30% of net profits of

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the Bank for the relevant period (calculated in accordance with the laws of Ukraine), certain limitations on transactions with related parties, etc.

20. OTHER BORROWED FUNDS

	31 December 2023				31 December 2022		
	Currency	Maturity	Coupon rate p.a., %	Carrying value	Maturity	Coupon rate p.a., %	Carrying value
Loans from the European Investment Bank	EUR	June 2024 – December 2024	4.26	398,259	June 2023 – December 2024	4.26	735,205
Loans from the European Investment Bank	EUR	March 2024 – September 2024	4.43	403,593	March 2023 – September 2024	4.43	744,944
Loans from the European Investment Bank	EUR	January 2024– July 2025	3.91	473,245	January 2023– July 2025	3.91	655,139
Loans from the PJSC "UFHC"	UAH	January 2024- October 2043	3.00	<u>4,086,812</u>	October 2023- October 2043	3.00	<u>540,865</u>
Total other borrowed funds				<u>5,361,909</u>			<u>2,676,153</u>

Changes in other borrowed funds are presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At the beginning of the period	<u>2,676,153</u>	<u>2,818,312</u>
Proceeds of other borrowed funds	3,538,000	540,000
Repayment of other borrowed funds	(968,524)	(1,193,210)
Interest expense (Note 5)	120,439	100,468
Interest paid	(121,759)	(112,582)
Effect of modification of financial liabilities	(638)	-
Effect of changes in the foreign exchange rates	118,238	523,165
At the end of the period	<u>5,361,909</u>	<u>2,676,153</u>

Under the loan agreement with the European Investment Bank the Bank is obliged to comply with a range of information requirements and financial covenants, which include maintaining certain coefficients (ratios) at determined levels.

On 4 October 2022, in order to ensure the Bank's participation in the state program for providing affordable mortgage lending to citizens of Ukraine "eOselya", the Bank and PJSC "UFHC" (hereinafter – "UFHC") concluded a credit line agreement. As at 31 December 2023, debt securities measured at amortized cost with a carrying amount of UAH 8,561,799 thousand (31 December 2022: UAH 1,689,234 thousand) (Note 13) were used as collateral under the credit line with the UFHC.

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21. OTHER LIABILITIES

Other liabilities include:

	31 December 2023	31 December 2022
Provisions		
Provisions for expected credit losses for guarantees and other credit commitments:		
Provisions for financial guarantee contracts	389	527,166
Provisions for credit commitments	632,841	380,902
Total provisions for expected credit losses for guarantees and other credit commitments	633,230	908,068
Other provisions:		
Provisions for liabilities to customers	280,848	271,909
Litigation provisions	25,423	-
Total other provisions	306,271	271,909
Total provisions	939,501	1,179,977
Other financial liabilities		
Lease liabilities	370,558	392,712
Accrued expenses	108,662	159,316
Other accounts payable:		
Accrued expenses for cash operations	26,853	43,781
Accounts payable for other operations	102,594	11,156
Total other accounts payable	129,447	54,937
Total other financial liabilities	608,667	606,965
Other non-financial liabilities		
Taxes payable other than income tax:		
Accounts payable for other taxes and mandatory payments	151,194	107,666
Value added tax payables	11,342	19,520
Total taxes payable other than income tax	162,536	127,186
Accounts payable for payments to banks employees:		
Provisions for unused vacations	715,853	673,934
Accrued bonuses and salaries	65,793	100,365
Other accounts payable for payments to banks employees	1,210	547
Total accounts payable for payments to banks employees	782,856	774,846
Advances received	123,022	83,052
Accounts payable on fees to the Individual Deposit Guarantee Fund	266,058	236,577
Other	116,407	68,290
Total other non-financial liabilities	1,450,879	1,289,951
Total other liabilities	2,999,047	3,076,893

Movements in allowance for expected credit losses for guarantees and other commitments are disclosed in Notes 29.

Provisions for liabilities to customers were formed to cover payments on liabilities to the customer accounts in the event of receipt of all information to identify the customer, as required by current legislation of Ukraine (Note 18).

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Movement in lease liabilities is presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At the beginning of the period	392,712	428,638
Liabilities recognized	159,982	122,900
Liabilities repayments	(185,890)	(160,643)
Interest accrual (Note 5)	53,745	48,012
Interest paid	(49,991)	(46,195)
At the end of the period	370,558	392,712

22. SUBORDINATED DEBT

Subordinated debt is presented as follows:

Currency	Maturity of the principal	Interest rate, %	31 December 2023	Interest rate, %	31 December 2022
USD	19 January 2024	12.70	250,816	10.19	716,442
Total subordinated debt			250,816		716,442

Changes in subordinated debt are presented as follows:

	For the year ended 31 December 2023	For the year ended 31 December 2022
At the beginning of the period	716,442	878,960
Repayment of subordinated debt	(457,108)	(356,201)
Interest expense (Note 5)	44,556	61,081
Interest paid	(62,338)	(57,129)
Effect of changes in the foreign exchange rates	9,264	189,731
At the end of the period	250,816	716,442

On 17 January and 17 July 2023, the Group repaid part of the subordinated debt in the amount of USD 6,250 thousand each, which together amounted to UAH 457,108 thousand at the maturity date. Along with the scheduled repayments of the principal, the Group also repaid accrued interest.

On 14 January and 15 July 2022, the Group repaid part of the subordinated debt in the amount of USD 6,250 thousand each, which together amounted to UAH 356,201 thousand at the maturity date. Along with the scheduled repayments of the principal, the Group also repaid accrued interest.

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

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23. SHARE CAPITAL

Share capital is presented as follows:

	Number of shares	Nominal value, UAH thousand	Adjusted amount, UAH thousand
31 December 2021	42,649	49,472,840	49,724,980
31 December 2022	42,649	49,472,840	49,724,980
31 December 2023	42,649	49,472,840	49,724,980

As at 31 December 2023 and 2022, the nominal value of each share amounted to UAH 1,160,000. All shares rank equally and carry one vote.

These consolidated financial statements reflect the amount of paid share capital carried at cost, which was adjusted for the effect of hyperinflation in the amount of UAH 252,140 thousand that existed before 31 December 2000.

In 2023, based on the financial result of 2022, the Group paid out a portion of profit in the amount of UAH 191,941 thousand to the State Budget of Ukraine in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 18 April 2023 No. 358 “On Approval of the Basic Standard for Deduction of the Share of Profit Allocated to Payment of Dividends Based on the Results of Financial and Business Activities in 2022 of Business Companies with State Corporate Rights in the Charter Capital”.

In 2022, based on the financial result of 2021, the Group paid out a portion of profit in the amount of UAH 318,117 thousand to the State Budget of Ukraine in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 3 March 2022 No. 183 “Some issues of dividend payment by state banks in 2022”.

As at 31 December 2023 and 2022 the Group’s share capital was established and paid in by cash, by Ukrainian government debt securities and using the profit of UAH 49,724,980 thousand, contributed to increase the share capital, taking into account effect of hyperinflation as required by IAS 29 Financial Reporting in Hyperinflationary Economies.

The cash contributed to the Group share capital is used for the activities envisaged by the Group Charter.

24. CONTINGENT FINANCIAL LIABILITIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group’s maximum exposure to credit risk under contingent liabilities and contractual commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral, or security prove being impaired, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and risk management policies in undertaking off-balance sheet commitments as it does for lending operations recorded in the consolidated statement of financial position.

As at 31 December 2023 and 2022, the nominal or contractual amounts of contingent liabilities and credit commitments were as follows:

	31 December 2023	31 December 2022
Contingent financial liabilities and credit commitments		
Irrevocable commitments on loans and unused credit lines	14,734,831	11,187,489
Financial guarantees issued, performance guarantees issued and similar commitments	801,362	644,277
Letters of credit and other contingencies	568,467	742,190
Total contingent financial liabilities and credit commitments	16,104,660	12,573,956

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As at 31 December 2023, performance guarantees less allowance for expected credit loss amounted to UAH 298,125 thousand (31 December 2022: UAH 10,642 thousand).

As at 31 December 2023, provisions for contingent financial liabilities and credit commitments, including financial guarantees and other liabilities amounted to UAH 633,225 thousand (31 December 2022: UAH 908,068 thousand), provisions for performance guarantees amounted to UAH 5 thousand (31 December 2022: UAH 38 thousand) (Notes 21, 29).

As at 31 December 2023, guarantees issued and other liabilities were provided by cash deposits in the amount of UAH 412,919 thousand (31 December 2022: UAH 42,181 thousand) (Note 18).

Increase of loans to customers within loans and credit line limits is approved by the Group on a case-by-case basis and depends on the borrowers' financial performance, debt service quality, and other conditions. As at 31 December 2023, the total amount of such revocable commitments amounted to UAH 27,278,893 thousand (31 December 2022: UAH 16,574,045 thousand).

The total amount of debt for unused credit lines, letters of credit and guarantees under the agreements do not necessarily represent future cash claim, since the expiration or cancellation of those commitments without providing funds to the borrower could be possible.

Capital commitments

As at 31 December 2023, the Group had obligations for the purchase of fixed assets in the amount of UAH 158,289 thousand and intangible assets in the amount of UAH 188,805 thousand (31 December 2022: UAH 89,167 thousand and UAH 315,105 thousand).

Litigations

As at 31 December 2023, there were lawsuits against the Bank in the courts, according to which the outflow of resources was probable. Provision in the amount of UAH 25,423 thousand was recognised by the Group for the specified obligations under lawsuits (31 December 2022: zero UAH) (Note 21).

As 31 December 2023 lawsuits in the amount of UAH 16,468 thousand took place in the courts (31 December 2022: UAH 27,918 thousand), an outflow of resources that the Group assesses as possible. Taking into account the Group's assessment of the prospect of dispute resolution, no provision was made for these claims.

Taxation

Due to presence in the Ukrainian legislation, in particular, tax legislation, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, Ukrainian tax authorities may take a stricter position in their interpretation of the law during the tax audits. Combined with possible efforts to increase collection of taxes to meet state budget requirements this could increase the level and frequency of inspections by the tax authorities. In particular, it is possible that transactions and activities that were not challenged in the past, may be challenged. As a result, significant additional taxes, penalties and fines may be assessed. Such uncertainty may relate to the valuation of financial instruments, allowances for expected credit losses, operations with non-residents and the market level for pricing of deals.

In respect of certain areas, the Ukrainian tax legislation does not contain clear guidance. From time to time, the Group uses the interpretation of such uncertain areas, based on the provisions of current Ukrainian legislation, intergovernmental legislative acts on avoidance of double taxation, which results in application by the Bank (the tax agent) of the tax rates which are based on intergovernmental agreements. As noted above, such tax positions may be subject to detailed inspection. The impact of any claims by the tax authorities cannot be reliably estimated; however, it may be material to the financial position and/or general operations of the Group.

As at 31 December 2023, the Group had no overdue liabilities in paying taxes (presence/absence of tax liability). The Group believes that it has already made all tax payments, and, therefore, no allowance has been made in the consolidated financial statements. Tax records remain open to review by the tax authorities for three years, taking into account the statute of limitations.

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As at 31 December 2023, the Group had no contingent assets and/or liabilities with a high probability of their recognition in the balance sheet, except for those reported in the financial statements as at 31 December 2023 and for the year then ended.

25. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties of the Group comprise transactions with government, government-related entities (both directly and indirectly), key management personnel of the Group, and entities, if any, that are controlled or jointly controlled, by them.

Government-related entities are entities that are controlled, jointly controlled, or significantly influenced by the government bodies.

In considering each possible related party relationship, one should pay analyze substance of the relationship and not merely the legal form.

Related party of the Group transactions and balances which are transactions with the government, entities related to public authorities (directly or indirectly), entities that are controlled, jointly or indirectly controlled by key management personnel of the Group are disclosed as other related party transactions.

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The Group’s balances with its related parties as at 31 December 2023 and 2022 are presented in the table below.

	31 December 2023				31 December 2022			
	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category
Assets								
Cash and cash equivalents	–	24,106,840	24,106,840	65,850,018	–	3,806,255	3,806,255	28,376,712
Loans to customers	1,034	29,572,019	29,573,053	89,109,019	1,234	30,040,860	30,042,094	83,215,595
Investments	–	172,333,769	172,333,769	173,447,680	–	142,435,472	142,435,472	143,398,851
Other financial assets	–	349,618	349,618	746,511	–	786,901	786,901	1,319,773
Liabilities								
Due to banks	–	24,798	24,798	366,363	–	165,927	165,927	543,326
Customer accounts	70,020	43,940,109	44,010,129	302,944,010	61,702	17,334,714	17,396,416	233,940,309
Other borrowed funds	–	4,086,812	4,086,812	5,361,909	–	540,865	540,865	2,676,153
Other non-financial liabilities	6,078	–	6,078	1,450,879	4,383	–	4,383	1,289,951
Contingent liabilities and credit commitments, including allowance for expected credit losses	611	6,661,058	6,661,669	43,383,553	664	2,545,503	2,546,167	29,158,681

As at 31 December 2023, gross loans to customers and allowances for expected credit losses amounted to UAH 30,826,417 thousand (31 December 2022: UAH 31,089,927 thousand) and UAH (1,254,398) thousand (31 December 2022: UAH (1,049,067) thousand), respectively, for other related parties.

As at 31 December 2023, gross investment and allowance for expected credit losses amounted to UAH 173,340,739 thousand (31 December 2022: UAH 142,921,414 thousand) and UAH (1,006,970) thousand (31 December 2022: UAH (485,942) thousand), respectively, for other related parties.

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Included in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2023 and 2022 were the following amounts which arose due to transactions with related parties:

	For the year, ended 31 December 2023				For the year, ended 31 December 2023			
	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category	Key management personnel of entity	Other related parties	Transactions with related parties	Total in category
Interest income	103	21,990,878	21,990,981	32,597,015	97	15,106,720	15,106,817	22,548,807
Interest expense	(2,254)	(2,498,393)	(2,500,647)	(13,867,477)	(566)	(1,767,282)	(1,767,848)	(7,564,688)
Fee and commission income	145	244,488	244,633	12,025,296	237	325,254	325,491	9,386,584
Fee and commission expense	-	(56,775)	(56,775)	(5,375,663)	-	(14,200)	(14,200)	(3,447,839)
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	-	(2,880,622)	(2,880,622)	(3,700,138)	-	10,524,559	10,524,559	8,321,816
Net profit from transactions with debt financial instruments at fair value through other comprehensive income	-	-	-	-	-	(285)	(285)	903
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	-	(502,388)	(502,388)	1,363,633	-	(1,417,209)	(1,417,209)	(11,039,456)
Net gain/(loss) on modifications of financial assets	-	(137,371)	(137,371)	(342,401)	-	(115,963)	(115,963)	(603,165)
Other income	-	20,085	20,085	557,429	-	7,259	7,259	547,691
Personnel expenses	(109,896)	-	(109,896)	(7,248,905)	(132,830)	-	(132,830)	(8,145,471)
Other administrative and operational expenses	-	(1,146,098)	(1,146,098)	(5,841,418)	-	(989,078)	(989,078)	(4,628,921)
Key management personnel remuneration:	(107,366)	-	(107,366)	(7,248,905)	(134,226)	-	(134,226)	(8,145,471)
- short-term employee benefits	(103,542)	-	(103,542)	-	(129,409)	-	(129,409)	-
- social charges	(3,824)	-	(3,824)	-	(4,817)	-	(4,817)	-

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26. FAIR VALUE

IFRS defines fair value as the price that would be received from an asset sale or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument or pay in the transfer of liabilities.

