

**“The State Export-Import Bank of Ukraine”  
Joint Stock Company**

**Consolidated management report**

**Annual consolidated financial statements**

*For the year ended 31 December 2023,  
with independent auditors' report*

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**Consolidated management report (consolidated governance report)**

**OF “THE STATE EXPORT-IMPORT BANK OF UKRAINE”  
JOINT STOCK COMPANY**

*(the consolidated management report (consolidated governance report) was prepared in accordance with the requirements of Article 126 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the Regulation on Disclosure of Information by Securities Issuers approved by decision No. 2826 of the National Securities and Stock Market Commission of Ukraine (NSSMC) dated December 3, 2013, Law of Ukraine "On Accounting and Financial Reporting in Ukraine", the Instruction on the Procedure for Preparation and Publication of Financial Statements of Banks of Ukraine approved by the NBU Board Resolution No. 373 dated October 24, 2011)*

“The State Export-Import Bank of Ukraine” Joint Stock Company (hereinafter – Ukreximbank, “Ukreximbank” JSC, the Bank/bank or the issuer) was established in 1992 and entered in the State Register of Banks on January 23, 1992 under number 5, Ukreximbank performs its activity on the basis of Bank License No.2.

As at 31 December 2023 and 2022, 100% of Ukreximbank share capital was owned by the state. Functions on the management of the state corporate rights in the Bank are performed by the Cabinet of Ministers of Ukraine.

Head Office of Ukreximbank is located in Kyiv at the address: 127, Antonovycha Str. The Bank has 22 branches and 28 sub-branches (as at 31 December 2022 it had: 22 branches and 29 sub-branches) and two representative offices in London and New-York. The Bank and its branches are a single legal entity.

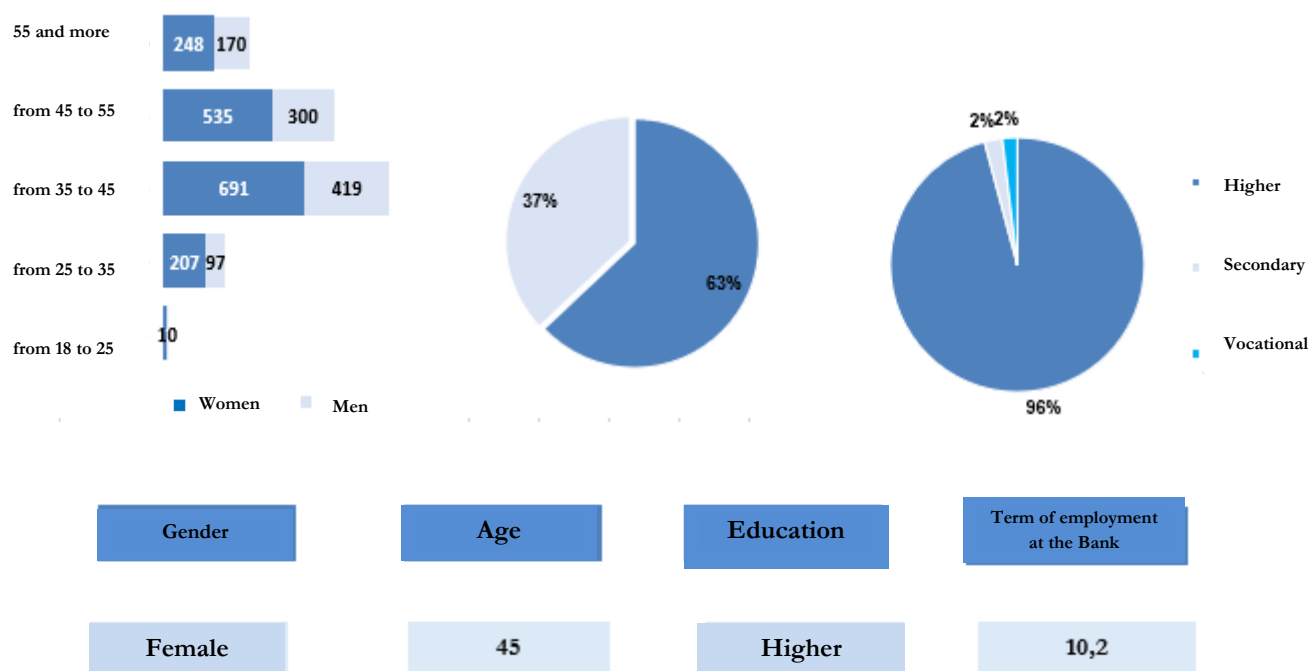
Historically, the key activity of Ukreximbank is servicing of export and import transactions. Currently, Ukreximbank has the diversified customer base, which includes significant number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from individuals and legal entities, issues loans, provides payment services within Ukraine and carries out money transfers abroad, fulfils foreign exchange transactions, invests funds, performs servicing of the customers’ cash and settlement operations and renders other banking services.

One of the key Ukreximbank functions is facilitation of servicing, on behalf of the Government of Ukraine, of the loan agreements entered into by the Government of Ukraine and governments of other countries. “Ukreximbank” acts as an agent of the Government of Ukraine and carries out servicing of loans provided by international financial institutions in accordance with the terms and conditions of such agreements.

“Ukreximbank” JSC has subsidiary “Lease Company “Ukreximleasing” (hereinafter together – Ukreximbank, “Ukreximbank” JSC, the Bank/bank or the issuer), which is fully owned by Ukreximbank and was founded in 1997 and registered in Ukraine. The relevant resolutions of the Management Board of “Ukreximbank” JSC and the Supervisory Board of “Ukreximbank” JSC approved the action plan (road map) to terminate Subsidiary “Lease Company “Ukreximleasing”.

## Human resources, employment, respect for human rights, intellectual capital and its use for the achievement of the Bank’s goals, anticorruption efforts

“Ukreximbank” JSC is a reliable employer in the financial sector of the country. The profile of the team and the profile of the Bank's employee are as follows:



As of 31.12.2023, the total registered number of employees in “Ukreximbank” JSC system is 2 690 employees.

HR-service, which was reformed in 2020, corresponds to the modern business organization model. The new HR-service structure in 2023 ensured implementation of a comprehensive approach to personnel management: personnel selection, adaptation, evaluation, work with high-potential employees (HiPo), remuneration of employees, organizational development, personnel administration, staff training and development, intangible motivation of the staff and internal communications.

Within “Ukreximbank” JSC development strategy the transformational changes to personnel management as the basis for strengthening of the employer brand, building and maintaining highly professional, involved, loyal, motivated team of the Bank, which is able to respond flexibly to changes in the internal and external environment and ensure the Bank's leading positions in the financial market, are gradually being introduced.

During 2023, there were ensured: transparent and centralized selection of personnel, improvement of the quality of selection of candidates for vacant positions in all independent structural units and branches of the Bank, uniform principles of approval of candidates in accordance with the strategic plans and needs of the Bank. 318 new employees were selected and employed at the Bank, including:

- in terms of HO/branches: 249 new employees for vacant positions in the Head Office and 69 new employees for vacant positions in branches;
- in terms of positions: 9 new employees were employed at the management positions (heads of ISUs, heads of divisions and deputy heads of branches), 25 at the positions of the heads of units, and 284 - at the line positions.

In 2023, the concept was agreed and the Procedure for Adaptation of Employees of “Ukreximbank” JSC was approved, and the process of adaptation of new employees according to the relevant standards was ensured.

During 2023, measures for personnel evaluation with the use of valid instruments in accordance with world practices were successfully implemented:

- 360° Assessment based on a modern remote online platform was conducted for 2 235 employees (1001 employees of Branches and 1234 employees of the Head Office);
- comprehensive assessment of 28 executives of the tactical level of branches was conducted;
- competency assessment by the method of the Assessment Center was conducted for 43 employees of branches.

Based on the results of the assessment, the participants received feedback and formed individual development plans.

In order to organize and ensure the development of high-potential employees within the Bank, who are an internal talent pool for promptly filling vacancies in the Bank, the concept was agreed and the Procedure for Working with High-Potential Employees (HiPo) was approved. As part of the HiPo program, the selection and formation of the lists of HiPo (talent pool) employees of branches was carried out. 49 employees were included in the final lists of the HiPo program. Participants of the HiPo program completed their studies and received certificates of completion of the programs for the development of personal efficiency and management potential.

In 2023, the concepts were agreed and the Procedure for Employees Training and Development of “Ukreximbank” JSC and the Procedure for Employees Remote Training of “Ukreximbank” JSC were approved, which gave additional impetus to the training and development processes. This process is annually regulated by the Employees Training and Development Plan, which is formed based on the results of the training needs analysis.

During 2023, there were carried out the following:

- 80 online trainings for the HO and branches employees (feedback, time management, management skills);
- 25 face-to-face trainings for the HO and branches employees (business public presentation, 5 and 4 module Development Programs for High-Potential Employees HiPo);
- 7 new online trainings, 9 offline trainings were developed. Among them there is online training “Efficiency under martial law”, designed to help colleagues not lose efficiency even in the difficult psychological conditions, conditions of physical overload.

In the area of internal communications and corporate culture, in 2023, the concept was agreed and the Procedure for Internal Communications of “Ukreximbank” JSC was approved. The process of improving the corporate culture aimed at supporting the

achievement of the Bank's strategic goals continued. In 2022, a study was conducted on employee engagement, loyalty and satisfaction. The results of the study were presented to the Management Board. In 2023, due to the tense situation in the country, the survey was not conducted. A new regular study started in March 2024.

In 2023, internal communications were aimed at increasing employees' awareness of the events in the Bank; recognition of professional achievements of employees, assistance to the Armed Forces of Ukraine; financial literacy and information security. A system of horizontal and vertical internal communications is in place to help cascade the Bank's key messages to employees in a qualitative manner.

A number of measures and initiatives were developed and implemented to support employees during the Russian Federation invasion of Ukraine. Among the implemented ones there are: projects "Together to Victory", "Exim Help", regular corporate blood donor days, flash mobs and communications aimed at popularizing banking products, in particular, Enter Exim mobile application, "Exim Heroes" (stories about mobilized employees). There was a strengthening of communications in terms of digitalization and transformation of the Bank.

### **Respect for human rights**

In terms of respect for human rights the Bank in its activities is guided by the Constitution of Ukraine, strictly adheres to the legislation and regulations of Ukraine, regulations of the Bank, the Code of Conduct (Ethics) of "Ukreximbank" JSC, Anti-Corruption Program of "The State Export-Import Bank of Ukraine" Joint Stock Company, namely:

- the Bank promotes a culture of respect to executives and employees of the Bank. Executives and employees of the Bank are provided with equal opportunities for professional development, implementation of labour rights and development of professional potential. The Bank's management takes measures aimed at protection of work and health of executives and employees of the Bank, creating the necessary conditions for their safe labour conditions and improvement of social welfare;
- the Bank does not allow any discrimination regarding the Bank's executives and employees on the grounds of race, colour, political, religious and other beliefs, gender, gender identity, sexual orientation, ethnic, social and foreign origin, or any other characteristics at the time of recruitment, remuneration, promotion;
- the main criteria for the appointment of executives and employees of the Bank to senior positions are their achievements and abilities. Every employee of the Bank has the right to nominate his / her candidacy for vacancies available in the Bank, provided that the qualification requirements are met;
- the Bank does not prosecute persons of any kind in its activities.

The Bank does not use and does not support the use of labour of children who have not reached the minimum age established by labour legislation from which employment is allowed.

"Ukreximbank" JSC system annually sets working time norms according to five-day working week calendar which does not exceed 40 hours per week, with two days off on Saturday and Sunday, with mandatory observance of working time norms.

In accordance with the requirements of the applicable legislation of Ukraine, the Bank's employees are provided with various types of leave, in particular, annual leave (basic and additional for special work), additional leave in connection with studies, social leave (due to pregnancy and childbirth, childcare leave until the child reaches the age of three, for employees who have children, etc.), unpaid leave.

The Bank's employees maintain a healthy lifestyle by participating in external and internal activities aimed at an active lifestyle. Every employee of the Bank is provided with a voluntary health insurance policy.

In accordance with the requirements of the Law of Ukraine "On Prevention of Corruption", "Ukreximbank" JSC has the Anti-Corruption Program of "The State Export-Import Bank of Ukraine" Joint Stock Company, approved by Resolution of the Management Board of "The State Export-Import Bank of Ukraine" Joint Stock Company No.75 dated July 26, 2023 (hereinafter – Anti-Corruption Program).

The Anti-Corruption Program defines a set of rules, standards and procedures for preventing, detecting and counteracting corruption in the activities of "Ukreximbank" JSC. The Anti-Corruption Program applies to all employees who have an employment relationship with the Bank, regardless of their position and functional responsibilities.

In accordance with the requirements of the Regulation on the Organization of the Risk Management System in Banks of Ukraine and Banking Groups, approved by Resolution of the Board of the National Bank of Ukraine No. 64 dated June 11, 2018, and in order to ensure the effectiveness of preventing corruption in the Bank's structural units, the following internal regulations are in effect:

1. Code of Conduct (Ethics) of “Ukreximbank” JSC, approved by resolution of the Supervisory Board of the Bank dated February 28, 2024 (Minutes No.9);
2. Policy “The Mechanism of Confidential Notification of Unacceptable Conduct, Violations in Activities of “Ukreximbank” JSC”, approved by resolution of the Supervisory Board of the Bank dated February 28, 2024 (Minutes No.9, item 30);
3. Policy on Preventing, Identifying and Managing Conflicts of Interest in “Ukreximbank” JSC, approved by resolution of the Supervisory Board of the Bank dated February 28, 2024 (Minutes No.9, item 30).

### **Technological resources and their use to achieve the bank goals**

In 2023, “Ukreximbank” JSC actively continued IT transformation to achieve a level of efficiency that ensures the loyalty of digital users of its services and a sufficient level of reliability and security of IT infrastructure and flexibility of implementation of new technologies and systems according to business and regulatory requirements. The priority task was to ensure the continuous operation of the bank amid unprecedented wartime challenges.

In the reporting year, the bank completed the transfer of Core Banking and business-critical information systems to cloud services (AWS) in a production environment and completed the deployment of backup technology sites in western Ukraine (upgraded equipment of the data center in Lviv). Server equipment in the Head Office data center was upgraded. Communication channels to the international payment systems Visa, Master Card, AmEx and regulatory authorities (NBU, NDU) were reserved. All of this, as well as the use of the modern Microsoft 365 collaboration service, secure remote connection of information systems based on GlobalProtect Palo Alto Networks, allowed the Bank to ensure efficient and uninterrupted operation during the reporting period. The external website, remote service systems and mobile applications for customers, as well as other electronic services also operated smoothly in 2023.

Supporting Ukraine's aspirations to integrate with global markets, “Ukreximbank” JSC actively participates in projects of implementation of international standards, in particular ISO20022 standard for messaging. On April 1, 2023, the Bank successfully implemented the requirements of the NBU Electronic Payment System (SEP-4.0) according to ISO20022, which provided the opportunity to expand the functionality of payment instruments for the benefit of the country, the bank and customers. The use of ISO20022 messages along with the use of IBAN has created conditions for further integration with international payment systems. Since the implementation of SEP 4.0, the bank has switched to processing payments in the national currency seven days a week. At the same time, the bank has implemented and successfully tested, together with the NBU's SEP Processing Center, the ability to exchange information on removable media to make cashless payments in the absence of telecommunication connection.

In March 2023, the functionality of receiving and processing SWIFT messages of MX format in broadcast mode to MT format was successfully implemented with the option for bank managers to view messages in both formats. This ensured uninterrupted payment processing after S.W.I.F.T. introduced the simultaneous use of messages of the current and new ISO2022 standard. In cooperation with the vendor, the Bank launched a project to fully upgrade the SWIFT module of B2 Core to the ISO2022 standard.

In 2023, the bank implemented a technology of making payments in foreign currency using LexisNexis® Bankers Almanac® services to automate the selection of the optimal route for such payments. This, together with the use of SWIFT gpi technology, which ensured the highest (“green”) level of SLA compliance in 2023, accelerates the payments sending and processing.

During 2023, the bank implemented:

- SD-WAN solution (high availability of communication with the regional network through routing based on the characteristics of communication channels, simultaneous use of all available channels, absence of a single point of network failure, reduction of the load on communication channels to HO for business applications used by branches and sub-branches of the bank, and secure access to Microsoft 365 services from branches/sub-branches directly to the cloud via the Internet;
- Network Access Control (NAC) solution (secure access to the Bank's network infrastructure based on the ZeroTrust security model; automation of access control policies; identification of equipment connected to the Bank's network);

- the decision to migrate B2 Core from a multi-branch to a mono-branch version, which is a prerequisite for the further implementation of seamless technology of closing the bank's business day to ensure 24/7/365 SEP operation;
- a system of daily control over IT infrastructure expenses in cloud environments in the context of information systems;
- a new SWIFT Transaction Screening service for screening payments against the most comprehensive sanctions lists (about 90). The service works in blocking mode with both MT and ISO20022 messages;
- in-house developed Sanc fee software system (automated calculation of customers' debts to the Bank);
- function of structured payment purpose according to ISO20022 standard when paying taxes and fees by customers and the bank (B2 Core and iFOBS);
- function of generating payments to non-bank payment service providers (ASPSP) in B2 Core and all remote customer service systems;
- AIS Register of Non-Resident Accounts software (blockchain technology) to ensure currency control over non-resident accounts;
- expanded functionality of EnterExim 2.0 (SCA solution (confirmation of 3DS transactions); ability to send payments to ASPSP; ability to collect donations for the Come Back Alive project and the ability to pay for landline and Internet services; P2P International project launched);
- expanded functionality of iFOBS for corporate clients (payments in national currency according to ISO20022; generation of payments in a structured form; the ability to send payments to ASPSP).

The processing system based on the Way4 platform, which fully complies with PCI DSS requirements, serves not only “Ukreximbank” JSC but also a number of its affiliated banks. The system ensures reliable 24/7/365 uninterrupted card processing in cooperation with Visa, Mastercard, American Express and Prostir payment systems.

In addition to the basic functions of card processing, this system also provides GooglePay/ApplePay, Purchase with CashBack, PIN Delivery by SMS technologies. A high level of security for ecomm transactions for Visa IPS and Mastercard IPS is ensured by the use of 3DS 2.2 protocol. A high level of security of the bank's ATM network is provided by the ATM Securix system. To increase the system reliability, the Way4 system was migrated to the AWS cloud environment and additionally backed up.

As a settlement bank of Mastercard IPS, the bank performs daily settlements with other Ukrainian banks.

In 2023, “Ukreximbank” JSC continued the process of modernization and implementation of modern information security and cybersecurity tools, in particular: network attack protection system, endpoint and corporate network protection system, information security event monitoring system, etc.

The Bank has implemented the following information security (IS) processes to prevent/minimize the impact of potential negative scenarios:

- IS risk management;
- Antivirus protection of endpoints;
- Protection of the information and telecommunication network;
- Cryptographic protection;
- Support and development of electronic signature services;
- Management of IS vulnerabilities;
- Management of IS incidents and cyber incidents;
- Raising staff awareness and communication support of IS processes;
- Secure destruction of information resources;
- Secure development of applications;
- Inventory of critical information resources;
- Access management;
- Control and counteraction to confidential information leakage;
- NBU Security Compliance;
- PCI Security Compliance;



- SWIFT Security Compliance;

The Bank is constantly taking measures to improve the efficiency of its systems and services, decommission outdated systems resulting from significant changes in the Bank's IT infrastructure (migration to cloud services, etc.) and to implement a number of new projects aimed at increasing the cyber defense efficiency.

## **Awards 2023**

### ***Ukrainian banks' sustainability rating***

The Ukrainian banks' sustainability rating compiled by the editors of the Ministry of Finance reflects the trust of customers and high financial stability of banking institutions during the second year of the full-scale war. Ukreximbank JSC received high marks from experts finishing the second quarter of 2023 ranked 10th among the most reliable banks in the country.

### ***Award from International Financial Club «Bankin»***

“The bank as the reliable partner of medium-sized businesses, municipalities and utility companies” - this is the award received by “Ukreximbank” JSC during the Bank of the Year 2023 award ceremony.

### ***Best compliance department***

Yurydychna Praktyka publishing house annually identifies industry leaders. Experts assessed the effectiveness of legal departments of leading Ukrainian companies, the scope of their tasks, the level of digitalization and a range of other indicators. They also took into account the opinions of the survey participants, who were asked to identify the best legal departments and best colleagues in their opinion. According to the results of the assessment, Ukreximbank's compliance unit was recognized as the leader among the compliance departments.

### ***Rating of primary dealers of the Ministry of Finance of Ukraine***

In 2023, Ukreximbank confidently holds the lead in the rating of primary dealers of the Ministry of Finance of Ukraine. This once again confirms the reliability and development of our Bank.

### ***“Banks of the Year – 2024”***

Ukreximbank is one of the best settlement banks for businesses according to the results of “Banks of the Year – 2024” survey conducted by the Financial Club.

The awarding ceremony of the banking sector leaders took place during the X Legal Banking Forum organized by Yurydychna Praktyka Publishing House.

### ***Rating as part of the National PMO UA Awards 2023***

The project team of Ukreximbank's Transformation Office joined the ranks of the most professional project teams of 2023 in Ukraine. The Project Management Institute Ukraine Chapter (PMI Ukraine Chapter) published the corresponding rating as part of the National PMO UA Awards 2023. Analysts considered, in particular, the importance of project offices for businesses, their achievements, efficiency, and innovation of the initiatives implemented.

## **Nature of business (external environment summary, where the Bank performs its activities, brief summary of the existing business model, core products and services)**

### **External environment summary**

Despite the war and continued Russian aggression in the country in 2023, including attacks on infrastructure, the financial sector continued to operate smoothly. Customer trust in banks remained high, and banks increasingly extended lending to businesses and individuals. Although wartime risks persisted, Ukraine's economy showed signs of recovery due to the high adaptability of businesses and the population to wartime conditions and the soft fiscal policy supported by significant international financing.

This year, the financial sector operated under generally favourable macroeconomic conditions. GDP growth significantly exceeded expectations, and inflation slowed sharply. The discount rate decreased from mid-year; however, its current level ensures the sufficient attractiveness of hryvnia savings instruments given the improvement in inflation expectations.

In the fourth quarter, real GDP growth exceeded expectations, primarily due to higher yields of late crops and the development of alternative export routes. This led to an improvement in the estimate of real GDP growth for 2023 to 5.7%.

Security and defence remained the priority areas for budget financing. Government orders, in particular defence-related orders, including those financed by capital expenditure, supported the continuing localisation of arms production. This had a positive impact on the machinery and metallurgy sectors. Significant budgetary capital expenditures were also directed towards projects for infrastructure restoration and repair, as well as compensation for damaged property, which were key factors driving investment growth. Investment activity in the private sector increased due to improved financial results of enterprises. Investments were notably directed towards industrial equipment, commercial vehicles, and the development of logistics infrastructure. The latter, in turn, led to an increase in construction activities, particularly in non-residential construction, and the production of construction materials. The transportation of construction materials and agricultural goods supported the transport services sector. At the same time, the year-on-year growth in capital budget expenditures slowed in the fourth quarter, which was another factor contributing to the deceleration of real GDP growth at the end of the year.

In November, inflation slowed to 5.1% year-on-year and remained at this level in December. This reduction in price pressure was largely driven by high crop yields and a decrease in global energy prices. The moratorium on raising tariffs for certain utilities also played a significant role. At the same time, the slowdown in core inflation to 4.9% by the end of the year indicates the substantial impact of the NBU's consistent monetary policy, including measures to ensure exchange rate stability and the attractiveness of hryvnia-denominated assets. These efforts contributed to improving the exchange rate and inflation expectations.

The attractive yield of hryvnia-denominated domestic government bonds stimulated the domestic borrowing market, whose role in financing budget needs will continue to grow. Despite a slight downward shift in the yield curve, real yields on domestic government bonds actually increased somewhat amid improved inflation expectations. The maintenance of incentives for banks, in the form of three-month deposit certificates, prevented a decline in interest rates on hryvnia term deposits for the population. The yield on hryvnia instruments remained higher than both current and expected inflation. As a result, investments by the population in hryvnia term deposits and domestic government bonds continued to grow. Additionally, while the introduction of benchmark domestic government bonds, which allowed banks to use these investments to cover mandatory provisions, was a key factor in increasing borrowings in the domestic market at the beginning of the year, by the end of the year, the attractive yields became the primary driver.

A key event in the second half of the year was the transition to a managed exchange rate flexibility regime. The high level of international reserves, which increased to USD 40.5 billion by the end of 2023, supported exchange rate stability, despite lower-than-expected volumes of external financing in the fourth quarter. International assistance will remain the primary source of capital inflow into the country going forward. The National Bank of Ukraine maintained a presence in the interbank foreign exchange market, conducting interventions to allow moderate fluctuations of the hryvnia exchange rate in both directions, depending on changes in the market balance of supply and demand. Risks to the stability of the foreign exchange market and the financial sector did not implement.

The continuation of the interest rate easing cycle, improvement in the financial condition of companies, and revival of business activity contributed to a decrease in lending costs, which in turn increased both the demand and supply of loans. Hryvnia corporate lending was primarily driven by the state program “Affordable Loans 5-7-9%.” The reduction in rates for non-subsidised loans facilitated the restoration of market-based client-bank relationships and positively impacted lending volumes. For six consecutive months, mortgage lending was conducted almost exclusively by state-owned banks under the “eOselya” state program. The preferential mortgage program gained momentum and covered an increasing number of the population. As a result, bank lending gradually recovered.

Ukraine was regaining its positions in the international markets. This was facilitated by the active development of alternative supply routes, in particular with the support of international partners. In 2022–2023, the role of roads and railways increased. Despite numerous challenges, there were also positive developments in maritime transportation. Investments in port and near-port infrastructure significantly expanded the potential of Danube shipping. From July 2022 to July 2023, the “grain corridor” was operational, ensuring about a third of total exports during its most productive months. In August 2023, mostly due to the successes of the Armed Forces of Ukraine, a new maritime corridor for commercial vessels was opened. In December 2023, the volumes of

shipments via this corridor surpassed the peak months of the “grain corridor.” Furthermore, unlike the grain corridor, this new maritime route is used for export of a broader range of goods and trial imports of products. The development of external trade routes enabled the diversification of transportation and offset losses from disruptions in any of these directions. Overall, the existing capacities are sufficient not only for exporting the 2023–2024 harvests but also for gradually returning to other traditional markets, including sales of mining and metals products to distant markets.

There has been a revival in lending, with increased demand and supply for loans. Lending is fuelled by the state program “Affordable Loans 5-7-9%,” and there is a rise in retail unsecured consumer and mortgage loans through the “eOselya” state program. Interest income is increasingly driven by lending activities, although loan rates have somewhat decreased.

The significant reduction in the NBU key policy rate to 13% has altered the yields on the main groups of interest-bearing assets of banks. The share of income from certificates of deposit in banks' interest income is decreasing due to lower rates, while the yield on the portfolio of domestic government bonds has increased, as older issues are being replaced by newer ones with higher coupons. The attractiveness of domestic government bonds in the national currency is observed due to their market yield, which includes a maturity premium.

In 2023, banks incurred almost no provisioning costs. Losses from defaults were offset by the release of provisions on performing asset portfolios due to improved macroeconomic expectations. The peak of credit losses from the full-scale war has passed, and a significant number of debtors have a chance to resume loan servicing as economic conditions improve.

High profitability in the banking sector has led to an increase in capital adequacy indicators. Currently, the capital reserve is more than sufficient not only to cover the risks already accounted for in the regulations but also to meet new planned requirements. The most significant of these are full capital coverage of operational and market risks.

According to the National Bank of Ukraine, in the 12 months of 2023, the net assets of Ukraine's banking system increased to UAH 2,942,806 million (an increase of UAH 591,128 million compared to December 2022). This growth was primarily driven by an increase in the securities portfolio (by UAH 443,742 million) and balances on correspondent accounts with the National Bank of Ukraine (by UAH 131,004 million). The obligations of the banking system of Ukraine grew by UAH 510,181 million to UAH 2,646,009 million, mainly due to an increase in funds from business entities (by UAH 370,629 million) and individuals (by UAH 151,041 million).

Despite the extraordinary losses and damages sustained by the country's economy during the war, the banking sector remained profitable in 2023. According to the National Bank of Ukraine, net profit amounted to UAH 86,545 million, nearly four times higher than the figure for 2022 and 12% higher than the results for 2021, before the full-scale invasion. In 2023, the banking system maintained operational profitability, which increased by 19% compared to 2022. The main drivers of this profitability were the growth in interest income from high-liquid assets and lending volumes, as well as significantly lower provisions for losses on active transactions, which decreased by 86% over the year.

In 2023, the banking sector's return on equity rose to 31.6%, up from 9.7% in the previous year. The resilience assessment of twenty large banks confirmed that the banking sector has a high margin of safety. Of these, only five were subject to higher required capital adequacy ratios, primarily due to the portfolio quality and business models. As of 1 January 2024, only 7 out of 63 solvent banks were unprofitable, with a total loss of UAH 245 million, according to annualised figures.

## **Existing Business Model**

Historically, the key activity of Ukreximbank is servicing of export and import transactions. Currently, Ukreximbank has the diversified customer base, which includes significant number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from individuals and legal entities, issues loans, provides payment services within Ukraine and carries out money transfers abroad, fulfils foreign exchange transactions, invests funds, performs servicing of the customers' cash and settlement operations and renders other banking services.

Despite the impact of the negative factors of the war, the Bank continues to operate as a universal bank, which is one of the largest systemic banks in Ukraine and provides a full range of banking services to large corporate clients, small and medium-sized businesses

and individuals. Since the beginning of the war, the Bank has focused its main efforts on financing strategic industries of Ukraine and critical infrastructure enterprises (facilities).

In 2023, the Bank acted in accordance with the Main (Strategic) Areas of Activities for State-Owned Banks During Martial Law and Post-War Economic Recovery, ensuring that it maintained a stable liquidity position and fulfilled all its obligations to depositors, counterparties and creditors in full and on time.

The Bank's strategic goals for the period of martial law and post-war economic recovery include:

- provision of financial support to priority economic sectors and critical infrastructure enterprises (facilities);
- availability of banking services to ensure consumer rights protection, in particular within the framework of social protection of the population, provided that there is no physical threat to security of bank employees;
- creation of conditions for the rapid resumption of banking services in full and ensuring the functionality and continuity of public sector banks;
- creation, establishment and maintenance of an effective system of physical security (of the central office and branches of the bank, including security of bank employees), security of operating systems, including using cloud solutions, and cybersecurity;
- implementation of measures aimed at reducing risks, including possible threats, implementation of bank security measures, including control over security risks (including physical, financial, cybersecurity and operating system security), elimination or and/or minimization of the consequences of implemented threats and crisis situations;
- uninterrupted effective work of the bank managers to ensure the adoption of necessary management decisions;
- maintenance of the financial stability of the bank, identification of possible threats to such stability, as well as prompt response to threats to financial stability and/or their avoidance.

Existing business model envisages:

- focusing on ongoing implementation of the IFI programs under lending projects to the export-oriented enterprises;
- focusing on existing and attraction of new customers for servicing of their export-import transactions and for provision of consultation support;
- expansion of corporate customer base;
- retaining premium individual customers with significant account balances;
- expanding the number of commercial banks, to which financing is provided under the IFI programs.

The aggression and war against Ukraine and its course in the country made it impossible to achieve the strategic goals set for peacetime. During the period of martial law, the performance targets of public sector banks set by the Principles of Strategic Reform of the State Banking Sector (Strategic Principles) as of September 2, 2020, as well as the key priorities and performance indicators set by the development strategies of public sector banks became irrelevant.

## **Eco-responsibility**

The Bank contributes to improving the energy efficiency of the Ukrainian economy and defines the financing of projects in the field of environmental protection and introduction of energy-saving technologies as one of its important activities. Ukreximbank adheres to the responsible financing policy and pays attention to the environmental component, in particular:

- applies environmental and social risk assessment procedures in respect of loan projects;
- does not provide financing to socially hazardous and environmentally harmful industries;
- implements initiatives aimed at reduction of the negative impact of business activities on the environment, etc.

The environmental and social management system is integrated into the bank lending activities. The assessment of environmental and social risks is carried out at the stage of review of loan projects, and monitoring of such risks is carried out at the stage of their administration. Remote training courses are arranged on a regular basis to ensure that the Bank's employees are adequately informed of the current risk assessment system.

The Bank regularly conducts training seminars for representatives of enterprises of different sectors of the economy and participates in representative activities to promote energy efficiency programs and encourage investment in this field.

## Core products and services

Core products and services of the banking institution are:

- loans;
- deposits;
- cash and settlement services;
- payment card transactions;
- securities transactions;
- trade finance transactions; factoring;
- services provided using remote servicing systems (Client-Bank system, internet banking, mobile banking).

In addition, Ukreximbank is expanding the range of products under IFI programs, derivatives. Also, in addition to sovereign Eurobonds, the bank offers corporate Eurobonds, which are placed on international stock markets and admitted to trading on Ukrainian stock exchanges.

### **The goals of management and strategies for achievement of these goals (information about priority of actions for achievement of results, highlighting of activities in the area of research and development)**

Before the start of the full-scale military aggression of the Russian Federation, the bank's main strategic goals and priorities for 2022–2024 were as follows:

- to become a leading bank for export-import financing and corporate lending in Ukraine, in particular by retaining existing customers and attracting new ones to service their export-import transactions, as well as consultancy support;
- to ensure efficient and profitable operation of the bank as a leading provider in the Ukrainian financial sector of a wide range of corporate banking services for state-owned enterprises, large enterprises, medium-sized enterprises (including strategic ones for the state areas), cooperation with municipalities, united territorial communities and utilities;
- to carry out digitalization and automation of core business processes in order to increase their economic efficiency;
- to reduce the volume of the loan portfolio in non-strategic sectors and reduce the cost of servicing for the non-target customers;
- to create the stable mechanisms for funding the bank transactions, taking into account the current situation in the loan and money markets and the priority of reducing the cost of loan funds and other debt instruments, which will be offered by the bank;
- to borrow funds of international financial institutions on economically favourable terms and conditions;
- to participate actively in national and international programs to support key sectors of the economy.

In peacetime, the Bank was focused on the following priorities:

- in terms of asset-side transactions - lending to large corporate customers, medium-sized enterprises and utilities with a simultaneous reduction in investments in government securities (government bonds) and NBU certificates of deposit;
- in terms of liability-side transactions – diversification of funding sources (individuals and legal entities and individuals, CMU, external borrowings, long-term IFI funds).

The war made it impossible to achieve the strategic goals set out in the Bank's Development Strategy. Therefore, the main strategic objectives for “Ukreximbank” JSC during the period of martial law and post-war economic recovery, as recommended by the Ministry of Finance of Ukraine, are as follows:

- provision of financial support to priority economic sectors and critical infrastructure enterprises (facilities);
- availability of banking services to ensure consumer rights protection, in particular within the framework of social protection of the population, provided that there is no physical threat to security of bank employees;
- creation of conditions for the rapid resumption of banking services in full and ensuring the functionality and continuity of public sector banks;
- creation, establishment and maintenance of an effective system of physical security (of the central office and branches of the bank, including security of bank employees), security of operating systems, including using cloud solutions, and cybersecurity;

- implementation of measures aimed at reducing risks, including possible threats, implementation of bank security measures, including control over security risks (including physical, financial, cybersecurity and operating system security), elimination or and/or minimization of the consequences of implemented threats and crisis situations;
- uninterrupted effective work of the bank managers to ensure the adoption of necessary management decisions;
- maintenance of the financial stability of the bank, identification of possible threats to such stability, as well as prompt response to threats to financial stability and/or their avoidance.

The Bank's priorities during the period of martial law and post-war economic recovery are as follows:

- ensuring the current state of the bank's liquidity at a stable level;
- the key factor in maintaining liquidity is the internal maintenance of the resource base;
- fulfilment of all obligations to depositors, counterparties and creditors in full and on time;
- the Bank will increase and maintain competitive interest rates in the domestic market;
- implementation of a balanced diversification and restrained interest rate policy, which allows hedging potential outflow of customer funds by maintaining the overall average portfolio of attracted customer funds.

#### **Key financial resources, use thereof for achievement of goals (equity structure, financial mechanisms, liquidity and cash flows)**

Since 2016, “Ukreximbank” JSC has been defined by the NBU as a systemically important bank, which corresponds to the high status of the bank in the banking system of Ukraine.

In the reporting year, Ukreximbank successfully used diversified sources of funding to create a reliable liquidity reserve, timely and in full provided repayment of the borrowed funds.

**The Bank's equity** was formed mainly through the issued capital, which amounted to UAH 45,570 million as of 31 December 2023. In 2023, the Bank's equity increased by UAH 5,337 million to UAH 7,372 million due to the current year profit of UAH 3,295 million and the release of provisions in the amount of UAH 2,042 million.

#### **Equity structure of Ukreximbank**

UAH, thousand

<i>Equity</i>	<i>31.12.2023</i>	<i>31.12.2022</i>	<i>Changes</i>
Issued capital	45 570 041	45 570 041	0
Result from transactions with the shareholder	635 104	635 104	0
Retained earnings	-39 414 353	-42 708 885	3 294 532
Reserve funds	0	0	0
Other reserves	580 926	-1 461 266	2 042 192
<b>Total equity</b>	<b>7 371 718</b>	<b>2 034 994</b>	<b>5 336 724</b>

The Bank managed its capital adequacy for protection from risks inherent in the business. The adequacy of the Bank's capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

The primary objective of the Bank's capital management is to ensure that the Bank complies with the externally imposed capital requirements and maintains strong credit ratings and proper capital ratios in order to support its business activities and maximise the value to the shareholder. The National Bank of Ukraine has set the regulatory capital adequacy ratio at the level of not less than 10% and the core capital adequacy ratio at the level of not less than 7%. The bank's capital ratios are below the thresholds set by the NBU due to the provisioning for expected credit losses as a result of the impact of the Russian Federation's war against Ukraine. The main negative consequence of the events of 2023 for the Bank was a decrease in the amount of regulatory capital, primarily due to the recognition of losses from the previous years, which, in turn, led to the Bank's violation of the prudential capital adequacy

ratios (N2 and N3), as well as the maximum credit risk exposure per counterparty (N7) and the large credit risk ratio (N8). In addition, the amount of core capital will be affected by the statutory increase in income tax accrual in the amount of 50% of the financial result in 2023.