Fair value of the Group’s financial assets and financial liabilities measured at fair value on a recurring basis and fair value of buildings

Some of the Group’s financial assets and financial liabilities, as well as the Group’s buildings, are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
Investments, shares	1	Quoted bid prices of shares (unadjusted) in an active market (available to the Group on assessment date) for identical investments..Fair value of shares is assessed using market approach.
Investments, debt securities	1	Quoted bid prices of debt securities (unadjusted) in an active market (available to the Group on assessment date) for identical investments. Fair value of debt securities is assessed using market approach.
	2	Discounted cash flows on debt securities. Future cash flows are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash flows on debt securities Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile. The fair value of the embedded option on indexed domestic government loan bonds is calculated using the adjusted option pricing model for European currency options (Garman-Kohlhagen’s form of the Black-Scholes’s formula). The following input data are used in the calculations: <ul style="list-style-type: none"> • strike rate of US dollar against UAH. Defined as the average US dollar exchange rate against UAH on the interbank market for the month preceding the date of issue of the relevant series of UDGB bonds with indexed value (according to the indexation mechanism provided for in the terms of issue). For the Ukrainian government bonds with indexed value received by the Group as contribution to the share capital, strike rate was in the range UAH 14.81-27.22 per US dollar for a package of bonds depending on the date of issue of relevant series of UDGB; <p style="margin-left: 40px;">forward US dollar exchange rate against UAH. It is determined based on the risk-free yield rates in US dollars (according to the yield to maturity of US government securities) and hryvnias (according to the zero-coupon yield curve published by the National Bank of Ukraine. As at 31 December 2023, the estimated value of the forward US dollar in UAH, which is adopted for calculating the fair value of the embedded option, ranged from 41.07 UAH/USD for 0.72 year time horizon to 68.99 UAH/USD for 8.14 year time horizon (31 December 2022: from 38.98 UAH/USD for 0.56 year time horizon to 73.54 UAH/USD for 9.14 year time horizon);</p> • volatility of the US dollar against UAH. Defined as the annual volatility of interbank exchange rate of the US dollar against the hryvnia for the period from 1 January 2015 (excluding the period of validity of the fixed exchange rate mode). As at 31 December 2023, the volatility of the US dollar against the hryvnia was 17.62% (31 December 2022: 19.66%);

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Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
		<ul style="list-style-type: none"> discount rate. The discount rate is determined according zero-coupon yield curve published by the National Bank of Ukraine. As at 31 December 2023, the discount rate ranged from 17.36% per annum for the term of 1.87 years to 11.12% per annum for the period of 8.14 years (31 December 2022: from 18.64% per annum for the term of 1.89 years to 10.40% per annum for the period of 9.14 years); <p>As at 31 December 2023 the approach to the calculation of the fair value of the embedded option under the Ukrainian government bonds with an indexed value was changed: the determination of the forward rate of the hryvnia against US dollar was carried out using the official UAH/USD exchange rate and interest rate parity instead of using non-delivery forward contracts (NDF) used as at 31 December 2022. Such a change occurred as a result of the cancellation by the National Bank of Ukraine of the fixed UAH/USD exchange rate regime from 10 February 2023 and the transition to a flexible exchange rate mode, as well as in connection with the relaxation and removal of restrictions on conducting transactions on the foreign exchange market, which may indicate the acquisition of an official UAH/USD exchange rate signs of marketability. The result of the specified change was a decrease in the fair value of the embedded option for indexed Ukrainian government bonds by UAH 6,569,327 thousand.</p>
Loans, to customers measured at fair value through profit or loss	3	<p>Discounted cash flows on loans to customers measured at fair value through profit or loss.</p> <p>Future cash flows on loans to customers measured at fair value through profit or loss are estimated based on expected cash flows attributable to the repayment of loans and are risk-adjusted considering the Group's analytical evaluations of respective amounts and maturities and taking into account the probabilities of their origination. Cash flows are discounted applying risk-free interest rates adjusted for systemic risk in respective currencies determined according zero-coupon yield curve published by the National Bank of Ukraine.</p>
Real estate: capital investments on construction in progress	3	<p>The Group engages professional independent appraisers to determine the fair values of its constructions in progress.</p> <p>To assess the fair value of constructions in progress, a combination of market/income and cost approaches is used, considering time from the beginning of construction, degree of readiness of construction and prospect of completion of the valuation objects.</p> <p>Prospective low-readiness projects that have been purchased or recently started can be evaluated using a cost approach. The cost approach shows an estimate of the cost of replacing or replacing an object minus all types of wear (physical, functional, economic).</p>
Real estate: <i>buildings</i>	3	<p>The Group engages professional independent appraisers to determine the fair value of its buildings. To determine the fair value, the appraiser used a comparative approach.</p> <p>Use of key inputs and assumptions: market sales prices for comparable real estate objects were used for the comparative approach: by functional purpose, area and other parameters. In order to bring the value of the comparison objects to the value of the evaluation objects, adjustments were applied: for the bargaining (the appraiser used the offer prices, not the prices of real deals), location within the settlement, type of real estate, architectural design, floor space, land plot status, the presence of a basement and the area. Bargain adjustment applied by appraiser in the range of 15% to 20%.</p>
Real estate: <i>investment property</i>	3	<p>The Group engages professional independent appraisers to determine the fair value of its investment property. The appraiser used the income approach to determine the fair value.</p> <p>Use of key inputs and assumptions: the method of discounting cash flows from the hotel and business center was used for the income approach. At the same time, discount rates, rental rates and an estimate of the size of operating costs were applied, which were based on the prospect of the recovery of the real estate market</p>

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Assets/liabilities	Fair value hierarchy	Valuation techniques and key inputs
		at the end of the forecast period to the level observed before the start of armed aggression against Ukraine by the Russian Federation. The discount rate was calculated as the weighted average cost of capital and was: for 2024-2025 – 18.20%, 2026 – 15.14%, 2027-2028 and in the post-forecast period – 11.50%.

The following table summarizes financial instruments and real estate carried at fair value using a fair value hierarchy. The levels reflect the ability of direct determination of the fair value based on the market data:

				31 December 2023
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss:				
Ukrainian government debt securities	–	27,325	48,941,812	48,969,137
Investments at fair value through other comprehensive income:				
Ukrainian government debt securities	–	8,614,777	–	8,614,777
Equity securities	884,874	–	30,452	915,326
Loans measured at fair value through profit or loss				
Loans measured at fair value through profit or loss	–	–	388,060	388,060
Real estate:				
construction in progress	–	–	6,531	6,531
Buildings	–	–	3,653,960	3,653,960
Investment property				
	–	–	542,598	542,598
Total	884,874	8,642,102	53,563,413	63,090,389

				31 December 2022
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss:				
Ukrainian government debt securities	–	3,433	54,575,386	54,578,819
Investments at fair value through other comprehensive income:				
Ukrainian government debt securities	–	8,101,070	–	8,101,070
Equity securities	689,467	–	29,448	718,915
Loans measured at fair value through profit or loss				
Loans measured at fair value through profit or loss	–	–	481,419	481,419
Real estate:				
construction in progress	–	–	6,612	6,612
Buildings	–	–	2,664,771	2,664,771
Investment property				
	–	–	626,789	626,789
Total	689,467	8,104,503	58,384,425	67,178,395

For the years ended 31 December 2023 and 2022, the Group did not carry out transfers between Level 1 and Level 2 hierarchies of fair value. The Group policy determines that the transfers between the levels of the fair value hierarchy is considered to be made at the reporting date.

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The following tables present movements in fair values of Level 3 for financial instruments measured at fair value:

Investments measured at fair value through other comprehensive income

Debt securities			
1 January 2023	-	1 January 2022	548,630
Total income and expense:		Total income and expense:	
In profit or loss:	-	In profit or loss:	88,604
interest income	-	interest income	85,192
trading result	-	trading result	(285)
(accrual)/release of allowance for expected credit losses	-	(accrual)/release of allowance for expected credit losses	3,697
modification gain/(loss)	-	modification gain/(loss)	-
In other comprehensive income:	-	In other comprehensive income:	(29,367)
net change in fair value of investments at FVOCI	-	net change in fair value of investments at FVOCI	(29,367)
reclassification of investment revaluation	-	reclassification of investment revaluation	-
Coupon income collected	-	Coupon income collected	(73,025)
Sale	-	Sale	(70,434)
Repayment	-	Repayment	(464,408)
31 December 2023	-	31 December 2022	-

Investments measured at fair value through other comprehensive income

Equity securities			
1 January 2023	29,448	1 January 2022	29,734
Total income and expense:		Total income and expense:	
In profit or loss:	2,397	In profit or loss:	1,989
dividends	2,397	dividends	1,989
In other comprehensive income:	1,004	In other comprehensive income:	(286)
net change in fair value of investments at FVOCI	1,004	net change in fair value of investments at FVOCI	(286)
Dividend collection	(2,397)	Dividend collection	(1,989)
31 December 2023	30,452	31 December 2022	29,448

Investments measured at fair value through profit or loss

Debt securities			
1 January 2023	54,575,386	1 January 2022	42,786,103
Total income and expense:		Total income and expense:	
In profit or loss:	(8,554)	In profit or loss:	13,435,988
interest income	2,874,261	interest income	2,911,584
net change in fair value	(2,882,815)	net change in fair value	10,524,404
Coupon income collected	(1,646,705)	Coupon income collected	(1,646,705)
Repayment	(3,978,315)	Repayment	-
31 December 2023	48,941,812	31 December 2022	54,575,386

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Loans measured at fair value through profit or loss

1 January 2023	481,419	1 January 2022	2,037,961
Total income and expense:		Total income and expense:	
In profit or loss:	9,604	In profit or loss:	(1,550,206)
interest income	829,121	interest income	652,036
net change in fair value	(819,517)	net change in fair value	(2,202,242)
Interest income collected	(102,872)	Interest income collected	(1,336)
Repayment	(91)	Repayment	(5,000)
31 December 2023	388,060	31 December 2022	481,419

Sensitivity analysis of fair value of Level 3 financial instruments, building and investment property measured at fair value

Sensitivity of the fair value measurement for Level 3 to reasonably possible changes in inputs used is presented below:

Building and investment property

The table below provides information on the sensitivity of the fair value of buildings to bargaining adjustment:

Input	Change of input		Change in fair value 31 December 2023	
		+ 5%	- 5%	
Bargaining adjustment	+10%	-10%	195,946	(195,946)
			391,871	(391,871)

The measurement of the fair value of revalued buildings is sensitive to changes in the trade-in adjustment.

The table below provides information on the sensitivity of the fair value assessment of investment property to discount rates, changes in rental rates and changes in operating expenses.

Input	Change of index		Change in fair value 31 December 2023	
		+1%	-1%	
Discount rate	+1%	-1%	(46,462)	55,588
Rental rates	+1%	-1%	11,559	(11,560)
Operating expenses	+1%	-1%	(8,423)	8,422

The assessment of the fair value of investment property is highly sensitive to changes in the discount rate.

Investments at fair value through profit or loss

Fair value of investments measured at fair value through profit or loss consists of the fair value of the principal contract (domestic government debt securities with indexed value denominated in hryvnias) and the fair value of the embedded option of domestic government debt securities with indexed value denominated in hryvnias. The table below provides information on the sensitivity of the fair value measurement of investments, measured at fair value through profit or loss, taking into account the sensitivity to market indicators (indicators), the change of which affects the fair value of the financial instruments (the forward exchange rate of the US dollar to the hryvnia, the volatility of the dollar USD to hryvnia and discount rates):

Government securities

	Change of index		Change in fair value of embedded derivative			
			31 December 2023		31 December 2022	
Forward USD/UAH exchange rate	+1%	-1%	457,483	(457,365)	502,652	(502,548)
Volatility of USD/UAH exchange rate	+1 p.p.	-1 p.p.	9,290	(7,425)	13,013	(10,921)
Discount rate	+1 p.p.	-1 p.p.	(932,787)	979,275	(1,424,176)	1,495,527

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The fair value of the embedded option is most sensitive to the changes in discount rates by 1 p.p. increase/decrease in discount rate would result in the fair value of the option decrease/increase by UAH (-932,787)/+ 979,275 thousand as at 31 December 2023 (31 December 2022: by UAH (-1,424,176)/+1,495,527) thousand).

The Group carried out a simulation of the fair value change of the hybrid instrument on the basis of changes that were objectively feasible – an increase in the forward rate of the US dollar to the hryvnia by 10% and simultaneous increase of discount rates by 1 p.p. If the above scenario is implemented, the fair value of the investments will increase by UAH 3,551,725 thousand as at 31 December 2023 (31 December 2022: UAH 3,464,351 thousand). Reduction of the forward exchange rate of the US dollar to the hryvnia by 5% and reduction of discount rates by 1 p.p. will result reduction in the fair value of investments of UAH 1,354,974 thousand as at 31 December 2023 (31 December 2022: increase in the fair value of UAH 1,090,152 thousand).

Investments at fair value through other comprehensive income
Other securities
**Risk premium applied on
observable discount rate as at
(input)**

	Change in input		Fair value	Change in fair value	
31 December 2023	+ 1 p.p	- 1 p.p	30,452	(1,058)	1,109
31 December 2022	+1 p.p.	-1 p.p.	29 448	(1,070)	1,125

Sensitivity analysis of the fair value of loans measured at fair value through profit or loss

Presented below is the sensitivity of the fair value of loans measured at fair value through profit or loss to the changes in the inputs by 1 p.p.

Discount rate as at	Change in discount rate		Change in fair value	
31 December 2023	+ 1 p.p	- 1 p.p	(22,642)	24,260
31 December 2022	+1 p.p.	-1 p.p.	(27,619)	29,697

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)
Other financial instruments

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value. Accordingly, for other financial assets and other financial liabilities, the carrying value is approximately equal to their fair value. This assumption is also applied to demand deposits and current accounts without defined maturity.

The management believes that, except for included in the table below, the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Loans to legal entities	73,760,451	76,719,593	71,259,530	74,330,995
Loans to individuals	14,960,508	12,303,924	11,474,646	10,002,021
Investments	114,948,440	115,171,483	80,000,047	78,999,699
Total assets	203,669,399	204,195,000	162,734,223	163,332,715
Liabilities				
Customer accounts	302,944,010	303,147,347	233,940,309	233,750,875
Eurobonds issued	2,935,584	2,806,197	6,041,534	3,712,384
Other borrowed funds	5,361,909	4,748,933	2,676,153	1,419,694
Subordinated debt	250,816	250,543	716,442	494,560
Total liabilities	311,492,319	310,953,020	243,374,438	239,377,513

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The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used):

Financial assets/ financial liabilities	Level of the fair value hierarchy	Valuation techniques and key inputs
Due from banks	2	Discounted cash flows on due from banks. Future cash flows on due from banks are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Loans to customers at amortised cost	3	Discounted cash flows on loans to customers at amortised cost. Future cash flows are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of a counterparty and its risk profile. Cash flows are discounted applying risk-free interest rates adjusted for systemic risk in respective currencies determined according zero-coupon yield curve published by the National Bank of Ukraine.
Investments at amortised cost	2	Discounted cash on investments at amortised cost. Future cash flows on investments at amortised cost are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
	3	Discounted cash on investments at amortised cost. Future cash flows on investments at amortised cost are estimated based on both observable and unobservable inputs. Unobservable inputs include assumptions regarding future financial performance of the issuer and its risk profile.
Due to banks	2	Discounted cash flows on due to banks. Future cash flows on due to banks are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Customer accounts	2	Discounted cash flows on customer accounts. Future cash flows on customer accounts are estimated based on both observable and unobservable inputs.
Eurobonds issued	2	Discounted cash flows on Eurobonds issued. Future cash flows on Eurobonds issued are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Other borrowed funds	2	Discounted cash flows on other borrowed funds. Future cash flows on other borrowed funds are estimated based on the inputs that are observable, either directly or indirectly, and the estimates use one or more observable prices for orderly transactions in the markets that are not considered active.
Subordinated debt	2	Discounted cash flows on subordinated debt. Future cash flows on subordinated debt are estimated based on the inputs that are not observable directly, and the estimates use one or more unobservable prices for orderly transactions in the markets that are not considered active.

The table below analyzes financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required). The levels correspond to the ability to measure fair value directly based on market data:

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31 December 2023, fair value	Level 1	Level 2	Level 3	Total
Assets				
Loans to customers	-	-	89,023,517	89,023,517
Investments	-	114,101,795	1,069,688	115,171,483
Total	-	114,101,795	90,093,205	204,195,000
Liabilities				
Customer accounts	-	303,147,347	-	303,147,347
Eurobonds issued	-	2,806,197	-	2,806,197
Other borrowed funds	-	4,748,933	-	4,748,933
Subordinated debt	-	250,543	-	250,543
Total	-	310,953,020	-	310,953,020

31 December 2022, fair value	Level 1	Level 2	Level 3	Total
Assets				
Loans to customers	-	-	84,333,016	84,333,016
Investments	-	77,760,063	1,239,636	78,999,699
Total	-	77,760,063	85,572,652	163,332,715
Liabilities				
Customer accounts	-	233,750,875	-	233,750,875
Eurobonds issued	-	3,712,384	-	3,712,384
Other borrowed funds	-	1,419,694	-	1,419,694
Subordinated debt	-	494,560	-	494,560
Total	-	239,377,513	-	239,377,513

27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to the shareholder through the optimization of the debt and equity balance.

The capital structure of the Group consists of share capital, reserves, and accumulated deficit as disclosed in the consolidated statement of changes in equity, and borrowed funds, which include subordinated debt disclosed in Note 22.

The Bank reviews the capital structure on a regular basis. As a part of this review the cost of capital, its components and the risks, that are inherent to the Group and might cause the loss of a component of capital are comprehensively analyzed. The Bank balances its overall capital structure, in particular, through new share issues as well as the issue/redemption of subordinated debt.

As at 31 December 2023 and 2022, the Group complied with the requirements of the National Bank of Ukraine regarding adequacy of the regulatory capital.

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28. REGULATORY MATTERS

The Group monitors its capital adequacy using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the NBU in its supervision of the Bank and entities over which the Bank has power, risk or exposure to variable returns and is able to affect those returns through its power over the investee.

Quantitative measures established by regulation to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets.

Quantitative measures established by the Basel Committee to ensure capital adequacy require that the Group maintain minimum amounts and ratios of total capital (8%) and Tier 1 capital (4%) to risk-weighted assets.

The following table analyses the Group’s regulatory capital resources for capital adequacy purposes in accordance with the Basel Capital Accord 1988 on capital components :

	31 December 2023	31 December 2022
Regulatory capital:		
Tier 1 capital		
Share capital	49,724,980	49,724,980
Accumulated deficit	(23,891,423)	(29,777,746)
Total Tier 1 qualified capital	25,833,557	19,947,234
Tier 2 capital		
Revaluation reserves	2,878,675	2,221,514
Subordinated debt	47,478	182,843
Total Tier 2 qualified capital up to a limit of 100% total Tier 1 capital	2,926,153	2,404,357
Total regulatory capital	28,759,710	22,351,591
Capital ratios:		
Total regulatory capital as a percentage of total risk-weighted assets	16.88%	15.02%
Total Tier 1 capital as a percentage of total risk-weighted assets	15.16%	13.41%

29. RISK MANAGEMENT POLICIES

Risk management is fundamental to the Group’s business and is an essential element of the Bank’s operations. The main risks inherent in the Bank’s operations are: market risk, credit risk, concentration risk, liquidity risk, interest risk and currency risk. The risk management policies in relation to those risks are described below.

The Group establishes a comprehensive and effective risk management system, taking into account the Bank’s Development Strategy, the Bank’s Risk Statement and other internal regulatory documents, which define the nature and volume of Bank’s operations, risk profile and Bank’s system importance.

From the functional point of view, risk management of business processes and clear division of responsibilities between the Bank’s branches are implemented using the principle of three lines of protection.

- First line – at the level of the Bank’s business units and the Bank’s business support units. These units accept and are responsible for the risks and report daily on management of such risks, in accordance with the functions set out in the provisions of that unit;
- Second line – at the level of the risk management and compliance divisions, division AML – in terms of the management AML risk;
- Third line – at the level of the internal audit unit for verification and evaluation of the effectiveness of the risk management system.

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The organizational structure of risk management provides clear division of the functions, responsibilities and powers of risk management among all bodies of the risk management system and employees of the Bank, as well as their responsibility in accordance with such division.

Risk management functions are distributed among the following bodies of the risk management system:

- The Supervisory Board of the Bank;
- Risk and Compliance Committee of the Supervisory Board of JSC “Oschadbank”;
- The Management Board of the Bank;
- Committees established by the Board of the Bank:
- Risk management department;
- Compliance department;
- Division AML – in terms of the management AML risk;
- The Bank’s internal audit department;
- Business and support departments, including those working with non-performing assets.

The Supervisory Board of the Bank conducts its activity in accordance with the Resolution of the Cabinet of Ministers of Ukraine dated 10 July 2019 No. 643.

The Bank’s Supervisory Board is fully responsible for creating a comprehensive and effective risk management system for risks the Bank is exposed to in its operations. General risk management strategy of the Bank is determined by the Bank’s Supervisory Board.

To ensure compliance with the risk management policies, four standing committees of the Bank’s Supervisory Board were established, namely: Audit Committee, Nominating and Remuneration Committee, Risk and Compliance Committee, Strategy and Transformation Committee. Also, by Decision No. 5 of the Supervisory Board dated 27 January 2023 the Regulation on Risk and Compliance Committee of the Supervisory Board of JSC “Oschadbank” was approved, which defines functions and responsibilities of the committee members. In particular, the functions of the Committee include control over taking into account the Bank’s business model and risk management strategy for pricing / setting tariffs for banking products, and if the prices/tariffs do not cover the risks of JSC “Oschadbank”, developing measures and submitting them for consideration and approval (decision-making) of the Supervisory Board of JSC “Oschadbank”; control over implementation and compliance with risk exposure declaration, risk management strategy and other internal bank documents; control over implementation of measures for prompt elimination of deficiencies in the functioning of the risk management system, implementation of recommendations and observations of the internal audit department, external auditors, the National Bank of Ukraine and other supervisory bodies; control and supervision of capital and liquidity management strategies, as well as all risks of JSC “Oschadbank” defined by the declaration of risk exposure, in particular, credit, market, operational, reputational and other significant risks of JSC “Oschadbank”, defined as such in accordance with internal regulation documents of JSC “Oschadbank”; consideration of reports and submission of proposals (including measures to promptly eliminate deficiencies).

The Management Board of the Bank ensures the fulfillment of tasks, decisions of the Bank’s Supervisory Board on the implementation of the risk management system, including the Risk management strategy and policies, risk management culture, procedures, methods and other measures of effective risk management.

The Regulations on standing committees established by the Bank’s Management Board set out the right for the Head of the Risk Management department and the Head of the Compliance department to impose a ban (veto) on the decisions of committees established by the Bank’s Management Board.

In order to bring the organizational structure of the risk management system in compliance with the requirements of the Resolution of the Board of the National Bank of Ukraine dated 11 June 2018 No. 64 On Approval of the Regulation on the

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Organization of the Risk Management System in Banks of Ukraine and Banking Groups, the risk management general department and the compliance department were established on 17 September 2019.

The Director of the Risk Management General Department is reported to by:

- Credit Risk and Assets Valuation Department – to ensure effective performance of credit risk management;
- Strategic Risk and Forecasting Department – to ensure effective operations in managing liquidity risk, interest rate risk and currency risk.

The activities of these divisions are aimed at identifying, analyzing, assessing, monitoring and controlling risks within the Bank and supporting decision-making of the relevant risk committees in terms of risk management.

The Compliance department ensures control over the Bank's compliance with legislation, internal regulatory documents and relevant standards of professional associations, which are applied to the Bank, etc.

Division AML ensures the organization of control in terms of the management AML risk (anti-money laundering / countering the financing of terrorism – prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction).

These departments are independent from other areas of business.

The Bank's internal audit department reviews and evaluates the effectiveness of the Bank's first- and second-level risk management systems, including the assessment of the effectiveness of the internal control system.

Business and support departments, including NPL departments, accept risks and are responsible for these risks and report on the ongoing management of such risks.

The Group manages the following risks:

Credit risk

Credit risk is the risk of financial loss for the Group as a result of a borrower's or a counterparty's failure to meet its contractual obligations. Credit risk arises mainly from loans and investment securities. For risk management reporting purposes, the Group considers and consolidates all the elements of credit risk exposure (such as individual customer and counterparty default risk, as well as risks specific to certain countries and industries).

When granting and maintaining loan commitments (commitments on undrawn loans, letters of credit and guarantees), the management applies the same procedures for their consideration, approval, and maintenance as for loans issued. The maximum off-balance sheet credit risk is disclosed below in section Effect of security .

The Group is constantly improving its approaches to assessing the level of credit risk according to national standards and assessing credit risk (prudential reserves) taking into account the requirements of the National Bank of Ukraine to determine the amount of credit risk on active banking operations, approved by NBU Board Resolution No. 351 dated 30 June 2016, with changes and additions.

The credit risk management process is defined in the following internal documents of the Bank: Declarations of risk exposure of JSC "Oschadbank", Risk Management Strategies of "JSC Oschadbank", Credit Risk Management Policy of JSC "Oschadbank", Credit Policy of JSC "Oschadbank", as well as methodologies and regulations determining the procedure for assessing the level of credit risk / reduction of the usefulness of financial instruments.

The basic methods used in the credit risk management process are:

- Assessment of the Group's counterparty financial condition, including determination of the internal credit rating/scoring of the counterparty, at the stage of decision making on lending and during the lending period;
- Assessment of loan terms, including collateral;
- Calculation and establishment of credit limits for borrowers/banks of related counterparties of the Group;

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- Accreditation of independent appraisers of pledged property of the borrowers of the Group;
- Regular monitoring of the availability and condition of collateral items;
- Risk assessment of the Group loan portfolio;
- Regular management reporting;
- Accreditation of insurance companies;
- Accreditation of construction sites and developers/managers.

The Group risk management includes the following stages:

- Identification of risks – identification of risks sources;
- Risk assessment – identification and assessment of the identified risks;
- Risk control – setting limits for the size of acceptable risks;
- Risk monitoring – process of continuous monitoring of risk sources.

In order to manage credit risk, the Group performs financial and economic analysis of counterparties, analysis of credit and investment projects, setting limits and restrictions on active operations, portfolio risk management. Establishing limits for individual borrowers and groups of borrowers which are determined based on the recommendations of the relevant credit department and risk management department of the Group, and approved by the relevant authorized collegial body of the Bank. In case the amount of a loan exceeds the limit within the authority of the Management Board, the loan is approved by a decision of the Supervisory Board. The Group also mitigates its credit risk by obtaining collateral and using other security arrangements.

Currently, the Group lending decision-making process is largely centralized. The Credit Factory system has been introduced and is used to analyze the creditworthiness of individual borrowers and decide on the transaction by verifiers who are members of small credit committee for retail business. The decisions on carrying out active operations with large corporate customers are taken by the Bank's Credit Committee.

In making its lending decisions, the Group assesses its potential borrowers based on their financial position, credit history, and the exposure associated with a loan to a particular borrower, using an internal rating scale.

In assessing risks and making decisions on granting a loan to a specific borrower-legal entity or individual entrepreneur who is receiving a loan for his business activities, the Group takes into account financial condition, creditworthiness and solvency of the borrower, performs market analysis, as well as of the industry-related risks where the borrower carries out its business activities, including market positions of the borrower's business, and considers factors such as the quality of its management, geographic location, level of suppliers/ customers concentration, leverage, liquidity and sufficiency of collateral offered in terms of the credit risk.

The decision-making procedure for granting consumer loans in the Group is standardized. The maximum limits on loans are set depending on the applicant income, stability of the potential borrower's future earnings, liquidity and quality of collateral.

The concentration of credit risks is assessed for the portfolio of active operations as a whole, as well as for its individual components. The Management Board of the Bank has approved restrictions (limits) on active operations by sectors of economy, geographical regions, and a number of loan products.

Credit risk assessment for risk management purposes is complex and requires the use of a specific model, as the exposure to credit risk varies depending on changes in market conditions, expected cash flows and time. The Group assesses credit risk using probability of default (PD), exposure at default (EAD), and loss given default (LGD), based on forecast information.

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In accordance with the requirements of IFRS 9, the assessment of impairment is based on the model of expected credit losses (“the impairment model”).

Assessment of ECL on financial assets

General provisions

IFRS 9 requirements for impairment assessment apply to all debt instruments at amortised cost or FVOCI, including loan commitments and financial guarantees.

In accordance with IFRS 9, the Bank applies a three-stage approach to assessing impairment of financial assets based on credit quality changes since initial recognition:

Stage 1 covers financial assets that have not experienced a significant increase in credit risk after initial recognition or occurrence of a default event, or the financial assets with a low credit risk at the reporting date. For these assets, allowance is determined based on 12 months expected credit losses (ECL).

Stage 2 covers financial assets that have experienced a significant increase in credit risk since initial recognition, with no default event occurred. For these assets, allowance is determined based on the life-time ECL.

Stage 3 covers financial assets with objective evidence of impairment at the reporting date. For such assets, life-time expected credit losses are recognised. These assets are considered to be credit-impaired.

Allocating an asset to Stage 3 / credit-impaired takes place when default event is identified.

A financial asset is classified by the Group as a financial asset for which a default event occurred, if at least one of the objective evidence of impairment is identified. Obligatory and optional (based on the Group judgement) default criteria are applied.

The obligatory default criteria are:

- Number of days overdue (corporate and retail business and financial receivables 90+, interbank transactions 7+, and securities 30+);
- Restructuring caused by financial difficulties of a borrower;
- Death of a borrower – individual;
- Temporary administration in the Bank;
- Default event based on a credit rating (corporate business, interbank operations);
- Assets related to the borrower’s main activity are located on temporarily occupied territories or territories of hostilities.

Identification of a significant increase in credit risk is carried out at the level of a loan transaction and is based on the use of a combination of qualitative and quantitative factors/indicators such as:

- Change in the probability of default at the reporting date as compared to the value at the time of initial recognition in excess of the threshold value (retail business lending);
- Change in the credit rating determined according to the internal rating model in excess of the threshold value (corporate business lending);
- Reaching the threshold value for the days of overdue (over 30 days for retail and corporate business lending).

Regardless of whether there was a corresponding change after the initial recognition, the credit risk of the debt is not considered to have increased significantly after its initial recognition if the loan is attributed to the group of low risk credit instruments.

The credit risk of a financial instrument is considered low if:

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- The financial instrument has a low risk of default (the external rating of the borrower is at the investment level; there are no overdue payments or the delay does not exceed 30 days (interbank loans – 1 day, for securities issuers – up to 7 days);
- The borrower has a high “potential” to meet its contractual cash flow obligations in the short-term perspective; and
- The adverse changes in economic and business conditions in the long run may lead, but not necessarily, to a decrease in the ability of the borrower to meet its obligations related to the contractual cash flows.

The three-stage approach does not apply to purchased (originated) credit impaired financial assets (hereinafter – “POCI-assets”). POCI assets are financial assets that are credit-impaired at the date of initial recognition. For such assets the impairment is determined based on expected credit losses over the life of financial asset at initial recognition. POCI assets are initially recognised at fair value.

Valuation models

The Group developed expected credit losses (ECL) evaluation models based on the risk of probability of default (PD), exposure at the time of default (EAD), and loss given default (LGD), considering forecast information, and effective interest rate on a lending transaction.

The PD estimate for lending to corporate and retail business is based on the analysis of borrowers migration/lending transactions across overdue portfolios of homogeneous borrowers/loans groups. Update of the information is performed on a monthly basis. By using forecasts of the development and relevant models of the macro indicators influence, the Group transforms the received values of PD allowing for the economic cycle stage – “point-in-time” (PIT) PD.

Risk parameters assessment models and models of macroenvironment effects are subject to validation on an annual basis.

To assess ECLs for the investments in government securities, the risk parameters values are obtained based on the rating provided by the international rating agency Moody’s based on the agency statistical information and taking into account the individual rating of the country.

The LGD is defined as the level of losses in case a borrower defaults and is an estimate of the debt/exposure that cannot be obtained/recovered. The assessment is based on the model that takes into account collateral value and the recovery likelihood of a loan transaction. Collateral value is estimated taking into account the type of collateral and the assessment of the possible recovery amount in case of its sale (application of discounts by types of collateral). The probability of recovery from default is estimated by groups of overdue portfolios of homogeneous borrowers/loans.

The estimate of the available collateral is updated in accordance with the Group internal regulatory documents.

For investments in government securities, securities or debts of state-owned companies, local councils, the Group uses market sources of information such as statistical information from international rating agencies.

The **EAD** is the expected amount of debt at the time of default. The models of the EAD are built based on loan repayment schedule and assessment of the possible increase in debt by using the available (if any) undrawn limits on a loan transaction, guarantees realization, etc. Off-balance sheet transactions are accounted for using the Credit Conversion Factor (CCF) or the factor of the average level of utilization / use of the limits available to the borrower (UTIL), determined in accordance with historical data held by the Group on such transactions and takes into account the specifics of the loan transaction and the borrower.