## Liquidity

Considering the ongoing military aggression and martial law, the Bank is focusing on the lending of priority sectors of the economy in accordance with the order of the Cabinet of Ministers of Ukraine “On the approval of main (strategic) activities of public sector banks for the period of martial law and post-war reconstruction of the economy”.

The repayment rate of previously issued loans exceeded the portfolio of the issued loans, which contributed to improving the liquidity indicators.

The main source of funding was the corporate customers’ funds and fixed term deposits of individuals. As part of lending to strategic customers of small and medium sized businesses, as well as corporate business, the Bank is implementing joint programs with international financial institutions (EIB, EBRD, IBRD), as well as the Entrepreneurship Development Fund. Projects were implemented to attract long-term financing from IBRD in the amount of USD 100 million, EBRD in the amount of EUR 50 million, EIB in the amount of UAH 789 million (in the format of “synthetic” hryvnia), the EDF in the amount of UAH 150 million and EUR 2.7 million.

As part of the state support of individuals under the affordable mortgage lending program “eOselya” for the citizens of Ukraine, the Bank raised funding in the amount of UAH 23 mln (total limit – UAH 70 mln).

For the optimization of the Bank’s balance sheet structure, the refinancing loans from the National Bank of Ukraine in the amount of UAH 18,469 mln have been early and fully repaid.

**The liabilities of Ukreximbank** increased by UAH 23 bln (or 10%). Thus, the following indicators have significantly grown up:

- the growth of the client resource base by UAH 36.8 bln eq. or by 21%;
- the reduction of refinancing from the NBU by UAH 18.5 bln;
- amounts due to other credit institutions increased by UAH 5 588 mln

### Liabilities of the Bank

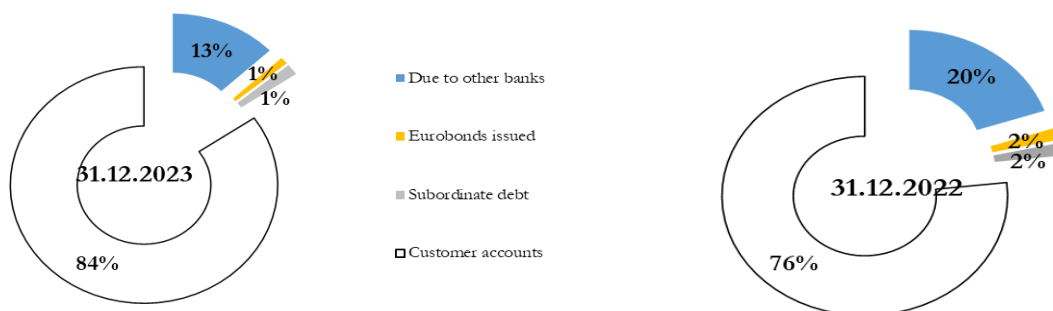
<i>Liabilities</i>	<i>31.12.2023</i>	<i>31.12.2022</i>	ths. UAH	
			<i>Changes</i> <i>abs.</i>	<i>%</i>
Amounts due to the National Bank of Ukraine	0	18 468 854	-18 468 854	-100%
Amounts due to customers	213 949 142	177 147 425	36 801 717	21%
Amounts due to credit institutions	32 708 525	27 120 752	5 587 773	21%
Eurobonds issued	2 413 346	3 870 390	-1 457 045	-38%
Subordinated debt	3 805 882	4 055 444	-249 561	-6%
Allowance for credit related commitments	246 219	520 007	-273 788	-53%
Other liabilities	2 004 487	947 049	1 057 438	112%
<b>Total</b>	<b>255 127 601</b>	<b>232 129 921</b>	<b>22 997 679</b>	<b>10%</b>

The customer accounts, which increased from 76% to 84% in 2023, remain the most significant item in the Bank’s liabilities.

The Bank is investing the raised funds in the real sector of the Ukrainian economy:

- provides long-term loans on competitive terms to the borrowers of strategically important sectors (mechanical engineering, transport, fuel and energy sector, chemical industry, agriculture and others);
- implements the programs of international financial institutions;
- supports exporters;
- contributes to increasing the energy efficiency of domestic companies.

### The main changes in liabilities



Since the beginning of the full-scale war of the Russian Federation against Ukraine the Bank mainly focused on the support and financing of the strategic companies of Ukraine and financing of the reconstruction of critical infrastructure objects. The Bank worked in full compliance with “The main (strategic) activities of public sector banks for the period of martial law and post-war reconstruction of the economy” approved by the order of the Cabinet of Ministers of Ukraine. In 2023 Ukreximbank continued to take measures of state support aimed at recovering the economy of Ukraine, took part in joint export and import projects with the IFI, energy efficiency, energy saving and domestic enterprises modernization programs.

### The key performance indicators of “Ukreximbank” JSC

ths. UAH

<i>Indicator</i>	<i>31.12.2023 ths.UAH</i>	<i>31.12.2022 ths.UAH</i>	<i>Changes abs.</i>	<i>Growth rate, %</i>
Assets	262 499 319	234 164 915	28 343 415	12%
Loans to customers	74 569 673	82 429 861	-7 860 188	-10%
Liabilities	255 127 601	232 129 921	22 997 679	10%
Customer accounts	213 949 142	177 147 425	36 801 717	21%
Equity	7 371 718	2 034 994	5 336 724	262%
Profit	3 269 469	-7 714 779	10 984 248	142%
<b>Total assets</b>	<b>816 786 922</b>	<b>720 192 337</b>	<b>96 603 595</b>	<b>13%</b>

As of the end of 2023 the **assets of Ukreximbank** increased by UAH 28,343 mln ( + 12%) up to UAH 262,499 mln. Thus, the structure of assets has been significantly changed, in particular:

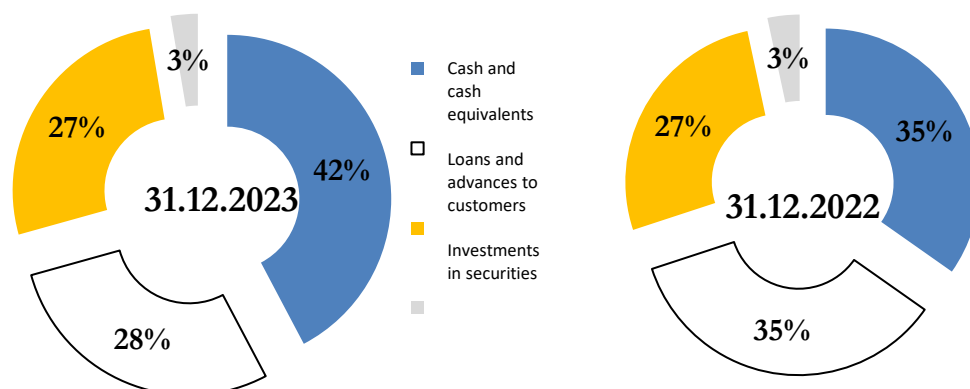
- the growth of cash and cash equivalents by UAH 29,409 mln;
- the reduction of loan portfolio by UAH 7,860 mln;
- the growth of investments in securities by UAH 7,508 mln;
- the reduction of other assets by UAH 882 mln.

<i>Assets</i>	<i>31.12.2023 ths.UAH</i>	<i>31.12.2022 ths.UAH</i>	<i>Changes abs.</i>	<i>Growth rate, %</i>
Cash and cash equivalents	110 794 727	81 386 122	29 408 605	36%
Loans and advances to customers	74 569 673	82 429 861	-7 860 188	-10%
Investments in securities	69 994 403	62 486 708	7 507 695	12%



<i>Assets</i>	<i>31.12.2023 ths.UAH</i>	<i>31.12.2022 ths.UAH</i>	<i>Changes abs.</i>	<i>Growth rate, %</i>
Property, plant and equipment and intangible assets	2 125 756	2 050 326	75 430	4%
Investment property	752 086	667 496	84 590	13%
Other assets	4 262 675	5 144 402	-881 727	-17%
<b>Total assets</b>	<b>262 499 319</b>	<b>234 164 915</b>	<b>28 334 404</b>	<b>12%</b>

#### The major changes in the structure of assets



The performance indicators and perspectives of further development (financial and non-financial indicators that give understanding of the main trends and the factors affecting business, the performance indicators of the bank, their connection with the goals of the management and strategies for the achievement of these goals, the analysis of significant changes in the financial position, liquidity and performance indicators, the causes of the change of indicators within the reporting period, the intention to implement the bank's strategy in the long run)

Ukreximbank is adherent to consistent and balanced policy with respect to the formation of assets, timely and fully demonstrates provisioning for customers' loans. The Bank takes care of the balanced structure of assets, optimal for reliable transactions of customers and funding the real sector of the economy. The level of liquidity remains constantly sufficient for the performance of all obligations.

As regards the strategic transformation of business model, the bank gradually exited the retail market (in line with the Strategic Activities of the Bank developed by the Cabinet of Ministers and the Principles of Public Banking Sector Strategic Reforming).

For this purpose, during last years the Bank:

- improved the retail network and appropriate number of personnel
- reviewed the retail product line and refused from low-efficient retail products;
- refocused on the segment of affluent retail customers.

Due to the military aggression of the Russian Federation against Ukraine that started on February 24, 2022, the President of Ukraine issued a Decree № 64/2022 dated February 24, 2022 "On the imposition of martial law in Ukraine" approved by the Law of Ukraine № 2102-IX dated February 24, 2022 "On approval of the Decree of the President of Ukraine "On imposition of martial law in Ukraine".

In order to ensure the reliability and stability of the banking system, the National Bank of Ukraine took a number of measures for the continuous operation of the banking system of Ukraine and anti-crisis decisions, among them there are the suspension/limitation of the operation of foreign and stock exchange markets, restriction on the withdrawal of cash, the replenishment of banks with cash,

the increase of refinancing of banks, the possibility of limited unsecured lending, the prolongation of terms of accessible loans of refinancing up to 1 year etc.

The National Bank of Ukraine defined “Ukreximbank” JSC as a critical infrastructure object in the banking system of Ukraine and it is included into a list of systematically important banks, the operation of which ensures the stability of the banking system, has a vital importance for the economy and security of the state, as well as “Ukreximbank” JSC is included into a list of authorized banks of Ukraine that are involved in the operation (transaction) in the context of special period.

The main negative consequence of the events in 2023 for the Bank is the reduction of the regulatory capital, first of all, due to the recognition of losses of the previous years that, in its turn, led to the breach by the Bank of prudential capital adequacy ratios (N2 and N3), as well as the maximum amount of credit risk per one counterpart (N7), large credit risks ratio (N8). In the coming future the Bank will continue to operate in the context of martial law within the existing model and the approved capitalization plan.

According to the Resolution of the Board of the NBU “On Certain Issues of Ukrainian Banks and Banking Groups” No. 23 dated February 25, 2022, no disciplinary actions are applied to banks for violations of capital and credit risk ratios, which are caused by the negative impact of the military aggression of the Russian Federation against Ukraine, the compliance with the above ratios is another condition that the Bank is obliged to implement as financial covenants under loans received from the international financial institutions and the Eurobonds issued by the Bank (Note 21) – hereinafter “international creditors”.

The information on the violation of minimum value of capital adequacy and credit risk ratios is available for the NBU and the Bank’s shareholder. The current recapitalization regulations, the Procedure for the Purchase of Shares of Banks in Exchange for Domestic Government Bonds approved by the Resolution of the Cabinet of Ministers of Ukraine No.632 dated 19.11.2014 provides that the National Bank of Ukraine submits to the Cabinet of Ministers of Ukraine a proposal of the minimum amount of additional capitalization of such bank on the basis of the data received by the National Bank of Ukraine during the banking supervision of the bank, namely, conducting of diagnostic survey involving asset quality review (AQR).

Based on the results of the stability assessment of “Ukreximbank” JSC in 2023, the decision of the Board of the National Bank of Ukraine dated 14.12.2023 “On the results of the stability assessment of “The State Export-Import Bank of Ukraine” JSC” approved the levels of regulatory capital adequacy (N2) and core capital adequacy (N3) to be achieved by the Bank.

Following the NBU requirements No. 20-0006/9300/BT dated 18.12.2023, the Bank has prepared the respective Capitalization/Restructuring Program and developed the measures aimed at achieving the required level of capital adequacy ratios within the terms fixed by the NBU.

The planning of the further activities of the Bank, including under the Capitalization/Restructuring Program, relies on the Business Plan approved by the management for 2024 and the forecast indicators for 2025-2026 developed based on moderately negative scenario with the estimated macro indicators taken from the state budget of Ukraine – annual rate of inflation of 8.5%, the devaluation of national currency to the level of 41.9 UAH/USD by the end of 2024.

The estimated performance indicators are based on the following assumptions:

- the level of liquidity of the Bank is stable, no additional refinancing loans from the NBU are raised;
- the main source of funding are customers’ funds and the programs of international financial institutions;
- lending to corporate clients continues, including the one secured by state guarantees;
- the source of repayment of liabilities and lending will be the accumulated liquidity, as well as the increase of raised customer funds and the implementation of the programs with international financial institutions;
- balances on the correspondent accounts and deposit certificates of the National Bank of Ukraine will cover the Bank’s need in liquidity.

The Bank’s management, relying on the estimated indicators, believes that there are enough grounds for the preparation of this financial statements on a going concern basis. Despite the ongoing military aggression, the Bank has plans to continue servicing all its customers, to maintain its operating efficiency (the forecast ratio of operating expenses to operating income (CIR) in 2024 will be <40%, CIR 2025-2026 < 43%) and continue to conduct profitable business in 2024 with the estimated increase of net profit in 2025-2026.

However, there is significant uncertainty related to, first of all, unpredictable affect of the future military hostilities in Ukraine that may influence the implementation by the Bank of the Capitalization/Restructuring Program and the achievement of required level of capital adequacy ratios.

Meanwhile, the probability of recapitalization of the Bank and respective facilitation of this process by the NBU and the Shareholder of the Bank are not excluded, and which has an impact on the assumptions underlying management's estimates and forecasts, and, accordingly, may call into question the Bank's ability to continue its activities on a continuous basis, and, therefore, it will not be able to sell its assets and repay its liabilities in the ordinary course of business.

### “Ukreximbank” JSC performance

According to the results of the reporting year 2023, Ukreximbank received a profit in the amount of UAH 3,269 billion. According to the results of the reporting year, the bank retained its position in the TOP-3 largest banks, and according to the NBU rating as of 01.01.2024, it was ranked 8th in terms of the amount of assets and stability of the Banks.

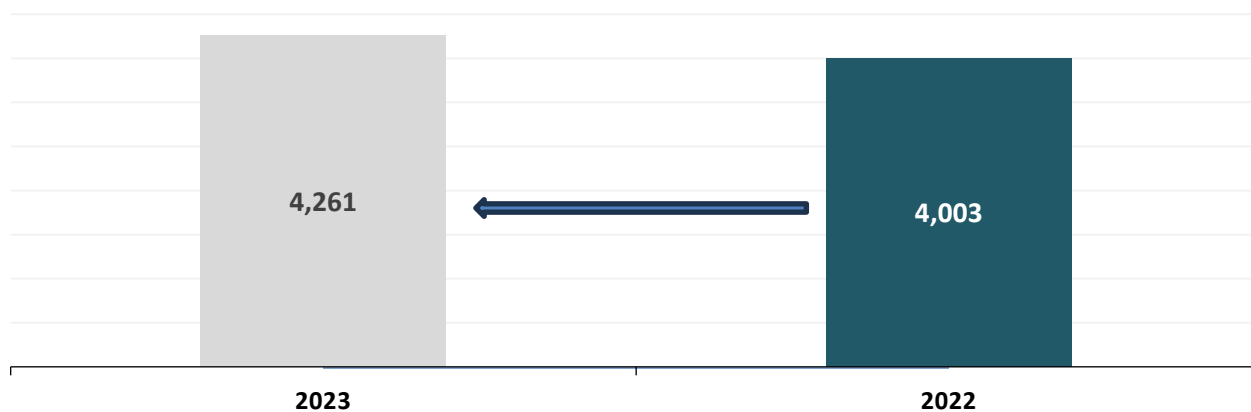
UAH thousand

Indicator	for 2023	for 2022	Changes		Structure, %	
			abs.	%	2023	2022
Net interest income	4 261 354	4 003 166	258 188	6%	51%	60%
Interest income	21 430 952	14 868 512	6 562 440	44%	100%	100%
<i>loans to customers</i>	9 608 633	8 453 170	1 155 463	14%	45%	57%
<i>securities</i>	6 208 821	4 774 147	1 434 674	30%	29%	32%
<i>amounts due from credit institutions</i>	5 399 009	1 412 494	3 986 515	282%	25%	10%
<i>finance leasing</i>	214 489	228 701	(14 212)	-6%	1%	1%
Interest expenses	(17 169 597)	(10 865 346)	(6 304 251)	58%	100%	100%
<i>amounts due to customers</i>	(13 654 984)	(5 066 007)	(8 588 977)	170%	80%	47%
<i>bonds</i>	(263 545)	(398 328)	134 783	-34%	2%	4%
<i>amounts due to credit institutions</i>	(1 523 335)	(964 626)	(558 709)	58%	9%	9%
<i>subordinated debt</i>	(395 383)	(397 957)	2 574	-1%	2%	4%
<i>amounts due to the National Bank of Ukraine</i>	(1 331 178)	(3 970 417)	2 639 239	-66%	8%	37%
<i>other interest expenses</i>	(1 173)	(68 011)	66 838	-98%	0%	1%
Net non-interest income	4 160 728	2 695 870	1 464 858	54%	49%	40%
Net fee income	793 849	910 554	(116 705)	-13%	9%	14%
<i>fee income</i>	1 317 137	1 207 069	110 068	9%	16%	18%
<i>fee expenses</i>	(523 288)	(296 515)	(226 773)	76%	-6%	-4%
Trade operations result	3 201 677	1 573 352	1 628 325	103%	38%	24%
Other income	165 202	211 964	(46 762)	-22%	2%	3%
Net operating income	8 422 082	6 699 036	1 723 046	26%	100%	100%
Operating expenses	(2 967 049)	(2 713 951)	(253 098)	9%		
<i>employee benefit expenses</i>	(1 936 927)	(1 839 486)	(97 441)	5%		
<i>depreciation and amortization expenses</i>	(94 801)	(107 557)	12 756	-12%		
<i>other operating expenses</i>	(935 321)	(766 908)	(168 413)	22%		
Operating profit	5 455 033	3 985 085	1 469 948	37%		
<i>revaluations result</i>	(1 737 909)	-301 426	(1 436 483)	100%		
<i>Expenses for allowance and modification of financial instruments</i>	1 181 262	-11 655 972	12 837 234	-110%		
Profit before tax	4 898 386	(7 972 313)	12 870 699	-161%		
<i>Profit tax expenses</i>	(1 628 917)	257 534	(1 886 451)	-733%		
Net profit	3 269 469	(7 714 779)	10 984 248	-142%		

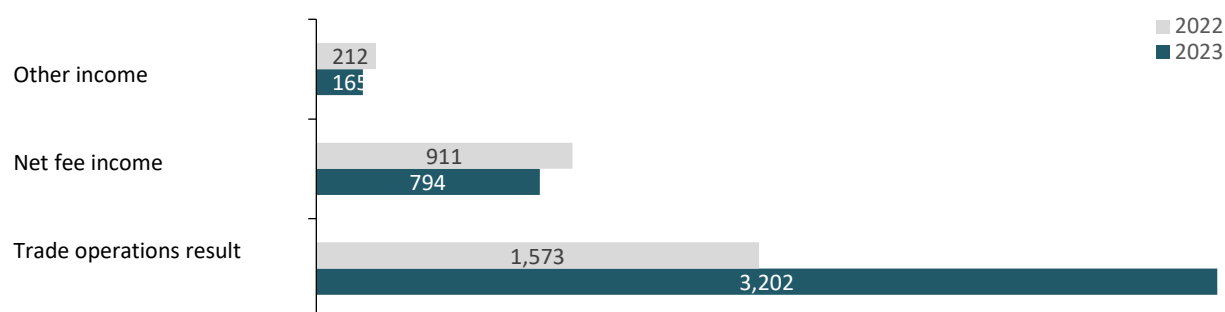
The increase in **net interest income** by UAH 258 million or 6% was due to the following main factors:

- the increase in yield on securities and NBU deposit certificates, as well as due to the placement of funds in other banks;
- the repayment of obligations under the NBU refinancing, which had impact on the decrease of interest expenses

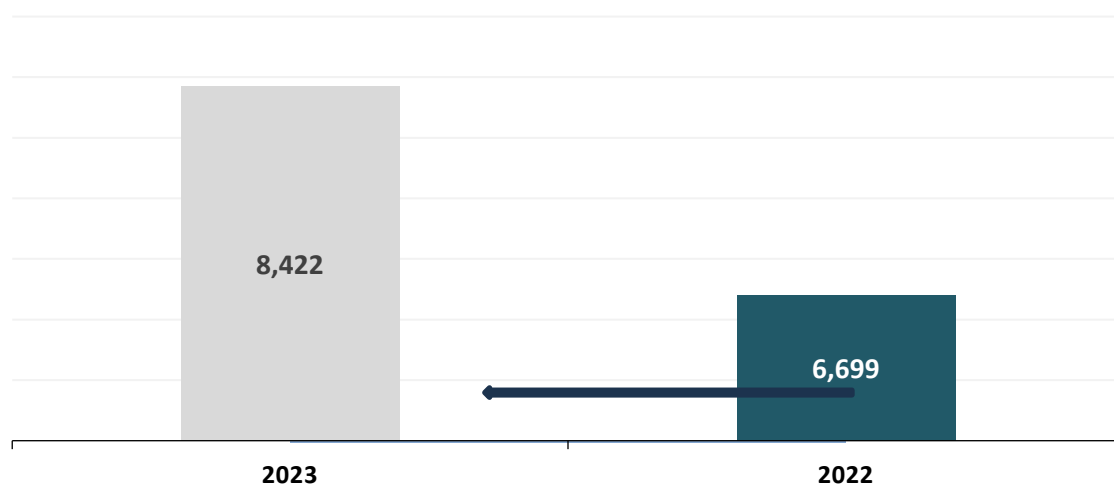
Net interest income amounted to UAH 4,261 million.



- **Net non-interest income** increased for the reporting year by UAH 1,465 million, due to the trading operations result, the amount of which amounted to UAH 3,202 million at the end of 2023.



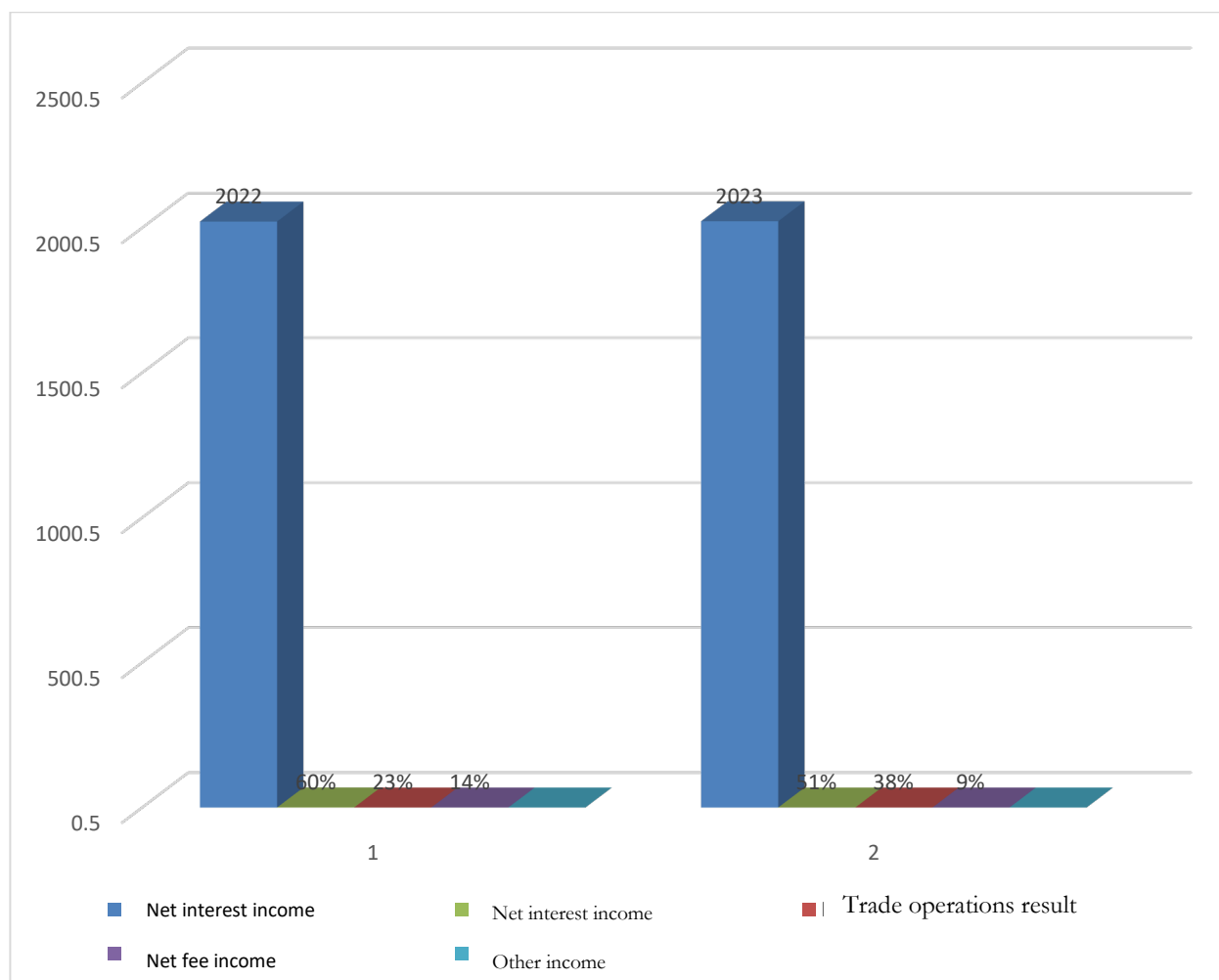
- **Net operating income** of Ukreximbank increased by UAH 1,723 million (or by 26%) up to UAH 8,422 million in 2023.



In the long run, the Bank expects an increase in operating profitability due to:

- improvement of work with NPL (repayment of problem loans at the expense of borrowers, sale of collateral);
- optimization of the balance sheet structure (repayment of a part of the liabilities with high value).
- refusal from products with low profitability;
- refusal from sales locations with low profitability.

### Components of net operating income



Indicators	2022		2023	
Net interest income	4 003	60%	4 261	51%
Net fee income	911	14%	794	9%
Trade operations result	1 573	23%	3 202	38%
Other income	212	3%	165	2%
<b>Net operating income</b>	<b>6 699</b>	<b>100%</b>	<b>8 422</b>	<b>100%</b>

The structure of the Bank's net operating income is dominated by income from interest-bearing transactions. It is likely that this income structure will be preserved further. Taking measures aimed at improving the loan portfolio, restructuring of bad debts, reducing the cost of the Bank's resource base will lead to an increase in interest margin. Accordingly, the Bank does not expect a significant change in the ratio between net interest and non-interest income in the near future.

#### Information on the conclusion of derivatives or deeds on derivative securities by the issuer

Information on the conclusion of derivatives during the reporting year is disclosed in Note 18 "Derivative financial instruments" of the annual separate financial statements of "Ukreximbank" JSC for the year ended 31 December 2023.

During the reporting period, the Bank did not enter into any deeds with derivative securities.

## **Information on the issuer's financial risk management objectives and policies, including the insurance policy for each major type of forecast transaction for which hedging transactions are used**

For efficient risk management, the Bank has developed and implemented a risk management system that provides for the distribution of rights, obligations, responsibilities between management bodies, structural units of the Bank, separation of risk identification and assessment processes. More detailed information on financial risk management is provided in Section 13. Information on the Bank's risk management system and its key characteristics.

## **Information on the issuer's exposure to price risks, credit risk, liquidity risk and/or cash flow risk**

Significant types of risks and the Bank approaches to the risk management are provided in Section 13. Information on the Bank's risk management system and its key characteristics.

## **Report on Corporate Governance**

### **1. Information on compliance/non-compliance with the principles or code of corporate governance (with reference to the source of their text), deviations and reasons for such deviations during the year.**

"The State Export-Import Bank of Ukraine" Joint Stock Company (hereinafter - the Bank, "Ukreximbank" JSC) is a systemically important bank and an integral component of the Ukrainian economy. Its activities affect the stability of the entire banking and financial system of the country. Therefore, it is extremely important that the Bank has strong corporate governance. The Bank understands the importance of identifying aspects of the effective organization of corporate governance and the internal control system of the Bank, which require constant improvement and adaptation to external conditions, especially in the conditions of the ongoing aggression of the Russian Federation against Ukraine.

The Supervisory Board of the Bank is responsible for ensuring the effective organization of corporate governance in the Bank. The Supervisory Board carries out this duty through the implementation of a corporate culture in the Bank focused on the norms of responsible and ethical conduct, determination of corporate values and control over their observance and implementation of the best practices of corporate governance in the Bank's activities, taking into account the applicable requirements of the legislation of Ukraine.

Since February 24, 2022, the Bank, like the entire economy of Ukraine, has been operating under the conditions of a full-scale invasion of the Russian Federation into Ukraine, which has become a significant test for the Bank's corporate governance system, since the realities of wartime require a completely different approach to governance aimed at making quick and effective management decisions in crisis situations. Continuing the trend of previous years, 2023 was a year of intense and painstaking work in the conditions of extreme uncertainty, as well as challenges related to the military aggression of the Russian Federation against Ukraine. However, despite all difficulties, the Supervisory Board and the Management Board did not stop their work and made every effort to ensure the business continuity of the Bank as a critical infrastructure object in the banking system of Ukraine. The Bank's units made a lot of efforts to continue the transformation of the Bank, establish and support its important internal processes in the emergency conditions with the aim of increasing their efficiency and bringing them into line with the requirements of current legislation, including the regulatory and legal acts of the National Bank of Ukraine, and the best practices of corporate governance.

The Supervisory Board ensured the development and approved the Code (Principles) of Corporate Governance and the Code of Conduct (Ethics) of the Bank.

Current versions of the Code (Principles) of Corporate Governance and Code of Conduct (Ethics) of the Bank are posted on the Bank's official website and are available via the links:

Code (Principles) of Corporate Governance:

<https://www.eximb.com/assets/files/download/corporate-governance-code-2023.pdf>

Code of Conduct (Ethics) of the Bank:

<https://www.eximb.com/assets/files/download/code-of-conduct-ukr.pdf>

## **2. Information on the General Meeting of Shareholders of the Bank and a general description of the decisions made at the meeting.**

The only shareholder of the Bank, which owns 100 (one hundred) percent of shares in the authorized capital of the Bank, is the state. The Cabinet of Ministers of Ukraine performs the functions of governing state corporate rights in the Bank. The Cabinet of Ministers of Ukraine also performs the functions of the supreme body of the Bank (hereinafter - the Supreme Body). The powers of the Supreme Body are limited only to issues that belong to its exclusive competence. As of the reporting date, there are no limitations on the participation and voting rights of the Bank's shareholder.

Decisions of the Supreme Body are formalized by the acts of the Cabinet of Ministers of Ukraine, the drafts of which are prepared and submitted to the Cabinet of Ministers of Ukraine for consideration by the central executive body that ensures the formation of the state financial policy, and are not subject to agreement with other interested bodies.

Thus, in 2023, the Cabinet of Ministers of Ukraine adopted a number of decisions regarding the Bank's governance, which related, in particular, to the termination of powers of the members of the Supervisory Board in accordance with the procedure provided for by the Law of Ukraine "On Banks and Banking", appointment of the new composition of the Supervisory Board and approval of the terms of civil law contracts concluded with the new composition of the Supervisory Board and election of the person authorized to sign them, setting the amount of compensation for the members of the Supervisory Board. In addition, the Cabinet of Ministers of Ukraine approved the annual report of the Bank for 2021, the report of the Supervisory Board of the Bank for 2021 and measures based on the results of its consideration, report on remuneration of the members of the Supervisory Board of the Bank for 2021, and also determined the procedure for allocating the Bank's profit for 2021.

## **3. Information on the composition of the Bank's Supervisory Board and on the changes with respect to it during the year, including the committees formed by it, as well as information on the meetings held with a general description of the decisions taken.**

As of January 1, 2023, the Supervisory Board was fully formed and consisted of 9 members: 6 Independent Members and 3 members – State Representatives: State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy, State Representative from the Cabinet of Ministers of Ukraine and State Representative of the President of Ukraine.

As of January 1, 2023, the Supervisory Board consisted of:

Olyana Pavlivna Gordiyenko – Independent Member;

Dimitri Chichlo – Independent Member;

Sergiy Oleksandrovych Konovets – Independent Member;

Dominique Menu – Independent Member;

Laszlo Urban – Independent Member;

Vladyslav Volodymyrovych Vyniarskyi – Independent Member;

Viktoriya Kostyantynivna Strakhova – State Representative of the President of Ukraine;

Yuriy Bohdanovych Butsa – State Representative from the Cabinet of Ministers of Ukraine;

Yuriy Oleksandrovych Terentyev – State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy.

By Resolution of the Cabinet of Ministers of Ukraine No. 474-p dated May 30, 2023, the powers of 6 Independent Members out of 9 members of the Supervisory Board were terminated, while 6 Independent Members of the Supervisory Board were appointed by the above Resolution No. 474-p. By Resolution of the Cabinet of Ministers of Ukraine No. 676-p dated August 4, 2023, Viktoriya Kostyantynivna Strakhova as a State Representative of the President of Ukraine and Yuriy Bohdanovych Butsa as a State Representative from the Cabinet of Ministers of Ukraine were appointed members of the Supervisory Board of the Bank for the second term. According to the relevant Resolution No. 676-p, Oleksandr Oleksandrovych Bezv was appointed as a Member of the Supervisory Board, State Representative from the Verkhovna Rada of Ukraine Committee on Finance, Tax and Customs Policy, terminating the powers of Yuriy Oleksandrovych Terentyev.

Resolution of the Cabinet of Ministers of Ukraine No. 19-p dated January 12, 2024 amended Resolution of the Cabinet of Ministers of Ukraine No. 474-p dated May 30, 2023, namely: the second paragraph of clause 1 was deleted. At the same time, clause 2 of the said Resolution No. 19-p established that the term of office of the Supervisory Board of "The State Export-Import Bank of Ukraine" Joint Stock Company is three years from the date of entry into force of this resolution. Thus, the term of office of the new composition of the Supervisory Board started on January 12, 2024.

From January 1, 2023 to May 30, 2023, 18 meetings of the Supervisory Board were held, including 16 meetings in the form of joint presence of the members of the Supervisory Board and 2 meetings by paper circulation voting. The vast majority of meetings of the Supervisory Board were regular.

The Supervisory Board made a number of decisions, in particular:

- approved amendments to the Bank's Charter, Regulation on the Supervisory Board, Regulation on Remuneration of Members of the Supervisory Board and Regulation on the Management Board of the Bank;
- approved reports on the activities of the Management Board and the Supervisory Board for 2022, Business Plan of the Bank for 2023, Action Plan for the implementation of recommendations provided as a result of the analysis of Internal Audit Department and Compliance Control Department regarding the Bank's cooperation with customers whose activities are related to the territories where active hostilities are taking place/which are under temporary occupation, for the purpose of identifying and managing additional risks that may arise/have arisen in connection with the martial law in Ukraine, etc.
- updated a number of regulatory documents, in particular, Procedure for Sale of Debt/Assignment of the Right of Claim on Non-Performing Assets of the Bank Assigned with Problem Debt Status, Liquidity Risk Management Policy of the Bank, Interest Rate Risk of the Banking Book Management Policy of the Bank, Market Risk Management Policy of the Bank, etc;
- approved the execution of deeds with a number of the Bank's customers regarding the terms of their lending, etc.

The Supervisory Board has established all committees required to be established in accordance with Part 32 of Article 7 of the Law of Ukraine "On Banks and Banking" (hereinafter – the Law on Banks), namely: Audit Committee, Risk Committee and Appointment and Remuneration Committee. In addition, the Supervisory Board of the Bank established Operating Activity and Digitalization Committee, Governance and Compliance Committee and NPL Workout Committee.

As of 30.05.2023, the composition of committees of the Supervisory Board was as follows:

#### **Audit Committee**

##### Purpose of activity

Assisting the Supervisory Board in exercising its powers to ensure the functioning and control over the effectiveness of the internal control system and the internal audit function in the Bank, compliance with internal audit policies and conducting external audits.

##### Composition of the committee

Chairman of the committee - Sergiy Konovets

Members of the committee - Dominique Menu, Dimitri Chichlo, Vladyslav Vyniarskyi.

Number of meetings held - 8 meetings were held according to the attendance records.

##### Key activities of the committee in the reporting year

- cooperation with the Bank's external auditor and the Bank's relevant units in order to conduct an external independent audit of the Bank's financial statements. Thus, it instructed Internal Audit Department to conduct a preliminary assessment of the independence of the external auditor of "Ukreximbank" JSC in accordance with the Procedure for Assessing Independence of External Auditor of "Ukreximbank" JSC by the Audit Committee of the Supervisory Board of the Bank;
- active cooperation with Internal Audit Department, in particular, it regularly considered the reporting of this unit;
- adoption of a number of policies and regulations, including Regulation on Interaction of Internal Audit Department of "Ukreximbank" JSC Banking Group with the Structural Units of the Head Office/Branches/Subsidiaries/Representative Offices during Audits, Methodology of Risk Oriented Audit Planning in "Ukreximbank" JSC Banking Group, Methodology for Monitoring Implementation of Recommendations Based on the Audit Results, Methodology for Evaluating Effectiveness of Corporate Governance of "Ukreximbank" JSC, etc;
- regular review of information from Internal Audit Department regarding implementation of internal audit recommendations, etc.