Consideration of forecast information on macroeconomic indicators

Calculation of expected credit losses is based on expectations regarding changes in a number of macroeconomic indicators.

Selection of indicators and their use in the models is based on the analysis of historical information about the impact of their change on the credit risk exposure for individual portfolios by customer segment and product type.

The forecast of macroeconomic indicators has been developed by the Group with three years horizon, using three scenarios: basic (with a probability of 50%), two less probable scenarios, optimistic and pessimistic, with a probability of occurrence of 25% each. When making the forecast the Group used both mathematical methods and assumptions and published data on future values of macroeconomic factors for the period up to 2027 prepared by the National Bank of Ukraine, the Ministry for Economic Development and Trade and the Ministry of Finance of Ukraine, as well as the international financial institutions. The main macroeconomic indicators used in calculating expected credit losses are GDP, devaluation and consumer price index (for retail business loans without collateral). The forecast of macroeconomic

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indicators is updated on a quarterly basis, which ensures a more accurate assessment of the economy for the next 3 years by taking into account current trends.

The Group identifies and records key drivers of credit risk and credit losses for each financial instruments portfolio and, using the analysis of the historical data, estimates the relation between the change in macro-economic values and the credit risk and credit losses. The key drivers for credit risk for retail portfolios are: GDP, devaluation and consumer price index (for retail loans with no collateral).

As at 31 Decemder 2023, to assess ECL the Group has applied a differentiated approach to assessing the probability of default on loans based on the collective assessment in terms of increasing its value depending on whether the territory of granting the loan is temporarily occupied or the territory in which active hostilities are taking place. In particular, the aggregate ECL allowance for loans in the temporarily occupied territory was recognized at 100% for borrowers, for which there are no sources of repayment outside this territory.

In order to assess ECL for state securities and loans to state companies, the Group uses the following assessment approach of risk parameters:

- a differentiated approach to assessing the probability of default (PD) for investments denominated in national and foreign currencies, using statistical information from the international rating agency "Standard and Poor's";
- applying the value of the probability of default in accordance with the rating assessment based on the national scale of the international rating agency Standard and Poor's in the assessment of the ECL;
- applying to state securities and loans to state companies that are guaranteed by the state, an assessment of the level of losses at the time of default (LGD) at the level of the average value of the assessment of losses on default events of Ukraine according to the information of the international rating agency "Moody's".
- LGD is applied at the level of 45% for loans to state companies that do not have a state guarantee.

The Group applied this value of LGD for state companies based on recommendations of Basel Committee and NBU regulations, as the Group does not have sufficient own statistics for losses/recoveries for such assets.

Starting from June 2022, the Group assessed Ukrainian government debt securities of, which were purchased before February 24, 2022, as Stage 2 for ECL calculation, based on the criterion of increase in the credit risk at the valuation date compared to the recognition date taking into account a decrease in the ratings by international agencies and military aggression of the russian federation.

In order to confirm the existence and verify the current condition of the pledged real estate during 2022, the Group performed regular monitoring procedures and, if necessary, additional measures such as surveys of borrowers and analysis of information from the media. As a result, the properties identified as significantly damaged or located in the occupied territory were not taken into account in the calculation of the ECL.

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Change in gross carrying value and allowances for losses on financial instruments by Stages subject to the IFRS 9 impairment requirements

Cash and cash equivalents, other than cash on hand and balances with the National Bank of Ukraine

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	6,712,301	-	-	6,712,301	7,064	-	-	7,064
New assets	4,488,754	-	-	4,488,754	14,125	-	-	14,125
Repaid assets	(108,227)	-	-	(108,227)	(1,507)	-	-	(1,507)
Foreign exchange differences	1,818,172	-	-	1,818,172	1,738	-	-	1,738
Balance as at 31 December 2022	12,911,000	-	-	12,911,000	21,420	-	-	21,420
New assets	13,831,501	-	-	13,831,501	76,688	-	-	76,688
Repaid assets	(521,397)	-	-	(521,397)	(792)	-	-	(792)
Foreign exchange differences	1,111,841	-	-	1,111,841	1,166	-	-	1,166
Balance as at 31 December 2023	27,332,945	-	-	27,332,945	98,482	-	-	98,482

The table does not disclose information on cash on hand and balances with the National Bank of Ukraine included in cash and cash equivalents as these assets are free from credit risk and, accordingly, are not subject to expected credit losses.

Movements in the gross carrying amount and allowance for expected credit losses of cash on hand that did not meet the definition of cash and cash equivalents (Notes 11,16) are disclosed in Other financial assets.

Translation from Ukrainian original

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Investments measured at amortised cost

Government debt securities of Ukraine

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	64,038,062	-	-	64,038,062	114,383	-	-	114,383
New assets	44,697,577	-	-	44,697,577	262,177	-	-	262,177
Stage 2	(7,393,345)	7,393,345	-	-	(28,428)	28,428	-	-
Repaid assets	(59,871,187)	-	-	(59,871,187)	(87,358)	-	-	(87,358)
Other changes	-	(47,537)	-	(47,537)	-	176,970	-	176,970
Foreign exchange differences	4,010,666	-	-	4,010,666	9,281	-	-	9,281
Balance as at 31 December 2022	45,481,773	7,345,808	-	52,827,581	270,055	205,398	-	475,453
New assets	60,573,225	-	-	60,573,225	759,878	-	-	759,878
Stage 2	-	-	-	-	-	-	-	-
Repaid assets	(37,622,081)	(1,611,002)	-	(39,233,083)	(577)	(103)	-	(680)
Other changes	1,355,482	51,949	-	1,407,431	(308,486)	46,972	-	(261,514)
Foreign exchange differences	439,029	-	-	439,029	3,594	-	-	3,594
Balance as at 31 December 2023	70,227,428	5,786,755	-	76,014,183	724,464	252,267	-	976,731

Investments measured at amortised cost

Corporate debt securities

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	41,439	-	830,542	871,981	989	-	8,673	9,662
Other changes	(576)	-	23,158	22,582	(779)	-	1,816	1,037
Balance as at 31 December 2022	40,863	-	853,700	894,563	210	-	10,489	10,699
Repaid assets	(41,358)	-	-	(41,358)	(7)	-	-	(7)
Other changes	495	-	50,958	51,453	(203)	-	19,750	19,547
Balance as at 31 December 2023	-	-	904,658	904,658	-	-	30,239	30,239

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Investments measured at amortised cost

Other debt securities

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	17,735,387	-	-	17,735,387	2,589	-	-	2,589
New assets	26,533,397	-	-	26,533,397	-	-	-	-
Repaid assets	(17,503,836)	-	-	(17,503,836)	-	-	-	-
Other changes	1,284	-	-	1,284	(412)	-	-	(412)
Balance as at 31 December 2022	26,766,232	-	-	26,766,232	2,177	-	-	2,177
New assets	177,328,994	-	-	177,328,994	-	-	-	-
Repaid assets	(166,412,514)	-	-	(166,412,514)	-	-	-	-
Other changes	1,355,954	-	-	1,355,954	(80)	-	-	(80)
Balance as at 31 December 2023	39,038,666	-	-	39,038,666	2,097	-	-	2,097

As at 31 December 2023, other debt instruments include NBU deposit certificates amounted UAH 38,809,458 thousand, (December 31, 2022: UAH 26,533,398 thousand), for which the Bank does not assess expected credit losses, since there is no credit risk for this asset.

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Investments measured at fair value through other comprehensive income

Ukrainian government debt securities

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	2,262,148	-	-	2,262,148	7,904	-	-	7,904
New assets	5,969,638	-	-	5,969,638	147,138	-	-	147,138
Stage 2	(2,262,148)	2,262,148	-	-	(7,904)	7,904	-	-
Other changes	-	(230,332)	-	(230,332)	-	17,411	-	17,411
Foreign exchange differences	279,156	-	-	279,156	7,087	-	-	7,087
Balance as at 31 December 2022	6,248,794	2,031,816	-	8,280,610	154,225	25,315	-	179,540
New assets	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-
Other changes	(117,428)	88,456	-	(28,972)	(155,888)	(7,872)	-	(163,760)
Foreign exchange differences	380,845	-	-	380,845	1,926	-	-	1,926
Balance as at 31 December 2023	6,512,211	2,120,272	-	8,632,483	263	17,443	-	17,706

Investments measured at fair value through other comprehensive income

Corporate debt securities

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	552,327	-	-	552,327	3,697	-	-	3,697
Repaid assets	(495,692)	-	-	(495,692)	(3,318)	-	-	(3,318)
Other changes	-	-	-	-	(128)	-	-	(128)
Sale of assets	(56,635)	-	-	(56,635)	(251)	-	-	(251)
Balance as at 31 December 2022	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	-	-	-	-	-	-	-	-

Loans that are measured at amortised cost

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Loans to corporate entities

	Gross carrying value					ECL				
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total
Balance as at 1 January 2022	29,241,339	11,172,314	7,372,378	9,775,151	57,561,182	160,549	1,634,008	4,964,411	2,754,481	9,513,449
New assets	22,455,370	-	-	575,609	23,030,979	675,468	-	-	164,759	840,227
Stage 1	1,143,120	(1,142,333)	(787)	-	-	10,941	(10,699)	(242)	-	-
Stage 2	(25,310,240)	25,310,240	-	-	-	(399,714)	399,714	-	-	-
Stage 3	(2,248,434)	(7,958,959)	10,207,393	-	-	(216,966)	(1,539,609)	1,756,575	-	-
Repaid assets	(3,407,144)	(128,309)	(3,476)	(82,882)	(3,621,811)	(20,722)	(1,270)	(1,516)	42,944	19,436
Other change	(904,765)	(707,089)	99,604	549,596	(962,654)	13,078	1,008,317	4,764,118	2,681,323	8,466,836
Adjustment of interest income	-	-	-	-	-	-	-	690,291	177,289	867,580
Write-off of assets	-	-	(183,861)	-	(183,861)	-	-	(183,861)	-	(183,861)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	(1,150,146)	(460,971)	(1,611,117)	-	-	(1,589,545)	277,257	(1,312,288)
Recovery of previously written-off assets	-	-	226	-	226	-	-	226	-	226
Effect of modifications	(13,369)	(128,868)	(279,064)	(169,847)	(591,148)	(33)	(102,835)	(212,305)	(227,230)	(542,403)
Foreign exchange differences	30,333	2,762,613	3,444,497	1,351,328	7,588,771	47	93,526	1,685,023	345,862	2,124,458
Balance as at 31 December 2022	20,986,210	29,179,609	19,506,764	11,537,984	81,210,567	222,648	1,481,152	11,873,175	6,216,685	19,793,660
New assets	21,447,906	-	-	1,765,643	23,213,549	378,504	-	-	173,128	551,632
Stage 1	1,543,048	(1,244,362)	(298,686)	-	-	351,322	(180,858)	(170,464)	-	-
Stage 2	(8,877,540)	9,686,069	(808,529)	-	-	(445,887)	503,158	(57,271)	-	-
Stage 3	(126,562)	(1,471,564)	1,598,126	-	-	(1,451)	(389,025)	390,476	-	-
Repaid assets	(3,993,333)	(1,537,038)	(110,955)	(289,623)	(5,930,949)	(7,528)	(314,386)	(97,192)	(38,441)	(457,547)
Other change	(5,425,942)	(5,418,937)	(206,796)	(166,328)	(11,218,003)	(272,354)	412,550	(526,114)	(1,001,104)	(1,387,022)
Adjustment of interest income	-	-	-	-	-	-	-	898,398	471,539	1,369,937
Write-off of assets	-	-	(27,359)	-	(27,359)	-	-	(27,359)	-	(27,359)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	(1,380,809)	(337,339)	(1,718,148)	-	-	(364,298)	(7,314)	(371,612)
Effect of modifications	(32,948)	(135,985)	(30,205)	(130,133)	(329,271)	(33,604)	(47,623)	(30,038)	(126,348)	(237,613)
Foreign exchange differences	74,153	404,484	891,992	260,342	1,630,971	8	24,423	521,811	150,375	696,617
Balance as at 31 December 2023	25,594,992	29,462,276	19,133,543	12,640,546	86,831,357	191,658	1,489,391	12,411,124	5,838,520	19,930,693

"Other changes" reflects changes in the gross carrying amount and ECL that occurred when the asset was at the relevant stage of ECL measurement and are not related to full repayment of debt or generation of new assets:

- in terms of changes in the gross carrying amount: new disbursements or repayments within the existing credit limits, changes in accrued and unpaid interest, repayment of principal debt, etc;

- in terms of changes in the ECL: changes in models and applied values of risk parameters for ECL measurement, changes in scenario weights and/or changes in expected cash flows, changes in collateral value/collateral coverage level, etc.

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Loans that are measured at amortised cost

Loans to individuals

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	10,070,705	1,282,636	2,114,194	13,467,535	241,448	123,992	2,014,189	2,379,629
New assets	2,433,582	-	-	2,433,582	163,839	-	-	163,839
Stage 1	63,740	(59,722)	(4,018)	-	14,832	(12,614)	(2,218)	-
Stage 2	(4,351,157)	4,352,560	(1,403)	-	(35,879)	36,606	(727)	-
Stage 3	(1,593,651)	(263,015)	1,856,666	-	(124,837)	(47,221)	172,058	-
Repaid assets	(1,459,353)	(422,596)	(81,383)	(1,963,332)	(28,480)	(16,662)	(61,939)	(107,081)
Other changes	(384,293)	(941,486)	(65,425)	(1,391,204)	59,656	158,238	1,205,777	1,423,671
Adjustment of interest income	-	-	-	-	-	-	118,091	118,091
Write-off of assets	-	-	(128,438)	(128,438)	-	-	(128,438)	(128,438)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	(7,507)	(7,507)	-	-	(7,276)	(7,276)
Recovery of previously written-off assets	-	-	-	-	-	-	50	50
Effect of modifications	(3,313)	(5,602)	(1,682)	(10,597)	685	(3,389)	(1,018)	(3,722)
Foreign exchange differences	501	7	246,235	246,743	24	3	245,001	245,028
Sale of assets	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	4,776,761	3,942,782	3,927,239	12,646,782	291,288	238,953	3,553,550	4,083,791
New assets	4,928,691	-	-	4,928,691	118,113	-	-	118,113
Stage 1	2,440,360	(2,393,852)	(46,508)	-	605,284	(587,306)	(17,978)	-
Stage 2	(2,746,117)	2,850,445	(104,328)	-	(184,798)	199,960	(15,162)	-
Stage 3	(40,524)	(429,514)	470,038	-	(4,006)	(222,439)	226,445	-
Repaid assets	(1,565,739)	(662,111)	(415,580)	(2,643,430)	(88,442)	(20,512)	(347,410)	(456,364)
Other changes	(772,951)	(1,277,781)	(223,894)	(2,274,626)	(399,661)	546,227	(26,109)	120,457
Adjustment of interest income	-	-	-	-	-	-	84,447	84,447
Write-off of assets	-	-	(53,695)	(53,695)	-	-	(53,695)	(53,695)
Restructuring of an asset, resulted in derecognition of financial instrument	-	-	-	-	-	-	(4,699)	(4,699)
Recovery of previously written-off assets	-	-	145	145	-	-	145	145
Effect of modifications	228	38	(1,900)	(1,634)	61	(1,072)	(1,904)	(2,915)
Foreign exchange differences	78	(33)	40,099	40,144	2	(9)	39,902	39,895
Sale of assets	-	-	(155,809)	(155,809)	-	-	(155,809)	(155,809)
Balance as at 31 December 2023	7,020,787	2,029,974	3,435,807	12,486,568	337,841	153,802	3,281,723	3,773,366

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Loans that are measured at amortised cost

Loans to state and municipal authorities

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	11,140,233	-	300	11,140,533	94,409	-	300	94,709
New assets	192,161	-	-	192,161	2,818	-	-	2,818
Stage 2	(5,432,709)	5,432,709	-	-	(2,740)	2,740	-	-
Repaid assets	(703,915)	-	-	(703,915)	(5,666)	-	-	(5,666)
Other changes	(1,362,109)	(312,630)	-	(1,674,739)	(29,805)	188,065	-	158,260
Effect of modifications	7,213	-	-	7,213	3,263	-	-	3,263
Foreign exchange differences	-	1,133,426	-	1,133,426	-	215	-	215
Balance as at 31 December 2022	3,840,874	6,253,505	300	10,094,679	62,279	191,020	300	253,599
New assets	200,333	-	-	200,333	2,632	-	-	2,632
Stage 2	(299,195)	299,195	-	-	(3,301)	3,301	-	-
Repaid assets	(1,008,226)	(38,347)	-	(1,046,573)	(13,671)	(71)	-	(13,742)
Other changes	(1,316,684)	(1,028,626)	-	(2,345,310)	(30,827)	(15,890)	-	(46,717)
Effect of modifications	-	-	-	-	-	-	-	-
Foreign exchange differences	-	156,784	-	156,784	-	4,955	-	4,955
Balance as at 31 December 2023	1,417,102	5,642,511	300	7,059,913	17,112	183,315	300	200,727