## **Risk Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to oversee the adequacy and effectiveness of the Bank's risk management system.

### Composition of the committee

Chairman of the committee – Dominique Menu

Members of the committee - Dimitri Chichlo, Olyana Gordiyenko, Laszlo Urban, Vladyslav Vyniarskyi.

Number of meetings held - 21 meetings were held according to the attendance records.

### Key activities of the committee in the reporting year:

- providing the Supervisory Board with recommendations on the other asset-side transactions with the Bank's clients, in particular those operating in the defense, energy sectors and other key sectors of the Ukrainian economy;
- development and submission of recommendations to the Supervisory Board regarding the approval of internal documents related to risk management and compliance control in the Bank;
- carrying out restructuring work;
- consideration of the need to adopt the Temporary Credit Policy of “Ukreximbank” JSC that would meet the challenges of wartime for the period until a separate decision of the Supervisory Board of “Ukreximbank” JSC on this issue is made, etc.

## **Appointment and Remuneration Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to monitor the effectiveness of the Bank's appointments and remuneration management.

### Composition of the committee:

Chairperson of the committee - Olyana Gordiyenko

Members of the committee - Viktoriya Strakhova, Sergiy Konovets, Dimitri Chichlo, Yuriy Terentyev, Dominique Menu, Vladyslav Vyniarskyi.

Number of meetings held - 16 meetings were held according to the attendance records.

### Key activities of the committee in the reporting year:

- preparation for competitive selection for individual positions of the members of the Management Board;
- termination of powers of Svitlana Monastyrskaya, Member of the Management Board – Deputy Chairman of the Management Board, at her own request, in accordance with Article 38 of the Labour Code of Ukraine (to care for a child up to the age of fourteen), based on her application;
- completion of verification of the compliance of the members of the Management Board, heads of control units of "Ukreximbank" JSC, employee of "Ukreximbank" JSC, responsible for financial monitoring in "Ukreximbank" JSC with the requirements established by the current legislation of Ukraine, including their business reputation and professional suitability, updating of the Bank's organizational structure, etc.

## **Operating Activity and Digitalization Committee**

### Purpose of activity

Assisting the Supervisory Board in monitoring the effectiveness of the Bank's business processes, operations, information technology and information security in order to implement the Bank's strategy.

### Composition of the committee

Chairman of the committee – Dimitri Chichlo

Members of the committee - Sergiy Konovets, Dominique Menu, Yuriy Butsa, Viktoriya Strakhova and Yuriy Terentyev.

Number of meetings held - 10 meetings were held according to the attendance records.

### Key activities of the committee in the reporting year:

- improvement of the Bank's cybersecurity and business continuity system against the background of the full-scale invasion of Ukraine by the Russian Federation;
- approving/updating policies and other regulatory documents related to cyber security issues. Thus, the Committee recommended the Supervisory Board to approve Information Security Risk Management Policy of "Ukreximbank" JSC, Information Security Policy of "Ukreximbank" JSC, Malware Protection Policy of "Ukreximbank" JSC and Password Protection Policy of "Ukreximbank" JSC, etc. The Committee also participated in updating of the Bank's organizational structure, etc.

## **Governance and Compliance Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to ensure the effective organization of corporate governance in the Bank.

### Composition of the committee

Chairman of the committee – Yuriy Butsa

Members of the committee - Olyana Gordiyenko, Viktoriya Strakhova, Laszlo Urban, Dominique Menu and Yuriy Terentyev.

Number of meetings held - 14 meetings were held according to the attendance records.

### Key activities of the committee in the reporting year:

- participation in the development and updating of a number of regulatory documents of the Bank, including the new version of Regulation on the Management Board of the Bank, Principles (Code) of Corporate Governance of the Bank, Procedure for Control over Update of Regulatory Documents, the Compliance with and Implementation of which are Controlled by the Supervisory Board of "Ukreximbank" JSC, Procedure for Preparation of the Management Reporting of "Ukreximbank" JSC;
- provision of recommendations to the Supervisory Board to amend the Bank's Charter, Regulation on the Supervisory Board of the Bank and Regulation on Remuneration of Members of the Supervisory Board of the Bank;
- provision of recommendations to the Supervisory Board on the organization of legal support for its activities, etc.

## **NPL Workout Committee**

### Purpose of activity

Assisting the Supervisory Board in exercising its powers to establish and ensure the effective functioning of the Bank's problem asset management process.

### Composition of the committee

Chairman of the committee – Laszlo Urban

Members of the committee - Olyana Gordiyenko, Viktoriya Strakhova, Dominique Menu, Yuriy Terentyev and Vladyslav Vyniarskyi.

Number of meetings held - 10 meetings were held according to the attendance records.

Key activities of the committee in the reporting year:

- assisting the Supervisory Board in exercising its powers to establish and ensure the effective functioning of the Bank's problem asset management process;
- participation in the development and periodic revision of internal bank documents regulating issues related to problem assets;
- consideration of the quarterly management reporting of "Ukreximbank" JSC regarding problem assets management;
- consideration of the issue of implementation by Restructuring and Recovery Department of critical recommendations provided by Internal Audit Department and specified in the relevant information on the implementation of internal audit recommendations;
- approved the update of the Procedure for Sale of Debt/Assignment of the Right of Claim on Non-Performing Assets of the Bank Assigned with Problem Debt Status and Procedure for Termination of Recognition of Financial Assets (Capital Instruments) in the Balance Sheet of "Ukreximbank" JSC, etc.

### **Report of the Supervisory Board**

In 2023, the Supervisory Board operated only from January 1 to May 30. Therefore, the evaluation of the activity of the Supervisory Board for 2023 could be carried out only for the specified period. At the same time, since the majority of the members of the Supervisory Board, which operated in 2023, are no longer members of the current composition of the Supervisory Board, the Bank cannot fully evaluate the effectiveness of the Supervisory Board activities and collective suitability.

Despite the limited period of work in 2023 and in the conditions of the ongoing full-scale war with the Russian Federation, the Supervisory Board, within the limits of its competence, made a lot of efforts in 2023 to continue the transformation of the Bank, to establish and support in emergency conditions its important internal processes with the aim of increasing their efficiency and bringing them into line with the requirements of current legislation, including regulatory and legal acts of the National Bank of Ukraine, and best practices of corporate governance.

*Evaluation of the composition, structure and activity (collective suitability of the supervisory board)*

As of January 1, 2023, the Supervisory Board consisted of 9 members (6 Independent Members and 3 members - State Representatives):

- Olyana Pavlivna Gordiyenko – Independent Member;
- Dimitri Chichlo – Independent Member;
- Sergiy Oleksandrovykh Konovets – Independent Member;
- Dominique Menu – Independent Member;
- Laszlo Urban – Independent Member;
- Vladyslav Volodymyrovych Vyniarskyi – Independent Member;
- Viktoriya Kostyantynivna Strakhova – State Representative of the President of Ukraine;
- Yuriy Bohdanovych Butsa – State Representative from the Cabinet of Ministers of Ukraine;
- Yuriy Oleksandrovykh Terentyev – State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy.

By Resolution of the Cabinet of Ministers of Ukraine No. 474-p dated May 30, 2023 (hereinafter - Resolution 474), the powers of 6 Independent Members of the Supervisory Board were terminated – Dimitri Chichlo, Dominique Menu, Laszlo Urban, Olyana Pavlivna Gordiyenko, Sergiy Oleksandrovykh Konovets, Vladyslav Volodymyrovych Vyniarskyi, and 6 new Independent Members of the Supervisory Board were appointed:

- Sylvia Yumi Gansser-Potts;
- Razvan Munteanu;
- Robert S. Kossmann;

- Engin Akcakoca;
- Dominique Menu;
- Rostyslav Bohdanovych Futalo.

Resolution 474 also provided that the term of office of the members of the Supervisory Board is three years from the date of entry into office of all members of the Supervisory Board, specified in the above clause. At the same time, in accordance with Article 7 of the Law of Ukraine "On Banks and Banking", the members of the supervisory board of the state-owned bank take office after their approval by the National Bank of Ukraine (hereinafter – **the NBU**). Engin Akcakoca was not approved by the National Bank of Ukraine for the position of the Independent Member of the Supervisory Board. Accordingly, all other Independent Members of the Supervisory Board could not take office, and the Supervisory Board was not authorized due to the lack of a quorum until the sixth member of the Supervisory Board was approved by the NBU.

By Resolution of the Cabinet of Ministers of Ukraine No. 676-p dated August 4, 2023, Viktoriya Kostyantynivna Strakhova as a State Representative of the President of Ukraine and Yuriy Bohdanovych Butsa as a State Representative from the Cabinet of Ministers of Ukraine were appointed members of the Supervisory Board for the second term. Also, by this Resolution, Oleksandr Oleksandrovych Bevz was appointed member of the Supervisory Board as a State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy, terminating the powers of Yuriy Oleksandrovych Terentyev.

In accordance with Resolution of the Cabinet of Ministers of Ukraine No. 1113-p dated December 5, 2023, amendments were made to Resolution 474, according to which Nicholas Tesseyman was appointed as the sixth Independent Member of the Supervisory Board instead of Engin Akcakoca. As of December 31, 2024, Nicholas Tesseyman was not approved by the National Bank of Ukraine for the position of the Independent Member of the Supervisory Board.

In accordance with Resolution of the Cabinet of Ministers of Ukraine No. 19-p dated January 12, 2024, amendments were made to Resolution 474, which stipulated that the term of office of the Supervisory Board is three years from the date of entry into force of this Resolution. Accordingly, 5 Independent Members of the Supervisory Board, who were approved by the NBU, took office on January 12, 2024, and the Supervisory Board became competent. Therefore, this Report analyzes the activities of the Supervisory Board of the previous composition.

Composition of the Supervisory Board in 2023								
Full name (Term of office within the reporting period)	Position	Participation in meetings of the Supervisory Board and its committees						
		Supervisory Board	Appointment and Remuneration Committee	Risk Committee	Audit Committee	Governance and Compliance Committee	Operating Activity and Digitalization Committee	NPL Workout Committee
<b>Olyana Pavlivna Gordiyenko</b> (from 01.01.2023 to 30.05.2023)	Chairperson of the Supervisory Board, Independent Member of the Supervisory Board	18 out of 18	16 out of 16	21 out of 21	Was not member of the committee	14 out of 14	Was not member of the committee	10 out of 10
<b>Dimitri Chichlo</b> (from 01.01.2023 to 30.05.2023)	Deputy Chairperson of the Supervisory Board, Independent Member of the Supervisory Board	18 out of 18	16 out of 16	21 out of 21	8 out of 8	Was not member of the committee	10 out of 10	Was not member of the committee
<b>Sergiy Oleksandrovych Konovets</b> (from 01.01.2023 to 30.05.2023)	Independent Member of the Supervisory Board	18 out of 18	16 out of 16	Was not member of the committee	8 out of 8	Was not member of the committee	10 out of 10	Was not member of the committee
<b>Dominique Menu</b> (from 01.01.2023 to 31.12.2023)	Independent Member of the Supervisory Board	18 out of 18	16 out of 16	21 out of 21	8 out of 8	14 out of 14	10 out of 10	10 out of 10
<b>Laszlo Urban</b> (from 01.01.2023 to 30.05.2023)	Independent Member of the Supervisory Board	17 out of 18	Was not member of the committee	21 out of 21	Was not member of the committee	14 out of 14	Was not member of the committee	10 out of 10
<b>Yuriy Oleksandrovych Terentyev</b> (from 01.01.2023 to 04.08.2023)	Member of the Supervisory Board, State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy	18 out of 18	16 out of 16	Was not member of the committee	Was not member of the committee	14 out of 14	10 out of 10	10 out of 10
<b>Viktoriya Kostyantynivna Strakhova</b> (1 term from 01.01.2023 to 04.08.2023 2 term from 04.08.2023 to 31.12.2023)	Member of the Supervisory Board, State Representative of the President of Ukraine	18 out of 18	16 out of 16	Was not member of the committee	Was not member of the committee	14 out of 14	10 out of 10	10 out of 10
<b>Yuriy Bohdanovych Butsa</b> (1 term from 01.01.2023 to 04.08.2023 2 term from 04.08.2023 to 31.12.2023)	Member of the Supervisory Board, State Representative from the Cabinet of Ministers of Ukraine	18 out of 18	Was not member of the committee	Was not member of the committee	Was not member of the committee	14 out of 14	10 out of 3 10	Was not member of the committee
<b>Vladyslav Volodymyrovych Vyniarskyi</b> (from 01.01.2023 to 30.05.2023)	Independent Member of the Supervisory Board	17 out of 18	15 out of 16	21 out of 21	7 out of 8	Was not member of the committee	Was not member of the committee	9 out of 10
<b>Oleksandr Oleksandrovych Bevz</b> (from 04.08.2023 to 31.12.2023)	Member of the Supervisory Board, State Representative from the Verkhovna Rada Committee on Finance, Tax and Customs Policy	O.O. Bevz was appointed to the position on 04.08.2023. Since the Supervisory Board did not function after May 30, 2023 due to the lack of powers of at least 6 of its members, O.O. Bevz did not participate in the meetings of the Supervisory Board and was not member of the committees in 2023.						

The Supervisory Board consisted of the Chairperson and members of the Supervisory Board, detailed information about which is given in the Table above. Olyana Pavlivna Gordiyenko was the Chairperson of the Supervisory Board. Dimitri Chichlo was the Deputy Chairperson of the Supervisory Board.

The Supervisory Board consisted of six Supervisory Board committees: Audit Committee, Risk Committee, Appointment and Remuneration Committee, Governance and Compliance Committee, Operating Activity and Digitalization Committee, and NPL Committee. The Bank has formed all mandatory committees that meet the requirements of legislation and internal documents of the Bank.

In compliance with the requirements of the legislation, the heads of Risk Committee and Appointment and Remuneration Committee were Independent Members of the Supervisory Board, and the majority of the members of the said committees are independent. All members of Audit Committee were independent.

The Supervisory Board acted in accordance with the legislation, regulatory and legal acts of the NBU, the Bank's Charter, Regulation on the Supervisory Board and other internal documents of the Bank. The competence and powers of the Supervisory Board, in particular its exclusive competence, are determined by legislation and the Bank's Charter.

From January 1, 2023 to May 30, 2023, 18 meetings of the Supervisory Board were held, including 16 meetings in the form of joint presence of the members of the Supervisory Board and 2 meetings by paper circulation voting. The vast majority of meetings of the Supervisory Board were regular.

In the conditions of the ongoing full-scale war with the Russian Federation, the Supervisory Board, within the limits of its competence, made considerable efforts in 2023 to continue the transformation of the Bank, establish and support in emergency conditions its important internal processes with the aim of increasing their efficiency and bringing them into line with the requirements of current legislation, including regulatory and legal acts of the National Bank of Ukraine, and best practices of corporate governance.

During the reporting period, the Supervisory Board made a number of decisions, in particular regarding: approval of amendments to the Bank's Charter, Regulation on the Supervisory Board, Regulation on Remuneration of Members of the Supervisory Board and Regulation on the Management Board of the Bank, approved reports on the activities of the Management Board and the Supervisory Board for 2022, approved Business Plan of the Bank for 2023, the Action Plan for the implementation of recommendations provided as a result of the analysis of Internal Audit Department and Compliance Control Department regarding the Bank's cooperation with customers whose activities are related to the territories where active hostilities are taking place/which are under temporary occupation, for the purpose of identifying and managing additional risks that may arise/have arisen in connection with the martial law in Ukraine, a number of regulatory documents were updated, in particular, Procedure for Sale of Debt/Assignment of the Right of Claim on Non-Performing Assets of the Bank Assigned with Problem Debt Status, Liquidity Risk Management Policy of the Bank, Interest Rate Risk of the Banking Book Management Policy of the Bank, Market Risk Management Policy of the Bank, etc., as well as approved the execution of deeds with a number of the Bank's customers regarding the terms of their lending.

- The average percentage of participation of the members of the Supervisory Board in meetings (including paper circulation voting) of the Supervisory Board is 98,8%;
- The average percentage of participation of the members of the Audit Committee of the Supervisory Board in meetings (including paper circulation voting) of the Audit Committee of the Supervisory Board is 96,9%;
- The average percentage of participation of the members of the Risk Committee of the Supervisory Board in meetings (including paper circulation voting) of the Risk Committee of the Supervisory Board is 100%;
- The average percentage of participation of the members of the Appointment and Remuneration Committee of the Supervisory Board in meetings (including paper circulation voting) of the Appointment and Remuneration Committee of the Supervisory Board is 99%.
- The average percentage of participation of the members of the Governance and Compliance Committee of the Supervisory Board in meetings (including paper circulation voting) of the Governance and Compliance Committee of the Supervisory Board is 100%.
- The average percentage of participation of the members of the NPL Committee of the Supervisory Board in meetings (including paper circulation voting) of the NPL Committee of the Supervisory Board is 98%.
- The average percentage of participation of the members of the Operating Activity and Digitalization Committee of the Supervisory Board in meetings (including paper circulation voting) of the Operating Activity and Digitalization Committee of the Supervisory Board is 100%.

That is, the above information shows that the members of the Supervisory Board paid enough attention to participation in the meetings (including paper circulation voting) of the Supervisory Board and its committees. In addition, the members of the Supervisory Board actively participated in discussing the agenda items of the physical meetings of the Supervisory Board and its committees, as well as systematically studied the materials for participation in the specified meetings.

#### *Evaluation of the competence and effectiveness of each Supervisory Board member*

In order to assess the collective suitability, the Supervisory Board approved the Supervisory Board profile matrix, which was based on the methodology used by the National Bank of Ukraine for the SREP assessment. In particular, the Supervisory Board outlined the main areas of the Bank's activities in the profile matrix for which the Supervisory Board is responsible.

According to the profile matrix dated 30 December 2022, the composition of the Supervisory Board demonstrated the appropriate level of knowledge, skills and experience necessary for the Supervisory Board to exercise its powers in accordance with the Bank's core activities, Development Strategy and Business Plan, as well as taking into account the size of the Bank, the complexity, volume, types, nature of the Bank's activities, organisational structure and risk profile of the Bank and the systemic importance of the Bank. Furthermore, based on the results of the evaluation of collective suitability, it can be concluded that the Supervisory Board's collective ability to effectively manage and control the Bank's activities is appropriate, and that the collective suitability of the Bank's Supervisory Board aligns with the size of the Bank, the complexity, volume, types, nature of the Bank's operations, organisational structure and risk profile of the Bank, and takes into account the specifics of the Bank's activities as a systemically important bank, namely:

#### On the availability of common knowledge, skills and experience

The Supervisory Board had a sufficient number of members who collectively possessed knowledge, skills and experience in all areas of the Bank's activities, which allowed for professional discussion of the issues under decision-making.

The structure of the Supervisory Board enabled it to exercise its powers, i.e. the Supervisory Board as a collegial body had an appropriate understanding of the areas of the Bank's activities for which its members were collectively responsible, and had the experience and skills to effectively manage the Bank.

The special knowledge and experience of the Supervisory Board members enabled them to discuss issues under decision-making in a professional manner, to debate, to model potential scenarios of development of certain situations, etc.

#### The collective suitability of the Supervisory Board corresponds to the complexity, volume, types and nature of the Bank's transactions

The Supervisory Board members collectively had specialised knowledge, management and professional experience in the following areas:

- strategic management and change management;
- lending;
- non-performing loans (NPL); restructuring;
- finance and audit;
- corporate governance;
- compliance and risks;
- treasury and investment activities;
- cross-border capital transactions;
- IT and security;
- implementation of the remuneration system;
- human resources management.

All of the above gives grounds to assert that the collective suitability of the Supervisory Board was appropriate for the nature of the Bank's transactions.

#### The collective suitability of the Supervisory Board is in line with the Bank's risk profile

According to the results of the collective suitability assessment, all members of the Supervisory Board had specialised knowledge and experience in risk management.

The member of the Management Board, Chief Risk Officer, who was the Bank's principal official responsible for risk management, was subordinated to the Supervisory Board. The Risk Management Department of the Bank was subordinated to the Chief Risk Officer.

At the same time, the Chief Compliance Officer, who was directly subordinated to the Supervisory Board, had the Compliance Risk Control Division and the Internal Control Coordination and Regulatory Compliance Division of the Bank as subordinates, whose primary purpose, among other things, was to assist the Supervisory Board in exercising its powers to ensure the effectiveness of functioning of the Bank's internal control system and compliance risk management system.

Thus, all of the above gives grounds to assert that the collective suitability of the Supervisory Board is in line with the Bank's risk profile.

The collective suitability of the Supervisory Board takes into account the specifics of the Bank's activities as a systemically important bank

In 2023, the Bank was designated as a systemically important bank (the NBU Board Resolution No. 95-р/III dated 08.03.2023). In accordance with the requirements of the Instruction on the Procedure for Regulating Banks' Activities in Ukraine, approved by the NBU Board Resolution No. 368 dated 28.08.2001, the Bank, similar to other systemically important banks, is subject to additional requirements to ensure the stable operation of Ukrainian banks. In particular, the Supervisory Board is obliged to exercise enhanced control over the activities of the Management Board and the risk management system in particular.

According to the information received as part of the assessment of collective suitability, all members of the Supervisory Board had experience in all areas defined by the Supervisory Board profile matrix, which allowed the Supervisory Board members to make informed decisions in carrying out the Bank's business activities as a systemically important bank.

The collective suitability of the Supervisory Board is in line with the organisational structure of the Bank, which was approved by the Supervisory Board on 21 April 2023 (Minutes No. 13 dated 21.04.2023)

In accordance with the organisational structure of the Bank, the Supervisory Board has the following direct subordinates: (1) the Chief Risk Officer (to whom the Risk Management Department is subordinated); (2) the Internal Audit Department; (3) the Chief Compliance Officer (to whom the Compliance Risk Control Division and the Internal Control Coordination and Regulatory Compliance Division are subordinated); (4) the Financial Monitoring and Currency Supervision Department; and (5) the Corporate Secretary Service.

All units subordinated to the Supervisory Board reported to it in accordance with the procedure established by the Bank's internal documents and applicable legislation.

According to the results of the assessment of collective suitability, the members of the Supervisory Board collectively possessed special knowledge and experience that enabled them to control the activities of the subordinated units in order to implement the Bank's development strategy and the tasks of the subordinated structural units.

All of the above gives grounds to assert that the collective suitability of the Supervisory Board corresponds to the organisational structure of the Bank.

The members of the Supervisory Board are collectively able to effectively monitor the activities of the Management Board. The members of the Supervisory Board are collectively able to effectively supervise the decisions made by the Management Board and their implementation.

The Supervisory Board members regularly considered reports of the Management Board. In addition, the Supervisory Board members considered certain issues presented by the Management Board, such as: changes to the organisational structure, regular reports on the current state of the Bank's activities, amendments to certain internal documents, approval of transactions with the Bank's customers that exceed the limits of the Management Board's powers, and other issues.

Thus, the above confirms the ability of the Supervisory Board members to jointly effectively control the activities of the Management Board and oversee the implementation of decisions made by the Management Board.

*Assessment of the independence of each independent Supervisory Board member*

Each member of the Supervisory Board duly performed their duties, including: actively participating in meetings; reviewing the submitted documents (reports, information, drafts of new/updated internal documents of the Bank); engaging in discussions on problematic issues; voting during decision-making within the Supervisory Board's competence; adhering to the duties of loyalty and due diligence.



#### Education and training

All members of the Supervisory Board fully meet the Bank's requirements in terms of skills and experience, taking into account the size of the Bank. The extensive relevant experience of the Chairman and members of the Supervisory Board is sufficient to provide a full and thorough analysis of all matters submitted to the Supervisory Board and its committees. The financial education and extensive work experience of all members of the Supervisory Board fully cover the Bank's product areas and risk profile. All members of the Supervisory Board have over 3 years of experience in the banking/financial sector.

#### Independence of judgement

The Chairman and members of the Supervisory Board are characterised by independence of judgement, which allows them to express their opinions without being influenced by any factors that compromise their professional judgement, allowing them to act honestly, exercise objectivity and professional scepticism.

#### On the conflict of interest

It was found that all members of the Supervisory Board were familiar with the Bank's policy on prevention of conflicts of interest and understand the procedure for reporting conflicts of interest, as well as the cases that trigger the duty to report conflicts of interest.

During the reporting period, the members of the Supervisory Board duly declared and resolved any conflicts between their property or non-property interests and their professional duties. No member of the Supervisory Board with a declared conflict of interest participated in the consideration and decision-making on issues that could cause a conflict of interest. Thus, according to regular reports on compliance risks prepared by the compliance control units, no facts of decision-making in the presence of a conflict of interest were recorded.

During the reporting period, the members of the Supervisory Board were not members of the Management Board of the Bank, nor did the members of the Supervisory Board hold other positions in the Bank under employment contracts or provide services to the Bank under civil law contracts, except for the services of a member of the Supervisory Board, in accordance with the civil law contracts concluded with them.

#### On the professional suitability

The knowledge, skills and experience of the Supervisory Board members were sufficient to make decisions within the competence of the Supervisory Board in accordance with the legislation of Ukraine and the Bank's Charter. The professional suitability of the Supervisory Board members was assessed in the process of appointing the Supervisory Board members to their positions, as well as when the National Bank of Ukraine approved them for the positions of the Bank's Supervisory Board members. The compliance of the Supervisory Board members with the legal requirements for professional suitability is subject to regular assessment.

The results of the assessment of professional suitability showed that all members of the Supervisory Board had the necessary knowledge, experience and skills, sufficient time to perform their duties and complied with the applicable restrictions established by the legislation. Thus, there were no signs that would indicate a lack of professional suitability of the Supervisory Board members.

#### On the business reputation

The business reputation of the Supervisory Board members was assessed in the process of appointing the Supervisory Board members to their positions, as well as when the National Bank of Ukraine approved them for the positions of the Bank's Supervisory Board members. The compliance of the Supervisory Board members with the legal requirements for business reputation was subject to regular assessment. Based on the results of this assessment, it was found that during the reporting period, the Chairman and members of the Supervisory Board did not have any signs of non-impeccable business reputation as defined by the Regulation on Bank Licensing approved by Resolution of the Board of the National Bank of Ukraine No. 149 dated 22.12.2018 and/or other facts provided for by the legislation of Ukraine.

### On the duties of loyalty and due diligence

The compliance of the Supervisory Board members with the qualification requirements was assessed based on their adherence to the duties of loyalty and due diligence.

### Other indicators

There are no facts of violation of internal rules by the members of the Supervisory Board, which resulted in damage to the Bank or the Bank's customers. No measures of influence were applied to the members of the Supervisory Board by the decision of the state authorities.

During the functioning of the Bank's Supervisory Board in 2023, (i) the independent members of the Supervisory Board complied with the independence requirements established by the Law of Ukraine "On Joint Stock Companies" and the Law of Ukraine "On Banks and Banking"; and (ii) the members of the Supervisory Board representing the state complied with the requirements of the legislation on members of supervisory boards representing the state. Since, as indicated, a full annual assessment of the Supervisory Board's performance was not conducted, the independence of each of the independent members of the Supervisory Board was assessed based on the available information and documents.

### *Assessment of the competence and effectiveness of each Supervisory Board committee*

#### **Audit Committee**

In accordance with the Regulation on the Audit Committee of the Supervisory Board, approved by the Resolution of the Supervisory Board, dated 16.09. 2019 (Minutes No. 2), the powers of the Audit Committee of the Supervisory Board include: (1) assisting the Supervisory Board in supervising the qualification, efficiency and independence of the external auditor (audit firm) of the Bank; (2) assisting the Supervisory Board in ensuring the functioning of the internal control system and monitoring the effectiveness of the internal audit function and the internal control system of the Bank; (3) assisting the Supervisory Board in monitoring the compliance of the Bank's activities with the legal and regulatory requirements (compliance) regarding financial statements, the effectiveness of the internal control system in the Bank; (4) monitoring, considering and making recommendations to the Supervisory Board on the Bank's financial statements, including the process of their preparation and disclosure, as well as on the completeness and integrity of such statements; (5) monitoring, considering and providing recommendations to the Supervisory Board, in particular, on risks related to financial statements and presentation of financial statements; effectiveness of the internal control system in the process of preparing financial statements; conducting external audit; and (6) preparing the draft budget of the Supervisory Board and submitting it to the Supervisory Board for approval.

The composition of the Audit Committee fully complied with the requirements of the legislation. All members of the Committee had sufficient competence and specialised knowledge, both collectively and individually, for the proper, effective functioning of the Committee and for making informed, competent decisions.

#### **Risk Committee**

The functional powers of the Risk Committee of the Supervisory Board are determined by the Regulation on the Risk Committee of the Supervisory Board, approved by the Resolution of the Supervisory Board, dated 25.10.2019 (Minutes No. 4). In accordance with the said Regulation, the powers of the Risk Committee of the Supervisory Board in 2023 included, in particular: preliminary review of draft risk management strategies and policies, documents on the amount of risk appetite, the procedure for conducting transactions with related parties and other risk management documents; review and provision of recommendations to the Supervisory Board on ensuring business continuity and business recovery plans for the Bank; regular cooperation with the compliance units, including hearing their reports, providing recommendations, consultations, and proposals to the Supervisory Board on risk management issues for its decision-making.

During the reporting period, the Risk Committee of the Bank's Supervisory Board assisted the Supervisory Board in exercising its powers to ensure the efficiency of the Bank's risk management system.

The composition of the Risk Committee fully complied with the requirements of the legislation. All members of the Committee had sufficient competence and specialised knowledge, both collectively and individually, for the proper, effective functioning of the Committee and for making informed, competent decisions.

### **Appointment and Remuneration Committee**

The functional powers of the Appointment and Remuneration Committee of the Supervisory Board were determined by the Regulation on the Appointment and Remuneration Committee of the Supervisory Board in 2023, approved by the Resolution of the Supervisory Board, dated 28.10.2019 (Minutes No. 5). In accordance with the said Regulation, the powers of the Appointment and Remuneration Committee of the Supervisory Board in 2023 included, in particular, making recommendations to the Supervisory Board on the termination of powers of the members of the Management Board, the Corporate Secretary and other employees appointed by the Supervisory Board; submitting proposals to the Supervisory Board for the appointment of the Corporate Secretary and other employees appointed by the Supervisory Board; as well as submitting proposals to the Supervisory Board on the forms and terms of contracts with employees appointed by the Supervisory Board, as well as on setting their remuneration, and approving the updated organisational structure of the Bank.

The composition of the Appointment and Remuneration Committee fully complied with the requirements of the legislation. All members of the Committee had sufficient competence and specialised knowledge, both collectively and individually, for the proper, effective functioning of the Committee and for making informed, competent decisions.

### **Governance and Compliance Committee**

The functional powers of the Governance and Compliance Committee of the Supervisory Board are determined by the Regulation on the Governance and Compliance Committee of the Supervisory Board, approved by the Resolution of the Supervisory Board, dated 25.10.2019 (Minutes No. 4). In accordance with the said Regulation, the powers of the Governance and Compliance Committee of the Supervisory Board in 2023 included, in particular: the submission for consideration and approval by the Supervisory Board of the principles (code) of corporate governance of the Bank, ensuring annual review and assessment of the adequacy of the principles of corporate governance in the Bank, the Charter and regulations (policies) of the Bank regarding corporate governance bodies, providing recommendations to the Supervisory Board on changes to the principles of corporate governance of the Bank or improving the system of corporate governance, etc.

During the reporting period, the Governance and Compliance Committee of the Bank's Supervisory Board assisted the Supervisory Board in exercising its powers to ensure the effective organisation of corporate governance in the Bank.

The composition of the Governance and Compliance Committee fully complied with the requirements of the legislation. All members of the Committee had sufficient competence and specialised knowledge, both collectively and individually, for the proper, effective functioning of the Committee and for making informed, competent decisions.

### **NPL Workout Committee**

The functional powers of the NPL Workout Committee of the Supervisory Board are determined by the Regulation on the NPL Workout Committee of the Supervisory Board, approved by the Resolution of the Supervisory Board, dated 17.01.2020 (Minutes No. 2). In accordance with the said Regulation, the powers of the NPL Workout Committee of the Supervisory Board in 2023 included, in particular: periodic revision of draft documents on the management of problem assets, submitted for consideration and/or approval by the Supervisory Board of the Bank, monitoring of the results of the implementation of the Bank's problem asset management strategy and operational plan, submitting proposals on debt settlement of the Bank's debtors/counterparties for consideration by the Bank's Supervisory Board, which, in accordance with the law, requires a Resolution of the Bank's Supervisory Board, ensuring preparation and submission to the Bank's Supervisory Board of draft resolutions on determining the instruments of debt settlement for non-performing assets (either through out-of-court or judicial means) and the terms (parameters) of such settlement, unless it is within the competence of another body of the Bank in accordance with the Bank's current distribution of powers, etc.

The composition of the NPL Workout Committee fully complied with the requirements of the legislation. All members of the committee had sufficient competence and specialised knowledge, both collectively and individually, for the proper, efficient functioning of the Committee and for making informed, competent decisions.

## Operating Activity and Digitalization Committee

The functional powers of the Operating Activity and Digitalization Committee of the Supervisory Board are determined by the Regulation on the Operating Activity and Digitalization Committee of the Supervisory Board, approved by the Resolution of the Supervisory Board, dated 17.01.2020 (Minutes No. 2) (as amended by the Resolution of the Supervisory Board dated 26-27.03.2020 (Minutes No. 15)). In accordance with the said Regulation, the powers of the Operating Activity and Digitalization Committee of the Supervisory Board in 2023 included, in particular: analysing the structure of the Head Office and regional network (branches) of the Bank and submitting proposals to the Supervisory Board for their optimization, participating in the development of the Bank's information security and information technology strategy, monitoring the development of the Bank's information security policies and procedures, information security risk documentation, regular reporting by the Bank on information security risk in accordance with such documentation, etc. The composition of the Operating Activity and Digitalization Committee fully complies with the requirements of the legislation. All members of the Committee have sufficient competence and specialised knowledge, both collectively and individually, for the proper, effective functioning of the Committee and for making informed, competent decisions.

### *Assessment of the achievement of a person's goals*

In 2023, the Supervisory Board continued to implement the Main (Strategic) Areas of Activities for “Ukreximbank” JSC for the period of martial law in Ukraine, approved by the Supervisory Board's Resolution dated 29 April 2022, and the Main (Strategic) Areas of Activities for State-Owned Banks During Martial Law and Post-War Economic Recovery, approved by the Order of the Cabinet of Ministers of Ukraine, dated 7 May 2022 No. 356-p (hereinafter referred to as the Strategic Area of Activities for the Period of Martial Law). Thus, during 2023, the Supervisory Board monitored the activities of the Management Board for its compliance with the Strategic of Areas of Activities for the Period of Martial Law and the effectiveness of their implementation, the strategy for managing problem assets and the operational plan for implementing such a strategy, and continued to improve the Bank's internal control system. Strategic Areas of Activities for the Period of Martial Law were implemented in the Bank's Business Plan for 2023 approved by the Supervisory Board, which contained planned indicators for 2023 and projected indicators for 2024–2025 for the purpose of analysing the Bank's continuity and calculating deferred tax asset, which are not an integral three-year business plan, and also included the Bank's financial indicators, namely, balance sheet indicators, income/expenses for 2023 for the Bank's system and by business lines of the Bank, as well as triggers (material conditions) for revision of the Bank's Business Plan for 2023.

In addition, following the review of the Supervisory Board Report for 2022, the Supervisory Board developed and approved the Action Plan for Improving the Supervisory Board's Activities for 2023, which was divided into three components: (1) interaction of the Supervisory Board and its committees with the Management Board and control units, (2) organisation of the work of the Supervisory Board and its committees, its interaction with the shareholder, (3) control by the Supervisory Board over the effectiveness of the internal control system. During the reporting period, the Supervisory Board made efforts to fulfil the objectives set out in the above-mentioned Action Plan.

In particular, the Supervisory Board continued to improve the internal process of operational interaction with the Corporate Secretary, actively encouraged the members of the Bank's Management Board to participate individually in the Supervisory Board meetings, agreed on reforming the structure of the Compliance Control Department to improve its effectiveness, actively facilitated the supervision of the implementation of recommendations provided by the Internal Audit function and the National Bank of Ukraine, continued to organise each meeting of the Supervisory Board in such a way as to ensure the full participation of all members of the Supervisory Board in the discussions during the meetings of the Supervisory Board, so that all members of the Supervisory Board have the opportunity to express their own opinions, and facilitated the implementation of measures to further improve the level of corporate culture in the Bank. Among other things, the Supervisory Board approved the Procedure for prompt response to crisis situations in the Bank.

These and other measures demonstrate the efforts made by the Bank's Supervisory Board to implement the measures provided for in the Action Plan for Improving the Performance of the Supervisory Board for 2023.

## **4. Information on the composition of the Bank's executive body and its changes during the year, including the committees formed by it, as well as information on the meetings held with a general description of the decisions taken.**

The personal composition of the Management Board of the Bank as of the end of 2023 was as follows:

- Iermakov Sergii Oleksandrovych, Chairman of the Management Board;
- Kaplyuk Dmytro Yevheniiiovych, Member of the Management Board, Chief Risk Officer;
- Shchur Oleksandr Volodymyrovych, Member of the Management Board;
- Medko Mykhailo Bohdanovych, Member of the Management Board.

During 2023, the following changes occurred in the personal composition of the Management Board of the Bank:

- Monastyrskaya Svitlana Mykolaivna, Member of the Management Board — Deputy Chairman of the Management Board, resigned at her own request in accordance with Article 38 of the Labour Code of Ukraine (Resolution of the Supervisory Board No. 5 dated 07.02.2023);
- Ignatenko Oleksandr Stepanovych, Member of the Management Board, resigned at his own request in accordance with Article 39 of the Labour Code of Ukraine (Order of dismissal No. 948-к dated 16.08.2023).