JOINT STOCK COMPANY “STATE SAVINGS BANK OF UKRAINE”

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(in thousands of UAH)**

Loans that are measured at amortised cost

Mortgage loans to corporate entities and individuals

	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Gross carrying value Purchased or initially impaired	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	ECL Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total
Balance as at 1 January 2022	2,502,645	16,242	659,515	-	3,178,402	880	529	642,331	-	643,740
New assets	898,206	-	-	-	898,206	13,573	-	-	-	13,573
Stage 1	1,635	(1,232)	(403)	-	-	71	(32)	(39)	-	-
Stage 2	(975,534)	976,967	(1,433)	-	-	(919)	1,129	(210)	-	-
Stage 3	(197,331)	(3,381)	200,712	-	-	(12,659)	(495)	13,154	-	-
Repaid assets	(145,737)	(4,771)	(4,699)	-	(155,207)	(21)	-	(2,625)	-	(2,646)
Other changes	(120,333)	(135,600)	(8,561)	2,370	(262,124)	2,455	2,846	76,286	(20)	81,567
Adjustment of interest income	-	-	-	-	-	-	-	3,069	1	3,070
Write-off of assets	-	-	(69,699)	-	(69,699)	-	-	(69,699)	-	(69,699)
ECL disposal on restructuring resulted in derecognition of financial instrument	-	-	(17,737)	-	(17,737)	-	-	(17,406)	-	(17,406)
Effect of modifications	(8,310)	834	(1,238)	78	(8,636)	(532)	5	(437)	7	(957)
Foreign exchange differences	290	-	121,971	-	122,261	-	-	121,026	-	121,026
Balance as at 31 December 2022	1,955,531	849,059	878,428	2,448	3,685,466	2,848	3,982	765,450	(12)	772,268
New assets	3,963,827	-	-	479	3,964,306	(541)	-	-	12	(529)
Stage 1	782,406	(746,790)	(35,616)	-	-	8,485	(5,429)	(3,056)	-	-
Stage 2	(587,990)	614,251	(26,261)	-	-	(1,113)	5,261	(4,148)	-	-
Stage 3	(7,680)	(39,312)	46,992	-	-	(22)	(3,515)	3,537	-	-
Repaid assets	(80,683)	(53,172)	(17,988)	(406)	(152,249)	(75)	(628)	(8,725)	37	(9,391)
Other changes	(303,480)	(139,053)	(7,840)	(409)	(450,782)	(6,921)	5,567	21,686	(304)	20,028
Adjustment of interest income	-	-	-	-	-	-	-	10,444	-	10,444
Write-off of assets	-	-	(22,160)	-	(22,160)	-	-	(22,160)	-	(22,160)
ECL disposal on restructuring resulted in derecognition of financial instrument	-	-	-	-	-	-	-	(1,698)	-	(1,698)
Effect of modifications	(6,578)	(2,037)	(820)	-	(9,435)	(858)	(79)	(789)	53	(1,673)
Foreign exchange differences	35	6	21,989	-	22,030	(1)	-	21,981	-	21,980
Balance as at 31 December 2023	5,715,388	482,952	836,724	2,112	7,037,176	1,802	5,159	782,522	(214)	789,269

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(in thousands of UAH)**

In 2023, due to changes in exchange rates of the national currency, the gross carrying value of the loans to legal entities increased by UAH 1,630,973 thousand, that was followed by an increase in allowance in the amount of UAH 696,617 thousand (in 2022: due to of the devaluation of the national currency, the gross carrying value of the loans to legal entities increased by UAH 8,722,197 thousand, that was followed by an increase in allowance in the amount of UAH 2,124,673 thousand).

During 2023, loans classified as Stage 3 with a gross carrying amount of UAH 1,391,844 thousand, for which provisions were made, in the amount of UAH 506,643 thousand and loans classified as POCI with a gross carrying amount of UAH 670,380 thousand for which provisions were made, in the amount of UAH 11,497 thousand and, accordingly, the amount of initial impairment (discount) was UAH 333,041 thousand, were restructured, including with the replacement of the borrower. As a result of the restructuring, new loans classified as POCI were recognised with a total gross carrying amount of UAH 1,978,406 thousand (including the gross carrying amount of loans that were classified as Stage 3 before derecognition - UAH 1,307,966 thousand), the total initial impairment (discount) amounted to UAH 590,263 thousand (in particular, the initial impairment (discount) on loans that were included in Stage 3 before derecognition - UAH 364,607 thousand).

During 2022, loans classified as Stage 3 with a gross carrying amount of UAH 1,206,233 thousand, for which provisions were made, in the amount of UAH 1,052,725 thousand and loans classified as POCI with a gross carrying amount of UAH 4,694,215 thousand for which provisions were made, in the amount of UAH 292,168 thousand and, accordingly, the amount of initial impairment (discount) was UAH 4,233,243 thousand, were restructured, including with the replacement of the borrower. As a result of the restructuring, new loans classified as POCI were recognised with a total gross carrying amount of UAH 5,882,772 thousand (including the gross carrying amount of loans that were classified as Stage 3 before derecognition - UAH 1,185,502 thousand), the total initial recognition cost of which was UAH 1,185,502 thousand), the total initial impairment (discount) amounted to UAH 5,550,546 thousand (in particular, the initial impairment (discount) on loans that were included in Stage 3 before derecognition - UAH 1,040,047 thousand).

As at 31 December 2023, the amount of the initial impairment loss for purchased or originated credit-impaired loans recognized at origination, which is not included in the allowance, comprised UAH 25,350,197 thousand (31 December 2022: UAH 24,702,821 thousand).

As at 31 December 2023, loans to customers issued in 2023 amounted to UAH 32,306,880 thousand, representing 30% of loans granted to customers (31 December 2022: UAH 26,699,956 thousand, representing 25% of loans granted to customers).

During 2023, loans to customers amounting to UAH 9,773,200 thousand have been fully repaid, representing 9% of loans to customers that remained on the Group's balance sheet as at 31 December 2022 (31 December 2022: UAH 6,914,480 thousand, representing 6% of loans to customers remaining on the Group's balance sheet as at 31 December 2021).

As at 31 December 2023, loans to customers overdue for more than 90 days (NPLs – non-performing loans) amounted to UAH 24,376,947 thousand, representing 21% of the total amount of loans to customers before deducting allowance for expected credit losses (31 December 2022: UAH 26,703,394 thousand, representing 25% of the total amount of loans to customers before deducting allowance for expected credit losses).

During 2023, the Bank wrote off loans to customers in the amount of UAH 103,214 thousand in hryvnia equivalent, which was 0.4% of the volume of loans to customers overdue for more than 90 days as of 31 December 2022 (during 2022: UAH 381,998 thousand in hryvnia equivalent, which was 5% of the volume of loans to customers overdue for more than 90 days as of 31 December 2021). According to the write-off, during the reporting period, the amount of loans and the provision for expected loan losses decreased.

The Group expects that a significant part of loans except for loans to customers located in the temporarily occupied territory, which are overdue for more than 90 days, will be repaid either by the proceeds from the borrowers' own earnings or proceeds from the sale of collateral. Such expectations are based on the fact that a considerable part of overdue loans to legal entities are secured by marketable collateral and granted to entities which have potential ability to restore their solvency. The Group's ability to receive payments on overdue loans to individuals is explained by the fact that these loans are mostly secured by real estate or vehicles. Moreover, even if the value of collateral is not enough to repay the loan, the Group retains the right to demand repayments from the borrowers until the loan is repaid in full.

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FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)

Other financial assets

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	52,337	444,798	94,040	591,175	-	35,085	87,204	122,289
New assets	904,086	-	-	904,086	14,279	-	-	14,279
Stage 2	(81,383)	89,949	(8,566)	-	(7,269)	15,085	(7,816)	-
Stage 3	(7,872)	(19,239)	27,111	-	(7,003)	(5,888)	12,891	-
Repaid assets	-	(251,145)	(22,637)	(273,782)	-	(2,949)	(19,984)	(22,933)
Other changes	20,670	153,334	133,441	307,445	-	(4,834)	143,860	139,026
Write-off of assets	-	-	(5,065)	(5,065)	-	-	(5,065)	(5,065)
Foreign exchange differences	-	44,212	2,168	46,380	-	938	1,932	2,870
Sale of assets	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	887,838	461,909	220,492	1,570,239	7	37,437	213,022	250,466
New assets	379,265	135,860	-	515,125	-	9,834	-	9,834
Stage 2	-	31,267	(31,267)	-	-	28,410	(28,410)	-
Stage 3	-	(22,853)	22,853	-	-	(9,998)	9,998	-
Repaid assets	(884,112)	(1,629,575)	(44,873)	(2,558,560)	-	(12,494)	(40,922)	(53,416)
Other changes	75,633	1,332,266	31,751	1,439,650	-	(6,417)	22,480	16,063
Write-off of assets	-	-	(3,421)	(3,421)	-	-	(3,421)	(3,421)
Foreign exchange differences	-	3,804	640	4,444	-	64	1,376	1,440
Sale of assets	-	-	(809)	(809)	-	-	(809)	(809)
Balance as at 31 December 2023	458,624	312,678	195,366	966,668	7	46,836	173,314	220,157

As at 31 December 2023, 100% allowance for possible losses was made for cash on hand in the amount of UAH 92,744 thousand equivalent (31 December 2022: UAH 106,909 thousand), which was kept in the Bank's branches located in the temporarily occupied territories of Ukraine and over which control was lost. As these cash on hand balances did not meet the definition of cash and cash equivalents, they were reclassified to restricted cash and cash equivalents in Other financial assets.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**
(in thousands of UAH)

Credit commitments

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	18,262,305	37,363	18,093	18,317,761	313,998	5,780	3,820	323,598
Increase of commitments	1,567,530	-	-	1,567,530	59,648	-	-	59,648
Stage 1	12,086	(11,238)	(848)	-	3,737	(3,579)	(158)	-
Stage 2	(617,110)	617,141	(31)	-	(21,731)	21,732	(1)	-
Stage 3	(628,490)	(9,663)	638,153	-	(6,643)	(611)	7,254	-
Repaid commitments	(8,801,853)	(7,388)	(9,584)	(8,818,825)	(177,498)	(886)	(2,158)	(180,542)
Other changes	627,567	3,478	(512,292)	118,753	95,748	56,166	25,569	177,483
Foreign exchange differences	2,270	-	-	2,270	686	29	-	715
Balance as at 31 December 2022	10,424,305	629,693	133,491	11,187,489	267,945	78,631	34,326	380,902
Increase of commitments	3,701,011	-	-	3,701,011	188,887	-	-	188,887
Stage 1	1,419,462	(1,371,062)	(48,400)	-	156,952	(146,030)	(10,922)	-
Stage 2	(1,625,559)	1,631,522	(5,963)	-	(39,454)	40,803	(1,349)	-
Stage 3	(55,141)	(59,583)	114,724	-	(1,687)	(6,607)	8,294	-
Repaid commitments	(1,703,630)	(79,673)	(23,862)	(1,807,165)	(56,177)	(17,424)	(6,604)	(80,205)
Other changes	1,552,412	72,303	28,139	1,652,854	(18,004)	144,886	16,375	143,257
Foreign exchange differences	-	(57)	699	642	-	-	-	-
Balance as at 31 December 2023	13,712,860	823,143	198,828	14,734,831	498,462	94,259	40,120	632,841

Credit commitments include Irrevocable commitments on loans and unused credit lines.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**
(in thousands of UAH)

Financial guarantees issued, performance guarantees issued and similar commitments

	Gross carrying value			Total	ECL			Total
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)		Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	
Balance as at 1 January 2022	204,288	587,142	1,448,690	2,240,120	311	-	482,979	483,290
Increase of commitments	246,748	-	-	246,748	19,189	-	-	19,189
Stage 1	33,000	(33,000)	-	-	-	-	-	-
Stage 2	(700)	700	-	-	-	-	-	-
Stage 3	(70,489)	-	70,489	-	(17,913)	-	17,913	-
Repaid commitments	(190,435)	(554,142)	(268,015)	(1,012,592)	(306)	-	(33,493)	(33,799)
Other changes	1,000	-	1,535	2,535	-	-	131,728	131,728
Disposal due to asset recognition	-	-	(356,910)	(356,910)	-	-	(120,711)	(120,711)
Foreign exchange differences	2,263	-	264,303	266,566	(5)	-	47,474	47,469
Balance as at 31 December 2022	225,675	700	1,160,092	1,386,467	1,276	-	525,890	527,166
Increase of commitments	893,926	-	-	893,926	341	-	-	341
Stage 1	46,408	(46,408)	-	-	-	-	-	-
Stage 2	(48,949)	307,624	(258,675)	-	-	53,139	(53,139)	-
Stage 3	(1,287)	-	1,287	-	-	-	-	-
Repaid commitments	(119,039)	(144,024)	(253,698)	(516,761)	-	(27,566)	(277,552)	(305,118)
Other changes	362,624	(111,642)	(290,496)	(39,514)	(1,228)	(25,496)	(29,348)	(56,072)
Disposal due to asset recognition	-	-	(358,510)	(358,510)	-	-	(165,851)	(165,851)
Foreign exchange differences	4,700	(479)	-	4,221	-	(77)	-	(77)
Balance as at 31 December 2023	1,364,058	5,771	-	1,369,829	389	-	-	389

Financial guarantees issued, performance guarantees issued and similar commitments consist of financial guarantees issued, letters of credit and other contingencies.

During 2023, the Group made payments due to the provision of tranches under open credit lines: under letters of credit assessed at Stage 3, in the amount of UAH 58,510 thousand and guarantees, in the amount of UAH 165,492 thousand, which were evaluated at Stage 3 and for which provisions were made, in the amount of UAH 13,845 thousand and UAH 158,166 thousand, respectively. As a result, new loans classified as POCI were recognized, the gross carrying value of which before deducting the initial impairment amounted to UAH 224,002 thousand, and the initial impairment (discount) in the amount of UAH 165,851 thousand was recognized. The result of the specified operations is reflected in the line "Disposal due to recognition of the asset".

During 2022, the Group made payments under letters of credit assessed at Stage 3 in the amount of UAH 356,910 thousand, for which provisions were made in the amount of UAH 120,711 thousand, the result of these transactions is reflected in the line "Disposal due to asset recognition". Payment under the letters of credit was made by providing tranches of loans under existing credit line agreements.

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FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)**

Gross carrying value of financial instruments subject to the IFRS 9 impairment requirements by credit risk exposure by Stages

For estimating the expected credit losses for the impaired financial assets subject to impairment requirements under IFRS 9, the Bank allocates financial assets to five levels of risk, depending on the days overdue and default signs, namely:

	Cash and cash equivalents, other than cash on hand and balances with the National Bank of Ukraine	Loans to customers	Credit commitments	Financial guarantees issued, performance guarantees issued and similar commitments	Due from banks	Investments	Other financial assets	
							Financial accounts receivable	Due from banks
STAGE 1	Agreement not overdue (DPD = 0)	Agreement not overdue (DPD = 0)	Agreement not overdue (DPD = 0)	Agreement not overdue (DPD = 0)	Agreement not overdue (DPD = 0)	Agreement not overdue (DPD = 0)	Agreement past due (1-5 days)	Agreement not overdue (DPD = 0)
STAGE 2	Agreement past due 1-3 days	Agreement past due 1-30 days	Agreement past due 1-30 days	Agreement past due 1-30 days	Agreement past due 1-3 days	Agreement past due 1-10 days	Agreement past due 6-30 days	Agreement past due 1-3 days
STAGE 3	Agreement past due 4-5 days	Agreement past due 31-60 days	Agreement past due 31-60 days	Agreement past due 31-60 days	Agreement past due 4-5 days	Agreement past due 11-20 days	Agreement past due 31-60 days	Agreement past due 4-5 days
STAGE 4	Agreement past due 6-7 days	Agreement past due 61-90 days	Agreement past due 61-90 days	Agreement past due 61-90 days	Agreement past due 6-7 days	Agreement past due 21-30 days	Agreement past due 61-90 days	Agreement past due 6-7 days
STAGE 5 (default)	Agreement is in default	Agreement is in default	Agreement is in default	Agreement is in default	Agreement is in default	Agreement is in default	Agreement is in default	Agreement is in default

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FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)**

Cash and cash equivalents, other than cash on hand and balances with the National Bank of Ukraine

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	27,332,945	-	-	27,332,945	12,911,000	-	-	12,911,000

Investments measured at amortised cost

Government debt securities of Ukraine

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	70,227,428	5,786,755	-	76,014,183	45,481,773	7,345,808	-	52,827,581

Investments measured at amortised cost

Corporate debt securities

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL(not impaired)	Stage 3 Life-time ECL(impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	-	-	-	-	40,863	-	-	40,863
STAGE 5 (default)	-	-	904,658	904,658	-	-	853,700	853,700

Investments measured at amortised cost

Other debt securities

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	39,038,666	-	-	39,038,666	26,766,232	-	-	26,766,232

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)**

Investments measured at fair value through other comprehensive income
Ukrainian government debt securities

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE1	6,512,211	2,120,272	-	8,632,483	6,248,794	2,031,816	-	8,280,610

Loans that are measured at amortised cost

Mortgage loans to corporate entities and individuals

	As at 31 December 2023					As at 31 December 2022				
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total
STAGE 1	5,672,543	454,635	-	-	6,127,178	1,943,891	787,666	-	-	2,731,557
STAGE 2	42,845	10,141	-	-	52,986	11,640	34,080	-	-	45,720
STAGE 3	-	10,513	-	-	10,513	-	13,366	-	-	13,366
STAGE 4	-	7,663	-	-	7,663	-	13,947	-	-	13,947
STAGE 5 (default)	-	-	836,724	2,112	838,836	-	-	878,428	2,448	880,876

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Loans that are measured at amortised cost

Other loans to individuals

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	6,856,418	1,752,441	-	8,608,859	4,630,188	3,413,333	-	8,043,521
STAGE 2	164,369	168,745	-	333,114	146,573	326,563	-	473,136
STAGE 3	-	71,579	-	71,579	-	124,436	-	124,436
STAGE 4	-	37,209	-	37,209	-	78,450	-	78,450
STAGE 5 (default)	-	-	3,435,807	3,435,807	-	-	3,927,239	3,927,239

Loans that are measured at amortised cost

Loans to corporate entities

	As at 31 December 2023					As at 31 December 2022				
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Purchased or initially impaired	Total
STAGE 1	25,565,701	29,256,648	-	-	54,822,349	20,794,808	23,543,333	-	-	44,338,141
STAGE 2	29,291	28,536	-	-	57,827	191,402	1,848,289	-	-	2,039,691
STAGE 3	-	75,976	-	-	75,976	-	16,901	-	-	16,901
STAGE 4	-	101,116	-	-	101,116	-	3,771,086	-	-	3,771,086
STAGE 5 (default)	-	-	19,133,543	12,640,546	31,774,089	-	-	19,506,764	11,537,984	31,044,748

Loans that are measured at amortised cost

Loans to state and municipal authorities

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	1,417,102	5,642,511	-	7,059,613	3,840,874	6,253,505	-	10,094,379
STAGE 5 (default)	-	-	300	300	-	-	300	300

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Other financial assets	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	458,624	255,521	-	714,145	887,838	416,299	-	1,304,137
STAGE 2	-	7,184	-	7,184	-	9,951	-	9,951
STAGE 3	-	2,393	-	2,393	-	1,750	-	1,750
STAGE 4	-	47,580	-	47,580	-	33,909	-	33,909
STAGE 5 (default)	-	-	195,366	195,366	-	-	220,492	220,492

Financial guarantees issued, performance guarantees issued and similar commitments

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	1,364,058	5,771	-	1,369,829	225,675	700	-	226,375
STAGE 5 (default)	-	-	-	-	-	-	1,160,092	1,160,092

Credit commitments

	As at 31 December 2023				As at 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total	Stage 1 12-month ECL	Stage 2 Life-time ECL (not impaired)	Stage 3 Life-time ECL (impaired)	Total
STAGE 1	13,688,248	773,995	-	14,462,243	10,398,078	555,567	-	10,953,645
STAGE 2	24,612	32,419	-	57,031	26,227	46,544	-	72,771
STAGE 3	-	10,593	-	10,593	-	18,640	-	18,640
STAGE 4	-	6,136	-	6,136	-	8,942	-	8,942
STAGE 5 (default)	-	-	198,828	198,828	-	-	133,491	133,491

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Effect of modifications on financial assets

Effect of modifications on loans at amortised cost:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Financial assets, modified in the reporting period		
Amortised cost before modification	11,413,559	9,150,429
Net result from modifications on loans granted to customers (life-time ECL)	(295,982)	(464,440)
Financial assets, modified since origination		
Gross carrying amount of loans for which loss allowance has changed to 12-month measurement during the period	183,757	9,531

The losses on modifications of financial assets for the year ended 31 December 2023 amounted to UAH 342,401 thousand (31 December 2022: UAH 603,165 thousand).

Effect of security

The Group's credit policy implies the compliance with a conservative lending principle – loans shall be secured.

The estimate of the expected credit losses on collateralized financial instruments includes the amounts and timing of the cash flows expected from foreclosure, less discounted costs for receiving and disposing of collateral (the Group takes into account the probability of the foreclosure and the cash flows resulting from that). Accordingly, any cash flows expected from the sale of collateral after the contractual maturity date are included in the analysis. The loan portfolio of the Group is secured with the following types of collateral: vehicles, equipment and other movable property and the property rights thereto, real estate and property rights thereto, integral property complexes, government debt securities and guarantees issued by the government bodies, property rights to funds in cash, while some part of the Group's loan portfolio is not secured.

The impact of collateral on the improvement of the credit quality and the maximum exposure to credit risk in terms of financial assets types carried at amortised cost and at fair value through other comprehensive income is presented as follows:

	As at 31 December 2023		As at 31 December 2022	
	Net carrying value	Collateral value	Net carrying value	Collateral value
Cash and cash equivalents	27,234,463	–	12,889,580	–
Loans to customers:	88,720,959	49,172,306	82,734,176	39,316,045
- corporate customers	73,760,451	34,944,680	71,259,530	29,867,124
- individuals	14,960,508	14,227,626	11,474,646	9,448,921
Investments	123,563,217	–	88,101,117	–
Other financial assets	746,511	–	1,319,773	–
Total	240,265,150	49,172,306	185,044,646	39,316,045

Collateral value used while calculating the allowance for expected credit losses is the collateral fair value, adjusted for the liquidity ratios and costs for the property sale, and discounted to reflect time value of money.

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The maximum exposure to credit risk of financial assets subject to the IFRS 9 impairment requirements comprises:

	31 December 2023	31 December 2022
Cash and cash equivalents, except cash	27,234,463	12,889,580
Investments:		
Ukrainian government debt securities	83,652,229	60,453,198
Corporate debt securities	874,419	883,864
Other debt securities	39,036,569	26,764,055
Loans to customers:		
Loans to corporate entities	66,900,664	61,416,907
Loans to state and municipal authorities	6,859,186	9,841,080
Mortgage loans	6,247,907	2,913,198
Other loans	8,713,202	8,562,991
Other financial assets	746,511	1,319,773
	240,265,150	185,044,646

As at 31 December 2023, the net carrying value of the credit-impaired loans amounted to UAH 13,735,230 thousand (31 December 2022: UAH 13,444,014 thousand) and the collateral value (vehicles, equipment and other movable property, real estate, integral property complexes, property rights to cash, and other types of collateral), used in calculating the allowance for expected credit losses, was UAH 9,489,172 thousand (31 December 2022: UAH 11,093,269 thousand).

As at 31 December 2023, the Group had loans to customers with carrying amount of UAH 12,713,545 thousand (31 December 2022: UAH 7,464,379 thousand), for which no allowance for expected credit losses was recognised due to availability of sufficient collateral to cover the risk.

The maximum exposure to credit risk of contingent financial liabilities and credit commitments subject to the IFRS 9 impairment requirements comprises:

	31 December 2023	31 December 2022
The maximum exposure to credit risk:		
Credit commitments	14,101,990	10,806,587
Financial guarantees issued, performance guarantees issued and similar commitments	1,369,440	859,301
	15,471,430	11,665,888

As at 31 December 2023, the guarantees and other credit commitments (including revocable credit commitments), net of allowance for expected credit losses amounted to UAH 42,750,323 thousand (31 December 2022: UAH 28,239,933 thousand), and the collateral value (vehicles, equipment, other movable/immovable property, property rights to cash, and other types of collateral) used in the calculation of the allowance for expected credit losses amounted to UAH 10,526,048 thousand (31 December 2022: UAH 2,052,230 thousand).

The maximum exposure to credit risk of financial assets measured at fair value through profit or loss comprises:

	31 December 2023	31 December 2022
Ukrainian government debt securities	48,969,137	54,578,819
Loans to corporate entities	388,060	481,419

The collateral used to reduce the credit risk for loans at fair value through profit or loss as at 30 December 2023 the Bank accepted as collateral vehicles, equipment and other movable property, real estate, integral property complexes, and other types of collateral in the amount of UAH 388,060 thousand (31 December 2022: UAH 388,235 thousand).

Concentration risk

Concentration risk is determined by the Group as the risk of possible losses due to concentration of risk in specific instruments, operations, and industries.

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Joint Stock Company “State Savings Bank of Ukraine” is one of the largest state-owned banks of Ukraine, and specific character of its activities is related to a significant scale of operations with state-owned companies, including according to government programs, resulting in a significant concentration of credit and investment risks in relation to certain counterparties and groups of related counterparties and industries.

As at 31 December 2023 and 2022, 66% and 16% of the assets and 66% and 10% of the liabilities, respectively, were concentrated in transactions with the Group related parties. The related party operations include mainly transactions with the Government and entities related to the Government.

The Group manages concentration risk in the loan and investment portfolios by setting limits for certain counterparties and groups of counterparties. A detailed description of this process is provided above in the credit risk section. The Group also uses limits based on the NBU requirements to manage the risk.

An analysis of concentration of assets and liabilities by currencies, maturity, and geography is disclosed in the respective sections of the risk management disclosures.

Liquidity risk

Liquidity risk arises from the mismatch in timing and amounts of cash inflows and outflows which may result in losses, reduction in revenue or decrease the market value of the Group’s capital as a result of failure of the Group to cover its cash requirements to fully meet its financial obligations on a timely manner and with minimal losses.

In order to manage liquidity risk, the Group performs consistent monitoring of future expected cash flows of clients and banking operations, which is a part of assets/liabilities management process.

The main purpose of liquidity risk management is to ensure availability of sufficient amount of liquid assets to meet current and planned needs while optimizing the Group expenses associated with the provision of the required amount of liquid assets. Liquidity risk management is also aimed to ensure the Group’s ability to cover cash outflow for the crisis scenario (in the case of a systemic crisis, or close to a systemic liquidity crisis).

Identification and assessment of liquidity risk is based on:

- Analysis of cash flows;
- Analysis of liquidity gaps;
- Analysis of the concentration of assets and liabilities;
- Analysis of scenarios, including scenarios for emergency situations modeling abnormal market behavior;
- Analysis of the situation on the financial market in the context of a particular financial instruments.

On a monthly basis, the Assets and Liability Management Committee analyses funding sources taking into account changes in interest rates for the previous month and makes respective decisions for assets and liability management.

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The analysis of liquidity gap based on the carrying value of financial assets and liabilities is presented in the following table. Liquidity analysis is based on estimated cash flows. Certain amounts that are shown in the table are estimates and can change.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity undefined	31 December 2023 Total
Non-derivative financial assets							
Cash and cash equivalents	27,234,462	-	-	-	-	-	27,234,462
Loans to customers	2,933,323	2,956,020	15,393,446	58,215,239	9,610,991	-	89,109,019
Investments	41,234,444	14,698,721	52,102,936	51,767,481	12,728,772	-	172,532,354
Total interest bearing assets	71,402,229	17,654,741	67,496,382	109,982,720	22,339,763		288,875,835
Cash and cash equivalents	38,615,556	-	-	-	-	-	38,615,556
Investments	-	-	-	-	-	915,326	915,326
Other financial assets	460,886	244,357	4,058	34,043	3,167	-	746,511
Total non-derivative financial assets	110,478,671	17,899,098	67,500,440	110,016,763	22,342,930	915,326	329,153,228
Non-derivative financial liabilities							
Due to banks	366,363	-	-	-	-	-	366,363
Customer accounts	226,615,534	32,961,589	41,161,113	2,116,052	89,722	-	302,944,010
Eurobonds issued	-	1,029,810	952,887	952,887	-	-	2,935,584
Other borrowed funds	151,625	239,044	868,164	1,057,914	3,045,162	-	5,361,909
Lease liabilities	41,423	38,750	128,266	159,250	2,869	-	370,558
Subordinated debt	250,816	-	-	-	-	-	250,816
Total interest bearing liabilities	227,425,761	34,269,193	43,110,430	4,286,103	3,137,753		312,229,240
Other financial liabilities	138,632	6	276	99,175	20	-	238,109
Total non-derivative financial liabilities	227,564,393	34,269,199	43,110,706	4,385,278	3,137,773		312,467,349
Liquidity gap between non-derivative financial assets and liabilities	(117,085,722)	(16,370,101)	24,389,734	105,631,485	19,205,157	915,326	
Liquidity gap between interest bearing assets and interest bearing liabilities	(156,023,532)	(16,614,452)	24,385,952	105,696,617	19,202,010		
Cumulative liquidity gap between interest bearing assets and interest bearing liabilities	(156,023,532)	(172,637,984)	(148,252,032)	(42,555,415)	(23,353,405)		
Cumulative interest sensitivity gap as a percentage of total assets	-45.0%	-49.8%	-42.8%	-12.3%	-6.7%		
Aggregated liquidity gap	(117,085,722)	(16,370,101)	24,389,734	105,631,485	19,205,157	915,326	
Cumulative liquidity gap	(117,085,722)	(133,455,823)	(109,066,089)	(3,434,604)	15,770,553	16,685,879	

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	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity undefined	31 December 2022 Total
Non-derivative financial assets							
Cash and cash equivalents	12,889,288	-	-	-	-	-	12,889,288
Loans to customers	2,151,616	3,134,888	16,063,412	55,599,163	6,266,516	-	83,215,595
Investments	28,481,845	15,617,014	21,513,851	64,088,430	12,978,796	-	142,679,936
Total interest bearing assets	43,522,749	18,751,902	37,577,263	119,687,593	19,245,312	-	238,784,819
Cash and cash equivalents	15,487,424	-	-	-	-	-	15,487,424
Investments	-	-	-	-	-	718,915	718,915
Other financial assets	881,522	407,789	926	14,513	15,023	-	1,319,773
Total non-derivative financial assets	59,891,695	19,159,691	37,578,189	119,702,106	19,260,335	718,915	256,310,931
Non-derivative financial liabilities							
Due to banks	543,326	-	-	-	-	-	543,326
Customer accounts	172,395,418	28,692,761	32,448,380	314,636	89,114	-	233,940,309
Eurobonds issued	-	2,362,405	919,782	2,759,347	-	-	6,041,534
Other borrowed funds	120,379	194,110	665,490	1,270,907	425,267	-	2,676,153
Lease liabilities	25,512	39,886	142,725	172,680	11,909	-	392,712
Subordinated debt	259,768	-	228,337	228,337	-	-	716,442
Total interest bearing liabilities	173,344,403	31,289,162	34,404,714	4,745,907	526,290	-	244,310,476
Other financial liabilities	211,757	10	290	2,149	47	-	214,253
Total non-derivative financial liabilities	173,556,160	31,289,172	34,405,004	4,748,056	526,337	-	244,524,729
Liquidity gap between non-derivative financial assets and liabilities	(113,664,465)	(12,129,481)	3,173,185	114,954,050	18,733,998	718,915	
Liquidity gap between interest bearing assets and interest bearing liabilities	(129,821,654)	(12,537,260)	3,172,549	114,941,686	18,719,022		
Cumulative liquidity gap between interest bearing assets and interest bearing liabilities	(129,821,654)	(142,358,914)	(139,186,365)	(24,244,679)	(5,525,657)		
Cumulative interest sensitivity gap as a percentage of total assets	-48,2%	-52,9%	-51,7%	-9,0%	-2,1%		
Aggregated liquidity gap	(113,664,465)	(12,129,481)	3,173,185	114,954,050	18,733,998	718,915	
Cumulative liquidity gap	(113,664,465)	(125,793,946)	(122,620,761)	(7,666,711)	11,067,287	11,786,202	

The Group's liquidity risk management includes estimate of the core current accounts, i.e. permanent balances of the customers' accounts, using the statistical methods applied to the historical information on fluctuations of the customer accounts balances. As at 31 December 2023, the permanent balances on the current accounts were estimated at UAH 107,430,079 thousand (31 December 2022: UAH 86,854,920 thousand). Based on a going concern assumption of the Group, the effective maturity of the core current accounts is considered to be indefinite.