In 2023, the Management Board of the Bank held 145 meetings, including 80 meetings by paper circulation, where 829 issues were considered. During the decision-making process, the Management Board was guided by the Charter, the Regulation on the Management Board and other regulatory and administrative documents of the Bank.

Pursuant to the Regulation on the Management Board, the Management Board makes decisions according to the following procedure:

- 1) by holding meetings;
- 2) by holding paper circulation meetings.

The main organisational form for the Management Board to make decisions is to hold Management Board meetings. Management Board meetings are held whenever necessary, but at least once a month.

Management Board meetings are held in the form of joint presence of the Management Board members at a designated place, including by means of electronic communication (video and voice conferences, etc.), provided that each Management Board member participating in such a conference can see and hear (or at least hear) and communicate with all other participants of the Management Board meeting and identify the results of voting. Such a form of holding a meeting is permitted if none of the members of the Management Board has expressed an objection to its application to the relevant meeting of the Management Board.

A member of the Management Board who is on a business trip has the right to participate in meetings of the Management Board (with the right to vote) held in the form of joint presence of the Management Board members at a designated place, including by means of electronic communication (video and voice conferences, etc.), subject to the requirements specified in the previous paragraph.

A meeting of the Management Board is deemed to be duly convened if at least half of the members of the Management Board out of the number of actually appointed members of the Management Board are present.

Decisions of the Management Board are made by a simple majority of the votes of the members participating in the meeting. In the event of an equal distribution of votes, the vote of the person presiding at the meeting of the Management Board (the Chairman of the Management Board, or in his absence, a member of the Management Board acting as the Chairman of the Management Board) is decisive, provided that in any case, the decision cannot be made alone.

The Chief Risk Officer and the Chief Compliance Officer or other employee(s) entrusted with the performance of their duties in the absence of the Chief Risk Officer and/or the Chief Compliance Officer for reasons provided for by the applicable legislation of Ukraine (leave, temporary disability, business trips, etc.) were present at the meetings of the Management Board and had the right to impose a ban (veto) on the decisions of the Management Board in cases stipulated by the applicable legislation of Ukraine and the Bank's regulatory documents.

The Chief Risk Officer and the Chief Compliance Officer or other employee(s) entrusted with the performance of their duties in the absence of the Chief Risk Officer and/or the Chief Compliance Officer for reasons stipulated by the applicable legislation of Ukraine (leave, temporary disability, business trip, etc.) before and during the meetings of the Management Board was/were provided with all the necessary materials on the issues submitted for consideration by the Management Board, as well as conditions for exercising the right to impose a ban (veto) on the decisions of the Management Board.

No cases of imposition of a ban (veto) were recorded.

At the meetings and absentee voting (polls) of the Management Board, the issues of current management of the Bank's activities were considered, namely:

- approval of the Bank's regulatory documents, the approval of which falls within the competence of the Management Board;
- preliminary review and agreement of the Bank's regulatory documents and other issues that are approved by the Supervisory Board in accordance with the applicable laws of Ukraine and the Bank's Charter and require preliminary review and agreement by the Management Board;
- making decisions on obtaining property into the Bank's ownership for debt repayment, including in connection with the Bank's exercise of pledgee rights;
- making decisions on writing off the Bank's non-current assets;
- making decisions on providing charitable help;
- revision (updating) and approval of the regulations on the Bank's permanent working bodies (committees, commissions, groups) established by the Management Board;
- consideration of the annual financial statements / consolidated annual financial statements of the Bank together with the conclusions of the external audit and submission thereof to the Supervisory Board;
- consideration of the Bank's monthly performance results;
- consideration of quarterly reports on the results of monitoring the effectiveness of the internal control system regarding compliance risks for submission to the Supervisory Board;
- consideration of quarterly information on issues related to prevention and counteraction to legalisation (laundering) of proceeds of crime, financing of terrorism and proliferation of weapons of mass destruction;
- consideration of risk management reports, including: monthly management reports on credit risk and reports on capital ratios, liquidity risk assessment, interest rate risk of the banking book, market risks, quarterly reports on the status of operational risk event management and a report on the management of key operational risk indicators;
- making decisions on lending and amending the existing terms and conditions of lending to legal entities within the powers of the Management Board delegated by the Supervisory Board;
- approval of strategies and action plans for repayment of problem exposures of borrowers, preliminary review of quarterly management reports on the management of problem assets and their submission to the Supervisory Board.

The Management Board of the Bank established and operated 9 committees and 2 commissions throughout 2023, in particular:

- Credit Committee;
- Minor Credit Committee;
- Assets and Liabilities Committee;
- Assets and Liabilities Sub-Committee;
- Tariff Committee;
- Committee for Implementation and Functioning of the Information Security Management System;
- Problem Asset Workout Committee;
- IT Committee;
- Operational and Compliance Risk Committee;
- Tender Committee;
- Commission on accreditation/interaction with third parties providing additional and related non-banking services.
- Commission for monitoring of customer asset-side transactions.

### **Credit Committee**

A permanent collegial body of the Bank that determines the possibility and conditions of asset-side banking transactions with business entities, asset-side transactions in the interbank market, asset-side transactions with securities within the powers delegated to it by the Management Board, and established key risk indicators, approves the classification of the Bank's asset-side transactions and receivables, proposals for the formation of provisions to cover possible losses from their impairment, is responsible for the implementation of the Bank's Credit Policy.

### Composition of the Credit Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee of the main composition
Chairman of the Committee	O.V. Shchur	-
Deputy Chairman of the Committee	O. Ye. Savin	I.A. Tarasynskyi (in the period of absence* of O. Ye. Savin)
Member of the Committee	D. Ye. Kaplyuk	A. F. Shop (in the period of absence* of D. Ye. Kaplyuk)
Member of the Committee	Ya. O. Skorbulatov	V.I. Pidchosa (in the period of absence* of Ya. O. Skorbulatov)
Member of the Committee	I.V. Grynenko	H.P. Tumakova (in the period of absence* of I.V. Grynenko)
Member of the Committee	D.H. Boiko	T.M. Yaremchuk (in the period of absence* of D.H. Boiko)
Permanently invited to participate in the meetings of the Committee (without the right to vote):	I.A. Temchenko	I.V. Ulybin (in the period of absence* of I.A. Temchenko for the reasons provided by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trip, etc.))
	T.M. Kovalenko	-
	O.S. Isniuk	-
	N.P. Nyshporska	-
	O.I. Kozlova	-
	L.M. Pylypenko	-
	I.V. Kobylianska	-
* for the reasons provided for by the applicable legislation of Ukraine (vacation, temporary incapacity for work, business trips, termination of employment, etc).		

In 2023, 297 meetings/paper circulation meetings of the Credit Committee were held, of which 117 meetings and 180 paper circulation meetings, at which 827 issues were considered and resolutions were made, in particular on the following:

- lending to borrowers/making changes to lending to borrowers/extending the term of validity of the Credit Committee's resolutions on lending to borrowers;
- approval/agreement of financial restructuring plans and terms;
- setting limits on conducting asset-side transactions with counterparty banks;
- approval of the amount of provisions according to IFRS 9 and the amount of credit risk for asset-side banking transactions as of the reporting date/agreement of management reporting on credit risk;
- approval of banking products for asset-side transactions/implementation/modification of such banking products in accordance with the requirements of the Bank's regulatory documents;
- assignment of the "Problem debt" status;
- informing about the implementation of the Committee's instructions/quarterly monitoring of the status of the implementation of instructions, etc.

### **Minor Credit Committee**

A permanent collegial body of the Bank that within delegated powers determines the possibility and conditions of asset-side banking transactions with customers of medium-sized business, local governments (municipalities), business entities of the utilities sector of the economy (hereinafter - MSBMUS borrowers) and retail business in accordance with the Bank's customer segmentation (hereinafter - retail borrowers), assesses the quality of the loan portfolio by transactions with the relevant borrowers, is responsible for the implementation of the Bank's Credit Policy, and performs other tasks and functions specified in the Regulation on Minor Credit Committee.

### Composition of the Minor Credit Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee from the main composition
Chairman of the Committee	M.B. Medko	-
Deputy Chairman of the Committee	S. V. Tkachenko	S.S. Puskai (in the period of absence* of S.V. Tkachenko)
Member of the Committee	A.S. Blyzniuk	1) A.F. Shop (in the period of absence of* A.S. Blyzniuk); 2) L.M. Brodetska (in the period of simultaneous absence* of A.S. Blyzniuk and A.F. Shop)
Member of the Committee	A.O. Manishevych	H.P. Tumakova (in the period of absence* of A.O. Manishevych)
Member of the Committee	O.V. Yanchuk	V.O. Hretska (in the period of absence* of O.V. Yanchuk)
Member of the Committee	V.I. Pidchosa	O.V. Stroganov (in the period of absence* of V.I. Pidchosa)
Member of the Committee	S.V. Skrynskyi	M.I. Havryliuk (in the period of absence* of S.V. Skrynskyi)
Permanently invited to participate in the meetings of the Committee (without the right to vote):	D. Ye. Kaplyuk T.M. Kovalenko I. A. Temchenko  N.P. Nyshporska O.I. Kozlova L.M. Pylypenko I.V. Kobylianska	- - I.V. Ulybin (in the period of absence of I. A. Temchenko for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, etc.)) - - - -
* for the reasons provided for by the applicable legislation of Ukraine (vacation, temporary incapacity for work, business trips, termination of employment, etc.)		

In 2023, 214 meetings/ paper circulation meetings of the Minor Credit Committee were held, including 113 meetings and 101 paper circulation meetings, where 834 issues were considered and decisions were made, in particular on the following:

- lending/making changes to borrowers' credit terms/reviewing credit limits/extending the validity of resolutions on lending to borrowers;
- conclusion of financial leasing agreements/amendments to financial leasing agreements;
- opening of credit lines within the framework of “Bonus” and “Kredytka” credit card products;
- loans for the purchase of residential real estate within the framework of “eOselia” affordable mortgage lending program;
- approval/change of credit terms/passports of loan products/procedures/agreements; approval/change/cancellation of tariffs for asset-side transactions with MSBMUS borrowers and the Bank's retail borrowers;
- assigning/removing the “Problem Exposure” status to/ from the client's exposure for asset-side transactions with the Bank's retail borrowers, except for parties related to the Bank;
- resolutions on setting the values of nominal interest rates and commissions for the Bank's retail borrowers in accordance with the Bank's pricing regulations.

### **Assets and Liabilities Committee**

The permanent collegial body of the Bank's Management Board, which, within the powers delegated by the Management Board and in accordance with the Regulation on Assets and Liabilities Committee and Assets and Liabilities Sub-Committee ensures the management of assets and liabilities structure, compliance with indicators of liquidity risk, interest rate risk of the banking book, market risks, including established by the NBU economic ratios on liquidity risk, capital, open currency position limits as well as the relevant financial covenants under external economic agreements. For prompt solution of certain issues Assets and Liabilities Sub-Committee is established within Assets and Liabilities Committee pursuant to resolution of the Management Board of the Bank.



Composition of Assets and Liabilities Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee of the main composition
Chairman of the Committee	O.V. Shchur	-
Deputy Chairman of the Committee	S.O. Iermakov	-
Member of the Committee	O.Ye. Savin	-
Member of the Committee	D. Ye. Kaplyuk	S. A. Antoniuk (in the period of absence* of D. Ye. Kaplyuk)
Member of the Committee	M.B. Medko	V.O. Hretska (in the period of absence* of M.B. Medko)
Member of the Committee	A.V. Boldyriev	O.V. Serdiuk (in the period of absence* of A.V. Boldyriev)
Member of the Committee	S.S. Sokyrko	K.O. Volodina (in the period of absence* of S.S. Sokyrko)
Permanently invited to participate in the meetings of the Committee:	I.A. Temchenko	I.V. Ulybin (in the period of absence of I.A. Temchenko for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, etc.))
	S.P. Yergieva	-
	O.I. Prymachenko	-
* for the reasons provided for by the applicable legislation of Ukraine (vacation, temporary incapacity for work, business trips, termination of employment, etc.)		

In 2023, 67 meetings/meetings by paper circulation of the Assets and Liabilities Committee were held, including 60 meetings and 7 meetings by paper circulation, where 235 issues were considered and decisions were made, in particular on the following:

- setting transfer rates;
- review of interest rates for deposits and loan programs;
- attracting deposits on individual terms, early return of deposits, individual interest accrual terms;
- overview of financial markets;
- dynamics of interest rates and liquidity position;
- early warning indicators of overall market (external) liquidity crisis;
- capital ratios, liquidity risk, interest rate risk of the banking book, market risks, etc;

In 2023, 248 meetings of the Assets and Liabilities Sub-Committee were held in the form of meetings by paper circulation. A total of 617 issues were considered, including on the following:

- setting individual conditions for current account balances;
- early termination of a bank deposit;
- setting individual conditions for raising funds, etc.

Composition of Assets and Liabilities Sub-Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee of the main composition
Chairman of the Sub-Committee	S.S. Sokyрко	-
Deputy Chairman of the Sub-Committee	K.O. Volodina	O.A. Stasiuk *** (in the period of absence* of K.O. Volodina)
one of the members of the Sub-Committee, determined below, depending on the unit that initiates the consideration of the issue and makes proposals for consideration by the Sub-Committee		
Member of the Sub-Committee during consideration and making resolutions by the Sub-Committee on issues initiated by Corporate Business Division, Infrastructure Projects Division, Industry and Energy Production Companies Division, Agricultural Sector Companies Division, Documentary Business Division	O. Ye. Savin	I. A. Tarasynskyi (in the period of absence* of O.Ye. Savin)
Member of the Sub-Committee during consideration and making resolutions by the Sub-Committee on issues initiated by Financial Institutions and Trade Finance Division, International Borrowings Division, IFIs Programs Division, Securities Division, Treasury Division	O.V. Shchur	S.A. Kuzmych (in the period of absence* of O.V. Shchur)
Member of the Sub-Committee during consideration and making resolutions by the Sub-Committee on issues initiated by Retail Business Organization and Support Division, Small and Medium-Sized Business Division, Operating Division, Electronic Banking Services Division	M.B. Medko	V.O. Hretska (in the period of absence* of M.B. Medko)
Permanently invited to participate in the meetings of the Sub-Committee (without the right to vote):	I.A. Temchenko	I.V. Ulybin (in the period of absence* of I.A. Temchenko for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, etc.))
* for the reasons provided for by the applicable legislation of Ukraine (vacation, temporary incapacity for work, business trips, termination of employment, etc.) ***is the Deputy Chairman of the Sub-Committee in the period of absence* of the Deputy Chairman of the Sub-Committee, as well as during the period when the Deputy Chairman of the Sub-Committee performs the functions of the Chairman of the Sub-Committee		

**Tariff Committee**

The permanent collegial body of the Bank established by the Management Board to address issues related to the management of commission fees for banking services and to analyse the ratio of the cost of services and market competitiveness of the Bank's fees, as well as to address other issues related to banking products and the provision of banking services other than credit ones.

### Composition of the Tariff Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee of the main composition
Chairman of the Committee	M.B. Medko	-
Deputy Chairman of the Committee	O.V. Shchur	A.V. Boldyriev (in the period of absence* of O.V. Shchur)
Member of the Committee	S. P. Yerhiieva	N. B. Puharska (in the period of absence* of S.P. Yerhiieva)
Member of the Committee	O. Ye. Savin	O.S. Isniuk (in the period of absence* of O.Ye. Savin)
Member of the Committee	O.B. Tyshchenko	V.O Hretska (in the period of absence* of O.B. Tyshchenko)
Member of the Committee	O.I. Prymachenko	P.V. Kovalevskyi (in the period of absence* of O.I. Prymachenko)
Member of the Committee	S.S. Puskai	M.V. Tyndyk (in the period of absence* of S.S. Puskai)
Permanently invited to participate in the meetings of Tariff Committee (without the right to vote):	D. Ye. Kaplyuk I.A. Temchenko	- I.V. Ulybin (in the period of absence of I. A. Temchenko for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, etc.))
	A.V. Malakhov S.V. Munkan	- -
* for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc.)		

In 2023, 60 meetings/meetings by paper circulation of the Tariff Committee were held, including 54 meetings and 6 meetings by paper circulation, where 223 issues were considered and decisions were made, in particular on the following:

- setting individual commission fees for customers/groups of customers;
- approval of commission fees for banking services / making changes to existing base tariffs;
- approval of resolutions on the implementation/modification of parameters of banking products;
- approval of terms and conditions, standard forms of agreements and regulations on banking products, banking and other financial services, as well as transactions related to banking products, banking and other financial services;
- making decisions on the terms and conditions of payment card transactions;
- authorizing responsible structural units to set individual tariffs for customers;
- making decisions on non-application of penalties to Bank's clients and/or a group of clients under banking and other financial services agreements (except for loan agreements) (subject to prior approval of the decision by the Legal Department), etc.

### **Committee for Implementation and Functioning of Information Security Management System**

Permanent collegial body of the Bank, which, within the limits of its delegated powers, ensures the process of development, implementation, operation, monitoring, review, maintenance and improvement of the information security management system in the Bank by making appropriate decisions.

Composition of Committee for Implementation and Functioning of Information Security Management System as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee from the main composition
Chairman of the Committee	S.I. Kosenko	N.V. Poludnenko (in the period of absence * of S.I. Kosenko)
Member of the Committee	S.O. Iermakov	-
Member of the Committee	O.B. Tyshchenko	M.B. Medko (in the period of absence * of O.B. Tyshchenko)
Member of the Committee	O.V. Shchur	-
Member of the Committee	K.I. Koval	O.V. Tereshchuk (in the period of absence * of K.I. Koval)
Member of the Committee	I.A. Temchenko	I.V. Ulybin (in the period of absence * of I.A. Temchenko)
Member of the Committee	S.A. Antoniuk	D.Ye. Kaplyuk (in the period of absence * of S.A. Antoniuk)
Permanently invited to participate in the meetings of Committee (without the right to vote):	D. Ye. Kaplyuk ** A.V. Malakhov D.V. Koval	- - -
* for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc)		
** except for the period in which the Bank employee participates in the Committee meetings as the Member of the Committee in the period of absence of the Member of the Committee from the main composition		

In 2023, 14 meetings/meetings by paper circulation of the Committee for Implementation and Functioning of the Information Security Management System were held, including 2 meetings and 12 meetings by paper circulation, where 33 issues were considered and decisions were made, in particular on the following:

- Approved with further submission for approval by the Management Board of the Bank:
  - Procedure for Use of Removable Media of Electronic Information of “Ukreximbank” JSC.
  - Procedure for Monitoring and Measurement of the Performance of the Information Security Management System of “Ukreximbank” JSC.
  - Procedure for Organizing Access to Information Resources in “Ukreximbank” JSC.
  - Procedure for Increasing the Awareness of Employees on Information Security of “Ukreximbank” JSC.
  - Procedure for Management of Information Security Vulnerabilities in the Information Systems of “Ukreximbank” JSC.
  - Procedure for Managing Information Security Incidents of “Ukreximbank” JSC.
- Approved with further submission for approval by the Management Board: Methodology of Information

Security Risk Assessment of the Bank.

- Approved with further submission for approval by the Management Board of the Bank:
- Policy for Information and Communication Technologies Risk and Information Security Risk Management of “Ukreximbank” JSC.
- Policy for Information Security Risk Management of “Ukreximbank” JSC.
- Policy for Managing Access to Information and Communication System of “Ukreximbank” JSC.
- Password Protection Policy of “Ukreximbank” JSC.
- Information Security Policy of “Ukreximbank” JSC.
- Malware Protection Policy of “Ukreximbank” JSC.
- Creation of the Security Operations Center (SOC) and the possibility of outsourcing SOC services.
- Familiarization of the Committee members with information on:
  - identified vulnerabilities and information security incidents of “Ukreximbank” JSC;
  - compliance of “Ukreximbank” JSC with the requirements of NBU Resolution No. 95 dated 28.09.2017;
  - assessment of information security risks of “Ukreximbank” JSC;
  - the progress of improving the state of PCI DSS compliance;
  - the Report on the results of testing of the “Cyber Threats, Cyber Attacks and Cyber Incidents Response Plan of the Bank”;
  - the results of the annual assessment of information security risks;
  - the remedial actions of “Ukreximbank” JSC based on the results of audits of ISMS processes for 2023.
- Reporting on the fulfilment of instructions of the Committee/quarterly monitoring of the instructions fulfilment status

#### **Problem Assets Workout Committee**

Permanent collegial body of the Bank’s Management Board that within the delegated powers determines the terms and conditions of measures aimed at recovery of debt on credit transactions, which is considered non-performing in accordance with the resolutions of the Bank authorized collegial bodies; the possibility and terms and conditions of the Bank's recovered property management measures; measures aimed at settlement of receivables assigned “problem exposure” status.

Composition of Problem Assets Workout Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee of the main composition
Chairman of the Committee	D. Ye. Kaplyuk	-
Deputy Chairman of the Committee	A.F. Shop	Koruna T.V. (in the period of absence* of A.F. Shop)
Member of the Committee	A.A. Lola	M.M. Kulish (in the period of absence* of A.A. Lola)
Member of the Committee	I.A. Temchenko	I.V. Ulybin (in the period of absence* of I.A. Temchenko)
Member of the Committee	T.M. Kovalenko	T.O. Demydov (in the period of absence* of T.M. Kovalenko)
Member of the Committee	S.V. Revurko	H.P. Tumakova (in the period of absence* of S.V. Revurko)
Member of the Committee	Ya. O. Skorbulatov	V.I. Pidchosa (in the period of absence* of Ya. O. Skorbulatov)
Member of the Committee	S.P. Yerhiieva	N.M. Turak (in the period of absence* of S.P. Yerhiieva)
Permanently invited to participate in the meetings of Committee (without the right to vote):	M.M. Kulish** N.M. Turak** V.I. Pidchosa** V.A. Basalaieva	- - - -
*for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc.)		
**except for the period in which the Bank employee participates in Committee meetings as a Committee member during the absence of a member of the Committee from the main composition		

In 2023, 110 meetings/meeting by paper circulation of Problem Assets Workout Committee were held, including 97 meetings and 13 meetings by paper circulation, where 427 issues were considered and decisions were made, in particular on the following:

- approval of the Strategy and Operational Plan for the Bank's NPL Portfolio Workout;
- approval of the action plan and strategy for work with problem borrowers of the Bank;
- voluntary settlement and approval of restructuring: approval of restructuring terms; application of standardized solutions, and others;
- management of recovered assets: approval of market value, sale terms, lease terms, property protection terms;
- presentation of enforcement documents, determination of candidates for private executors/receivers;

- approval of sale terms for collateral property in enforcement proceedings and bankruptcy proceedings;
- agreement of the Bank's participation in auctions for the sale of collateral property or acceptance of unsold property on the balance sheet;
- engagement of collection and legal companies in the work with NPL portfolio;
- reporting on the status of work with the NPL portfolio and recovered property.

## IT Committee

A permanent collegial body of the Bank that determines the general principles of information technologies development at the Bank, determines the priority and distribution of tasks, projects, resources, etc. for the development, implementation, operation of information technologies / systems of the Bank by making appropriate resolutions.

### IT Committee composition as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee of the main composition
Chairman of the Committee	K.I. Koval	-
Deputy Chairperson of the Committee	S.P. Yerhiieva	N.V. Kyselova (in the period of absence* of S.P. Yerhiieva)
Member of the Committee	I.V. Bila	O.Ye. Savin (in the period of absence* of I.V. Bila)
Member of the Committee	O.V. Shchur	A.V. Boldyriev (in the period of absence* of O.V. Shchur)
Member of the Committee	I.A. Temchenko	I.V. Ulybin (in the period of absence* of I.A. Temchenko)
Member of the Committee	M.B. Medko	O.B. Tyshchenko (in the period of absence* of M.B. Medko)
Member of the Committee	A.I. Melesh	O.V. Tereshchuk (in the period of absence* of A.I. Melesh)
Member of the Committee	A.V. Malakhov	S. V. Savchenko (in the period of absence* of A.V. Malakhov)
Permanently invited to participate in the meetings of IT Committee (without the right to vote):	D. Ye. Kaplyuk O.V. Baranchuk	- -
* for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc.)		

In 2023, 60 meetings/ meetings by paper circulation of the IT Committee were held, including 24 meetings and 36 meetings by paper circulation, where 110 issues were considered and decisions were made, in particular on the following:

- Status report on projects approved by the IT Committee and the Bank's Management Board, as well as approval of the list of IT project works/initiatives with allocation of resources of IT Department for each quarter throughout 2023;
- Initiation and validation (implementation) of projects/project initiatives;
- Closure of projects due to completion of execution and implementation;
- Reporting on the results of testing regarding the application possibilities of artificial intelligence functionality in the work of collegial bodies and providing proposals for further analysis of other possible areas of AI usage in the Bank;
- Robotization of banking processes;
- Implementation of an automated system for remote loading of keys into POS terminals;
- Informing about the implementation of Committee's instructions/quarterly monitoring of the status of instructions implementation.

### Operational and Compliance Risk Committee

A permanent collegial body of the Bank, which ensures the performance of functions and powers regarding the management of operational and compliance risks.

Composition of the Operational and Compliance Risk Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee from the main composition
Chairman of the Committee	D.Ye. Kaplyuk	D.V. Koval (in the period of absence * of D.Ye. Kaplyuk)
Deputy Chairman of the Committee	I.A. Temchenko	I.V. Ulybin (in the period of absence * of I.A. Temchenko)
Member of the Committee	K.I. Koval	A.I. Melesh (in the period of absence * of K.I. Koval)
Member of the Committee	V.A. Basalaieva	M.P. Bushynskiy (in the period of absence * of V.A. Basalaieva)
Member of the Committee	V.A. Pashkovskiy	O.M. Kozak (in the period of absence * of V.A. Pashkovskiy)
Member of the Committee	S.L. Ostapenko	T.P. Fomina (in the period of absence * of S.L. Ostapenko)
Member of the Committee	I.O. Syniakov	Ye.P. Tychynska (in the period of absence * of I.O. Syniakov)
Permanently invited to participate in the meetings of Committee (without the right to vote):	A.V. Malakhov A.I. Melesh	



\* for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc).

In 2023, the Operational and Compliance Risk Management Committee held 18 meetings/meetings by paper circulation, including 13 meetings and 5 meetings by paper circulation, where 36 issues were considered and decisions were made, in particular on the following:

- Issues subject to approval:
  - Action Plan to Minimize Operational Risks Associated with the Operation of the iFOBS System;
  - Bank's Independent Structural Units and Branches Recovery Plans;
  - Updated List of Operational Risk Scenarios;
  - Classification of Types of Reputational Risk Events
- Consideration of information regarding the actions taken to ensure the implementation of critical processes of the Bank and the operation of branches in the event of a long-term blackout.
- Submitted for consideration:
  - operational risk management report;
  - report on the results of process quality and risks assessment;
  - report on the results of the analysis of the impact of negative factors on the Bank's business processes;
  - results of operational risk stress testing;
  - Bank's Business Continuity Plans testing results;
  - the issue of the acceptability of the Bank's compliance risks.
- On the fulfilment of the NBU recommendations based on the results of the first stage of the Bank's sustainability assessment.
- On the operational risk events related to the Bank's violation of the deadlines for notification of the STS authorities about the opening / closing of accounts and the payment of fines.
- On the update of the classifier of activities and the introduction of the classifier of business lines for operational risk events.
- Informing about the implementation of instructions/quarterly monitoring of the status of the implementation of instructions.

### **Tender Committee**

Tender Committee of "Ukreximbank" JSC is permanent collegial body of the Bank, the purpose of which is to organize and conduct procurement procedures to select the most attractive proposals for the purchase of goods / performance of works / provision of services necessary to ensure the economic activities of "Ukreximbank" JSC.

Composition of the Tender Committee as of December 31, 2023

Members of the Committee who participate in the meetings of the Committee on a permanent basis (main composition)		Members of the Committee who participate in the meetings of the Committee in the absence* of members of the Committee from the main composition
Chairman of Tender Committee	M.B. Medko	-
Deputy Chairman of Tender Committee	N.V. Kyselova	-
Member of Tender Committee	O.V. Shchur	-
Member of Tender Committee	K.I. Koval	O.V. Tereshchuk (in the period of absence* of K.I. Koval)
Member of Tender Committee	I.A. Temchenko	I.V. Ulybin (in the period of absence* of I.A. Temchenko)
Member of Tender Committee	V.A. Pashkovskiy	O.M. Kozak (in the period of absence* of V.A. Pashkovskiy)
Member of Tender Committee	Yu.V. Ozirnyi	D.O. Krytskyi (in the period of absence* of Yu.V. Ozirnyi)
Member of Tender Committee	Ya.O. Skorbulatov	M.P. Bushynskiy (in the period of absence* of Ya.O. Skorbulatov)

In 2023, 119 meetings of the Committee were held, including 76 meetings, where 219 issues were considered, including consideration and decision-making on procurement procedures of “Ukreximbank” JSC, etc.

**Commission on accreditation/interaction with third parties providing additional and related non-banking services.**

A permanent collegial body that determines the possibility and conditions of accreditation/interaction (cooperation) with third parties (hereinafter - Non-Banking Institutions) that provide additional and related non-banking services (hereinafter - Non-Banking Services), the issue of interaction (cooperation) with which shall be submitted to the Commission in accordance with the regulations, administrative documents of the Bank, resolutions of the Bank's collegial bodies, and also determines (selects) third parties providing Non-Banking Services in cases provided for by the regulations, administrative documents of the Bank, resolutions of the Bank's collegial bodies, as well as in certain cases when such determination (selection) is necessary according to the competence of the Commission

Composition of Commission on accreditation/interaction with third parties providing additional and related non-banking services as of December 21, 2023

Members of the Commission who participate in the meetings of the Commission on a permanent basis (main composition)		Members of the Commission who participate in the meetings of the Commission in the absence* of members of the Commission from the main composition
Chairman of the Commission	D. Ye. Kaplyuk	-
Deputy Chairman of the Commission	I.A. Temchenko	I.V. Ulybin (in the period of absence * of I.A. Temchenko)
Member of the Commission	T.M. Kovalenko	S.V. Skrynskyi (in the period of absence* of T.M. Kovalenko)
Member of the Commission	V.I. Pidchosa	Ye.O. Velikorodnyi (in the period of absence* of V.I. Pidchosa)
Member of the Commission	A.A. Lola	M.M. Kulish (in the period of absence of* A.A. Lola)
Member of the Commission	S.L. Ostapenko	D.O. Krytskyi (in the period of absence of* S.L. Ostapenko)
* for the reasons provided for by the applicable legislation of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc).		

In 2023, 16 meetings/meetings by paper circulation of the Commission on Accreditation/Interaction with Third Parties

Providing Additional and Related Non-Banking Services were held, including 6 meetings and 10 meetings by paper circulation, where 26 issues were considered and decisions were made, in particular on the following:

- Revision/extension of accreditation of the Bank's partners;
- Consideration of information on interaction with the Bank's partners providing additional and aggregate non-banking services to "Ukreximbank" JSC;
- Selection of law firms to provide the Bank with legal services on problem assets workout (problem exposure);
- Accreditation of counterparties that will provide property security services, services for monitoring the safety of the Bank's property and personal security services for the Bank's managers and key persons, heads of independent structural units and branches of the Bank, as well as the safety and security of individual employees of the Bank;
- Accreditation/interaction with authorized electronic platforms of ETS ProZorro.Sale, which are accredited to participate in ProZorro.Sale auctions;
- Review of accreditation of insurance companies;
- Review and extension of accreditation of car dealerships of the VIDDI Group;
- Informing on the fulfilment of the Commission's instructions/quarterly monitoring of the status of the instructions fulfilment, etc.

#### **Commission for monitoring of customer asset-side transactions of "Ukreximbank" JSC**

A permanent collegial body of the Management Board of the Bank, which, within the scope of its delegated powers, monitors asset-side transactions with the Bank's customers to identify credit risk factors and organizes work to prevent non-fulfilment (improper fulfilment) of obligations by customers to the Bank by making appropriate decisions.

Composition of Commission for monitoring of customer asset-side transactions of "Ukreximbank" JSC as of December 31, 2023:

Members of the Commission who participate in the meetings of the Commission on a permanent basis (main composition)		Members of the Commission who participate in the meetings of the Commission in the absence* of members of the Commission from the main composition
Chairman of the Commission	D.Ye. Kaplyuk	-
Deputy Chairman of the Commission	A.F. Shop	S.A. Antoniuk (in the period of absence* of A.F. Shop)
Member of the Commission	A.S. Blyzniuk	L.M. Brodetska (in the absence* of A.S. Blyzniuk)
Member of the Commission	I.A. Tarasinskyi	O.V. Strelko (in the absence of* I.A. Tarasinskyi)
Member of the Commission	A.V. Osadchuk	O.Ye. Savin (in the period of absence* of A.V. Koval)
Member of the Commission	S.V. Tkachenko	S. S. Puskai (in the absence of* S.V. Tkachenko)
Member of the Commission	M.M. Kulish.	A.A. Lola (in the period of absence* of H.H. Lisnichuk)
Permanently invited to participate in the Commission's meetings	I.A. Temchenko	I.V. Ulybin (during the period of absence of I.A. Temchenko for reasons stipulated by the applicable laws of Ukraine (in particular, vacation, temporary incapacity for work, business trip, etc.)
* for reasons stipulated by the applicable laws of Ukraine (in particular, vacation, temporary incapacity for work, business trips, termination of employment, etc.).		

In 2023, 22 meetings/meetings by paper circulation of the Commission for Monitoring of Customer Asset-Side Transactions of "Ukreximbank" JSC were held, including 20 meetings and 2 meetings by paper circulation, where 72 issues were considered and decisions were made, in particular, on the following:

- On the status and prospects of settlement of overdue debts of legal entities-borrowers of "Ukreximbank" JSC;
- On segmentation of overdue debt on unsecured transactions of individual borrowers of the Bank;
- On the identified credit risk factors;
- On off-balance sheet liabilities of "Ukreximbank" JSC under asset-side customer transactions;
- On the status of implementation of the Action Plans to Address Credit Risk Factors for borrowers;

- On segmentation of overdue receivables of the Bank's counterparties;
- On the status of fulfilment of the instructions of the Commission for monitoring of customer asset-side transactions of "Ukreximbank" JSC

## **Report of the Executive Body:**

### *Evaluation of composition, structure and activities of the executive body*

The structure, composition, powers and activities of the Management Board of the Bank are effective and meet the requirements of the current legislation of Ukraine, the Bank's regulatory documents, as well as the size of the Bank, the complexity, volumes, types, nature of transactions carried out by the Bank, the organizational structure and risk profile of the Bank, the peculiarities of the Bank's activities as systemically important and activities of the banking group, which includes the Bank.

### *Evaluation of competence and effectiveness of the chairman and members of the executive body*

In order to determine the individual evaluation of the competence and effectiveness of each member of the Management Board, the Management Board considered the participation of each of its members in the Bank's activities. Based on the results of the evaluation, each member of the Management Board is competent, has the appropriate professional and educational level, possesses valuable experience and knowledge, and generally makes a significant contribution to the performance of the functions by the Management Board. The functional powers of the Chairman of the Management Board meet the requirements of the current legislation of Ukraine and the Bank's Charter, the role of the Chairman of the Management Board in the work of the Management Board is effective. Members of the Management Board effectively perform their duties.

### *Evaluation of the execution of the set goals by the executive body*

In 2023, the Bank's activities were mainly aimed at maintaining the gains of 2022, in particular in terms of maintaining the quality of the loan portfolio, continuing work with non-performing assets and further improving operational efficiency, including by increasing the margin of interest transactions. Thus, due to the cheaper organic liquidity, the high-value refinancing loans of the NBU were repaid, which enabled the Bank to obtain a record pre-tax profit of UAH 5.2 billion at the end of 2023.

The events that took place during 2023 affected the Bank's performance indicators and significantly reduced the impact of the main factors that formed the Bank's capital deficit, namely:

- the Bank's net interest income amounted to UAH 4.4 billion, which is 13% higher than the similar indicator of UAH 3.9 billion in the previous year;
- the Bank's net non-interest income amounted to UAH 3.2 billion, which is 19% higher than in 2022 (UAH 2.7 billion);
- operating profit amounted to UAH 7.6 billion, against UAH 6.6 billion for 2022 (+15%);
- the Bank's operating expenses in 2023 amounted to UAH 2.6 billion, and had a slight increase compared to 2022 by UAH +0.2 billion;
- revenues from the recovery of written-off assets for 2023 amounted to UAH 1.1 billion compared to UAH 0.3 billion for 2022;
- improvement of the quality of the loan portfolio, including due to the reduction of non-performing loans, had a positive effect on debt provisions in the amount of UAH 0.9 billion;
- structural changes of the balance sheet that took place in 2023 and the balanced interest policy ensured the growth of the net interest margin in December 2023 to 2.92%, against 0.66% in January 2023, and the spread between the rates on interest-bearing assets and liabilities from 0.22% to 2.3%, respectively.

The strategic goals for the Bank during the period of martial law and post-war economic recovery in 2023 were as follows:

- provision of financial support for priority sectors of the economy and enterprises (objects) of critical infrastructure;
- the availability of banking services to ensure the protection of consumer rights, in particular, within the framework of social protection of the population, provided there is no physical threat to the Bank's employees;
- creation of conditions for the prompt resumption of the provision of banking services in full and ensuring the functionality and business continuity of the public sector banks;

- creation, setting up and maintaining the functioning of the effective system of physical security (of the Head Office and branches of the Bank, including the security of the Bank's employees), security of operating systems, in particular with the use of cloud solutions, and cyber security;
- implementation of measures aimed at reducing risks, including implementation of possible threats, implementation of Bank security measures, in particular control over security risks (including physical, financial, cyber security and security of operating systems), elimination and/or minimization of the consequences of implemented threats and crisis situations;
- uninterrupted and effective work of the Bank's executives to ensure making necessary management decisions;
- preservation of the Bank's financial stability, identification of possible threats to such stability, as well as prompt response to the threats to financial stability and/or their avoidance.

**Thus, it can be seen that the fulfillment of the goals for 2023 was achieved by the Management Board**, including physical, financial, cyber security and security of operating systems, elimination and/or minimization of the consequences of implemented threats and crisis situations.

*Information about how the activity of the executive body caused changes in the financial and economic activity of the person*

In 2023, the Bank cooperated in the areas of financial support of priority sectors of the economy, in particular:

- agreements with the Business Development Fund for three programs to support the financing of Ukrainian enterprises for a total amount of over UAH 250 million were signed;
- Memorandum on Cooperation with the Kyiv Regional Military Administration for the purpose of implementing a comprehensive regional development program for the Kyiv region was signed. The Bank's role will primarily consist of preferential lending to small and medium-sized enterprises in cooperation with the Business Development Fund;
- the Bank became a partner of the All-Ukrainian Information Campaign on Payment Security #ShakhrayGoodbye, which is conducted by the NBU and the Cyber Police;
- Memorandum on Cooperation with Ivano-Frankivsk Regional State Administration for the purpose of introducing new financial instruments for the business of Prykarpattia was signed;
- agreements on the new support mechanisms for the representatives of small and medium-sized enterprises working in Kyiv and Kyiv region within the target regional programs were signed. Agreement with the Business Development Fund provides for the reduction in the interest rate on investment loans for the purchase of fixed assets (premises, equipment, machinery, etc.) for small and medium-sized enterprises at the expense of the regional budget funds;
- agreement on expert-analytical cooperation with the management company "Bureau of Investment Programs" to improve the access of residents of NOVO industrial parks in Volyn to financial resources was signed;
- the Bank provided financing to one of the largest sugar exporters in the amount of USD 25 million under a joint project with the World Bank;
- the first agreement under the state program "Affordable Financial Leasing 5-7-9%" with the utility company "Lutskvodokanal" in the amount of UAH 7.8 million for the purchase of mobile modular water treatment systems and automated sewer grates was signed;
- general agreement and cooperation agreements with the Ukrainian Financial Housing Company under the state program of affordable mortgage lending eOselya was signed;
- the first loan in Ukraine to the utility company under the "Affordable loans 5-7-9%" program was granted.
- under a joint program with the European Bank for Reconstruction and Development, about UAH 700 million of investment funds with grant components were granted to the Ukrainian business, and the lending program with the European Bank for Reconstruction and Development aimed at supporting the Agreement on the Deep and Comprehensive Free Trade Area between Ukraine and the EU was successfully completed;
- the Bank started to perform the function of the settlement bank of Visa international payment system in Ukraine with the further provision of settlements, including on weekends and holidays;
- EUR 20 million was received by the Bank from the European Investment Bank (EIB), the bank of the European Union to help local business overcome the challenges and obstacles caused by the war in Ukraine. This financing in the national currency will be aimed at supporting Ukrainian small and medium-sized enterprises (SMEs) and is the last tranche of the credit line of Ukreximbank in the amount of EUR 300 million;

- together with the "Come Back Alive" Foundation for Competent Assistance to the Army, the "Target Designation" project was launched, more than UAH 18,000,000 were collected to provide the Marine Corps brigades of the Ukrainian Armed Forces with 25 sets of thermal imaging aerial reconnaissance.

## **5. Information on the corporate secretary of the Bank, report on the results of their activities for the year**

The Bank has established the position of Corporate Secretary, which provides information and organizational support for the activities of the Supervisory Board, as well as the exchange of information between the Supervisory Board and other management and control bodies of the Bank and its shareholder. The Corporate Secretary of the Bank acts on the basis of legislation, the charter of the Bank, the Regulation on the Supervisory Board of the Bank and the Regulation on the Corporate Secretary and the Corporate Secretary Service of "The State Export-Import Bank of Ukraine" Joint Stock Company. The Corporate Secretary is not a member of any governing bodies of the Bank and is not associated with the Bank, except through the performance of the Corporate Secretary's functions. The Corporate Secretary cooperates in their activities with other management and control bodies of the Bank, besides the Supervisory Board, but is not functionally subordinate and accountable to these bodies.

The election and termination of the Corporate Secretary's powers belong to the exclusive competence of the Supervisory Board. When appointing the Corporate Secretary, the reputation, qualifications, management skills and abilities, communication and personal qualities that allow the Corporate Secretary to properly perform the functions of the Bank's Corporate Secretary and ensure the effective implementation of corporate governance practices in the Bank are taken into account. The Corporate Secretary has their own apparatus – the Corporate Secretary service – whose work the Corporate Secretary heads, provides general management and organizes its activities. The Corporate Secretary service operates on the basis of the Regulation on the Corporate Secretary and the Corporate Secretary Service, approved by the Supervisory Board. As of the date of this report, the Corporate Secretary service consists of the Corporate Secretary and Legal Advisor. Starting from January 1, 2023, throughout 2023, the Corporate Secretary actively cooperated with the Chairman and other members of the Supervisory Board and ensured the preparation, organization and holding of 18 (eighteen) meetings of the Supervisory Board, as well as numerous meetings of the Supervisory Board committees (more than 70 (seventy) committee meetings).

The Corporate Secretary cooperated with the chairmen of the Supervisory Board's committees to assist the Supervisory Board in exercising its powers regarding:

- ensuring the functioning and exercise of control over the effectiveness of the functioning of the internal control system and the internal audit function in the Bank, compliance with internal audit policies and conducting external audit;
- supervision of the adequacy and effectiveness of the risk management system;
- ensuring effective organization of corporate governance in the Bank;
- establishing and ensuring the effective functioning of a problem asset workout process in the Bank;
- preparation and approval of the annual report on the activities of the Supervisory Board in 2023, annual reports on the activities of the Committees of the Supervisory Board, work plans of the Committees of the Supervisory Board and the Supervisory Board itself for 2023 and 2024, as well as the plan of meetings of the Supervisory Board;
- participation in the preparation of a report on the assessment by the Governance and Compliance Committee of the Supervisory Board of the effectiveness of corporate governance in the Bank for 2022;
- the appointment of members of the Supervisory Board appointed in 2023, as well as ensuring the submission of documents necessary for the approval of the new composition of the Supervisory Board to state bodies. The Corporate Secretary also assisted the Chairmen of the Risk Committee and the Audit Committee in preparing quarterly reports on the activities of these Committees, and the Chairman of the Supervisory Board in preparing the annual report on the activities of the Supervisory Board.

## 6. Information on the main characteristics of the internal control system, a list of structural units of the Bank that perform key duties to ensure the operation of the internal control system

Pursuant to subclause 3 of clause 28 of chapter 4 of section 1 of the Resolution of the Board of the National Bank of Ukraine "On Approval of the Regulation on Organization of Risk Management System in Ukrainian Banks and Banking Groups" No. 64 dated 11.06.2018, the Bank has established an internal control system (ICS).

The Policy on the Internal Control System of "Ukreximbank" JSC (hereinafter referred to as the "ICS Policy") is a regulatory document aimed at ensuring the integration of internal control procedures into all processes and corporate governance of the Bank, aimed at achieving the operational, informational and compliance goals of the Bank's activities. In accordance with the recommendations provided by the National Bank of Ukraine in the Inspection Report and in accordance with the Calendar Plan for the development/revision of the Bank's charter, regulations on management bodies and regulatory documents for 2023, the ICS Policy was set out in a new version and approved by the resolution of the Supervisory Board dated 28.02.2024.

The Bank's internal control system:

1. consists of the following components:

- control activity;
- control environment;
- monitoring of the ICS effectiveness;
- control over information flows and communications;
- risk management.

Within each of the components, indicators for monitoring the effectiveness of the internal control system were developed and the effectiveness of the internal control system is monitored on a quarterly basis.

2. ensures achievement of the operational, information, compliance goals of the Bank's activities;

3. is implemented at each of the organizational levels of the Bank.

The processes of control over the functioning of the ICS provide for regular consideration of the results of the functioning of the ICS by the Management Board and the Supervisory Board of the Bank.

The Bank's internal control system is based on a clear distribution of responsibilities between the Bank's units in accordance with the provisions of the applicable legislation of Ukraine, regulatory acts of the NBU and the RD.

The distribution of responsibilities is based on the application of the three lines of defense model.

**The first line of defense** is business units and support units that are the owners of the risks (including operational and compliance risks) arising in their field of activity. These units are responsible for identifying and assessing risks, implementing management measures and reporting on such risks to the Bank's managers and units of the second line of defense. The units of the first line of defense of the Bank are responsible for the implementation of measures to correct the deficiencies of the ICS. An essential element of an effective ICS is the recognition by all employees of the Bank of the need to properly perform their duties and the obligation to bring to the attention of the Bank's management of the appropriate level any operational problems, cases of non-compliance with the Bank's code of conduct (ethics) or other violations of rules or abuses.

**The second line of defense** is risk management unit and compliance structural units, which provide confidence to the Bank's managers that the control and risk management measures implemented by the first line of defense have been developed and are functioning properly.

**The third line of defense** is Internal Audit Department, which carries out an independent assessment of the effectiveness of the first and second lines of defense and a general assessment of the effectiveness of the ICS, taking into account the requirements established by the Supervisory Board of the Bank and the NBU.

Key responsibilities for ensuring the coordination of the internal control system are carried out by Internal Control Coordination and Regulatory Compliance Division.

The internal control system is integrated with all banking processes, risk management system and corporate governance at all levels. Internal control is ensured in absolutely all directions, including in decision-making processes and processes of implementation of the Bank's strategies, business plans and goals. At the same time, employee training was introduced, which, in turn, helps develop the culture of internal control in the Bank and assess the quality of the internal control system.

During 2023, the Bank ensured the review of quarterly reports on the results of operational monitoring of the internal control system's effectiveness and provided recommendations for improving its functioning, ensured review and update

of the indicators for monitoring the internal control system's effectiveness, and controlled the Bank's compliance with the restrictions imposed by the regulator for the period of martial law, etc. At the same time, in the conditions of martial law, in view of the occurrence of events that have/may have a significant impact on the Bank's activities and the execution of processes, the Bank also considers it necessary to introduce procedures for additional assessment of the effectiveness of the Bank's internal control system, while applying a reliable internal control system, which provides fair guarantees of financial and operational control and compliance with the legislation.

## **7. Information about the existence of the Bank's risk management system and its key characteristics, the list of structural units of the Bank, performing key duties to ensure the operation of the risk management system**

The Bank's risk management system (hereinafter – the RMS) has a key importance to ensure financial stability, sustainable operation and contribution to the achievement of strategic business goals of the Bank's development in the dynamic context, to identify, analyze (assess), monitor, control, mitigate and report on the Bank's risks in order to take timely and adequate managerial decisions. The RMS is built and operates in accordance with the requirements of the current legislation of Ukraine, including the law of Ukraine "On Banks and Banking", the Regulation on the organization of risk management system in banks of Ukraine and banking groups approved by the resolution of the Board of the National Bank of Ukraine dated 11.06.2018 No.64 (hereinafter – the NBU Resolution No.64), the Regulation on the organization of internal control system in banks of Ukraine and banking groups approved by the resolution of the NBU Board dated 02.07.2019 No.88 considering the Charter of the Bank, regulatory and administrative documents of the Bank, the resolutions of governance and collegial bodies of the Bank etc.

The RMS covers all significant types of risks the Bank is facing within its operation, in particular:

- credit risk;
- liquidity risk;
- interest rate risk in the banking book;
- market risk;
- operational risk;
- compliance risk.

and includes all key elements as provided by law, namely:

- organizational structure;
- culture of risk management and the code of conduct (ethics) of the Bank
- internal regulatory risk management documents of the Bank;
- effective risk management instruments in the Bank;
- informational systems that ensure the existence of mechanisms of risk management and reporting.

The RMS is based on the division of duties between all independent structural units and branches of the Bank by using models of three lines of defense: the first line – at the level of business units and support units of the Bank; the second line – at the level of risk management unit and compliance control unit; the third line – at the level of internal audit unit.

The following governance bodies, collegial bodies and officials are RMS entities: the Supervisory Board, Risk Committee of the Supervisory Board; the Management Board; the committees of the Management Board, in particular, the Credit Committee, the Minor Credit Committee, Assets and Liabilities Committee (ALCO), Operational and Compliance Risk Committee and other collegial bodies of the Bank; chief risk officer (CRO) and chief compliance officer (CCO).

The RMS entities are also independent structural units that perform key duties to ensure the operation of the RMS: Internal Audit Department (third line of defense); Risk Management Department and structural compliance control units (second line of defense); business units and support units of the Bank (first line of defense).

The Internal Audit Department includes such structural units: Methodology, Planning and Quality Control Division and Audit Inspections Division. The Internal Audit Department focuses on controlling and facilitating the improvement of the RMS via the system of independent opinions and recommendations to ensure the effectiveness of functioning of the RMS.

The Risk Management Department includes such structural units: Credit Risk Control Division, Collateral Assessment, Monitoring and Accreditation Division, Portfolio Risk Management, Standard Modeling and Implementation Division, Market Risk Control Division, Operational Risk Control Division. The main task of the Risk Management Department is to manage risks of the Bank to ensure efficient operation of the risk management system at least with the respect to the following significant risks: credit risk, interest rate risk in the banking book, the liquidity risk, market risks, operational risk. The compliance control units are represented in the organizational structure as Internal Control Coordination and Regulatory Compliance Division and Compliance Risk Control Division. Their main task is to ensure the efficiency of the risk management system in terms of the Bank's compliance risk management.

The units of the second and third lines of defense of the internal control system and risk management system, the chief risk officer (CRO) and chief compliance officer (CCO), organizationally and functionally separated from the first line of



defense, are subordinated to and report to the Supervisory Board. They are staffed with proper qualified personnel who ensure the effective operation and performance of tasks of respective units.

The scope of obligations regarding the operation of the RMS and powers delegated to the officials and independent structural units of the Bank is governed by regulations on the relevant independent structural units, relevant administrative, regulatory and other internal documents of the Bank, the resolutions of governance and other collegial bodies of the Bank.

During 2023 a tendency for a certain stabilization of external environment and conditional adaptation of the Bank to threats, risks and challenges of the operation during war time emerged. The urge need in subsequent maintenance of manageability and an appropriate level of risk management and governance potential in the medium and long term emerged to replace the operational capacity of the RMS entities and the Bank, as a whole, demonstrated in 2022. In particular, in 2023 the Risk Management Department focused on natural combination of the following areas:

- support and further improvement of processes focused on ensuring the business continuity;
- taking a set of measures aimed at supporting the lending of priority customers of the Bank in war time and ensuring the acceptable loan portfolio, despite difficult external conditions, including the consideration of restructuring of debts, the improvement of early response system etc;
- further development of the Bank's risk management system, including the support and update of current regulatory documents<sup>1</sup> and models of risk assessment, as well as the automation of specific aspects of activities, the development of new internal regulatory documents to meet new requirements of the regulator.

For the purposes of efficient operation of the RMS, the Bank ensures the formation, development and maintenance of high culture of risk management in all activities of the Bank and at all organizational levels, in particular, the Bank has implemented an educational program on the risk management for the Bank's employees and the measures aimed at improving the awareness of the risk management among the Bank's employees.

- The RMS includes a wide range of regulatory risk management documents being developed with regard to the necessity to determine and regulate the full process of risk management (starting from the identification of risks to reporting) and covering both general requirements (including the organizational structure, strategic goals of risk management, the level of risk-appetite etc.), and the detailing of methodological approaches and procedures for the risk management.
- The regulatory risk management documents of the Banks are conditionally divided into general (applied to all types of risks – the Risk Appetite Statement, Risk Management Strategy, Recovery Plan, Procedure for Escalation of Risk Limits Violations, stress testing program etc.) and specific (for certain types of risks the Bank is facing within its activities – policies, methodologies, regulations/procedures/plans, forms of reporting). All regulatory risk management documents are subject to at least annual revision pursuant to the NBU Regulation No.64, including for a range of documents – at the level of the Supervisory Board, and in the event of the change of the legislation they are promptly updated.
- For the achievement of main risk management goals, the Bank uses efficient instruments and risk assessment models, including limiting, statistical and mathematical models, the analysis of actual indicators and the causes of their significant changes, forecasting etc.
- The instruments and models used for the assessment of a specific type of risk are defined on the basis of the nature of a relative type of risk, the requirements of regulatory acts of the NBU and banking practices regarding the assessment / management of an appropriate type of risk, as well as with respect to the current situation and (where relevant) actual values and forecasts of macroeconomic indicators.

The Bank ensures constant monitoring of risks, their indicators, as well as actual implementation of measures aimed at minimizing risks and their effectiveness. In case of the violation of limits/risk indicators and significant increase of risk (with the maximum approximation of the actual risk indicators to the established limits) the appropriate information is delivered to authorized collegial bodies of the Bank, including the Management Board and the Supervisory Board.

- The Bank creates reliable informational systems that facilitate risk management by ensuring proper aggregation of risk data of the Bank, by providing the opportunity of operational and reliable measurement of risks and reporting. The informational systems of the Bank provide the opportunity for registration and maintenance of necessary volume of initial data to maintain the current status and use the models of assessment /analysis of risks, including their certain elements, proper calculation of actual values of risk indicators, formation of provisions for asset-side transactions of the Bank, operational preparation of reports, etc.
- The reporting on risks is prepared in a manner to summarize accurate, full, reliable and timely information on all significant risks of the Bank, the current situation and tendency of their changes. Periodically, the reporting on risks is provided to the Supervisory Board of the Bank, the Risk Committee, the Management Board of the Bank and its relevant committees and other users.

Therefore, the risk management in the Bank ensures the efficient interaction at all organizational levels of the Bank (from the Supervisory Board to each employee of the Bank), including timely identification, proper assessment, the preparation of information for the prudent decision-making process and constant monitoring and control of risks.

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<sup>1</sup> Despite the existing waiver of the NBU regarding the suspension of the requirement to annually update risk management documents

Considering the above, the activities of the Bank and all RMS entities are focused on maintaining the stable manageability, development of all key elements and improvement of the RMS as a whole for the stability and efficiency of the activities of the Bank in long run.

#### **8. Information on the existence of the approved risk appetite statement of the Bank, the description of key provisions of the risk appetite statement**

The risk appetite statement is a regulatory document of the Bank approved by the Supervisory Board that has been implemented in the Bank since 2020, and to maintain it up to date, is periodically, usually annually, reviewed and updated by the Bank considering the requirements of NBU Regulation No. 64. During 2023 the risk appetite statement was valid in the version approved by the resolution of the Supervisory Board of the Bank dated 11.11.2022 (minutes No.48, item 5).

The following structural units that perform key duties to ensure the RMS operation are responsible for the update of the risk appetite statement: the Risk Management Department and Compliance Risk Control Division (as regards the compliance risk).

The risk appetite statement determines an aggregate value of risk appetite and types of risks that the Bank has intention to accept and maintain for the achievement of business goals and the level of risk appetite regarding the types of risks. The risk appetite statement regulates:

- risk capacity, i.e. a maximum value of the risk the Bank can accept under all types of risk, considering the level of its capital, the capacity to manage risks in an adequate and efficient manner, as well as regulatory restrictions);
- risk appetite, i.e. an aggregate value for all types of risks and separately for each of risks determined in advance and within the risk capacity, regarding which the Bank took decisions on the feasibility/necessity of their maintenance in order to achieve its strategic goals and the implementation of the business plan);
- quantitative and qualitative indicators of risk appetite regarding each of types of risks;
- approaches and a list of the assumptions that were used by the Bank during the calculation of risk appetite values; types of risks the Bank has to avoid in the course of its activities;
- internal and external factors and restrictions affecting the acceptance of risks by the Bank.

The risk appetite statement provides that an aggregate risk appetite amount consists of risk appetite amounts that are determined for the following significant types of risk: credit risk, interest rate risk in the banking book; market risks; operational risk; compliance risk.

The Risk Appetite Statement determines both direct values of risk appetite and a wide range of quantitative and qualitative indicators for each separate type of significant risk. The lists and levels of values of quantitative and qualitative indicators of the Risk Appetite Statement are systematized and detailed in separate annexes to the Risk Appetite Statement.

Also, to facilitate the achievement of and timely response to the changes of values of quantitative indicators of the Risk Appetite Statement, as well as for the control and prevention of the over-limit values of the risk appetite in terms of types of risks and aggregate risk appetite, there is a system of constant monitoring of values of the qualitative indicators and the system of escalation of appropriate issues in accordance with the Procedure for Escalation of Risk Limits Violations at "Ukreximbank" JSC.

Therefore, in case of the actual violation of threshold values of quantitative indicators of the Risk Appetite Statement or possible forecast violations of values of such indicators the respective issues are escalated to the level, starting from the level of chief risk officer of the Bank and a relevant committee of the Management Board of the Bank to the level of the Supervisory Board depending on the nature of the actual violation of the value of quantitative risk indicator.

In addition, in 2024 the Bank is planning a comprehensive update of the Risk Appetite Statement to make quantitative and qualitative indicators of risk appetite even more detailed.

#### **9. Information on parties that directly or indirectly own a significant share of the Bank**

As of December 31, 2023, 100% of the authorized capital of the Bank belongs to the state represented by the Cabinet of Ministers of Ukraine. Address: 12/2 Hrushevskoho St., Kyiv, 01008.

#### **10. Procedure for appointment and dismissal of the Bank's officials.**

##### *Supervisory Board of the Bank*

The Supervisory Board is a collegial management body of the Bank, which, within its competence, manages the Bank, controls and regulates the activities of the Bank's Management Board in order to implement the Bank's development strategy, and also protects the rights of depositors, creditors and the state as a shareholder of the Bank.

Members of the Supervisory Board are appointed by the Bank's Supreme Governing Body in accordance with the procedure established by law, in particular:

- one representative of the state in the Supervisory Board is appointed by the Supreme Body based on the proposal of the President of Ukraine, one – based on the proposal of the Cabinet of Ministers of Ukraine, and one – based

on the proposal of the specialized Committee of the Verkhovna Rada of Ukraine, whose responsibilities include issues of banking;

- independent members of the Supervisory Board are appointed by the Supreme Governing Body of the Bank based on the proposal of the competition commission (within five working days from the date of receiving the corresponding proposal), formed by the Cabinet of Ministers of Ukraine.

Members of the Bank's Supervisory Board take office after their approval by the National Bank of Ukraine.

Given the special role of the Bank's Supervisory Board in the new system of corporate governance, the legislation established a special procedure for appointing and terminating the powers of members of the Supervisory Board of a state-owned bank.

In order to ensure the independence of the supervisory boards of state-owned banks, the legislation limited the right of the Supreme Body to terminate the powers of members of the supervisory boards at will to two cases, namely: due to repeated disapproval by the Supreme Body of the development strategy of a state-owned bank, approved by the supervisory board of a state-owned bank, and non-implementation of the strategy and/ or the business plan for the development of a state-owned bank, which is confirmed by the results of an annual assessment in the manner determined by the Supreme Body.

All other grounds for terminating the powers of members of supervisory boards by the supreme body are based on legal facts that arose not at the initiative of the supreme body, including the fact of non-compliance of a member of the supervisory board of a state-owned bank with the requirements for members of the supervisory board; at the request of at least five members of the supervisory board of a state-owned bank or the National Bank of Ukraine if a member of the supervisory board of a state-owned bank improperly performs his duties or does not meet qualification requirements.

#### Management Board of the Bank

The Management Board is the Bank's permanent executive body, which carries out current management of its activities, must act in the Bank's interests and avoid conflicts of interest, and is responsible for the effectiveness of its work in accordance with the Charter and Regulation on the Management Board.

The Management Board consists of the Chairman, Deputy Chairman and other members of the Management Board. The quantitative composition of the Management Board (the total number of positions in the management board according to the organizational structure of the Bank) is determined by the resolution of the Supervisory Board on approval of the organizational structure of the Bank and cannot be less than five persons.

The chairman and other members of the Management Board are appointed and dismissed by the Supervisory Board based on the proposal of the Supervisory Board's Remuneration and Nominations Committee.

Candidates for the positions of chairman and members of the Management Board are determined based on the results of the competitive selection, which is conducted in accordance with the procedure determined by the Supervisory Board.

The National Bank, in its established procedure, approves the appointments of the chairman and other members of the Management Board.

The chairman of the Management Board takes office after his approval by the National Bank.

The term of office of the chairman or members of the Management Board is five years, unless another term, which cannot exceed the maximum term of office established by law, is determined for the chairman or a member of the Management Board by the resolution of the Supervisory Board. The Supervisory Board has the right to terminate the powers of the chairman or a member of the Management Board before the expiry of the term of office established by the resolution of the Supervisory Board or the Charter, based on the proposal of the Supervisory Board's Remuneration and Nominations Committee on the grounds established by law and/or employment agreements (contracts) concluded with them. The chairman or a member of the Management Board may be appointed for a new term only as a result of a competitive selection.

#### Other officials

Regarding appointment

The appointment/dismissal of the Bank's officials (chairman and members of the executive body; head of the internal audit unit; corporate secretary; chief compliance officer and chief risk officer) is carried out on the basis of Resolution of the NBU No. 149 dated 22.12.2018, Procedure on HR Management, and Procedure for the Verification of the Members

of the Management Board, the Chief Accountant, the Heads of Control Units, and the Employee of “Ukreximbank” JSC Responsible for Financial Monitoring.

The basis for employment is:

- for the positions of chief compliance officer, head of the internal audit unit, chief risk officer - the Supervisory Board's resolution on approval for the position;
- for the positions of chief compliance officer of the Bank, head of the internal audit unit, chief risk officer, and chief accountant - approval of the National Bank of Ukraine before appointment to the position;
- for the position of corporate secretary - election by the Supervisory Board of the Bank based on the proposal of the Chairman of the Supervisory Board of the Bank.

Employment is formalized by an order of the Chairman of the Management Board or an authorized person according to the current nomenclature of positions of “Ukreximbank” JSC.

An employee of the Bank shall familiarize themselves with the employment order under signature prior to commencement of work. The order specifies the date of employment, the title of the position (job) in accordance with the staff list approved by the Chairman of the Bank's Management Board, the amount of the established salary, the duration of the probationary period (if established), as well as the employee's identification number. In some cases, employment agreements may be concluded in a different form in accordance with the requirements of the applicable legislation of Ukraine.

Regarding dismissal

- Termination of an employment agreement is carried out on the grounds provided for by the applicable legislation of Ukraine;
- Pursuant to the requirements of Articles 7 and 39 of the Law of Ukraine "On Banks and Banking", clause 103 of the Bank's Charter, the issue of approving the dismissal (termination of powers) of the chairman and members of the executive body; corporate secretary; head of the internal audit unit; chief accountant, chief compliance officer and chief risk officer is submitted for consideration by the Supervisory Board;
- The day of dismissal is the last working day of the employee. On the day of dismissal, the employee of HR Management Division familiarizes the dismissed employee with the order on dismissal under the signature, and issues them a properly executed employment record book under the signature in the book of accounting for the movement of employment record books, if the employment record book was kept in the Bank. On the day of dismissal, HR Management Division issues a copy of the dismissal order to the employee, and, at the request of the employee, the proper records of dismissal are made in the employment record book kept by the employee.
- On the day of the employee's dismissal, Internal Banking and Tax Accounting Support Division sends a written notification to the employee's corporate e-mail about the amounts accrued and paid to them upon dismissal with an automated confirmation that the employee has received a written notification of the amounts accrued and paid to them upon dismissal.
- In case of dismissal, the Bank notifies the National Bank by e-mail within three working days of:
  - termination of powers and/or dismissal of head of the bank, chief risk officer, chief compliance officer, head of the bank's internal audit unit, indicating the reasons for such dismissal and the candidates for appointment to these positions (if available);
  - assignment of the duties of head of the bank, chief risk officer, chief compliance officer, head of the bank's internal audit unit to another person, except for the assignment of duties during the temporary absence of head of the bank, chief risk officer, chief compliance officer, head of the bank's internal audit unit.

## **11. Powers of the Bank's officials.**

The powers of the chairman and members of the Supervisory Board, chairman and members of the Bank's Management Board are set forth in the Charter, Regulations on the Supervisory Board and the Management Board, which are posted on the Bank's official website and are available at the following links: <https://www.eximb.com/ua/bank/securities-report/insha-informaciya.html>.

The powers of the Bank's corporate secretary are set forth in the Regulation on the Supervisory Board, approved by the Supreme Body, and the Regulation on the Corporate Secretary and the Corporate Secretary Service, approved by the Bank's Supervisory Board.

In addition, the Bank has an order on the personal distribution of functions and powers between the management and individual officials of the Bank.

## **12. Information on the annual remuneration of the members of the Supervisory Board and the executive body of the Bank**

1) remuneration in national or foreign currency and forms of payment of the remuneration paid or to be paid to each member of the relevant management body of the issuer, the decision on payment of which was made in the reporting period

- in monetary form<sup>2</sup>:
  - in national currency UAH 79 668 652, 34;
  - in foreign currency USD 254 505,02;
- in non-monetary form<sup>3</sup> in national currency UAH 21 917,96.

2) the amount of the fixed and variable parts of the remuneration in the total amount of the remuneration paid or to be paid to each member of the relevant management body of the issuer, the decision on the payment of which was made in the reporting period

The total amount of the remuneration of the Members of the Management Board and the Supervisory Board of “Ukreximbank” JSC paid by the Bank in 2023 amounted to UAH 89 017 365,94, namely:

To the Members of the Management Board:

- basic salary – UAH 53 826 905,10.
- payment of annual leave days, compensation for days of unused annual leave, compensation for travel expenses – UAH 7 241 640,82.

To the Members of the Supervisory Board of the Bank:

- basic monthly remuneration for performing the functions of a Member of the Bank's Supervisory Board (during December 2022 - May 2023) – UAH 27 774 452,22;
  - monetary payments for compensation of expenses incurred by the Members of the Supervisory Board – UAH 152 449,84;
  - procurement by the Bank at its own expense of services necessary for the Members of the Supervisory Board of the Bank to exercise their powers and perform their duties (in particular, residence during the time required to participate in the meetings of the Supervisory Board and/or its committees, travel from the place of residence/stay of the Member of the Supervisory Board to the location of the Bank and back) – UAH 21 917,96.
- 3) performance evaluation criteria by which the variable part of the remuneration was accrued
- taking into account the restrictions established by clause 8 of the Resolution of the NBU No. 23 dated 25.02.2022, variable remuneration for members of the Management Board and members of the Supervisory Board was not accrued, and performance evaluation criteria were not established.
- 4) changes in the fixed part of the remuneration during the reporting period
- during 2023, there was no change in the fixed part of the remuneration
- 5) the ratio of the average remuneration of a member of the executive body and the supervisory board with the average remuneration of the issuer's employees.
- the ratio of the average remuneration of a member of the management board/supervisory board to the average remuneration of the Bank's employees is 18:1.

Information about the paid remuneration is posted on the official website of the Bank and is available at the following links: <https://www.eximb.com/ua/bank/corp-management/dokumenty/informaciya-pro-vinagorodu-kerivnictva.html>

### **13. Information on the external auditor of the supervisory board of the Bank, appointed during the year**

KPMG Audit PrJSC (EDRPOU: 31032100, registered office: 32/2, Kniaziv Ostrozkykh Str., Kyiv, 01001, Ukraine) was selected as the auditor of the annual financial statements of “Ukreximbank” JSC prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2023 (extract from the minutes No. 9 of the meeting of the Supervisory Board of “Ukreximbank” JSC dated 28 February 2024).

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<sup>2</sup> Remuneration in monetary form consists of the basic (basic salary) and additional (payment of annual leave days, compensation for days of unused annual leave, compensation for travel expenses) remuneration of the Management Board Members, basic monthly remuneration of the Supervisory Board Members for performing the functions of a Member of the Supervisory Board, monetary payments for compensation of expenses incurred by a Member of the Supervisory Board in connection with the exercise of their powers and performance of their duties

<sup>3</sup> Procurement by the Bank at its own expense of services necessary for the Members of the Supervisory Board of the Bank to exercise their powers and perform their duties (in particular, residence during the time required to participate in the meetings of the Supervisory Board and/or its committees, travel from the place of residence/stay of the Member of the Supervisory Board to the location of the Bank and back) of the Management Board and the Supervisory Board of the Bank, the decision on the payment of which was made in the reporting period (in 2023)

KPMG Audit PrJSC provided audit services for the Bank's financial statements for the year ended December 31, 2023.

- information on the amount of remuneration for the audit of the annual financial statements

On March 29, 2024, the Bank and KPMG Audit PrJSC entered into Audit Services Agreement No. 32-SA/2024/0002100/1. In accordance with the terms of the said agreement, KPMG Audit PrJSC undertakes to audit the separate and consolidated financial statements of the Bank as of 31 December 2023 and for the year then ended. The amount of remuneration of KPMG Audit PrJSC for the audit of the annual financial statements for 2023 is UAH 24 480 000 (including VAT).

- list of other audit and non-audit services provided to the financial institution during the year:

KPMG Audit PrJSC did not provide any other audit services to the Bank during the last year. KPMG-Ukraine LLC, a member of KPMG network, provided consulting services for the preparation of an independent expert report for a total amount of UAH 2,190,000 (including VAT).

- cases of conflicts of interest and/or combining the functions of the internal auditor:
- There are no cases of conflicts of interest and/or combining the functions of the internal auditor.

- rotation of auditors in a financial institution over the past five years
- The auditor of the annual financial statements of "Ukreximbank" JSC for 2019-2022 is Ernst & Young Audit Services LLC. The auditor of the annual financial statements of "Ukreximbank" JSC for 2023 is KPMG Audit PrJSC.

- penalties imposed on the auditor by the Audit Chamber of Ukraine during the year and facts of submission of inaccurate financial statements of a financial institution, confirmed by the auditor's report, which were revealed by the public authorities regulating financial services markets:

During the reporting year, KPMG Audit PrJSC was not subject to any penalties imposed by the Audit Chamber of Ukraine, and there is no information on the facts of submission of inaccurate financial statements of a financial institution, confirmed by the auditor's report, revealed by the public authorities regulating financial services markets.

**Chairman of the Management Board**



**Viktor PONOMARENKO**



# Independent Auditors' Report

To the Shareholder of “The State Export-Import Bank of Ukraine”  
Joint Stock Company

## Report on the Audit of the Annual Consolidated Financial Statements

### Opinion

We have audited the annual consolidated financial statements of “The State Export-Import Bank of Ukraine” Joint Stock Company (the “Bank”) and its subsidiary (together the “Group”), which comprise:

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

In our opinion, the accompanying annual 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Law of Ukraine “*On Accounting and Financial Statements in Ukraine*” on preparation of the annual consolidated financial statements.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the annual 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.

Private Joint-Stock Company “KPMG Audit”

32/2 Kniaziv Ostrozkykh Str., Kyiv, Ukraine 01010  
tel. +380 44 490 5507, fax +380 44 490 5508, kpmg.ua

PJSC “KPMG Audit”, a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registration No. 31032100 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations.

Registration No. 2397 in the Register of Auditors and Auditing Entities.



## Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the annual consolidated financial statements, which describes the negative effects on the Group's operations of the military invasion launched by the Russian Federation on the territory of Ukraine on 24 February 2022, including a continuing breach of the capital adequacy ratio requirements. As also stated in Note 2, these events or conditions, along with other matters as set forth in that Note, 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

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

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section we have determined the matters described below to be the key audit matters to be communicated in our report:

### Expected credit losses on loans and advances to customers

The gross amount of loans and advances to customers and the total related allowance for expected credit losses as at 31 December 2023: UAH 95,201,591 thousand and UAH 20,631,918 thousand, respectively; gain on reversal of impairment loss for the year then ended: UAH 1,462,879 thousand (31 December 2022: UAH 103,602,324 thousand and UAH 21,172,463 thousand, respectively; impairment loss for the year then ended: UAH 10,079,043 thousand).

Please refer to the Notes 3, 4, 10, and 29 in the annual consolidated financial statements.