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Information as to the expected periods of customers’ accounts repayment and liquidity gaps based on the expected periods of customers’ accounts repayment is presented below:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity undefined	31 December 2023 Total
Total non-derivative financial assets	110,478,671	17,899,098	67,500,440	110,016,763	22,342,930	915,326	329,153,228
Total non-derivative financial liabilities	227,564,393	34,269,199	43,110,706	4,385,278	3,137,773	–	312,467,349
Liquidity gap	(117,085,722)	(16,370,101)	24,389,734	105,631,485	19,205,157	915,326	
Current customer accounts analysed based on expected withdrawal dates	119,185,455	32,961,589	41,161,113	2,116,052	89,722	107,430,079	302,944,010
Liquidity gap based on expected withdrawal dates for current customer accounts	(9,655,643)	(16,370,101)	24,389,734	105,631,485	19,205,157	(106,514,753)	
Cumulative liquidity gap based on expected withdrawal dates for current customer accounts	(9,655,643)	(26,025,744)	(1,636,010)	103,995,475	123,200,632	16,685,879	

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity undefined	31 December 2022 Total
Total non-derivative financial assets	59,891,695	19,159,691	37,578,189	119,702,106	19,260,335	718,915	256,310,931
Total non-derivative financial liabilities	173,556,160	31,289,172	34,405,004	4,748,056	526,337	–	244,524,729
Liquidity gap	(113,664,465)	(12,129,481)	3,173,185	114,954,050	18,733,998	718,915	
Current customer accounts analysed based on expected withdrawal dates	85,540,498	28,692,761	32,448,380	314,636	89,114	86,854,920	233,940,309
Liquidity gap based on expected withdrawal dates for current customer accounts	(26,809,545)	(12,129,481)	3,173,185	114,954,050	18,733,998	(86,136,005)	
Cumulative liquidity gap based on expected withdrawal dates for current customer accounts	(26,809,545)	(38,939,026)	(35,765,841)	79,188,209	97,922,207	11,786,202	

The Group management believes that the liquidity gap based on the expected maturities of customer accounts of “Up to One Year” as at 31 December 2023 is controllable and does not present a threat to the Group’s ability to settle its obligations on a timely basis and in full.

As at 31 December 2023, the Group’s secondary liquidity reserve amounted to UAH 51,758,063 thousand, which represented the following securities with a maturity greater than one year:

- Unencumbered government debt securities at fair value through profit or loss. Necessary funds can be obtained through the sale of these securities or from a refinancing loan from the NBU secured with these securities. As at 31 December 2023, the fair value of such securities was UAH 14,141,831 thousand;
- Unencumbered government debt securities accounted at amortised cost, which can be used as collateral to obtain a refinancing loan from the NBU. As at 31 December 2023, the carrying value of such securities was UAH 37,616,232 thousand .

The above securities included in secondary liquidity reserves cover the cumulative liquidity gap in the period of up to one year.

A further analysis of the liquidity by maturities of financial liabilities covers the remaining undiscounted contractual cash flows (including future interest payments) that are not recognised in the consolidated statement of financial position at the reporting date. The amounts disclosed in these tables do not correspond to the amounts recorded in the consolidated

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statement of financial position in the amount of interest to be paid subsequent to the reporting date and which are not accounted for on accounts of accrued interest at the reporting date, as well as unamortised discount/premium.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	31 December 2023 Total
Non-derivative financial liabilities						
Due to banks	366,363	-	-	-	-	366,363
Customer accounts	226,847,680	33,865,827	42,646,828	2,384,775	202,049	305,947,159
Eurobonds issued	-	1,086,653	1,040,955	995,258	-	3,122,866
Other borrowed funds	151,746	262,172	981,119	1,481,531	3,725,449	6,602,017
Lease liabilities	34,967	40,327	146,684	247,055	69,452	538,485
Subordinated debt	251,628	-	-	-	-	251,628
Total non-derivative interest bearing liabilities	227,652,384	35,254,979	44,815,586	5,108,619	3,996,950	316,828,518
Other financial liabilities (except for lease liabilities)	138,632	6	276	99,175	20	238,109
Irrevocable loan commitments	14,734,831	-	-	-	-	14,734,831
Guarantees	511,128	450	235,467	54,317	-	801,362
Letters of credit	568,467	-	-	-	-	568,467
Total non-derivative financial liabilities	243,605,442	35,255,435	45,051,329	5,262,111	3,996,970	333,171,287
Total financial liabilities	243,605,442	35,255,435	45,051,329	5,262,111	3,996,970	333,171,287
	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	31 December 2022 Total
Non-derivative financial liabilities						
Due to banks	543,326	-	-	-	-	543,326
Customer accounts	172,555,019	29,243,074	33,286,341	332,841	217,407	235,634,682
Eurobonds issued	-	2,474,094	1,090,201	3,006,625	-	6,570,920
Other borrowed funds	120,523	202,529	726,972	1,373,566	526,559	2,950,149
Lease liabilities	25,651	41,404	157,943	240,564	29,999	495,561
Subordinated debt	263,475	-	251,835	240,194	-	755,504
Total non-derivative interest bearing liabilities	173,507,994	31,961,101	35,513,292	5,193,790	773,965	246,950,142
Other financial liabilities (except for lease liabilities)	211,758	10	290	2,149	47	214,254
Irrevocable loan commitments	11,187,489	-	-	-	-	11,187,489
Guarantees	644,277	-	-	-	-	644,277
Letters of credit	742,190	-	-	-	-	742,190
Total non-derivative financial liabilities	186,293,708	31,961,111	35,513,582	5,195,939	774,012	259,738,352
Total financial liabilities	186,293,708	31,961,111	35,513,582	5,195,939	774,012	259,738,352

Market risks

The Group considers the following risks within market risks: currency risk, interest rate risk and price risk.

Interest rate risk

The main activity of the Group includes attracting/placement of interest-bearing liabilities/assets, consequently, interest rate risk is one of the major financial risks faced by the Group. Interest rate risk arises from the possibility of adverse changes in market interest rates that have a negative impact on interest income/capital of the Group.

The main goal of interest rate risk management is to limit the adverse effects of changes in interest rates on the financial result and capital of the Group.

Interest rate risk is primarily managed by setting and reviewing the yield curve on attraction/placement and setting target interest spread value. To ensure the budgeted net interest income and the targeted interest spread value, the Group manages structure of its consolidated statement of financial position, including interest-bearing assets and liabilities, with focus on optimal balance of interest rate risk and return.

Interest rate risk is managed by using the following methods and tools:

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- Setting and revising the yield curve of the attraction and placement by currency;
- Setting limits and restrictions on banking transactions;
- Setting interest spread as the key performance indicator of the Group;
- Managing structural balance of the Group;
- Analysis of possible scenarios and modelling;
- Analysis of interest rate GAP;
- Duration method.

The Assets and Liabilities Management Committee manages interest rate change and market risks by matching the Bank's interest rate position, which allows the Bank to perform transactions with a positive interest margin. The Assets and Liabilities Management Committee monitors the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and their effect on the Group's profitability.

The following table presents an analysis of interest rate risk and its influence on the Group's profitability. Average interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2023			
	UAH %	USD %	EUR %	Other %
Assets				
Cash and cash equivalents	–	5.20	2.95	0.31
Loans to customers	16.24	6.75	6.18	–
Investments:				
Ukrainian government indexed debt securities	5.80	–	–	–
Other Ukrainian government debt securities	16.70	4.47	2.87	–
Other securities	16.34	–	–	–
Liabilities				
Due to banks	–	–	–	–
Customer accounts:				
Current accounts	4.21	0.23	0.02	–
Deposits	13.33	0.93	0.33	–
Eurobonds issued	–	9.63	–	–
Other borrowed funds	3.00	–	4.18	–
Lease liabilities	18.17	–	–	–
Subordinated debt	–	12.70	–	–

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	31 December 2022			
	UAH %	USD %	EUR %	Other %
Assets				
Cash and cash equivalents	1.57	4.14	0.73	0.44
Loans to customers	14.98	6.55	6.13	-
Investments:				
Ukrainian government indexed debt securities	5.86	-	-	-
Other Ukrainian government debt securities	11.55	3.91	2.64	-
Other securities	22.61	-	-	-
Liabilities				
Due to banks	-	-	-	-
Customer accounts:				
Current accounts	3.17	0.11	0.07	-
Deposits	10.52	0.94	0.36	1.50
Eurobonds issued	-	9.57	-	-
Other borrowed funds	3.00	-	4.21	-
Lease liabilities	15.62	7.89	-	-
Subordinated debt	-	10.19	-	-

Majority of the Group’s loan and other financial assets and liabilities contracts contain clauses enabling change in interest rate at the request of the lender. The Group constantly monitors its interest rate margin and does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on reasonably possible changes in the risk variable. The level of those changes is determined by management and is disclosed in the risk reports provided to the Group’s key management personnel.

The sensitivity of the Group’s financial result to possible change of interest rate on financial instruments measured at fair value is presented below:

	31 December 2023			
	Change in profit/loss		Change in capital	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Ukrainian government indexed debt securities at fair value through profit or loss	(932,787)	979,275	-	-
Ukrainian government debt securities at fair value through other comprehensive income	-	-	(15,089)	15,309
Other securities at fair value through other comprehensive income	-	-	(1,058)	1,109
Loans measured at fair value through profit or loss	(22,642)	24,260	-	-
Total	(955,429)	1,003,535	(16,147)	16,418

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	31 December 2022			
	Change in profit/loss		Change in capital	
	Interest rate	Interest rate	Interest rate	Interest rate
	+1%	-1%	+1%	-1%
Ukrainian government indexed debt securities at fair value through profit or loss	(1,424,176)	1,495,527	-	-
Ukrainian government debt securities at fair value through other comprehensive income	-	-	(55,834)	56,969
Other securities at fair value through other comprehensive income	-	-	(1,070)	1,125
Loans measured at fair value through profit or loss	(27,619)	29,697	-	-
Total	(1,451,795)	1,525,224	(56,904)	58,094

The sensitivity of the Group's financial result to possible change of interest rate on floating interest rate instruments is presented in the table below:

31 December 2023

	Change in profit and loss	
	Change of interest rate:	Change of interest rate:
	+1 p.p. for UAH and +0,25 p.p. for foreign currency	-1 p.p. for UAH and -0,25 p.p. for foreign currency
Base rate		
Assets	446,569	(446,569)
BUBOR	33	(33)
EFF	23,442	(23,442)
ESTR	7,464	(7,464)
Federal Funds Target Range Lower Bound	23	(23)
SOFR	10	(10)
UIRD (3m)	227,478	(227,478)
OUIRD (6m)	16,539	(16,539)
UIRD (12m)	5,222	(5,222)
NBU discount rate	166,358	(166,358)
Liabilities	(5,592)	5,592
LIBOR 6m.	(593)	593
NBU discount rate	(4,999)	4,999
Total	440,977	(440,977)

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31 December 2022

Base rate	Change in profit and loss	
	Change of interest rate: +1 p.p. for UAH and +0,25 p.p. for foreign currency	Change of interest rate: -1 p.p. for UAH and -0,25 p.p. for foreign currency
Assets	438,718	(438,718)
BUBOR	18	(18)
EFF	24,096	(24,096)
ESTR	3,191	(3,191)
Federal Funds Target Range		
Lower Bound	1,967	(1,967)
SOFR	1,157	(1,157)
UIRD (3m)	205,168	(205,168)
OUIRD (6m)	8,150	(8,150)
UIRD (12m)	5,212	(5,212)
NBU discount rate	189,759	189,759
Liabilities	(8,177)	8,177
LIBOR 6m.	(1,714)	1,714
NBU discount rate	(6,463)	6,463
Total	430,541	(430,541)

As at 31 December 2023, the total impact on the Group's financial result with an increase in interest rates by 1 p.p. in national currency and by 0.25 p.p. in US dollars and euros may be UAH +440,977 thousand (31 December 2022: UAH +430,541thousand), when reducing rates by the appropriate amount, the impact on the financial result may be UAH – 440,977thousand (31 December 2022: UAH - 430,541thousand).

Currency risk

The Group carries out operations in various currencies and therefore may be negatively affected by currency risk, which represents losses, reduction in revenue or a decrease in the market value of the Group's capital due to unfavorable changes in currency exchange rates and precious metals in the market due to maintaining an open currency position.

The main purpose of currency risk management is to limit the negative impact of changes in exchange rates on the Group's financial result and equity. To this end, the Group manages currency position in individual foreign currencies and precious metals to ensure the optimal balance between risk and yield.

Identification and assessment of currency risks is carried out based on:

- Analysis of Group's open currency positions;
- VAR-assessment methodology for currency risks;
- Concentration analysis;
- Analysis of possible scenarios and modelling;
- Stress testing.

The Currency Supervision Division, Treasury, and Strategic risk management and forecasting Department monitor the Group's open currency position on a daily basis. Based on the information prepared by the Currency Supervision Division, Treasury, and Strategic risk management and forecasting Department, the ALCO controls currency risk by managing the open currency position based on the estimates of UAH devaluation and other macroeconomic indicators, which enables the Group to optimize risk of significant fluctuations in exchange rates against the national currency.

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The Group exposure to foreign currency exchange rate risk is presented in the table below:

	UAH	USD	EUR	Other foreign currencies	31 December 2023 Total
Non-derivative financial assets					
Cash and cash equivalents	36,277,321	24,765,459	4,334,693	472,545	65,850,018
Loans to customers	63,849,754	19,976,913	5,282,352	-	89,109,019
Investments	131,610,382	35,019,720	6,817,578	-	173,447,680
Other financial assets	253,735	464,978	27,765	33	746,511
Total non-derivative financial assets	231,991,192	80,227,070	16,462,388	472,578	329,153,228
Non-derivative financial liabilities					
Due to banks	962	283,774	81,627	-	366,363
Customer accounts	237,328,687	52,081,321	13,312,848	221,154	302,944,010
Eurobonds issued	-	2,935,584	-	-	2,935,584
Other borrowed funds	4,086,812	-	1,275,097	-	5,361,909
Lease liabilities	370,558	-	-	-	370,558
Other financial liabilities	160,663	76,229	1,217	-	238,109
Subordinated debt	-	250,816	-	-	250,816
Total non-derivative financial liabilities	241,947,682	55,627,724	14,670,789	221,154	312,467,349
Open balance position	(9,956,490)	24,599,346	1,791,599	251,424	
Open position	(9,956,490)	24,599,346	1,791,599	251,424	
	UAH	USD	EUR	Other foreign currencies	31 December 2022 Total
Non-derivative financial assets					
Cash and cash equivalents	13,629,201	12,302,735	2,145,811	298,965	28,376,712
Loans to customers	60,396,491	18,645,215	4,173,889	-	83,215,595
Investments	101,355,129	35,075,917	6,967,805	-	143,398,851
Other financial assets	415,845	881,965	21,929	34	1,319,773
Total non-derivative financial assets	175,796,666	66,905,832	13,309,434	298,999	256,310,931
Non-derivative financial liabilities					
Due to banks	797	296,523	246,006	-	543,326
Customer accounts	182,020,681	43,429,806	8,400,827	88,995	233,940,309
Eurobonds issued	-	6,041,534	-	-	6,041,534
Other borrowed funds	540,865	-	2,135,288	-	2,676,153
Lease liabilities	392,712	-	-	-	392,712
Other financial liabilities	146,974	66,499	780	-	214,253
Subordinated debt	-	716,442	-	-	716,442
Total non-derivative financial liabilities	183,102,029	50,550,804	10,782,901	88,995	244,524,729
Open balance position	(7,305,363)	16,355,028	2,526,533	210,004	
Open position	(7,305,363)	16,355,028	2,526,533	210,004	

The official exchange rates of UAH against foreign currencies at the reporting date used by the Group in preparing these consolidated financial statements are set out in Note 3.