Key audit matter	Our response
<p>Loss allowances for loans and advances to customers represent management's best estimate of the expected credit losses ("ECL") within loans and advances to customers (collectively, "loans", "exposures") measured at amortized cost at the reporting date.</p> <p>The loss allowances for individually significant exposures (loans of customers with the total exposure exceeding UAH 300,000 thousand in Stage 2 and Stage 3 or POCI assets) are determined on an individual basis. The process involves subjectivity and reliance on a number of significant assumptions, including those in respect of the weights of the recovery scenarios and expected proceeds from the sale of the related collateral.</p> <p>The loss allowances for other exposures are estimated using three components: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"), taking into consideration historical experience, identification of exposures with a significant increase in credit risk, and forward-looking information.</p>	<p>The following are the primary procedures we performed to address this key audit matter:</p> <ul style="list-style-type: none"> <li>We evaluated the design and tested the operating effectiveness of key internal controls in the ECL process for loans and advances to customers.</li> <li>We involved our own credit risk specialists to assist us in evaluating the assumptions to determine the PD and LGD parameters ("risk parameters") used by the Group to estimate the collective loss allowance. This included: <ul style="list-style-type: none"> <li>evaluating the Group's ECL methodology for compliance with IFRS 9;</li> <li>inspecting the models used for the determination of PD and LGD to assess its consistency with the Group's ECL methodology;</li> <li>for a sample of models, assessing the reasonableness of the model predictions by inspecting the Group's backtesting results;</li> </ul> </li> </ul>



<p>We identified the ECL on loans and advances to customers as a key audit matter because of the significant and complex judgment and specialised skills and knowledge required to evaluate the following elements of the ECL estimate:</p> <ul style="list-style-type: none"> <li>• The judgements and assumptions used to determine the appropriate recovery scenarios, including expected proceeds from the sale of the related collateral if any;</li> <li>• The judgements and assumptions used to develop the PD and LGD parameters;</li> <li>• Use of forward-looking macroeconomic forecasts in ECL;</li> <li>• The consistent identification and application of criteria for significant increase in credit risk ("SICR") and default in an increased uncertainty caused by military invasion launched by the Russian Federation on the territory of Ukraine.</li> </ul>	<ul style="list-style-type: none"> <li>- for a sample of models, independent reperformance of model calculations and evaluating and comparing our independent output with management's output.</li> <li>• We involved our own credit risk specialists, who assisted us in assessing the Group's methodology to determine the macroeconomic forecasts used in the ECL and in assessing the reasonableness of management's macroeconomic forecasts against publicly available information for a sample of models.</li> <li>• On a sample basis, we challenged the LGD and PD parameters used by the Group by testing input data of historical defaults and historical recoveries.</li> <li>• We evaluated the identification of SICR and default criteria in loans and advances to customers by challenging the scope of management's criteria used in staging assessments, consistent application of the thresholds applied within each criterion, and the ability of staging criteria to identify SICR prior to loans being credit impaired by inspecting the underlying loan documentation and corroborating our assessment with the Group's loan officers and the Group's risk management personnel. This also includes testing a sample of credit reviews to assess the reasonableness of staging criteria allocation by challenging key judgements and considering disconfirming or contradictory evidence.</li> <li>• For a risk-based sample of loans assessed individually (Stage 2 and 3) we challenged the Group's cash flow projections and key assumptions used therein, by reference to our knowledge of the relevant industry and of the borrower;</li> <li>• We also involved our own valuation specialists to independently assess the reasonableness of the collateral valuations on a sample basis by inspecting valuation reports obtained by the Group, and also by reference to publicly available data;</li> <li>• We recalculated ECL as part of accuracy check of application of methods, assumptions, and data; and</li> <li>• We assessed whether the credit risk management disclosures appropriately</li> </ul>
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	reflect and address the uncertainties which exist in determining the ECL.
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### Investment securities and derivative financial assets measured at fair value

The total amount of investment securities at FVPL and FVOCI as at 31 December 2023: UAH 19,071,183 thousand and UAH 27,592,940 thousand, respectively (31 December 2022: UAH 26,961,581 thousand and UAH 12,543,679 thousand, respectively).

The total amount of derivative financial assets as at 31 December 2023: UAH 652,249 thousand (31 December 2022: UAH 2,324,622 thousand).

Please refer to the Notes 3, 4, 11, 18, and 30 in the annual consolidated financial statements.

Key audit matter	Our response
<p>The fair value of the Group's investment securities measured at FVPL or FVOCI and derivative financial assets measured at FVPL is determined through the application of valuation techniques which can involve the exercise of significant judgement by the Group in relation to determination of the appropriate valuation method and model assumptions and inputs.</p> <p>Where significant pricing inputs are unobservable and primarily for long-term government bonds, for government bonds with embedded derivative feature or for derivative financial assets, management has limited reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. In addition, for middle-term government bonds, there may also be valuation complexity, specifically where valuation modelling techniques result in significant limitations due to the absence of the active market.</p> <p>The effect of these matters, coupled with increased estimation uncertainty stemming from the current volatile economic environment, is that we considered this area to be associated with a significant risk of material misstatement in the annual consolidated financial statements, which required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<p>The following are the primary procedures we performed to address this key audit matter:</p> <ul style="list-style-type: none"> <li>• We obtained understanding of the valuation process for investment securities, including key data inputs and assumptions.</li> <li>• We assessed the Group's fair value methodology against the financial reporting requirements and the market practice.</li> <li>• We involved our own valuation specialists, who assisted us in developing independent expectation of fair value range for investment securities and derivative financial assets. As part of the procedure, we, among other things: <ul style="list-style-type: none"> <li>- assessed the relevance and reliability of the data to be used in the valuations; and</li> <li>- applied our own models and input parameters derived from comparable bonds and other relevant historical data, where applicable.</li> </ul> </li> <li>• On a sample basis, we tested key inputs into the fair value calculations such as historical exchange rates, terms of financial instruments, and discount rates.</li> <li>• For fair value disclosures, we examined whether they appropriately addressed the relevant quantitative and qualitative requirements of the applicable financial reporting framework.</li> </ul>

## Other Matter

The annual consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by other auditors who expressed an unmodified opinion on those annual consolidated financial statements on 30 June 2023.

## Other Information

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

- the Consolidated Management Report (including the Corporate Governance Report) as set out in a separate report prepared by management (but does not include the annual consolidated financial statements and our auditors' report thereon), which we obtained prior to the date of this auditors' report;
- Annual Information of the Issuer of Securities (including the Management Report), which is expected to be made available to us after that date.

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

In connection with our audit of the annual 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 annual 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 on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Information of the Issuer of Securities, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the annual consolidated financial statements in accordance with IFRS Accounting Standards and the requirements of the Law of Ukraine "On Accounting and Financial Statements in Ukraine" on preparation of the annual consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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.

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

## Auditors' Responsibilities for the Audit of the Annual Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual 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 auditors' report to the related disclosures in the annual 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 auditors' 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 annual consolidated financial statements, including the disclosures, and whether the annual 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 annual 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

## Report on Other Legal and Regulatory Requirements

Pursuant to the Article 14(4) of the Law of Ukraine "On Audit of Financial Statements and Auditing", Section IV(11) of "Instruction on the Procedure for Preparation and Publication of Financial Statements of Ukrainian Banks" approved by the Resolution of the Board of the National Bank of Ukraine (the "NBU") No. 373 dated 24 October 2011 (the "Instruction No. 373"), and "Requirements for Information Related to Audit or Review of Financial Statements of Participants of Capital Markets and Organized Commodity Markets, which are supervised by the National Securities and Stock Market Commission"



approved by the Resolution of the National Securities and Stock Market Commission (the "NSSMC") No. 555 dated 22 July 2021, we provide the following information in addition to that required by ISAs.

#### *Appointment of the Auditor and Period of Engagement*

We were appointed by the Supervisory Board of the Bank on 28 February 2024 to audit the annual consolidated financial statements of the Group as at and for the year ended 31 December 2023. Our total uninterrupted period of audit engagements is one year.

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

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

For the period to which our statutory audit relates, we and other KPMG network firms have not provided any other services to the Group which are not disclosed in the Management Report or in the annual consolidated financial statements.

#### *Additional Report to the Audit Committee*

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

#### *Reporting on the NSSMC's Requirements*

- The audit of "The State Export-Import Bank of Ukraine" Joint Stock Company (Registration number 00032112 in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations) was conducted in accordance with the Engagement Contract No. 32-SA/2024/0002100/1 dated 29 March 2024. The audit was performed from 15 April 2024 to the date of this report.
- Information on the ownership structure and the ultimate controlling party of the Bank is included in Note 1 to the annual consolidated financial statements.
- As at 31 December 2023 the Bank is neither a controlling party, nor a member of non-banking financial group.
- The Bank is a public interest entity in accordance with the Law of Ukraine "On Accounting and Financial Statements in Ukraine".
- The list of subsidiaries of the Bank is included in Note 2 to the annual consolidated financial statements.
- The creation of the Revision Commission is not stipulated by the Bank's Charter and, accordingly, the Revision Commission did not perform examination of the Group's financial performance for the year ended 31 December 2023.

#### *Reporting on the Consolidated Management Report*

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

- is consistent, in all material respects, with the annual consolidated financial statements, and
- contains the elements required by the Section IV of the Instruction No. 373 and clauses 1-9 of Article 127(3) of the Law of Ukraine "On Capital Markets and Organized Commodity Markets".

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



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

Yulia Tereshchenko  
Registration No. 101451 in the Register of Auditors and Auditing Entities  
Deputy Director



**PJSC "KPMG Audit"**

14 July 2024

Kyiv, Ukraine

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(thousands of Ukrainian hryvnia)

	Notes	31 December 2023	31 December 2022
<b>Assets</b>			
Cash and cash equivalents	6	110,794,727	81,386,122
Loans and advances to banks	9	1,009,865	593,472
Loans and advances to customers	10	74,569,673	82,429,861
Investments in securities	11	69,994,403	62,486,708
Current tax assets	15	3,039	2,866
Derivative financial assets	18	652,249	2,324,622
Other financial assets	16	545,524	451,967
Other non-financial assets	17	150,405	137,714
Investment property	12	752,086	667,496
Property, plant and equipment	13	2,074,934	1,986,866
Intangible assets	14	50,822	63,460
Deferred tax asset	15	1,840,007	1,414,884
Non-current assets classified as held for sale	19	61,585	218,877
<b>Assets</b>		<b>262,499,319</b>	<b>234,164,915</b>
<b>Liabilities</b>			
Due to other banks	20	6,391,084	22,158,638
Customer accounts	22	213,949,142	177,147,425
Derivative financial liabilities	18	1,377	9,810
Other borrowed funds	21	28,730,787	27,301,358
Current tax liabilities	15	596,600	143
Other financial liabilities	16	932,072	600,816
Other non-financial liabilities	17	474,210	333,973
Allowance for loan commitments and financial guarantee contracts	25	246,447	522,314
Subordinated debt	23	3,805,882	4,055,444
<b>Liabilities</b>		<b>255,127,601</b>	<b>232,129,921</b>
<b>Equity</b>	24		
Issued capital		45,570,041	45,570,041
Other reserves		580,926	(1,461,266)
Result from transactions with the shareholder		635,104	635,104
Accumulated losses		(39,414,353)	(42,708,885)
<b>Total equity</b>		<b>7,371,718</b>	<b>2,034,994</b>
<b>Total equity and liabilities</b>		<b>262,499,319</b>	<b>234,164,915</b>

Authorised for release and signed

Chairman of the Management Board

Viktor PONOMARENKO

Chief Accountant

Nataliia POTESKA

12 July 2024

V.M. Medko  
247-89-16



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(thousands of Ukrainian hryvnia)

	Notes	2023	2022
Interest income calculated using effective interest method	26	20,202,008	13,506,263
Other interest income	26	1,228,944	1,362,249
Interest expense	26	(17,169,597)	(10,865,346)
Fee income	27	1,317,137	1,207,069
Fee expense	27	(523,288)	(296,515)
Other income		165,202	211,964
Net gain/(loss) from financial instruments at fair value through profit or loss	11,18	394,567	6,086,552
Net gain/(loss) from financial assets held for trading		560,078	27,288
Net gain/(loss) from operations with debt financial instruments at fair value through other comprehensive income		51,739	68,998
Net gain/(loss) from trading in foreign currencies		1,351,630	1,826,139
Net gain/(loss) from foreign exchange translation		(1,122,557)	(6,676,529)
Net gain/(loss) from revaluation of investment property	12	20,642	(58,644)
(Losses)/gains on initial recognition of financial assets at interest rates above or below market		(208,193)	2,768
Impairment gain and reversal of impairment loss (impairment loss) determined in accordance with IFRS 9	8	1,033,915	(10,903,265)
Employee benefits expense	28	(1,936,927)	(1,839,486)
Depreciation and amortisation expense	13,14	(94,801)	(107,557)
Other administrative and operating expenses	28	(937,408)	(765,403)
Impairment gain and reversal of impairment loss (impairment loss) for non-financial assets	17	28,804	(42,013)
Gain (loss) arising from derecognition of financial assets at amortised cost	10	43,580	(223,934)
Reversal of impairment loss (impairment loss) on income tax advances	15	492,911	(492,911)
<b>Profit (loss) before tax</b>		<b>4,898,386</b>	<b>(7,972,313)</b>
(Tax expense)/tax benefit	15	(1,628,917)	257,534
<b>Profit (loss)</b>		<b>3,269,469</b>	<b>(7,714,779)</b>

Authorised for release and signed

Chairman of the Management Board

Viktor PONOMARENKO

Chief Accountant

Nataliia POTESKA

12 July 2024

V.M. Medko  
247-89-16



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(thousands of Ukrainian hryvnia)

	Notes	2023	2022
<b>Profit (loss)</b>		<b>3,269,469</b>	<b>(7,714,779)</b>
<b>Other comprehensive income</b>			
<i>Components of other comprehensive income that will not be reclassified to profit or loss before tax</i>			
Other comprehensive income before tax, gains (losses) on revaluation	13	—	182,806
<i>Components of other comprehensive income that will be reclassified to profit or loss before of tax</i>			
Gains (losses) on financial assets measured at fair value through other comprehensive income before tax	24	2,102,727	(1,488,664)
<i>Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss</i>			
Income tax relating to changes in revaluation surplus of other comprehensive income	15	(35,472)	(32,905)
<i>Income tax relating to components of other comprehensive income that will be reclassified to profit or loss</i>			
Income tax relating to changes in revaluation of financial assets measured at fair value through other comprehensive income		—	—
<b>Total other comprehensive income</b>		<b>2,067,255</b>	<b>(1,338,763)</b>
<b>Total comprehensive income</b>		<b>5,336,724</b>	<b>(9,053,542)</b>

Authorised for release and signed

Chairman of the Management Board

Viktor PONOMARENKO

Chief Accountant

Nataliia POTEMSKA

12 July 2024

V.M. Medko  
247-89-16

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(thousands of Ukrainian hryvnia)

					Other reserves			
					Reserve of gains and losses on financial assets measured at fair value through other comprehensive income	Reserve of gains and losses from investments in equity instruments	Accumulated losses	Equity
	Issued capital	Result from transactions with the shareholder	Reserve and other funds of a bank	Property and equipment revaluation reserve				
At 1 January 2022	45,570,041	635,104	–	926,276	(962,130)	(62,775)	(33,653,771)	12,452,745
Loss for the year	–	–	–	–	–	–	(7,714,779)	(7,714,779)
Other comprehensive loss for the year	–	–	–	149,901	(1,487,595)	(1,069)	–	(1,338,763)
<b>Total comprehensive income for the year</b>	–	–	–	149,901	(1,487,595)	(1,069)	(7,714,779)	(9,053,542)
Increase through transfers and other changes, equity	–	–	–	(23,874)	–	–	23,874	–
Part of profit allocated for payment of dividends (Note 24)	–	–	–	–	–	–	(1,364,209)	(1,364,209)
Part of profit allocated to the Bank's reserve funds (Note 24)	–	–	1,364,209	–	–	–	(1,364,209)	–
Loss recovery out of the reserve funds (Note 24)	–	–	(1,364,209)	–	–	–	1,364,209	–
<b>At 31 December 2022</b>	<b>45,570,041</b>	<b>635,104</b>	<b>–</b>	<b>1,052,303</b>	<b>(2,449,725)</b>	<b>(63,844)</b>	<b>(42,708,885)</b>	<b>2,034,994</b>
<b>At 1 January 2023</b>	<b>45,570,041</b>	<b>635,104</b>	<b>–</b>	<b>1,052,303</b>	<b>(2,449,725)</b>	<b>(63,844)</b>	<b>(42,708,885)</b>	<b>2,034,994</b>
Profit for the year	–	–	–	–	–	–	3,269,469	3,269,469
Other comprehensive income for the year	–	–	–	(35,472)	2,104,564	(1,837)	–	2,067,255
<b>Total comprehensive income for the year</b>	–	–	–	(35,472)	2,104,564	(1,837)	3,269,469	5,336,724
Increase through other changes, equity	–	–	–	(25,063)	–	–	25,063	–
<b>At 31 December 2023</b>	<b>45,570,041</b>	<b>635,104</b>	<b>–</b>	<b>991,768</b>	<b>(345,161)</b>	<b>(65,681)</b>	<b>(39,414,353)</b>	<b>7,371,718</b>

Authorised for release and signed

Chairman of the Management Board

Viktor PONOMARENKO

Chief Accountant

Nataliia POTESKA

12 July 2024 poky

V.M. Medko  
247-89-16

## CONSOLIDATED STATEMENT OF CASH FLOWS (direct method)

For the year ended 31 December 2023

(thousands of Ukrainian hryvnia)

	Notes	2023	2022
<b>Cash flows from (used in) operating activities</b>			
Interest received		21,626,072	13,127,531
Fee income received		1,411,141	1,033,714
Net increase/(decrease) from operations with financial instruments at fair value through profit or loss		1,082,936	721,041
Net increase/(decrease) from trading in foreign currencies		1,351,630	1,826,139
Other cash receipts from operating activities		138,351	64,193
Interest paid		(16,336,609)	(10,202,355)
Fee expenses paid		(521,281)	(296,515)
Payments to and on behalf of employees		(1,830,859)	(1,971,996)
Administrative expenses and other paid operating expenses		(838,596)	(688,264)
Net (increase)/decrease in securities held for trading		(2,639,951)	(853,829)
Net (increase)/decrease in loans and advances to banks		(299,652)	8,338,215
Net (increase)/decrease in loans and advances to customers		9,899,618	(15,769,889)
Net (increase)/decrease in other financial assets		(160,304)	(109,620)
Net (increase)/ decrease in other assets		(18,274)	(82,391)
Net increase/(decrease) in due to other banks		(15,868,229)	(2,316,804)
Net increase/(decrease) in customer accounts		31,745,985	28,766,983
Net increase/(decrease) in other financial liabilities		342,461	(24,093)
Net increase/(decrease) in other liabilities		7,920	(64,418)
Income taxes (paid) refund		(1,000,378)	(245,680)
<b>Cash flows from operating activities</b>		<b>28,091,981</b>	<b>21,251,962</b>
<b>Cash flows from (used in) investing activities</b>			
Purchase of securities		(18,965,848)	(27,953,419)
Proceeds from sale of investments in securities		17,366,768	35,837,939
Cash flows from loss of control over subsidiaries		3,136	—
Proceeds from sale of property, plant and equipment		7,411	18,054
Purchase of property, plant and equipment		(290,173)	(150,513)
Purchase of intangible assets		(8,710)	(15,593)
Proceeds from sale of investment property		208,721	301,517
Dividends received		958	795
Proceeds from the sale of assets held for sale		58,774	—
<b>Cash flows (used in) from investing activities</b>		<b>(1,618,963)</b>	<b>8,038,780</b>
<b>Cash flows from (used in) financing activities</b>			
Receipt of other borrowed funds	7	6,756,759	1,086,236
Return of subordinated debt	7	(380,923)	(674,119)
Return of other borrowed funds	7	(6,714,203)	(10,831,095)
Payments of lease liabilities	7	(2,247)	(2,597)
Dividends paid	24	—	(1,364,209)
<b>Cash flows used in financing activities</b>		<b>(340,614)</b>	<b>(11,785,784)</b>
Increase in cash and cash equivalents before effect of exchange rate changes		26,132,404	17,504,958
Effect of exchange rate changes on cash and cash equivalents		3,264,097	21,031,281
Impact of expected credit losses on cash and cash equivalents		12,104	(32,488)
<b>Increase in cash and cash equivalents</b>		<b>29,408,605</b>	<b>38,503,751</b>
Cash and cash equivalents at the beginning of the period	6	81,386,122	42,882,371
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>110,794,727</b>	<b>81,386,122</b>

Authorised for release and signed

Chairman of the Management Board

Viktor PONOMARENKO

Chief Accountant

Nataliia POTEMSKA

12 July 2024

V.M. Medko  
247-89-16

## 1. Principal activities

“The State Export-Import Bank of Ukraine” Joint Stock Company (further – “Ukreximbank”, “Bank”) was founded in 1992 and entered to the State Register of Banks under #5 on 23 January 1992. Ukreximbank operates under Banking licence #2.

As at 31 December 2023 and 2022, 100% of Ukreximbank’s shares were owned by the state. The Cabinet of Ministers of Ukraine performs the functions of managing the state’s corporate rights at the Bank.

Ukreximbank’s head office is located in Kyiv at 127 Antonovycha St. It has 22 branches and 28 outlets (31 December 2022: 22 branches and 29 outlets) and two representative offices located in London and New-York. The Bank and its branches form a single legal entity.

Historically, the principal activity of Ukreximbank was the servicing of various export-import transactions. Currently, Ukreximbank’s customer base is diversified and includes a number of large industrial and state-owned enterprises. Ukreximbank accepts deposits from entities and individuals, issues loans, transfers payments in Ukraine and abroad, exchanges currencies, makes investments, provides cash and settlement services, and renders other banking services to its customers.

One of Ukreximbank’s main activities is to facilitate, on behalf of the Ukrainian Government, the administration of loan agreements entered into by the Ukrainian Government with other foreign governments. Ukreximbank acts as an agent, on behalf of the Ukrainian Government, with respect to loans from foreign financial institutions based on the aforementioned agreements.

The Bank’s aim (in accordance with the Charter) is to create favorable conditions for the economic development and support of the domestic producers, to service export and import operations, to provide credit and financial support of restructuring processes, to strengthen and implement the industrial and trade potential of the industries of economy and manufacturers that are export-oriented or carry out the activities related to the production of import-substituting products, and also to receive gains in favor of the Ukreximbank and its shareholder.

## 2. Basis for preparation

These annual consolidated financial statements have been prepared in accordance with IFRS accounting standards, issued by International Accounting Standards Board, and requirements of Law of Ukraine “On Accounting and Financial Reporting in Ukraine” # 996-XIV of 16 July 1999 in respect of the preparation of financial statements (as amended).

The annual consolidated financial statements are prepared on a basis cost convention except as disclosed in the *Summary of material accounting policies*, for example, investment securities at fair value through other comprehensive income, investment securities at fair value through profit or loss, derivatives and investment property are measured at fair value, buildings are measured at revalued amount, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

These annual consolidated financial statements are presented in thousands of Ukrainian hryvnia (“UAH thousand”), unless otherwise indicated, which is the Bank’s functional and presentation currency.

The Bank presents its statement of financial position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 31.

The annual consolidated financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Management Board on 12 July 2024.

### Going concern and economic environment

These annual consolidated financial statements have been prepared on a going concern basis.

The Bank operates in the economic and financial markets of Ukraine, which have signs of a developing market. The legislative, tax and regulatory framework continues to develop, but is subject to different interpretations and frequent changes, which, together with other legal and fiscal obstacles, complicate the problems faced by entities operating in Ukraine.

On 24 February 2022, the Russian Federation launched a full-scale military invasion to Ukraine. The ongoing war has led to significant civilian casualties, mass population displacement, infrastructure damage, power outages, and overall significant economic disruption in Ukraine. This had a detrimental and lasting impact on the political and business environment in Ukraine, including the ability of many business entities to continue business as usual. In response to the military invasion, the President of Ukraine imposed martial law, which is currently extended until 12 August 2024.

In 2023 and 2024, active military actions remain intense, albeit concentrated in eastern and southern Ukraine, with the Autonomous Republic of Crimea and the major parts of Donetsk, Luhansk, Kherson, Zaporizhzhia regions still under occupation. In addition, since October 2022, the Russian Federation started missile and drone attacks that impacted power grid as well as other critical civilian infrastructure all over Ukraine.

Despite the ongoing war, the macroeconomic indicators have proven to be more robust than initially anticipated. In January 2024, the National Bank of Ukraine (the “NBU”) improved the real GDP growth forecast for 2023 to 5.7%. Annual inflation decreased to 5.1% in 2023. This was accompanied by the reduction of the key policy rate of the NBU from 25% to 13% and cancellation of exchange rate peg policy. However, there is an anticipation of a softening in growth due to the ongoing war. Meanwhile, the fiscal balance continues to show a large deficit resulting from the expenditures related to defence and national security. The overall outlook is subject to significant risks, primarily stemming from the heightened uncertainty resulting from war and potential delays or shortfalls in external financing.

After invasion, all global rating agencies lowered Ukraine’s ratings: Fitch - to the CC, Moody's - to the Ca with a stable outlook, and S&P - to the CC with a negative outlook.

The baseline scenario of 2024 will be the preservation of macroeconomic prerequisites for the stable operation of the financial sector due to further economic growth, moderate inflation, controllability of the foreign exchange market, and preservation of the attractiveness of hryvnia assets. The inflow of customer funds to banks continues, despite the reduction of deposit rates from the beginning of 2023. Banks practically do not rely on other sources of funding. Regular inflows of funds fuel the banks' liquidity position. High-quality liquid assets account for only slightly less than half of banks' assets, so there is safety margin to offset significant liquidity risks.

Despite the impact of the negative factors of the war, the Bank continues to operate as a universal bank, which is one of the largest systemic banks in Ukraine and provides a full range of banking services to large corporate and SME clients, as well as individuals. Since the beginning of war, the Bank has focused its main efforts on financing Ukraine’s strategic industries and critical infrastructure companies (facilities).

In 2023, the Bank plans to operate in line with the main (strategic) directions for the state-owned banks established for the period of martial law and post-war economic recovery, ensure the maintenance of a stable liquidity position and fulfill all its obligations to depositors, counterparties and creditors in full and on time.

The strategic goals of the Bank during the period of martial law and post-war economic recovery are as follows:

- providing financial support to priority economic sectors and critical infrastructure companies (facilities);
- availability of banking services to ensure consumer protection, in particular, as part of social protection of population, provided that there is no physical threat to the Bank’s employees;
- creating conditions for the rapid resumption of banking services in full and ensuring the functionality and continuity of public sector banks; creating, establishing and maintaining an effective system of physical security (the Bank’s central office and branches, including security of the Bank’s employees), security of operating systems, including using cloud solutions, and cybersecurity;
- implementation of measures aimed at mitigating risks, including the realisation of possible threats, implementation of the Bank’s security measures, including control over security risks (including physical, financial, cyber and operating system security), elimination and/or minimisation of the consequences of realised threats and crisis situations;
- the Bank’s managers uninterrupted effective work to ensure the adoption of necessary management decisions;
- maintaining the Bank’s financial stability, identifying possible threats to such stability, as well as promptly responding to threats to financial stability and/or avoiding them.

During the preparation of the annual consolidated financial statements for 2023, the Bank’s management assessed the Bank’s ability to continue as a going concern, taking into account the ongoing hostilities in Ukraine, which have already caused and continue to cause significant negative consequences for the economy of the country, as a whole, and the Bank’s customers, in particular.

The main negative consequence of the events of 2023 for the Bank was a decrease in the amount of regulatory capital, primarily due to the recognition of losses from impairment of loans, which, in turn, led to the Bank's violation of prudential capital adequacy ratios (N2 and N3), as well as the maximum amount of credit risk per counterparty (N7), and the ratio of large credit risks (N8). Also, the amount of core capital will be affected by the legally established increase in the income tax rate in the amount of 50% of the financial result of 2023.

Although the NBU's Board Resolution #23 “On Certain Issues of Activities of Ukrainian Banks and Banking Groups” of 25 February 2022 does not require to impose any penalties on banks for the violations of capital and credit risk ratios caused by the negative impact of military aggression of the Russian Federation against Ukraine, compliance with these ratios is also one of the conditions that the Bank is obliged to fulfill as financial covenants for loans received from international financial institutions and Eurobonds issued by the Bank (Note 21) - hereinafter, the “international creditors”.

The NBU and the Bank's shareholder have information on the violation of the minimum capital adequacy and credit risk ratios. The effective regulations on recapitalisation, the Procedure for purchasing bank shares in exchange for domestic government bonds, as approved by Resolution #632 of the Cabinet of Ministers of Ukraine dated 19 November 2014, provide that the National Bank of Ukraine submits a proposal to the Cabinet of Ministers of Ukraine to determine the minimum amount of additional capitalization of such bank based on the data obtained by the National Bank of Ukraine during banking supervision of the bank, namely, stress testing, which involves an asset quality review (AQR).

Based on the sustainability assessment of "Ukreximbank" JSC in 2023, the decision of the Board of the National Bank of Ukraine dated 14.12.2023 "On the results of the assessment of sustainability of "The State Export-Import Bank of Ukraine" Joint Stock Company approved the levels of regulatory capital adequacy (N2) and core capital adequacy (N3) to be achieved by the Bank.

In pursuance of the requirement of the NBU, the Bank has prepared the relevant Capitalisation/Restructuring Programme and developed measures that provide for the achievement of the necessary level of capital adequacy ratios due to recognition of the profit of 2023 and the interim profit of the 6th to the Bank's equity, as well as reduction in the amount of non-core assets, accrued income, unearned over 30 days and overdue, which reduce capital, risk-weighted assets and expected dynamics of uncovered credit risk, etc. According to the Capitalisation/Restructuring Program, intermediate levels of compliance with the standards are expected to be achieved by 1 October 2024 (the deadline determined by the NBU), which are 10% for the regulatory capital adequacy ratio (H2) and 7% for the core capital adequacy ratio (H3). The final levels of compliance with the ratios, which are 13.6% for the regulatory capital adequacy ratio (H2) and 10.6% for the core capital adequacy ratio (H3), must be achieved by 31 March 2026. The current level of regulatory capital adequacy ratio (H2) and core capital adequacy ratio (H3) is disclosed in Note 34. The Bank does not plan to pay dividends to the shareholder during the period of the Capitalisation/Restructuring Programme.

In turn, the Bank's shareholder, represented by the Cabinet of Ministers of Ukraine, confirmed its intentions to ensure the Bank's capitalisation in order to comply with the capital amount, if necessary, take measures for the Bank's capitalisation, and also undertakes to take all measures dependent on it to ensure the Bank's activities comply with the requirements of banking legislation and regulatory and legal acts of the NBU.

The planning of the Bank's future activities, including those under Capitalisation/Restructuring Programme, is based on the Business Plan for 2024 approved by the management and the forecast for 2025-2026, which are made on the basis of a moderate negative scenario using the forecasts of macro indicators included in the state budget of Ukraine – an annual inflation index at the level of 8.5%, devaluation of the national currency to the level of 41.9 UAH / USD by the end of 2024.

The activity forecast includes the following key assumptions:

- the Bank's liquidity position is stable, no additional refinancing loans from the NBU are drawn;
- the main source of funding is customer accounts and programs of international financial organisations;
- the Bank continues corporate lending, including under government guarantees;
- the repayment of liabilities and lending will be based on accumulated liquidity, as well as increased inflows from customer deposits and programs with international financial institutions;
- balances on correspondent accounts and deposit certificates issued by the National Bank of Ukraine will cover the Bank's liquidity needs.

Based on the forecasted indicators, the Bank's management believes that there is a reasonable ground to prepare these financial statements on a going concern basis. Despite the ongoing military aggression, the Bank plans to continue servicing all its customers, maintaining its operational efficiency and continuation of profitable operations in as early as 2024 with a forecasted increase in net profit in 2025-2026.

In 2023, the Bank violated covenants of all loans received from credit institutions, presented in the line “Other borrowed funds”. The Bank received respective waivers from creditors that cover breached covenants in 2023.

For the loans of International Bank of Reconstruction and Development (IBRD) in the amount of UAH 19,599,629 thousand the required period for covenants compliance has ended on 31 December 2023 and is not required for the future periods (Note 21). For loans received from other creditors the Bank expects covenant violations in 2024.

The bank is in constant communication with creditors and expects to receive the necessary waiver letters from creditors to by the end of 2024. The outcome of these efforts cannot be predicted at the moment, but in the event of a demand for early repayment of the received loans, the Bank has sufficient funds to continue on a going concern basis and will not require additional financing to settle these loans. As at the date of approval of these annual consolidated financial statements, creditors have not requested early repayment of the debt.

At the same time, there is a material uncertainty, which is primarily caused by the currently unpredictable impact of the future development of military activities on the territory of Ukraine, which may affect the economic environment and the Bank's implementation of the measures of the Capitalisation/Restructuring Programme and the achievement of the required level of capital adequacy ratios. Thus, this indicates that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern.

These annual consolidated financial statements have been prepared based on a going concern assumption and do not include any adjustments that would be necessary if the Bank was unable to continue as a going concern.

These annual consolidated financial statements reflect the Bank's management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Bank. The future business environment may differ from the Bank's management assessment.

#### **Subsidiaries and changes in the group structure**

Ukreximbank prepares separate financial statements and consolidated financial statements that include the consolidated results of the Bank and its subsidiary “Leasing company “Ukreximleasing”

Subsidiary “Leasing company “Ukreximleasing”, a wholly owned subsidiary of Ukreximbank, was founded in 1997 and registered in Ukraine. By the relevant decisions of the Management Board of JSC Ukreximbank and the Supervisory Board of JSC Ukreximbank, the action plan (roadmap) for the termination of the Subsidiary “Leasing company “Ukreximleasing” was approved.

In June 2023, the Bank sold its subsidiary LLC "Eximleasing", whose performance indicators up to the specified date are included in the consolidated financial statements of the Bank

In November 2022, the Management Board of "Ukreximbank" JSC made decision to sell LLC "Eximleasing" at a price not lower than the market value determined in the appraiser's property evaluation report. In November 2022, the Supervisory Board of "Ukreximbank" JSC approved the resolution of the Management Board on such sale. The sale procedure took place through the auction with a price increase on the SETAM site (setam.net.ua), and in December 2022, auctions were held at which the winner (buyer) was determined. In connection with the need for the buyer to obtain the permission of the Antimonopoly Committee of Ukraine for the purchase of corporate rights, the actual signing of the purchase and sale agreements and the acceptance certificate took place in June 2023.

As a result of the sale of LLC “Eximleasing”, the Bank recognized a profit in the amount of UAH 1,756 thousand, which is reflected in the item “Other income” of the consolidated statement of profit or loss.

The Bank is the founder of the Non-State Corporate Pension Fund of JSC UKREXIMBANK (hereinafter referred to as the “NCPF”). The Bank does not administer, manage or custody the assets of the NCPF. The Bank has analyzed the existence of control required for consolidation in accordance with International Financial Reporting Standard (IFRS) 10 "Consolidated Financial Statements" in respect of the NCPF. The Bank is a founder, but is neither exposed nor entitled to variable returns from its operations. In accordance with IFRS 10 "Consolidated Financial Statements", the Bank does not have control over NCPF and, accordingly, NCPF has not been consolidated in these annual consolidated financial statements.

### 3. Summary of material accounting policies

#### Changes in accounting policies

The accounting policies adopted in the preparation of these annual consolidated financial statements are consistent with those followed in the preparation of the Bank's consolidated annual financial statements for the year ended 31 December 2022, except for the adoption of the new standards and amendments thereto applied for the first time from 1 January 2023. The nature and effect of these changes is disclosed below.

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

The application of the following amendments, standards and changes to standards and interpretations had no impact on the Bank's annual consolidated financial statements:

- IFRS 17 “Insurance contracts”;

In connection with the application of IFRS 17 "Insurance Contracts" starting from 1 January 2023, the Bank analyzed its existing banking products: lending (including credit cards), financial guarantees and performance guarantees, and concluded that there are no banking products to which the requirements of IFRS 17 should be applied. Loan agreements (including credit cards) do not meet the definition of an insurance contract as required by IFRS 17.

The terms of financial and performance guarantees issued by the Bank provide for coverage or the right to claim funds from the customer in the event of a guaranteed event, which is a sign of credit risk. The Bank continued to account for these instruments in accordance with IFRS 9, as there are no insurance risks associated with these instruments.

- Amendments to IFRS (IAS) 8 – “Determination of Accounting Estimates”;
- Amendments to IFRS (IAS) 1 and Practice Guidance No. 2 on the Application of IFRS – “Accounting Disclosures”;
- Amendments to IFRS (IAS) 12 “Income Taxes” – “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”.

#### Changes in comparative information

In 2023, the Bank made certain adjustments as at and for the year ended 31 December 2022 to conform to the current presentation in Note 24 in the disclosure of movements in other reserves.

#### Financial assets and liabilities

##### *Initial recognition*

##### *Date of recognition*

Financial assets and liabilities, except loans and advances to customers and amounts due to customers, are recognised on the transaction date i.e. the date when the Bank becomes a party to the agreement specifying the terms of the respective instrument. These are regular purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. Loans to customers are recognised when funds are transferred to accounts with the Bank.

##### *Initial measurement of financial instruments*

Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. If the fair value of financial instruments at initial recognition differs from the transaction price, the Bank recognises Day 1 gain or loss.

All financial assets, except for equity and derivative instruments, are classified and measured at initial recognition based on the business model used by the Bank to manage a particular group of assets, which a financial asset is attributed to, as well as the characteristics of contractual cash flows from this financial asset.



The business model is determined at the level of groups of financial assets that are managed collectively to achieve a particular business goals.

All debt financial assets are held within one of three business models:

- business model whose objective is to hold financial assets in order to collect contractual cash flows (BM 1);
- business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (BM 2);
- business model whose objective is collecting maximum cash flows from sale of assets or business model other than BM 1 and BM 2 (BM 3).

At the date of initial recognition of each debt financial asset, other than those classified by the Bank as measured at FVTPL for the purpose of eliminating or significantly reducing a measurement or recognition inconsistency, as well as those managed under BM 3, the Bank performs an analysis of contractual cash flows from such financial asset.

The main objective of the contractual cash flows analysis (SPPI test) is to determine whether the terms of agreement on a financial asset conform to the underlying loan agreement and identify the terms of agreement which result in additional risks and/or additional volatility of contractual cash flows not inherent with the underlying loan agreement.

The Bank performs SPPI test at the level of a separate debt financial asset/group of debt financial assets of the respective category of assets managed under BM 1 or BM 2.

#### *Financial assets and liabilities measurement categories*

Depending on the business model and the results of the SPPI test, the debt financial assets can be classified as follows:

- Assets at amortised cost (BM 1, SPPI test passed);
- Assets at fair value through other comprehensive income (BM 2; SPPI test passed);
- Assets at fair value through profit or loss (BM 1 or BM 2 and SPPI test failed, BM 3).

The Bank classifies and measures derivative instruments and instruments held for trading at FVTPL.

Financial liabilities, other than credit-related commitments and financial guarantees, are measured at amortised cost or at FVPL if they are held for trading and are derivative instruments, or at the Bank's discretion are classified at FVTPL.

#### *Loans and advances to banks, loans and advances to customers, investment securities at amortised cost*

The Bank measures financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (BM 1);
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when financial assets are derecognised or impaired, as well as through the amortisation process.

#### *Debt instruments at fair value through other comprehensive income*

The Bank measures debt instruments at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- a debt instrument is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (BM 2);
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. SPPI criteria are met).

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss. For debt instruments measured at FVOCI the Bank recognises allowance for expected credit losses (ECLs). The procedure for recognising ECLs on such assets is provided in Note 29.

*Equity instruments at fair value through other comprehensive income*

Upon initial recognition of equity financial assets, the Bank occasionally elects to classify irrevocably some of such assets as equity instruments at FVOCI when they meet the definition of equity under IAS 32 and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss. Dividends are recognised in profit or loss when the right to receive dividends has been established. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

*Financial assets and financial liabilities at fair value through profit or loss*

This category includes financial assets and financial liabilities which, upon initial recognition, were classified as such at the Bank's discretion or should be measured at fair value through profit or loss under IFRS 9. The Bank may, at initial recognition, designate a financial instrument as measured at fair value through profit or loss if one of the following criteria is met: Such classification is determined on an instrument-by-instrument basis:

if it eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

a group of financial liabilities or financial assets and financial liabilities is managed and its performance is measured on a fair value basis, in accordance with a documented risk management or investment strategy; or

a financial liability contains one or more embedded derivatives and the host is not an asset within the scope IFRS 9, unless the, the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract, or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited.

All debt financial assets that do not meet a “solely payment of principal and interest” (SPPI) criterion, are classified at initial recognition at fair value through profit or loss. Under this criterion, such instruments as Ukrainian government bonds that provide for indexation of the nominal value by maturity according to the changes in the average interbank UAH/USD exchange rate per month prior to the date of issue and per month prior to the maturity date (Note 11), are measured at FVTPL.

Financial assets and liabilities at FVTPL are recognised in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss, except for a change in the fair value of financial liabilities classified at the Bank's sole discretion at fair value through profit or loss caused by changes in its own credit recognised in other comprehensive income.

Interest income on all financial assets at FVTPL is recognised using the contractual interest rate.

*Financial assets held for trading*

The Bank classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities. Held-for-trading assets are recorded and measured in the statement of financial position at FVTPL. Changes in fair value and interest income on financial assets held for trading are recognised within net gain/(loss) on financial assets held for trading in the consolidated statement of profit or loss.

This category includes debt securities acquired by the Bank with the intention of selling in the near term.

*Financial guarantees, letters of credit and credit-related commitments*

In the normal course of business the Bank issues financial guarantees in the form of letters of credit, guarantees and avals. Financial guarantees are initially recognised as other financial liabilities in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount of amortised commission and an ECL allowance.

This amount is amortized on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. In this case, the loan commitment fees are deferred and included in the carrying amount of the loan on initial recognition.

Increase in liability related to financial guarantee agreements is recognised in the consolidated statement of profit or loss. The commission received is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the guarantee agreement.

The contractual nominal value of financial guarantees is not recorded in the consolidated statement of financial position.

### ***Reclassification of financial assets and financial liabilities***

The Bank reclassifies all financial assets only when it changes its business model of management thereof. Financial liabilities are never reclassified.

### **Impairment of financial assets**

For the principles of measurement and recognition of expected credit losses on financial assets, refer to Note 29 in the section "Impairment of financial assets".

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, amounts due from the NBU, overnight deposits with banks, deposit certificates issued by the NBU for up to 90 days, short term deposits classified as cash equivalents and reverse repurchase agreements that mature within ninety days of the date of origination and are free from contractual encumbrances, and are not impaired individually.

### **Precious metals**

Gold and other precious metals are recorded at fair value. Changes in fair value are recorded as net increase/(decrease) from foreign exchange translation in the consolidated statement of profit or loss.

### **“Repo” and reverse “repo” agreements and securities lending**

Sale and repurchase agreements (“repo” agreements) are treated as secured financing transactions. Securities sold under “repo” agreements are retained in the consolidated statement of financial position and in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under “repo” agreements. The respective liabilities are included to due to other banks and customer accounts. Securities purchased under agreements to resell (“reverse repo”) are recorded as cash and cash equivalents, loans and advances to banks or loans and advances to customers as appropriate. The difference between “repo” price is treated as interest and is accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the annual consolidated financial statements. Securities borrowed are not recorded in the annual consolidated financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded within net increase/(decrease) from financial instruments at fair value through profit or loss in the consolidated statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

### **Derivative financial instruments**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable;
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors;
- It is settled at a future date.

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets, as well as interest rate swaps. These financial instruments are stated at fair value through profit or loss. The fair values are derived based on quoted market prices or valuation models that take into account current and contractual market prices of the underlying instruments and any other relevant factors. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses resulting from transactions with currency forwards and swaps are included in the consolidated statement of profit or loss as net gains/(losses) from foreign exchange translation, and gains and losses from transactions with interest rate swaps are included in the consolidated statement of profit or loss as net gains/(losses) from transactions with derivatives.

### *Embedded derivatives*

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

An embedded derivative that is a component of a hybrid instrument of the host that is a financial asset is not separated but is recorded as part of such a hybrid financial instrument classified as a whole as designated at fair value through profit or loss.

### **Borrowings**

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to other banks, including the NBU, amounts due to customers, debt securities issued, loans received from international and other financial organisations and subordinated debt. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of profit or loss.

### **Leases**

#### ***Finance – Bank as a lessor***

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the inception date. Finance income is recognised based on a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

#### ***Operating – Bank as a lessor***

The Bank presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

#### ***Leases – Bank as a lessee***

##### *Right-of-use assets*

The Bank recognises right-of-use assets at the inception date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the inception date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

##### *Lease liabilities*

At the inception date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease

payments that do not depend on an index or a rate are recognised as expense in the period, in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease inception date if the interest rate implicit in the lease is not readily determinable. After the lease inception date, the amount of lease liabilities is increased to reflect the accrual of interest and reduced to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Bank does not recognise a contract to be a lease contract in case of short-term leases and leases of low-value underlying assets and accounts for no right-of-use assets and lease liabilities. Under such contracts, lease payments are recognised as expense on a straight-line basis over the lease term specified by the contract.

A short-term lease is the lease, which as at the lease inception date according to the lease contract has the lease term of 12 months or less, and this lease contract includes no automatic lease extension conditions, and the bank does not intend to extend the lease term specified by the contract, nor it intends to acquire the underlying asset. A low value of the underlying asset is the value, which is less than the UAH equivalent of USD 5,000,00 at the NBU's official UAH/foreign currency exchange rate as at the date of commencement of the appropriate lease contract.

#### *Significant judgement in determining the lease term of contracts with extension options*

The Bank determines the lease term following the lease term specified in the completed contract as at the date of its completion.

If following the lease contract the lease term is 12 months or less as at the lease inception date, the automatic lease extension conditions being included, and the bank intends to extend the lease term, then the lease term under such contract is determined as the term specified by the contract and increased for the extension term.

### **Offsetting**

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

### **Derecognition of financial assets and liabilities**

#### ***Derecognition due to substantial modification of terms and conditions***

##### *Financial assets*

The Bank derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. When assessing whether or not to derecognise a financial asset, amongst others, the Bank considers such factors as a change in currency of a financial assets, change in counterparty, interest rate revision to the market rate, as well as whether the modification is such that the instrument would no longer meet the SPPI criterion. Upon initial recognition, loans are classified as Stage 1 for ECL measurement purpose, unless the new loan is deemed to be purchased or originated credit impaired financial asset.

If the modification does not result in derecognition of a financial asset, based on the change in cash flows discounted at the original effective interest rate, the Bank records a gain from modification of financial assets in Other income of the consolidated statement of profit or loss, or a loss from modification of financial assets in Other administrative and operating expenses of the consolidated statement of profit or loss.

##### *Financial liabilities*

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

Terms are considered significantly different if the discounted present value of cash flows on new terms, including any fees paid, net of any fees received and discounted at the original effective interest rate, differs by at least 10 percent from the discounted present value of remaining cash flows on the original financial liability. If an exchange of debt instruments or a change in terms is accounted for as repayment, then any expenses or commissions paid are recognised as part of gains or losses on repayment. If an exchange or change in terms is not accounted for as repayment, then any expenses and fees paid adjust the carrying amount of the liability and are amortised over the life of the modified liability.

### ***Derecognition other than for substantial modification***

#### *Financial assets*

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

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

#### *Financial liabilities*

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

### **Taxation**

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Ukraine also has various operating taxes, which are assessed on the Bank’s activities. These taxes are recorded in other administrative and operating expenses in the consolidated statement of profit or loss.

### **Property, plant and equipment**

All property, plant and equipment, except buildings and land, are carried at cost excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment.

Following initial recognition at cost, buildings and land are subsequently carried at their revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the surplus in the property revaluation reserve which is included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss, in which case the increase is recognised in the consolidated statement of profit or loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the property revaluation reserve.

The transfer from the surplus in the property revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Specifically, the accumulated depreciation at the revaluation date is subtracted from the original (revalued) cost of property, plant and equipment, and the resulting net carrying amount is revalued to its fair value. The revalued amount of an asset as at the revaluation date equals its fair value and the accumulated depreciation equals zero. Upon disposal, the respective surplus of property revaluation is transferred to retained earnings.

The carrying amounts of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<i><b>Years</b></i>
Buildings	15-75 years
Furniture, fittings and other assets	2-25 years
Equipment and computers	2-15 years
Motor vehicles	5 years

Leasehold improvements (refurbishment costs for premises under lease contract) are depreciated over a period not exceeding the leasing period.

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

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

### **Intangible assets**

Intangible assets include acquired computer software and licences. Intangible assets are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives of five to ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

### **Investment property**

Investment property is property held to earn rental income or for capital appreciation and which is not occupied by the Bank.

Investment property is initially recognised at cost, including transaction costs, and subsequently re-measured at fair value based on its market value.

Gains and losses resulting from changes in the fair value of investment property are recorded in the consolidated statement of profit net increase/(decrease) on revaluation of investment property in the year in which they arise.

### **Non-current assets classified as held for sale**

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the prospective sale is deemed feasible.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan must have been initiated. Furthermore, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset classified as held for sale.

The Bank measures a non-current assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Bank recognises an impairment loss if events or changes in circumstance indicate that the carrying amount of assets classified as held for sale may be impaired.

## **Retirement and other benefit obligations**

The Bank has contribution pension plan separate from the State pension system of Ukraine, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The contribution payable to a contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under “Personnel expenses”. Unpaid contributions are recorded as a liability. The Bank has no other post-retirement benefits or significant other compensated benefits requiring accrual.

### **Issued capital**

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Gain or loss arising from transactions with the shareholder is recognised in equity under “Result from transactions with the shareholder”.

## **Segment reporting**

The Bank’s segmental reporting is based on the following operating segments: Corporate banking, Medium-sized business, municipalities and utilities sector and Interbank and investments business.

## **Contingencies**

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any future outflow is considered remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

## **Performance guarantees**

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees are initially recognised at fair value, as evidenced by the amount of compensation received for issuing them, which is subsequently amortised to the Bank’s commission income on off-balance transactions on a straight-line basis over the life of a performance guarantee. Performance guarantees are accounted for in off-balance-sheet in the amount of guarantee commitments. Subsequently, performance guarantees are measured at greater of: the amount of amortised commission and allowance for possible losses on the performance guarantee issued.

The terms of financial guarantees and performance bonds issued by the Bank provide for coverage or a right to claim funds from the customer in the event of a guaranteed event, which is a sign of credit risk. The Bank continued to account for these instruments in accordance with IFRS 9, as there are no insurance risks associated with these instruments.

## **Recognition of income and expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

## **Interest and similar income and expense**

Under IFRS 9, interest income on all financial instruments measured at amortised cost, at FVOCI and, at discretion, at FVTPL is calculated by applying the effective interest method. Effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the financial instrument and are an integral part of the effective interest rate, but not future credit losses.

If expected cash flows from financial assets are reviewed for reasons not related to credit risk, the adjustment is disclosed in the statement of financial position as a positive or negative change in the carrying amount of the asset and as an increase or decrease in interest income. The amount of this adjustment is subsequently amortised and recognised in profit or loss in “Interest income calculated using effective interest method”.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets, except for credit-impaired financial assets.



When a financial asset becomes credit-impaired and, accordingly, is attributed to Stage 3, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired financial asset, the Bank calculates interest income using the credit-adjusted EIR to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Upon recovery of impairment of credit-impaired financial assets as a result of the client's repayment of debt on accrued income, whether or not such a recovery of impairment results in the transfer of a financial asset from Stage 3, the difference between the amount of interest calculated at the effective interest rate on the gross carrying amount and the interest income calculated at the effective interest rate on the amortised cost of a financial asset, is recognised as an adjustment (decrease) of the expected credit losses to the amount recognised as an adjustment to interest income in prior years.

Interest income on all financial assets at FVTPL is recognised using the contractual interest rate in “Other interest income” in the consolidated statement of profit or loss.

### **Fee income**

The Bank earns fee and commission income from the diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

#### *Fee income earned from services that are provided over a certain period of time*

Fees arising for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

#### *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees related a certain performance are recognised after fulfilling the corresponding criteria.

### **Dividend income**

Revenue is recognised when the Bank's right to receive the payment is established.

### **Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange effective at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as net increase/(decrease) from foreign exchange translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBU exchange rates at 31 December 2023 and 2022 were UAH 37,9824 and 36,5686 to 1 US dollar and UAH 42,2079 and 38,951 to 1 euro, respectively.

### **Future changes in accounting policies**

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

#### *Amendments to IFRS 1 “Presentation of Financial Statements” – “Classification of Liabilities as Current and Non-current”*

Amendments to IFRS 1, which provide that if an entity's right to defer settlement of a liability is subject to additional conditions (covenants) within 12 months after the reporting date, the entity should disclose additional information in the notes to enable users of the financial statements to understand the possibility of compliance with additional conditions

(covenants) and the correctness of the liability classification within 12 months of the reporting date. In particular, it will be necessary to disclose:

- indicate that the entity's right to defer repayment must exist at the end of the reporting period;
- clarify that the classification is not affected by management's intentions or expectations as to whether the entity will exercise its right to defer repayment;
- explain how lending terms affect classification; and
- clarify the requirements for the classification of liabilities that the entity will or may repay by issuing its own capital instruments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively with earlier application permitted. In case of earlier application, all the above changes are applied simultaneously.

#### *IFRS 18 "Presentation and Disclosure in Financial Statements"*

IFRS 18 changes the way results are presented in the consolidated statement of profit or loss and in the notes to the financial statements. In particular, IFRS 18 amends the disclosure of certain commonly recognized "non-accounting" measures, such as management performance measures. It introduces the term "operating profit" as an important measure of operating performance, requiring entities to allocate all income and expenses to three new categories that reflect the underlying activities, namely operating, investing and financing. The new standard also provides expanded guidance on the grouping and disaggregation of information in the consolidated statement of profit or loss and notes to the annual consolidated financial statements.

IFRS 18 is effective from 1 January 2027 (early adoption is permitted).

These amendments and the amendments below are not expected to have a material impact on the Group's consolidated financial statements:

*Amendments to IFRS 16 "Leases"*

*Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"*

*Amendments to IAS 7 «Statement of Cash Flows» and IFRS (IFRS) 7 "Financial Instruments: Disclosures".*

## **4. Significant accounting judgements and estimates**

With the application of the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the consolidated financial statements. The most significant use of judgements and estimates are as follows:

**Going concern.** Refer to Note 2.

### **Expected credit losses**

The assessment of losses across all categories of financial assets requires judgement, in particular, the amount and timing of future cash flows and collateral values are to be estimated when determining expected credit losses on financial assets. These calculations are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of sophisticated models with a number of underlying assumptions (that are based primarily on historical data) regarding the choice of variable inputs and their interdependencies. The following elements are included into the ECL models that contain accounting judgements and estimates:

- the criteria used by the Bank to assess whether a significant increase in credit risk has occurred, as a result of which the allowance for impairment of financial assets should be measured in an amount equal to the ECL for the entire life of the financial instrument;
- the Bank's internal credit rating model used by the Bank to determine PD;
- determination of associations between macroeconomic scenarios and economic inputs, such as the consumer price index, GDP growth, export/import growth, and the effect on PDs, EADs and LGDs;
- development of individual scenarios for significant assets (except those attributed to Stage 1) including the determination of probability of obtaining cash flows from different sources for various options of the development (upside case, base and downside cases).

As at 31 December 2023, the total amount of expected credit losses on financial assets, credit-related commitments and financial guarantee contracts amount to UAH 22,822,582 thousand (31 December 2022: UAH 22,661,721 thousand). Details are provided in Notes 6, 9, 10, 11, 16, and 25.

### **Deferred tax assets**

The recognised deferred tax asset in the amount of UAH 1,840,007 thousand (31 December 2022: UAH 1,414,884 thousand) is income tax recoverable due to availability of future taxable profits. Deferred income tax assets are recognized to the extent there is a probability of the use of the related tax asset. Future taxable profits and tax assets, the use of which is possible in the future, are estimated on the basis of the business plan under which the profit is expected to be generated during the next three years. The key assumptions for the going concern and profitability, taking into account the impact of military actions in Ukraine, are provided in Note 2.

Taking into account forecasted future profits for 2023-2025 and the fact that current Ukrainian legislation does not limit the term of use of tax loss carry-forward, management believes that it is appropriate to recognise the deferred tax asset.

### **Fair value of investment securities at fair value through profit and loss with integrated option.**

The fair value of investment securities at fair value through profit and loss with integrated option that are not traded at active markets is determined using assessment techniques. In cases when, for the purpose of fair value measurement, the assessment techniques are used, they are checked and periodically reviewed by qualified personnel. As far as it is practicable, the models use only observable data, but where it is impracticable, for the purpose of fair value measurement, a certain degree of judgement is required. Additional information is set forth in Note 30.

### **Approaches to determining by the Bank of a business model for government bonds**

A business model is determined in terms of groups (portfolio and subportfolio) of debt financial assets that are managed as a whole to achieve a specific business goal.

The Bank determines the level of aggregation of assets in a manner to ensure the division into certain groups:

- assets of different types/categories (loans, securities etc)/
- assets that may have different characteristics/management approaches ;
- assets that are managed by different business units .

The business models for managing the Bank's asset groups are determined by taking into account the available factors indicating how the asset group is managed to achieve specific business objectives and what the main sources of cash flows are for each asset group.

The main factors to be analyzed while assigning a group of assets to a relevant business model are:

- assessment of effectiveness of a business model for the management of the portfolio of assets to be analyzed;
- risks specific to a portfolio of assets and approaches of the Bank to their management;
- indicators to be used for determining the mechanism of remuneration for heads of business lines or units responsible for the management of corresponding groups of assets;
- the possibility to assign the assets to BM-1 is determined with respect to the results of the analysis of the sale of assets of a specific portfolio.

## 5. Segment information

For management purposes, the Bank recognises the following operating segments (business units):

Corporate business	Business segment focusing on servicing corporate clients and selling the products that require an individual approach and are mainly offered to corporate clients.
Medium-sized business, municipalities and utilities sector	Business segment focusing on servicing municipal and utilities sector, small and medium-sized businesses (including individual entrepreneurs) and selling products that are mainly offered in a standardised form (as per the tariffs approved and the standard procedures).
Retail business	Business segment focusing on servicing individuals (except for individual entrepreneurs) on the full list of products, and on selling the products offered to individuals (population) mainly in a standardised form (as per the tariffs approved and the standard procedures) and generally do not require any individual approach to be applied.
Interbank and investments business	Business segment focusing on providing services to participants in the financial markets (money, currency, stock, etc.) and on selling the products related to transactions in the financial markets.

Management Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The segment performance, as explained in the table below, is assessed with taking into account the income and expenses from other segments obtained as a result of transfer rates.

For the purposes of completeness of allocation of financial indicators of segment reporting to the respective segments, the Bank uses allocating mechanisms that allow to some extent allocating them to the items/balance sheet accounts of the balance sheet and income statement for which there are no criteria for determining a business segment, namely: the share of the number of employees by segments to the carrying amount of property, plant and equipment for the items "Intangible assets" and "Property, plant and equipment"; the share of investment property by segments of customer loans for which the property is owned by the Bank.

In addition, the results (income and expenses) of other segments are determined by applying uniform transfer rates set by the Assets and Liabilities Management Committee based on the cost of borrowings for the Bank, offset by the amount of counterparties to unallocated amounts. The difference between intersegment expenses and income of all business lines obtained using transfer rates arises as a result of GAP gaps between the volumes of assets and liabilities by maturity and rates, revaluation of the resource, bid/offer margin consisting of interest rate risk premium, liquidity risk premium, mandatory reserve requirement, etc.

Unallocated amounts include:

- income tax receivables and payables, the share of assets and costs associated with the work of the Bank's top management, i.e. personnel performing general management functions at the level of the whole Bank's system and the Bank's staff, supporting directly the work of top management;
- the result of revaluation of an open currency position (except for the portion of the open currency position allocated by the Bank for carrying out operations on purchase/sale/conversion of cash foreign currency and precious metals and conversion of non-cash foreign currency);
- the counterposition for inter-segment revenues and expenses of all business units, obtained as a result of transfer rates with the purpose to eliminate effect on income and expenses.

During 2023, the Bank had revenues from transactions with an entity controlled by the state (directly or indirectly) or significantly influenced by the state, that accounted for more than 10% of the total income of the Bank, namely: UAH 5,819,759 thousand (2022: UAH 3,615,502 thousand). Revenue from transactions with this external customer is reported in the segment "Interbank and investments business". Analysis of the Bank's revenue by banking products and services is presented in Note 26.

During 2023 the Bank received revenue from the transactions with the NBU on deposit certificates in the amount of UAH 3,846,170 thousand (2022: UAH 1,186,941 thousand).

The following table presents information on income and expenses, profit and loss, and certain assets and liabilities of the Bank's operating segments for the year ended 31 December 2023:

	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
<b>External</b>						
Interest income calculated using effective interest method	8,686,184	885,643	35,201	10,594,959	21	20,202,008
Other interest income	188,377	26,102	—	1,014,455	10	1,228,944
Fee income	611,466	233,900	334,094	127,342	10,335	1,317,137
Other income	27,912	20,134	17,014	5,770	94,372	165,202
Net gain from financial instruments at fair value through profit or loss	91	—	—	394,476	—	394,567
Net gain from financial assets held for trading	—	—	—	560,078	—	560,078
Net gain from operations with debt financial instruments at fair value through other comprehensive income	—	—	—	51,739	—	51,739
Net gain from trading in foreign currencies	519,458	130,173	76,040	671,278	—	1,396,949
Net gain from foreign exchange translation	18,857	—	—	—	6,041	24,898
Net gain from revaluation of investment property	—	—	—	—	20,642	20,642
Gains on initial recognition of financial assets at interest rates above or below market	—	129	—	—	6,800	6,929
Impairment gain determined in accordance with IFRS 9	1,477,310	246,798	26,520	—	11,467	1,762,095
Impairment gain on impairment for non-financial assets	9,242	3,173	1,468	6,764	8,157	28,804
Gain arising from derecognition of financial assets at amortised cost	39,565	3,997	18	—	—	43,580
Reversal of impairment loss recognised in profit or loss	—	—	—	—	492,911	492,911
<b>Income from other segments</b>	<b>3,733,096</b>	<b>3,268,644</b>	<b>2,692,806</b>	<b>(9,501,334)</b>	<b>(193,212)</b>	<b>—</b>
<b>Total income</b>	<b>15,311,558</b>	<b>4,818,693</b>	<b>3,183,161</b>	<b>3,925,527</b>	<b>457,544</b>	<b>27,696,483</b>
Interest expense	(9,537,775)	(2,670,956)	(1,466,366)	(3,494,231)	(269)	(17,169,597)
Fee expense	(183,475)	(32,787)	(263,567)	(19,318)	(24,141)	(523,288)
Net loss from trading in foreign currencies	—	—	—	—	(45,319)	(45,319)
Net loss from foreign exchange translation	—	(1,567)	—	(1,145,888)	—	(1,147,455)
Loss on initial recognition of financial assets at interest rates above or below market	(70)	—	—	(215,052)	—	(215,122)
Impairment loss determined in accordance with IFRS 9	—	—	—	(728,180)	—	(728,180)
Employee benefits expense	(578,538)	(467,520)	(428,797)	(166,663)	(295,409)	(1,936,927)
Depreciation and amortisation expense	(22,370)	(26,095)	(23,682)	(3,732)	(18,922)	(94,801)
Other administrative and operating expenses	(200,056)	(183,966)	(428,260)	(39,383)	(85,743)	(937,408)
<b>Segment results</b>	<b>4,789,274</b>	<b>1,435,802</b>	<b>572,489</b>	<b>(1,886,920)</b>	<b>(12,259)</b>	<b>4,898,386</b>
Income tax expense						(1,628,917)
<b>Profit for the period</b>						<b>3,269,469</b>
<b>Assets and liabilities as at at 31 December 2023</b>						
Segment assets	71,351,849	5,668,840	2,238,606	180,852,341		260,111,636
Unallocated assets					2,387,683	2,387,683
<b>Total assets</b>						<b>262,499,319</b>
Segment liabilities	139,073,055	37,089,254	38,443,306	39,740,828		254,346,443
Unallocated liabilities					781,158	781,158
<b>Total liabilities</b>						<b>255,127,601</b>
<b>Other information by segments</b>						
Capital expenditures	(40,943)	(47,710)	(45,891)	(6,768)	(34,481)	(175,793)

The table below provides the information on incomes and expenses and profits and losses, as well as certain assets and liabilities of operational segments of the Bank for a year ended on 31 December 2022.

	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
<b>External</b>						
Interest income calculated using effective interest method	7,663,119	774,306	26,420	5,042,069	349	13,506,263
Other interest income	199,852	28,849	—	1,133,548	—	1,362,249
Fee income	603,232	212,453	286,114	63,922	41,348	1,207,069
Other income	104,124	8,645	17,746	24,684	56,765	211,964

	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
Net gain from financial instruments at fair value through profit or loss	256	—	—	6,086,296	—	6,086,552
Net gain from financial assets held for trading	—	—	—	27,288	—	27,288
Net gain from operations with debt financial instruments at fair value through other comprehensive income	1,101	108	1,232	66,557	—	68,998
Net gain from trading in foreign currencies	225,978	77,615	107,228	1,480,362	—	1,891,183
Net gain from foreign exchange translation	374,455	3,931	—	5,526,513	—	5,904,899
Gains on initial recognition of financial assets at interest rates above or below market	—	—	—	2,768	—	2,768
Impairment gain determined in accordance with IFRS 9	—	—	5,533	—	—	5,533
Impairment gain on impairment for non-financial assets	—	—	1,154	3	—	1,157
<b>Result from other segments</b>	<b>(792,254)</b>	<b>1,452,581</b>	<b>1,698,238</b>	<b>974,782</b>	<b>(3,333,347)</b>	<b>—</b>
<b>Total income</b>	<b>8,379,863</b>	<b>2,558,488</b>	<b>2,143,665</b>	<b>20,428,792</b>	<b>(3,234,885)</b>	<b>30,275,923</b>
Interest expense	(3,359,763)	(1,018,886)	(693,438)	(5,792,510)	(749)	(10,865,346)
Fee expense	(47,102)	(22,801)	(161,359)	(25,757)	(39,496)	(296,515)
Net loss from trading in foreign currencies	—	—	—	—	(65,044)	(65,044)
Net loss from foreign exchange translation	—	—	—	—	(12,581,428)	(12,581,428)
Net loss from revaluation of investment property	—	—	—	—	(58,644)	(58,644)
Impairment loss determined in accordance with IFRS 9	(9,801,910)	(448,083)	—	(641,235)	(17,570)	(10,908,798)
Employee benefits expense	(435,326)	(328,305)	(226,144)	(115,181)	(734,530)	(1,839,486)
Depreciation and amortisation expense	(25,355)	(29,599)	(27,084)	(4,236)	(21,283)	(107,557)
Other administrative and operating expenses	(63,543)	(57,640)	(307,716)	(32,133)	(304,371)	(765,403)
Losses on impairment for non-financial assets	(1,888)	(395)	—	—	(40,887)	(43,170)
Loss arising from derecognition of financial assets at amortised cost	(214,013)	(9,921)	—	—	—	(223,934)
Impairment loss recognised in profit or loss	—	—	—	—	(492,911)	(492,911)
<b>Segment results</b>	<b>(5,569,037)</b>	<b>642,858</b>	<b>727,924</b>	<b>13,817,740</b>	<b>(17,591,798)</b>	<b>(7,972,313)</b>
Gain from income tax refund						257,534
<b>Loss for the period</b>						<b>(7,714,779)</b>
<b>Assets and liabilities as at at 31 December 2022</b>						
Segment assets	79,561,046	5,546,653	2,528,807	144,574,120		232,210,626
Unallocated assets					1,954,289	1,954,289
<b>Total assets</b>						<b>234,164,915</b>
Segment liabilities	119,214,898	25,148,378	33,314,082	53,943,468		231,620,826
Unallocated liabilities					509,095	509,095
<b>Total liabilities</b>						<b>232,129,921</b>
<b>Other information by segments</b>						
Capital expenditures	(17,451)	(20,324)	(19,870)	(2,867)	(14,824)	(75,336)

## Geographical information

Most revenues are derived from Ukraine. The Bank has no significant revenue from other countries beyond Ukraine. The Bank has no non-current assets located outside Ukraine. The analysis of assets and liabilities by the geographical principle is provided in Note 29.

## 6. Cash and cash equivalents

Cash and cash equivalents comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
<b>Cash</b>		
Cash in hand	1,231,982	1,822,228
Current account with the National Bank of Ukraine	15,915,730	7,492,711
Correspondent accounts with banks	54,846,681	50,500,425
Overnight deposits with banks	1,077,731	4,075,114
	<b>73,072,124</b>	<b>63,890,478</b>
<b>Cash equivalents</b>		
Deposit certificates issued by the National Bank of Ukraine	36,628,884	12,015,123
Short term deposits classified as cash equivalents	1,140,114	5,537,234
	<b>37,768,998</b>	<b>17,552,357</b>
Less: allowance for expected credit losses	(46,395)	(56,713)
<b>Cash and cash equivalents</b>	<b>110,794,727</b>	<b>81,386,122</b>

As at 31 December 2023, correspondent accounts in banks have UAH 39,849,882 thousand placed on current accounts with five OECD banks (31 December 2022: UAH 37,577,830 thousand). These banks are the main counterparties of the Bank in performing international settlements. The funds have been placed under normal banking terms and conditions.

As at 31 December 2023, overnight deposits and loans in the amount of UAH 1,077,731 thousand were placed with OECD banks under market interest rate (31 December 2022: UAH 4,075,114 thousand).

As at 31 December 2023, the Bank abolished the cash reserve in the amount of UAH 82 thousand from ATMs located in the occupied territory and the territory of active hostilities with obtaining the access to the ATMs (as at 31 December 2022: the Bank formed an allowance of UAH 300 thousand for cash in ATMs located in the occupied territory and the territory of active hostilities, for which there is no reliable evidence of its loss).

The allocation of cash and cash equivalents is assessed within 12 months.

## 7. Changes in liabilities in financial activities

The changes in cash flows from financing activities in the consolidate statement of cash flows for 2022 and 2023 were as follows:

	<i>Other borrowed funds</i>	<i>Subordinated debt</i>	<i>Lease commitments</i>	<i>Total</i>
<b>Carrying amount at 1 January 2022</b>	<b>28,880,822</b>	<b>3,605,597</b>	<b>6,099</b>	<b>32,492,518</b>
Additions	1,086,236	—	—	1,086,236
Repayments	(10,831,095)	(674,119)	(2,597)	(11,507,811)
Translation differences	7,280,547	1,135,240	—	8,415,787
Other	884,848	(11,274)	3,677	877,251
<b>Carrying amount at 31 December 2022</b>	<b>27,301,358</b>	<b>4,055,444</b>	<b>7,179</b>	<b>31,363,981</b>
Additions	6,756,759	—	—	6,756,759
Repayments	(6,714,203)	(380,923)	(2,247)	(7,097,373)
Translation differences	1,165,616	139,642	—	1,305,258
Other	221,257	(8,281)	(897)	212,079
<b>Carrying amount at 31 December 2023</b>	<b>28,730,787</b>	<b>3,805,882</b>	<b>4,035</b>	<b>32,540,704</b>

“Other” includes the effect of accrued but unpaid interest on borrowings from credit institutions, issued Eurobonds and subordinated debt. The Bank classifies the paid interest as cash flows from operating activities.

## 8. Impairment loss determined in accordance with IFRS 9

The table below shows the amounts of impairment losses and reversal of impairment losses recorded in profit or loss:

<i>For 2023</i>	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	(12,104)	—	—	—	—	—	(12,104)
Loans and advances to banks	(181)	—	—	—	(4,362)	—	(4,543)
Recovery of previously written-off loans and advances to banks	—	—	—	—	(70,520)	—	(70,520)
Loans and advances to customers	(611,756)	(527,961)	474,809	(194,514)	626,760	(220,962)	(453,624)
Recovery of previously written-off loans and advances to customers	—	—	—	(227,193)	(782,062)	—	(1,009,255)
Investment securities at fair value through other comprehensive income	379,728	174,895	—	—	—	—	554,623
Investment securities at amortised cost	20,420	248,485	—	—	—	—	268,905
Other financial assets	(21,940)	—	—	—	—	—	(21,940)
Financial guarantees	(33)	(8)	14	—	—	—	(27)
Undrawn loan commitments	(192,364)	(1,024)	(60,530)	(125,781)	(1,456)	—	(381,155)
Letters of credit	97,809	—	—	—	—	—	97,809
Avals on promissory notes	3	—	—	—	—	—	3
Performance guarantee	442	(1,050)	—	(14)	(1,465)	—	(2,087)
<b>Impairment gain determined in accordance with IFRS 9</b>	<b>(339,976)</b>	<b>(106,663)</b>	<b>414,293</b>	<b>(547,502)</b>	<b>(233,105)</b>	<b>(220,962)</b>	<b>(1,033,915)</b>

<i>For 2022</i>	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
Cash and cash equivalents	32,488	—	—	—	—	—	32,488
Loans and advances to banks	(9,194)	—	160	(6)	4,026	—	(5,014)
Recovery of previously written-off loans and advances to banks	—	—	—	—	(4,707)	—	(4,707)
Loans and advances to customers	986,945	760,163	1,791,108	1,027,731	3,227,444	2,588,909	10,382,300
Recovery of previously written-off loans and advances to customers	—	—	—	(44,559)	(258,698)	—	(303,257)
Investment securities at fair value through other comprehensive income	308,674	—	—	—	—	—	308,674
Investment securities at amortised cost	308,030	—	—	—	—	—	308,030
Other financial assets	63,074	—	—	—	—	—	63,074
Financial guarantees	(1,689)	1,208	497	(1,720)	—	—	(1,704)
Undrawn loan commitments	201,404	(4,657)	(85,598)	27,138	—	—	138,287
Letters of credit	(16,396)	—	—	—	—	—	(16,396)
Avals on promissory notes	(14)	(1)	—	—	—	—	(15)
Performance guarantee	72	(310)	276	2	1,465	—	1,505
<b>Impairment loss determined in accordance with IFRS 9</b>	<b>1,873,394</b>	<b>756,403</b>	<b>1,706,443</b>	<b>1,008,586</b>	<b>2,969,530</b>	<b>2,588,909</b>	<b>10,903,265</b>

Impairment loss, pursuant to IFRS 9 on purchased and originated credit-impaired assets (“POCI”) recognised in profit or loss in the tables above, is presented net of adjustments (reversal of impairment loss) to the carrying amount of POCI financial assets in the amount of UAH 178,189 thousand (2022: UAH 42,751 thousand).



## 9. Loans and advances to banks

Loans and advances to banks comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
<b>Loans and advances to banks</b>		
<b>Deposits with other banks</b>		
- short-term	290,811	214,125
- long-term	792,838	457,578
	<b>1,083,649</b>	<b>671,703</b>
Less: allowance for expected credit losses	<b>(73,784)</b>	<b>(78,231)</b>
<b>Loans and advances to banks</b>	<b>1,009,865</b>	<b>593,472</b>

As of 31 December 2023, loans and advances to banks included funds placed with Ukrainian banks in the amount of UAH 72,104 thousand (31 December 2022: UAH 103,861 thousand), OECD banks in the amount of UAH 758,511 thousand (31 December 2022: UAH 347,324 thousand), and other banks in the amount of UAH 253,034 thousand (31 December 2022: UAH 220,518 thousand)

As of 31 December 2023, loans and advances to banks are measured at amortised cost, excluding current accounts in precious metals in the amount of UAH 107,328 thousand (31 December 2022: UAH 94,668 thousand) that are accounted for at fair value through profit or loss.

As at 31 December 2023, deposits with other banks include coverage under guarantee transactions and letters of credit in the amount of UAH 902,517 thousand (31 December 2022: UAH 472,480 thousand).