As at 31 December 2023 and 2022, the Group is subject to individual currency position ratio set by the NBU.

Currency risk sensitivity analysis

The table below details the Group's sensitivity to increase/decrease in USD and EUR against UAH as a result of possible changes in currency exchange rates. Sensitivity rate is used by the Group when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for the appropriate change in foreign currency rates. The sensitivity analysis

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includes external loans within the Group where the denomination of the loan is in a currency different from the currency of the lender or the borrower.

	As at 31 December 2023		As at 31 December 2022	
	UAH/USD +10%	UAH/USD -5%	UAH/USD +10%	UAH/USD -5%
Effect on profit and equity	2,017,146	(1,008,573)	1,341,112	(670,556)

	As at 31 December 2023		As at 31 December 2022	
	UAH/EUR +10%	UAH/EUR -5%	UAH/EUR +10%	UAH/EUR -5%
Effect on profit and equity	146,911	(73,456)	207,176	(103,588)

Investments in USD include index-linked domestic government bonds with a nominal value of UAH 25,420,240 thousand. The revaluation result of the option embedded in the indexed domestic government bonds in 2023 is amounted to UAH (3,783,204) thousand and accounted for as part of Net gain/(loss) on transactions with financial instruments measured at fair value through profit or loss. .

Limitations of sensitivity analysis

The above tables demonstrate the effect of changes in key variables under different assumptions with other relevant variables kept constant. There may be various additional\secondary correlations between these variables and other factors, that cannot be incorporated in their entirety into the analysis, that may affect actual behavior of these variables and their effect on financial outcomes.

The underlying purpose of sensitivity analysis is to identify key factors whose behavior produces the greatest impact on the financial outcomes, with a view to mitigate expected effects. As such, the Group’s assets and liabilities are actively managed. Additionally, the financial position of the Group may vary depending on actual market movements. For example, the Group strategy in respect of financial risk management is aimed at optimizing the impact of market fluctuations on the operations of the Group. In case of sharp negative price fluctuations on the stock market, management actions could include selling investments, changing investment portfolio allocation and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets that are held at fair value in the consolidated statement of financial position may be affected significantly. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

The Group’s own view of the possible near-term market changes incorporates forecasts issued by established institutional practitioners of market research, as well as by relevant authorities, and its accuracy is thus constrained by the accuracy of these forecasts.

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Geographical concentration

Geographical concentration of assets and liabilities is presented below:

	Ukraine	Other non-OECD countries	OECD countries	31 December 2023 Total
Non-derivative financial assets				
Cash and cash equivalents	39,699,104	-	26,150,914	65,850,018
Loans to customers	89,109,019	-	-	89,109,019
Investments	172,562,806	-	884,874	173,447,680
Other financial assets	667,538	30	78,943	746,511
Total non-derivative financial assets	302,038,467	30	27,114,731	329,153,228
Non-derivative financial liabilities				
Due to banks	365,348	475	540	366,363
Customer accounts	302,463,459	266,241	214,310	302,944,010
Eurobonds issued	-	-	2,935,584	2,935,584
Other borrowed funds	4,086,812	-	1,275,097	5,361,909
Lease liabilities	370,558	-	-	370,558
Other financial liabilities	162,743	-	75,366	238,109
Subordinated debt	-	-	250,816	250,816
Total non-derivative financial liabilities	307,448,920	266,716	4,751,713	312,467,349
Net position on non-derivative financial instruments	(5,410,453)	(266,686)	22,363,018	
Net position	(5,410,453)	(266,686)	22,363,018	
	Ukraine	Other non-OECD countries	OECD countries	31 December 2022 Total
Non-derivative financial assets				
Cash and cash equivalents	16,286,802	-	12,089,910	28,376,712
Loans to customers	83,215,595	-	-	83,215,595
Investments	142,709,384	-	689,467	143,398,851
Other financial assets	1,249,836	-	69,937	1,319,773
Total non-derivative financial assets	243,461,617	-	12,849,314	256,310,931
Non-derivative financial liabilities				
Due to banks	542,220	475	631	543,326
Customer accounts	233,526,992	278,394	134,923	233,940,309
Eurobonds issued	-	-	6,041,534	6,041,534
Other borrowed funds	540,865	-	2,135,288	2,676,153
Lease liabilities	392,712	-	-	392,712
Other financial liabilities	150,082	-	64,171	214,253
Subordinated debt	-	-	716,442	716,442
Total non-derivative financial liabilities	235,152,871	278,869	9,092,989	244,524,729
Net position on non-derivative financial instruments	8,308,746	(278,869)	3,756,325	
Net position	8,308,746	(278,869)	3,756,325	

The Group's activities are focused mainly on the domestic market.

Financial assets located in other countries represent funds on accounts with non-resident banks.

The main proportion of financial liabilities raised from non-residents represent loans from international and other financial organizations, subordinated debt in US dollars and other borrowings.

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Price risk

The Group does not have a trading portfolio, therefore it is not exposed to price risk, which arises from changes in price quotations due to changes in market conditions.

30. SEGMENT INFORMATION

Segment information refers to the services rendered within segments and is provided to the Group's management responsible for making operating decision on resources allocation and assessment of the segments' activities.

The following criteria are used for recognition of operating segments:

Operating segment is a consolidated component of an entity that is engaged in supplying specific product or service (or group of interrelated products or services) from which it earns revenue and incurs risks that are different from those related to other segments. The group of interrelated products or services, supplied (provided) by the segment is combined based on the following criteria:

- The nature of the products or services;
- The nature of the production processes;
- The type or class of customer for their products and services;
- The methods used to distribute their products or provide their services;
- The nature of the regulatory environment.

For the purposes of internal reporting to management, the Group's operations are divided into the following segments:

Corporate clients in terms of business areas "Big Corporate Business" and "Micro-, SME".

Within these segments, banking services (loans, deposits and cash and settlement services) are provided to a wide range of customers, including, respectively, large and medium-sized companies, small companies and micro businesses, state-owned companies and a number of budgetary institutions. The distribution of customers by business lines is carried out in accordance with the applicable regulations and the Bank's own distribution criteria (net income, ownership, business area, resident/non-resident status, etc.).

Retail business

This segment includes all banking services provided to individuals through an extensive branch network of the Bank, ATMs, IPTs and through Web-banking and Mobile banking.

Treasury

This segment includes the results of transactions with other banks (including the NBU), both in the national and foreign currencies, and all assets and liabilities within the liquidity management policies of the Group.

General management

This segment covers all non-customer transactions, assets and liabilities under the effective direct supervision of the Group's management and committees (ALCO, Finance Committee, etc.). Among other things, it includes: property and equipment, strategic investments, long-term funding instruments (subordinated debt, Eurobonds issued, other borrowed funds); equity remaining after distribution to other business segments.

Measuring segment profits and losses

Management accounting methodology used for preparing segment reports is somewhat different from the methodology applied in preparing other financial statements. However, the information presented in the segment reporting corresponds to the figures in the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income prepared according to IFRS.

To measure net interest income of a segment, the Group uses a "transfer pricing" technique, under which interest income and expenses of most items on the statement of financial position are compared with the nominal market rate to calculate the deemed interest margin.

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Operating expenses, including depreciation and amortization charges, are allocated directly to segments whenever possible. For shared costs, the Group performs an expert assessment by using data about the number of employees, volume of business and other criteria for allocating costs. Some operating expenses that are non-recurring or one-time by origin (irregular or one-time) and are not directly related to the transactions with customers are included in the General Management segment.

Equity is allocated among segments based on their average risk weighted assets. Unallocated equity is included in the General Management segment.

During 2023, the Group recognised interest income from the Counterparty 1 in the amount of UAH 12,439,278 thousand, which is 26% of revenue, and allocated to the Treasury and General management segments in the amount of UAH 3,390,044 thousand and UAH 9,049,234 thousand, respectively, and the Counterparty 2 in the amount of UAH 5,161,483 thousand, which is 11% of revenue, and allocated to the General management.

During 2022, the Group recognised interest income from the Counterparty 1 in the amount of UAH 8,662,436 thousand, which is 21% of revenue, and allocated to the Treasury and General management segments in the amount of UAH 3,299,855 thousand and UAH 5,362,581 thousand, respectively.

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Income, expense and results of reportable segments for 2023

Items	Name of a reportable segment					Withdrawal	Unallocated amounts	Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management			
Income	11,475,892	7,200,426	9,910,620	4,704,418	14,378,041	-	-	47,669,397
Interest income	7,666,756	3,678,618	2,567,185	4,278,988	14,405,468	-	-	32,597,015
Fee and commission income	2,403,505	2,959,915	6,369,817	283,878	8,181	-	-	12,025,296
Gain (loss) arising from derecognition of financial assets measured at amortized cost (Accrual)/reversal of allowance for expected credit losses on interest bearing assets	-	-	7,208	-	-	-	-	7,208
(Accrual)/reversal of allowance for expected credit losses on other operations	1,051,411	529,074	212,275	88,014	(517,141)	-	-	1,363,633
Dealing in foreign currencies, net	348,934	(3,610)	(234,908)	(4)	(37,901)	-	-	72,511
Other income/(expense)	-	-	919,253	53,542	73,510	-	-	1,046,305
	5,286	36,429	69,790	-	445,924	-	-	557,429
Transfer income of segments	7,847,543	7,024,450	26,969,985	645,330	2,626,862	(45,114,170)	-	-
Interest income	7,847,543	7,024,450	26,969,985	645,330	2,626,862	(45,114,170)	-	-
Total segments income	19,323,435	14,224,876	36,880,605	5,349,748	17,004,903	(45,114,170)	-	47,669,397
Interest expense	(10,131,379)	(5,723,799)	(10,562,332)	(14,019,616)	(18,544,521)	45,114,170	-	(13,867,477)
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(819,516)	-	-	(2,880,622)	-	-	-	(3,700,138)
Gains/(losses) arising on initial recognition of financial assets at an interest rate higher or lower than the market rate	(36,565)	(273)	(218)	58	-	-	-	(36,998)
Net gain/(losses) on modifications of financial assets	(338,121)	6,789	(11,069)	-	-	-	-	(342,401)
Fee and commission expense	(1,614,819)	(1,920,804)	(1,762,982)	(75,575)	(1,483)	-	-	(5,375,663)
Operating expense	(1,389,754)	(2,559,196)	(9,076,117)	(675,200)	(1,392,771)	-	-	(15,093,038)
SEGMENT RESULT (before taxation)	4,993,281	4,027,593	15,467,887	(12,301,207)	(2,933,872)	-	-	9,253,682
Income tax (expense)/benefit	-	-	-	-	-	-	(3,277,200)	(3,277,200)
Profit/(loss)	4,993,281	4,027,593	15,467,887	(12,301,207)	(2,933,872)	-	(3,277,200)	5,976,482

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Income, expense and results of reportable segments for 2022

Items	Name of a reportable segment					Withdrawal	Unallocated amounts	Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management			
Income	7,252,653	3,756,871	7,426,160	14,087,735	8,041,613	-	-	40,565,032
Interest income	7,714,029	1,844,521	1,790,648	3,380,847	7,818,762	-	-	22,548,807
Fee and commission income	1,613,366	2,009,874	5,576,651	183,115	3,578	-	-	9,386,584
Net gain/(loss) on transactions with financial instruments at fair value through profit or loss	(2,098,009)	(104,233)	-	10,524,058	-	-	-	8,321,816
Net profit from transactions with debt financial instruments at fair value through other comprehensive income	903	-	-	-	-	-	-	903
Other income/(expense)	22,364	6,709	54,314	(285)	219,273	-	-	302,375
Gain (loss) arising from derecognition of financial assets measured at amortized cost	-	-	4,547	-	-	-	-	4,547
Transfer income of segments	5,121,183	4,269,621	16,605,198	492,658	2,065,040	(28,553,700)	-	-
Interest income	5,121,183	4,269,621	16,605,198	492,658	2,065,040	(28,553,700)	-	-
Total segments income	12,373,836	8,026,492	24,031,358	14,580,393	10,106,653	(28,553,700)	-	40,565,032
Interest expense	(7,626,980)	(2,888,658)	(5,783,973)	(7,901,459)	(11,917,318)	28,553,700	-	(7,564,688)
(Accrual)/reversal of allowance for expected credit losses on interest bearing assets	(7,152,811)	(1,786,265)	(1,570,549)	(177,426)	(352,405)	-	-	(11,039,456)
(Accrual)/reversal of allowance for expected credit losses on other operations	109,576	(25,486)	(296,446)	(1)	(95,264)	-	-	(307,621)
Dealing in foreign currencies, net	-	-	1,244,858	176,896	(3,776,573)	-	-	(2,354,819)
Fee and commission expense	(996,130)	(1,335,609)	(1,089,090)	(27,007)	(3)	-	-	(3,447,839)
Operating expense	(1,010,411)	(2,183,514)	(8,598,332)	(475,752)	(2,340,129)	-	-	(14,608,138)
Gains/(losses) arising on initial recognition of financial assets at an interest rate higher or lower than the market rate	(3,237)	-	(254)	170	-	-	-	(3,321)
Net gain/(losses) on modifications of financial assets	(502,799)	(81,135)	(19,231)	-	-	-	-	(603,165)
SEGMENT RESULT (before taxation)	(4,808,956)	(274,175)	7,918,341	6,175,814	(8,375,039)	-	-	635,985
Income tax (expense)/benefit	-	-	-	-	-	-	2,357	2,357
Profit/(loss)	(4,808,956)	(274,175)	7,918,341	6,175,814	(8,375,039)	-	2,357	638,342

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)**

Assets and liabilities of the reportable segments as at 31 December 2023

Items	Name of reportable segments					Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management	
Segment assets	58,288,264	22,492,941	24,218,664	108,280,781	133,255,073	346,535,723
Segment liabilities	69,309,927	45,045,640	189,721,626	396,716	13,337,306	317,811,215
<i>Other segment items for the year ended 31 December 2023</i>						
Depreciation and amortization charges on fixed assets and intangible assets	(178,240)	(342,185)	(1,168,149)	(113,705)	(200,436)	(2,002,715)
Capital investments	-	-	-	-	4,790,017	4,790,017

Assets and liabilities of the reportable segments as at 31 December 2022

Items	Name of reportable segments					Total
	Big corporate business	Micro-, SME	Retail business	Treasury	General management	
Segment assets	57,747,880	17,333,992	20,478,119	79,946,664	93,767,415	269,274,070
Segment liabilities	29,493,735	36,436,534	169,272,155	1,138,650	10,751,465	247,092,539
<i>Other segment items for the year ended 31 December 2022</i>						
Depreciation and amortization charges on fixed assets and intangible assets	(146,537)	(297,552)	(1,154,940)	(90,333)	(144,384)	(1,833,746)
Capital investments	-	-	-	-	1,637,327	1,637,327

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)
(in thousands of UAH)**

31. SUBSEQUENT EVENTS

In January 2024, in accordance with the terms and conditions of the agreement, the balance of the subordinated debt was repaid in the amount of USD 6,250 thousand (UAH 237,029 thousand at the maturity date) (Note 22).

In February 2024 the Group made an advance payment to the State Budget of Ukraine of the share of profit, which is directed to the payment of dividends, based on the forecasted results of operations in 2023 in accordance with the requirements of the Resolution of the Cabinet of Ministers of Ukraine dated 09 February 2024 No.129 *On Approval of the Basic Standard for Deduction of the Share of Profit Allocated to Payment of Dividends Based on the Results of Financial and Business Activities in 2022 of Business Companies with State Corporate Rights in the Charter Capital* in the amount of UAH 692,311 thousand. Since the amount of dividends does not exceed the taxable amount for 2023, and at the time of payment of the profit share, the income tax liability for 2023 is settled, there are no tax consequences from the advance transfer of the profit share allocated for dividend payment.

In March 2024, the NBU reduced the accounting rate to 14.5% per annum.