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowances for loans and advances to banks:

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2023</b>	<b>595,261</b>	<b>71,967</b>	<b>4,475</b>	<b>671,703</b>
New assets originated or purchased	861,842	—	—	861,842
Completed (repaid) assets	(497,316)	—	—	(497,316)
Change in carrying amount	11,800	—	(4,363)	7,437
Translation differences	39,979	—	4	39,983
<b>Gross carrying amount at 31 December 2023</b>	<b>1,011,566</b>	<b>71,967</b>	<b>116</b>	<b>1,083,649</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2022</b>	<b>8,278,490</b>	—	<b>74,435</b>	<b>255,815</b>	<b>8,608,740</b>
New assets originated or purchased	729,454	—	—	—	729,454
Completed (repaid) assets	(6,428,100)	—	(6)	—	(6,428,106)
Transfer to Stage 2	(3,595)	3,595	—	—	—
Transfer to Stage 3	(6)	(3,583)	6	3,583	—
Change in carrying amount	(2,635,415)	(12)	—	(4)	(2,635,431)
Written-off assets	—	—	(2,541)	(255,815)	(258,356)
Translation differences	654,433	—	73	896	655,402
<b>Gross carrying amount at 31 December 2022</b>	<b>595,261</b>	—	<b>71,967</b>	<b>4,475</b>	<b>671,703</b>

	<i>Stage 1 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2023</b>	<b>1,790</b>	<b>71,967</b>	<b>4,474</b>	<b>78,231</b>
New assets originated or purchased	7,598	—	—	7,598
Completed (repaid) assets	(9,152)	—	—	(9,152)
Modifications in allowance	1,373	—	(4,362)	(2,989)
Translation differences	92	—	4	96
<b>Allowance at 31 December 2023</b>	<b>1,701</b>	<b>71,967</b>	<b>116</b>	<b>73,784</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance at 1 January 2022</b>	<b>8,320</b>	<b>—</b>	<b>74,435</b>	<b>255,815</b>	<b>338,570</b>
New assets originated or purchased	12,896	—	—	—	12,896
Completed (repaid) assets	(21,926)	—	(6)	—	(21,932)
Transfer to Stage 2	(198)	198	—	—	—
Transfer to Stage 3	(6)	(358)	6	358	—
Modifications in allowance	(164)	160	—	4,026	4,022
Written-off allowances	—	—	(2,541)	(255,815)	(258,356)
Translation differences	2,868	—	73	90	3,031
<b>Allowance at 31 December 2022</b>	<b>1,790</b>	<b>—</b>	<b>71,967</b>	<b>4,474</b>	<b>78,231</b>

## 10. Loans and advances to customers

Loans and advances have been extended to the following types of customers:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Legal entities	56,499,313	63,622,410
State entities	37,060,821	38,349,545
Individuals	1,641,457	1,630,369
	<b>95,201,591</b>	<b>103,602,324</b>
Less: allowance for expected credit losses	(20,631,918)	(21,172,463)
	<b>74,569,673</b>	<b>82,429,861</b>

### Loans and advances to customers

As at 31 December 2023, loans to state entities included loans to state administration authorities in the amount of UAH 6,267,420 thousand (31 December 2022: UAH 7,074,760).

### Legal entities

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowance:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2023</b>	<b>22,164,949</b>	<b>5,063,389</b>	<b>3,956,508</b>	<b>3,017,662</b>	<b>15,357,437</b>	<b>14,062,465</b>	<b>63,622,410</b>
New assets originated or purchased	9,054,533	—	—	—	—	—	9,054,533
Completed (repaid) assets	(2,621,799)	(476,828)	(1,720,258)	(149,832)	(579,615)	(53,845)	(5,602,177)
Transfer to Stage 1	2,284,354	(1,691,146)	(555,348)	(37,860)	—	—	—
Transfer to Stage 2	(3,723,071)	1,724,882	2,403,015	(37,823)	(367,003)	—	—
Transfer to Stage 3	(572,198)	(2,305,753)	(2,008,649)	2,232,142	2,654,458	—	—
Transfer to POCI	—	—	—	(50,242)	(653,418)	703,660	—
Adjustment of the carrying amount of POCI	—	—	—	—	—	168,961	168,961
Change in carrying amount	(8,340,618)	(1,170,836)	(358,803)	(1,020,686)	243,277	(179,897)	(10,827,563)
Loans written off	—	—	—	(64,925)	(1,205,850)	(389,467)	(1,660,242)
Change in client category	18,704	—	—	—	—	—	18,704
Disposal of subsidiary	(19,427)	—	—	—	—	—	(19,427)
Translation differences	504,839	87,138	61,806	140,160	802,000	148,171	1,744,114
<b>Gross carrying amount at 31 December 2023</b>	<b>18,750,266</b>	<b>1,230,846</b>	<b>1,778,271</b>	<b>4,028,596</b>	<b>16,251,286</b>	<b>14,460,048</b>	<b>56,499,313</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2022</b>	<b>30,092,952</b>	<b>483,437</b>	<b>1,511,522</b>	<b>1,135,084</b>	<b>10,857,818</b>	<b>13,241,937</b>	<b>57,322,750</b>
New assets originated or purchased	13,764,258	—	—	—	—	—	13,764,258
Completed (repaid) assets	(4,885,471)	(448,694)	(144,624)	(13,474)	(370)	(1,577)	(5,494,210)
Transfer to Stage 1	1,262,106	(241,312)	—	(14,001)	(1,006,793)	—	—
Transfer to Stage 2	(18,945,288)	6,601,439	12,379,560	(35,711)	—	—	—
Transfer to Stage 3	(2,351,900)	(1,345,020)	(10,949,117)	2,127,391	12,518,646	—	—
Transfer to POCI	—	—	—	(2,416)	(2,564,114)	2,566,530	—
Adjustment of the carrying amount of POCI	—	—	—	—	—	41,900	41,900
Change in carrying amount	26,404	(616,078)	(469,244)	(143,887)	179,088	(1,508,236)	(2,531,953)
Loans written off	—	—	—	(143,927)	(8,051,901)	(1,075,056)	(9,270,884)
Translation differences	3,201,888	629,617	1,628,411	108,603	3,425,063	796,967	9,790,549

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 31 December 2022</b>	<b>22,164,949</b>	<b>5,063,389</b>	<b>3,956,508</b>	<b>3,017,662</b>	<b>15,357,437</b>	<b>14,062,465</b>	<b>63,622,410</b>
<b>Allowance at 1 January 2023</b>	<b>677,457</b>	<b>1,066,852</b>	<b>322,225</b>	<b>2,132,004</b>	<b>8,013,288</b>	<b>5,821,766</b>	<b>18,033,592</b>
New assets originated or purchased	160,728	–	–	–	–	–	160,728
Completed (repaid) assets	(20,004)	(7,390)	(32,319)	(10,995)	(146,490)	(4,053)	(221,251)
Transfer to Stage 1	9,590	(7,578)	–	(2,012)	–	–	–
Transfer to Stage 2	(342,893)	17,343	468,905	(4,912)	(138,443)	–	–
Transfer to Stage 3	(84,380)	(460,844)	(312,135)	182,970	674,389	–	–
Transfer to POCI	–	–	–	(8,804)	(82,842)	–	(91,646)
Result from derecognition	–	–	–	(6,814)	(30,764)	–	(37,578)
Interest income adjustment	–	–	–	123,599	435,771	282,131	841,501
Written-off assets	–	–	–	(64,925)	(1,205,850)	(389,467)	(1,660,242)
Modifications in allowance	23,229	(413,679)	(245,927)	(133,759)	923,316	(55,897)	97,283
Modifications in macro-model inputs	(273,026)	(104,670)	–	–	–	–	(377,696)
Change in client category	74	–	–	–	–	–	74
Disposal of subsidiary	(966)	–	–	–	–	–	(966)
Translation differences	11,114	24,875	14,246	72,943	436,753	23,155	583,086
<b>Allowance at 31 December 2023</b>	<b>160,923</b>	<b>114,909</b>	<b>214,995</b>	<b>2,279,295</b>	<b>8,879,128</b>	<b>5,677,635</b>	<b>17,326,885</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2022</b>	<b>1,020,730</b>	<b>72,590</b>	<b>138,134</b>	<b>907,715</b>	<b>8,918,077</b>	<b>4,121,967</b>	<b>15,179,213</b>
New assets originated or purchased	426,729	–	–	–	–	–	426,729
Completed (repaid) assets	(123,553)	(15,604)	(28,601)	(1,545)	(203)	–	(169,506)
Transfer to Stage 1	30,409	(28,765)	–	(1,644)	–	–	–
Transfer to Stage 2	(1,070,199)	419,996	675,006	(24,803)	–	–	–
Transfer to Stage 3	(213,933)	(235,392)	(2,311,630)	207,359	2,553,596	–	–
Transfer to POCI	–	–	–	(148)	(1,631,912)	–	(1,632,060)
Result from derecognition	–	–	–	–	(2,644)	–	(2,644)
Interest income adjustment	–	–	–	29,864	184,008	116,401	330,273
Written-off assets	–	–	–	(143,927)	(8,051,901)	(1,075,056)	(9,270,884)
Modifications in allowance	(26,971)	14,975	1,643,187	1,071,965	3,161,409	2,632,238	8,496,803
Modifications in macro-model inputs	440,515	692,383	–	–	–	–	1,132,898
Translation differences	193,730	146,669	206,129	87,168	2,882,858	26,216	3,542,770
<b>Allowance at 31 December 2022</b>	<b>677,457</b>	<b>1,066,852</b>	<b>322,225</b>	<b>2,132,004</b>	<b>8,013,288</b>	<b>5,821,766</b>	<b>18,033,592</b>

## State entities

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowance:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2023</b>	<b>34,697,512</b>	<b>128,663</b>	<b>–</b>	<b>284,457</b>	<b>3,225,247</b>	<b>13,666</b>	<b>38,349,545</b>
New assets originated or purchased	4,370,066	–	–	–	–	–	4,370,066
Completed (repaid) assets	(1,874,763)	–	–	(91,609)	(112,333)	(50)	(2,078,755)
Transfer to Stage 1	420,239	–	(420,239)	–	–	–	–
Transfer to Stage 2	(19,611,410)	288,827	19,322,583	–	–	–	–
Transfer to Stage 3	(177,187)	(408,685)	–	3,550	582,322	–	–
Transfer to POCI	–	–	–	(39,791)	–	39,791	–
Adjustment of the carrying amount of POCI	–	–	–	–	–	8,537	8,537
Change in carrying amount	(3,746,963)	(7,092)	(403,455)	(9,973)	(301,789)	(46,086)	(4,515,358)
Change in client category	(18,704)	–	–	–	–	–	(18,704)
Disposal of subsidiary	–	–	–	(252)	–	–	(252)
Translation differences	94,049	–	756,597	1	94,651	444	945,742
<b>Gross carrying amount at 31 December 2023</b>	<b>14,152,839</b>	<b>1,713</b>	<b>19,255,486</b>	<b>146,383</b>	<b>3,488,098</b>	<b>16,302</b>	<b>37,060,821</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2022</b>	<b>25,770,447</b>	<b>16,716</b>	<b>1,900,807</b>	<b>190,571</b>	–	–	<b>27,878,541</b>
New assets originated or purchased	10,498,170	–	–	–	–	–	10,498,170
Completed (repaid) assets	(3,022,083)	(110,437)	–	(72,742)	–	–	(3,205,262)
Transfer to Stage 2	(892,387)	335,252	557,135	–	–	–	–
Transfer to Stage 3	(73,296)	(100,212)	(3,215,892)	173,508	3,215,892	–	–
Transfer to POCI	–	–	–	(17,477)	–	17,477	–
Change in carrying amount	(2,698,204)	(12,656)	102,457	9,427	9,355	(6,329)	(2,595,950)
Translation differences	5,114,865	–	655,493	1,170	–	2,518	5,774,046
<b>Gross carrying amount at 31 December 2022</b>	<b>34,697,512</b>	<b>128,663</b>	<b>–</b>	<b>284,457</b>	<b>3,225,247</b>	<b>13,666</b>	<b>38,349,545</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2023</b>	<b>663,822</b>	<b>53,116</b>	–	<b>118,762</b>	<b>784,393</b>	–	<b>1,620,093</b>
New assets originated or purchased	210,652	–	–	–	–	–	210,652
Completed (repaid) assets	(2,126)	–	–	(38,201)	(24,892)	–	(65,219)
Transfer to Stage 1	11,731	–	(11,731)	–	–	–	–
Transfer to Stage 2	(54,414)	2,538	51,876	–	–	–	–
Transfer to Stage 3	(54,796)	(53,885)	–	(34,762)	143,443	–	–
Transfer to POCI	–	–	–	(7,666)	–	–	(7,666)
Result from derecognition	–	–	–	(8,937)	–	–	(8,937)
Interest income adjustment	–	–	–	12,111	53,438	450	65,999
Modifications in allowance	(615,832)	(1,203)	753,055	14,992	(125,174)	15,393	41,231
Modifications in macro-model inputs	(96,792)	(270)	–	–	–	–	(97,062)
Change in client category	(74)	–	–	–	–	–	(74)
Disposal of subsidiary	–	–	–	(175)	–	–	(175)
Translation differences	1,555	–	1,758	–	20,975	442	24,730
<b>Allowance at 31 December 2023</b>	<b>63,726</b>	<b>296</b>	<b>794,958</b>	<b>56,124</b>	<b>852,183</b>	<b>16,285</b>	<b>1,783,572</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2022</b>	<b>425,092</b>	<b>163</b>	<b>342,045</b>	<b>86,406</b>	–	–	<b>853,706</b>
New assets originated or purchased	556,934	–	–	–	–	–	556,934
Completed (repaid) assets	(220,877)	(5,149)	–	(32,981)	–	–	(259,007)
Transfer to Stage 2	(58,605)	11,186	47,419	–	–	–	–
Transfer to Stage 3	(33,233)	(14,214)	(717,428)	47,447	717,428	–	–
Transfer to POCI	–	–	–	(7,877)	–	–	(7,877)
Interest income adjustment	–	–	–	10,062	727	564	11,353
Modifications in allowance	(513,140)	26,415	176,522	15,178	66,238	(564)	(229,351)
Modifications in macro-model inputs	439,337	34,715	–	–	–	–	474,052
Translation differences	68,314	–	151,442	527	–	–	220,283
<b>Allowance at 31 December 2022</b>	<b>663,822</b>	<b>53,116</b>	<b>–</b>	<b>118,762</b>	<b>784,393</b>	<b>–</b>	<b>1,620,093</b>

## Individuals

The following tables show the analysis of changes in the gross carrying amount and the corresponding allowance:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2023</b>	<b>97,011</b>	<b>20,542</b>	<b>1,510,575</b>	<b>2,241</b>	<b>1,630,369</b>
New assets originated or purchased	82,468	–	–	–	82,468
Completed (repaid) assets	(43,502)	(1,618)	(4,849)	–	(49,969)
Transfer to Stage 1	11,177	(11,177)	–	–	–
Transfer to Stage 2	(7,781)	7,781	–	–	–
Transfer to Stage 3	(4,068)	(4,746)	8,814	–	–
Transfer to POCI	–	–	(1,449)	1,449	–
Adjustment of the carrying amount of POCI	–	–	–	691	691
Change in carrying amount	(17,284)	(6,916)	(21,024)	(2,047)	(47,271)
Loans written off	–	–	(58,461)	–	(58,461)
Translation differences	83	74	83,473	–	83,630
<b>Gross carrying amount at 31 December 2023</b>	<b>118,104</b>	<b>3,940</b>	<b>1,517,079</b>	<b>2,334</b>	<b>1,641,457</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2022</b>	<b>162,029</b>	<b>5,529</b>	<b>1,285,410</b>	<b>2,445</b>	<b>1,455,413</b>
New assets originated or purchased	58,848	—	—	—	58,848
Completed (repaid) assets	(48,998)	(6,049)	(17,844)	(106)	(72,997)
Transfer to Stage 1	6,081	(6,081)	—	—	—
Transfer to Stage 2	(52,114)	52,295	(181)	—	—
Transfer to Stage 3	(5,885)	(20,557)	26,442	—	—
Adjustment of the carrying amount of POCI	—	—	—	851	851
Change in carrying amount	(23,835)	(5,346)	(14,857)	(950)	(44,988)
Loans written off	—	—	(107,920)	—	(107,920)
Translation differences	885	751	339,525	1	341,162
<b>Gross carrying amount at 31 December 2022</b>	<b>97,011</b>	<b>20,542</b>	<b>1,510,575</b>	<b>2,241</b>	<b>1,630,369</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2023</b>	<b>3,796</b>	<b>4,407</b>	<b>1,510,575</b>	<b>—</b>	<b>1,518,778</b>
New assets originated or purchased	4,561	—	—	—	4,561
Completed (repaid) assets	(793)	(434)	(4,849)	—	(6,076)
Transfer to Stage 1	2,197	(2,197)	—	—	—
Transfer to Stage 2	(1,964)	1,964	—	—	—
Transfer to Stage 3	(3,818)	(2,814)	6,632	—	—
Transfer to POCI	—	—	(1,431)	—	(1,431)
Result from derecognition	—	—	(18)	—	(18)
Interest income adjustment	—	—	2,852	326	3,178
Written-off assets	—	—	(58,461)	—	(58,461)
Modifications in allowance	(56)	19	(21,702)	1,784	(19,955)
Modifications in macro-model inputs	(2,297)	(334)	—	—	(2,631)
Translation differences	15	19	83,482	—	83,516
<b>Allowance at 31 December 2023</b>	<b>1,641</b>	<b>630</b>	<b>1,517,080</b>	<b>2,110</b>	<b>1,521,461</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>POCI</i>	<i>Total</i>
<b>Allowance at 1 January 2022</b>	<b>2,305</b>	<b>1,209</b>	<b>1,285,409</b>	<b>—</b>	<b>1,288,923</b>
New assets originated or purchased	2,137	—	—	—	2,137
Completed (repaid) assets	(1,005)	(1,242)	(18,090)	—	(20,337)
Transfer to Stage 1	1,137	(1,137)	—	—	—
Transfer to Stage 2	(6,106)	6,287	(181)	—	—
Transfer to Stage 3	(1,526)	(14,426)	15,952	—	—
Interest income adjustment	—	—	3,321	14	3,335
Written-off assets	—	—	(107,920)	—	(107,920)
Modifications in allowance	4,389	10,440	(6,796)	(14)	8,019
Modifications in macro-model inputs	2,450	3,230	—	—	5,680
Translation differences	15	46	338,880	—	338,941
<b>Allowance at 31 December 2022</b>	<b>3,796</b>	<b>4,407</b>	<b>1,510,575</b>	<b>—</b>	<b>1,518,778</b>

The derecognition of loans and advances to customers at Stage 3 as a result of a substantial modification and the corresponding recognition of new FVPL assets is reflected in the line Transfer to FVPL.

Undiscounted expected credit losses on initial recognition of POCI in 2023 amounted to UAH 102,598 thousand (2022: UAH 1,646,749 thousand).

All loans written off by the Bank during 2023 remain subject to enforcement action (2022: remain subject to enforcement actions).

As at 31 December 2023, the total amount of customer accounts receivable for which the Bank conducts enforcement action is UAH 110,733,613 thousand (31 December 2022: UAH 108,214,352 thousand).

## Modified loans

The Bank derecognises a financial asset, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financial instrument, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in derecognition, then, based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes the Stage 2 and Stage 3 assets modified during the period, with the modification gain (loss):

	2023	2022
<b>Loans to customers modified during the period</b>		
Amortised cost before modification	13,689,355	15,549,230
Net modification gain/(loss)	(72,626)	1,283

The total net losses from modification of financial assets in the amount of UAH 80,567 thousand are included in “Other administrative and operating expenses” in the consolidated statement of profit and loss (31 December 2022: total net gains from modification of financial assets in the amount of UAH 79,162 thousand are included in “Other income” in the consolidated statement of profit and loss).

As at 31 December 2023, the gross carrying amount of assets whose terms have been renegotiated since the initial recognition date and attributed to Stage 2 and Stage 3 at the time of such renegotiation and transferred to Stage 1 during the reporting period is UAH 994,831 thousand (31 December 2022: nil).

During 2023, the Bank recognised profit arising from derecognition of financial assets measured at amortised cost as a result of substantial modifications in the total amount of UAH 43,580 thousand (2022: loss of UAH 223,934 thousand).

## The impact of military aggression and introduction of martial law in Ukraine

The status of the state bank with specialization in financing export-import operations imposes a special role on the Bank during martial law in meeting the state’s needs in financing the supply of critical imports and lending to strategic sectors of the economy for the country’s defense, food supply and humanitarian purposes, including to preserve the sovereignty of Ukraine.

The Bank has updated its credit policy, taking into account the armed aggression of the Russian Federation against Ukraine. The Bank made a list of sectors of the economy that will be provided with priority credit support, namely: military-industrial complex, critical imports, agricultural sector, fuel and energy sector, infrastructure projects, export-oriented industries, humanitarian and social projects.

As of today, the Bank has restricted foreign currency lending and will continue to provide credit support mostly in local currency. The credit support in foreign currency will be provided under the programs of international financial organisations (IBRD, EBRD, EIB), both current and new programs.

To support its clients, who have faced force majeure circumstances related to the military aggression of the Russian Federation against Ukraine, the Bank is considering restructuring of debtors (individually, taking into account the characteristics of each individual debtor, the actual impact of the war on their financial and business condition and forecasts for further prospects of their business).

In 2022, the Bank performed a more detailed portfolio segmentation and recognized expected credit losses on loans to customers that were directly and indirectly affected by the hostilities on the operations and financial position of the debtors and their ability to fulfill their monetary obligations to the Bank. As a result of this, as well as negative macroeconomic forecasts, the Bank made a significant additional provisioning in 2022. In 2023, the Bank improved its expectations of credit losses for individual customers, where there was a recovery and successful continuation of business operations, and for customers assessed on a collective basis, due to significant changes in macroeconomic forecasts, as a result of the liberation of some occupied territories, stabilization of the economic situation (see Note 29), which resulted in a decrease in expected credit losses.

The Bank will continue to accumulate and process information to ensure proper assessment of credit risks despite the uncertainty caused by the war.

## Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse “repo” transactions - cash or securities;
- For commercial lending - charges over real estate properties, inventory and trade receivables;
- For retail lending - mortgages over residential properties and vehicles.

The Bank monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As at 31 December 2023, UAH 765,485 thousand of customer deposits are pledged as collateral for loans to customers (31 December 2022: UAH 1,306,263 thousand) (Note 22).

The analysis of collateral value for credit-impaired assets (stage 3) taken in to accounted by the Bank when assessing the impairment of assets is provided in Note 29.

During 2023, the Bank effected the repayment of borrowers' bad debts through pledged property amounting to UAH 1,514,969 thousand, including by taking possession of pledged property valued at UAH 145,755 thousand, which is included in “Non-current assets classified as held for sale” and “Investment property”, and by selling pledged property valued at UAH 1,369,214 thousand. (31 December 2022: at the expense of pledged property amounting to UAH 492,266 thousand, including through possession of pledged property amounting to UAH 226,712 thousand, which is included in “Non-current assets classified as held for sale” and “Investment property” and through the sale of pledged property amounting to UAH 265,554 thousand).

#### Concentration of loans to customers

As at 31 December 2023, the Bank has a concentration of loans represented by UAH 42,112,597 thousand due from ten largest borrowers (44.24% of gross loan portfolio) (31 December 2022: UAH 42,245,036 thousand, or 40.78%). The allowance of UAH 4,114,563 thousand has been recognised against these loans (31 December 2022: UAH 3,645,173 thousand).

Loans are granted principally within Ukraine to companies of the following industry sectors:

	<i>31 December</i>		<i>31 December</i>	
	<i>2023</i>	<i>%</i>	<i>2022</i>	<i>%</i>
Power engineering	20,031,015	21,0	20,019,660	19,3
Extractive industry	13,926,501	14,6	13,585,662	13,1
Agriculture and food industry	11,996,345	12,6	13,812,769	13,3
Trade	11,053,404	11,7	15,079,756	14,6
Real estate	6,492,618	6,8	6,036,842	5,8
Road construction	6,297,424	6,6	7,168,676	6,9
Construction	6,254,770	6,6	6,567,897	6,3
Transport and communications	3,595,523	3,8	3,906,177	3,8
Mechanical engineering	3,409,518	3,6	5,067,989	4,9
Metallurgy	1,763,680	1,9	1,659,777	1,6
Financing activities	1,645,384	1,7	1,281,010	1,2
Individuals	1,641,456	1,7	1,630,369	1,6
Chemical industry	1,278,946	1,3	1,261,892	1,2
Professional, scientific and technical activities	1,254,079	1,3	1,616,354	1,6
Production of construction materials	1,244,647	1,3	1,598,105	1,5
Production of rubber and plastic goods	1,065,504	1,1	1,226,767	1,2
Light industry	669,340	0,7	605,431	0,6
Other processing activities	400,890	0,4	340,956	0,3
Information and telecommunications	371,543	0,4	360,893	0,3
Pulp and paper industry	253,280	0,3	272,358	0,3
Other	555,724	0,6	502,984	0,6
<b>Total</b>	<b>95,201,591</b>	<b>100</b>	<b>103,602,324</b>	<b>100</b>

Corporate lending portfolio includes finance lease receivables. They may be analysed as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Gross investment in finance leases, receivable:		
Within 1 year	625,913	704,492
From 1 to 2 years	501,132	551,238
From 2 to 3 years	94,936	467,394
From 3 to 4 years	21,681	76,987
From 4 to 5 years	7,380	5,177
	<b>1,251,042</b>	<b>1,805,288</b>
Unearned future finance income on finance leases	(256,114)	(384,098)
<b>Net investment in finance leases</b>	<b>994,928</b>	<b>1,421,190</b>
Less: allowance for expected credit losses	(48,615)	(163,008)
<b>Accounts receivable on on finance leases</b>	<b>946,313</b>	<b>1,258,182</b>

	<u>31 December 2023</u>	<u>31 December 2022</u>
Net investment in finance leases, receivable:		
Within 1 year	462,592	505,030
From 1 to 2 years	429,387	426,687
From 2 to 3 years	79,633	415,524
From 3 to 4 years	17,032	69,197
From 4 to 5 years	6,284	4,752
<b>Net investment in finance leases</b>	<b>994,928</b>	<b>1,421,190</b>

## 11. Investments in securities

Investments in securities comprise:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Investment securities at fair value through profit or loss	19,071,183	26,961,581
Investment securities at fair value through other comprehensive income	27,592,940	12,543,679
Investment securities at amortised cost	19,451,294	22,092,656
Securities held for trading	3,878,986	888,792
<b>Investments in securities</b>	<b>69,994,403</b>	<b>62,486,708</b>

### Investment securities at fair value through profit or loss

As at 31 December 2023, investment securities at fair value through profit or loss are represented by Ukrainian indexed government bonds with the carrying amount of UAH 19,071,183 thousand (31 December 2022: UAH 26,961,581 thousand), of which the issue terms provides for the indexation of the nominal value by maturity according to the changes in the average interbank UAH/USD exchange rate per month prior to the date of issue and per month prior to the maturity date. Coupon yield is not subject to indexation.

As at 31 December 2023, securities held for trading are represented by Ukrainian government bonds with the carrying amount of UAH 3,878,986 thousand (31 December 2022: UAH 888,792 thousand).

The Bank's approaches to determining business models for Ukrainian government bonds are presented in Note 4 “Significant accounting judgements and estimates”.

As at 31 December 2023, Ukrainian government bonds with the carrying amount of UAH 9,543,030 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2022: UAH 10,546,640 thousand) (Note 20).

During 2023, the Bank recognized gain from revaluation of investment securities at fair value through profit or loss in amount of 971,758 thousand and recorded under “Net increase/(decrease) from financial instruments at fair value through profit or loss” (2022: gain of UAH 3,640,085 thousand).



**Investment securities at fair value through other comprehensive income**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Ukrainian government bonds	27,572,598	12,521,500
Corporate shares	20,342	22,179
<b>Investment securities at fair value through other comprehensive income</b>	<b>27,592,940</b>	<b>12,543,679</b>

As at 31 December 2023, Ukrainian government bonds with the carrying amount of UAH 6,558,951 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2022: UAH 6,629,543 thousand) (Note 20).

As at 31 December 2023, Ukrainian government bonds with the carrying amount of UAH 629,707 thousand were pledged as collateral on loans received from credit institutions (31 December 2022: UAH 63,729 thousand) (Note 20).

As at 31 December 2023, Ukrainian government bonds with the carrying amount of UAH 1,367,819 thousand were used to form a guarantee fund on interest rate swaps (31 December 2022: UAH 967,193 thousand) (Note 18).

The Bank at its own discretion has designated some of its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Such investments primarily include mandatory shares in exchanges and clearing houses, investments arising when the Bank received equity shares in exchange for debt settlement.

The following tables show the analysis of changes in the gross carrying amount and the corresponding ECL on investment securities at fair value through other comprehensive income:

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Total</b>
<b>Fair value at 1 January 2023</b>	<b>3,572,876</b>	<b>8,970,803</b>	<b>12,543,679</b>
New assets originated or purchased	18,720,409	–	18,720,409
Repaid assets	(3,456,650)	(118,734)	(3,575,384)
Change in fair amount	591,377	1,125,253	1,716,630
Sold assets	(1,446,554)	(447,696)	(1,894,250)
Translation differences	81,856	–	81,856
<b>Fair value at 31 December 2023</b>	<b>18,063,314</b>	<b>9,529,626</b>	<b>27,592,940</b>

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Total</b>
<b>Fair value at 1 January 2022</b>	<b>12,737,353</b>	<b>–</b>	<b>12,737,353</b>
New assets originated or purchased	18,950,462	–	18,950,462
Repaid assets	(2,476,846)	–	(2,476,846)
Transfer to Stage 2	(8,970,803)	8,970,803	–
Change in fair amount	(1,327,163)	–	(1,327,163)
Sold assets	(15,449,962)	–	(15,449,962)
Translation differences	109,835	–	109,835
<b>Fair value at 31 December 2022</b>	<b>3,572,876</b>	<b>8,970,803</b>	<b>12,543,679</b>

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Total</b>
<b>Allowance at 1 January 2023</b>	<b>28,706</b>	<b>259,422</b>	<b>288,128</b>
New assets originated or purchased	210,491	–	210,491
Repaid assets	(27,899)	(964)	(28,863)
Modifications in allowance	197,136	175,859	372,995
Sold assets	(12,289)	(3,602)	(15,891)
Translation differences	2,996	–	2,996
<b>Allowance at 31 December 2023</b>	<b>399,141</b>	<b>430,715</b>	<b>829,856</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
<b>Allowance at 1 January 2022</b>	<b>39,108</b>	—	<b>39,108</b>
New assets originated or purchased	43,531	—	43,531
Repaid assets	(42,552)	—	(42,552)
Transfer to Stage 2*	(259,422)	259,422	—
Modifications in allowance	307,695	—	307,695
Sold assets	(65,461)	—	(65,461)
Translation differences	5,807	—	5,807
<b>Allowance at 31 December 2022</b>	<b>28,706</b>	<b>259,422</b>	<b>288,128</b>

\*The transfer to Stage 2 is related to the start of the military aggression of the Russian Federation on 24 February 2022, which caused the downgrade of the credit rating of Ukraine, as a result of which for all Ukrainian government bonds, purchased before that date, the event of significant increase in credit risk was recognised.

The increase in the amount of allowance during 2022 is related to the revision (deterioration) of ratings of a number of counterparties, including as a result of the revision of Ukraine's credit rating, which accordingly affected the level of allowance.

To determine the ECL on Ukrainian government bonds, the Bank applied PD in the range of 5.08% - 25.45% and LGD 50% based on Fitch's credit rating of Ukraine as at 31 December 23.

#### Investment securities at amortised cost

	<i>31 December 2023</i>	<i>31 December 2022</i>
Ukrainian government bonds	14,267,117	13,704,594
Corporate bonds	5,641,216	8,559,137
Municipal bonds	223,947	225,400
	<b>20,132,280</b>	<b>22,489,131</b>
Less: allowance for expected credit losses	(680,986)	(396,475)
<b>Investment securities at amortised cost</b>	<b>19,451,294</b>	<b>22,092,656</b>

As at 31 December 2023, Ukrainian government bonds with the carrying amount of UAH 6,476,345 thousand were pledged as collateral on loans received from the National Bank of Ukraine (31 December 2022: UAH 6,722,983 thousand) (Note 20).

As at 31 December 2023, there were no corporate bonds pledged as collateral for loans received from the National Bank of Ukraine (31 December 2022: corporate bonds with a carrying amount of UAH 8,461,960 thousand were pledged as collateral for loans received from the National Bank of Ukraine.) (Note 20).

The following tables show an analysis of changes in gross carrying amount and corresponding ECL on investment securities at amortised cost:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2023</b>	<b>15,483,945</b>	<b>7,005,186</b>	<b>22,489,131</b>
New assets originated or purchased	99,633	—	99,633
Repaid assets	(3,029,641)	—	(3,029,641)
Change in carrying amount	9,892	1,847	11,739
Transfer to Stage 2	(5,541,195)	5,541,195	—
Translation differences	561,418	—	561,418
<b>Gross carrying amount at 31 December 2023</b>	<b>7,584,052</b>	<b>12,548,228</b>	<b>20,132,280</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
<b>Gross carrying amount at 1 January 2022</b>	<b>30,186,313</b>	—	<b>30,186,313</b>
New assets originated or purchased	9,196,545	—	9,196,545
Repaid assets	(18,266,505)	—	(18,266,505)
Transfer to Stage 2	(7,005,186)	7,005,186	—
Change in carrying amount	259,887	—	259,887
Translation differences	1,112,891	—	1,112,891
<b>Gross carrying amount at 31 December 2022</b>	<b>15,483,945</b>	<b>7,005,186</b>	<b>22,489,131</b>

The transfer to Stage 2 is related to the start of the military aggression of the Russian Federation on 24 February 2022, which caused the downgrade of the credit rating of Ukraine, as a result of which for all Ukrainian government bonds, purchased before that date, the event of significant increase in credit risk was recognised.

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
<b>Allowance at 1 January 2023</b>	<b>114,272</b>	<b>282,203</b>	<b>396,475</b>
New assets originated or purchased	1,455	–	1,455
Repaid assets	(1,435)	–	(1,435)
Modifications in allowance	20,400	248,485	268,885
Transfer to Stage 2	(112,991)	112,991	–
Translation differences	15,606	–	15,606
<b>Allowance at 31 December 2023</b>	<b>37,307</b>	<b>643,679</b>	<b>680,986</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
<b>Allowance at 1 January 2022</b>	<b>46,938</b>	–	<b>46,938</b>
New assets originated or purchased	247,657	–	247,657
Repaid assets	(173,548)	–	(173,548)
Transfer to Stage 2*	(282,203)	282,203	–
Modifications in allowance	233,921	–	233,921
Translation differences	41,507	–	41,507
<b>Allowance at 31 December 2022</b>	<b>114,272</b>	<b>282,203</b>	<b>396,475</b>

\*Amounts of transfers between Stages include both expected credit losses on assets at the time of transfer between Stages and changes in estimates of credit loss after transfer between Stages.

To determine the ECL on Ukrainian government bonds, the Bank applied PD in the range of 5.08% - 25.45% and LGD 50% from the international credit agency Fitch based on the credit rating of Ukraine as at 31 December 23.

## 12. Investment property

Movements in investment property were as follows:

	<i>2023</i>	<i>2022</i>
<b>Investment property as at 1 January</b>	<b>667,496</b>	<b>984,056</b>
Additions	84,169	15,879
Net gain / (loss) from fair value remeasurement	20,642	(58,644)
Transfer from Non-current assets classified as held for sale	161,196	8,332
Transfer from “Property, plant and equipment”	6,624	–
Transfers to “Reposessed pledged property”	–	(4,224)
Sale of investment property items	(188,041)	(277,898)
Write-off of investment property items	–	(5)
<b>Investment property as at 31 December</b>	<b>752,086</b>	<b>667,496</b>

In 2023, the Bank sold investment property items with a gain of UAH 20,680 thousand (2022: with a loss of UAH 20,590 thousand).

In 2023, the Bank revalued its investment property. The valuation was performed by independent appraiser having appropriate professional qualifications and years of experience in valuation of properties of similar category and with similar location. The basic valuation approaches applied were the comparative approach and a combination of comparative and income approaches.

The Bank leased out a part of its investment property under operating lease agreements. Future minimum receivables under non-cancellable operating leases comprise the following:

	<b>31 December 2023</b>
Within 1 year	2,384
From 1 to 2 years	1,449
From 2 to 3 years	1,449
From 3 to 4 years	1,449
From 4 to 5 years	1,449
Over 5 years	1,054
<b>Future minimum receivables under non-cancellable operating lease</b>	<b>9,234</b>

	<b>31 December 2022</b>
Within 1 year	6,245
From 1 to 2 years	6,245
From 2 to 3 years	6,245
From 3 to 4 years	6,245
From 4 to 5 years	6,244
Over 5 years	9,887
<b>Future minimum receivables under non-cancellable operating lease</b>	<b>41,111</b>

As at 31 December 2023, the Bank has no non-cancellable operating lease agreements that cannot be terminated (2022: none).

In 2023, the Bank recognised rental income of UAH 7,285 thousand (2022: UAH 7,119 thousand) included in other income in the consolidated statement of profit or loss.

During 2023, direct operating expenses related to investment property generating rental income amounted to UAH 5,570 thousand. (2022: UAH 2,969 thousand), direct operating expenses related to investment property not generating rental income amounted to UAH 23,545 thousand (2022: UAH 26,793 thousand).

### 13. Property, plant and equipment

Movements in property, plant and equipment were as follows:

	<i>Land</i>	<i>Buildings</i>	<i>Right-of-use assets Buildings/ Premises</i>	<i>Other property, plant and equipment</i>	<i>Computers and equipment</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
<b>Cost or revalued amount</b>									
At 31 December 2022	4,424	1,803,938	20,350	2,783	604,758	260,985	19,853	93,140	2,810,231
Additions	–	–	1,050	–	70,021	16,335	–	88,877	176,283
Modification	–	–	94	–	–	–	–	–	94
Disposals	–	(5,397)	(11,138)	(472)	(52,659)	(18,606)	(583)	–	(88,855)
Transfer to investment property category	(563)	(6,151)	–	–	–	–	–	–	(6,714)
Transfers	–	2,154	–	238	–	–	–	(2,392)	–
At 31 December 2023	3,861	1,794,544	10,356	2,549	622,120	258,714	19,270	179,625	2,891,039
<b>Accumulated amortisation</b>									
At 31 December 2022	–	(2,892)	(13,632)	(2,697)	(557,189)	(227,290)	(19,665)	–	(823,365)
Charge for the year	–	(34,421)	(2,100)	(93)	(24,720)	(12,119)	–	–	(73,453)
Transfer to investment property category	–	90	–	–	–	–	–	–	90
Disposals	–	48	9,196	472	52,631	17,693	583	–	80,623
At 31 December 2023	–	(37,175)	(6,536)	(2,318)	(529,278)	(221,716)	(19,082)	–	(816,105)
<b>Net book value</b>									
At 31 December 2022	4,424	1,801,046	6,718	86	47,569	33,695	188	93,140	1,986,866
At 31 December 2023	3,861	1,757,369	3,820	231	92,842	36,998	188	179,625	2,074,934

	<i>Land</i>	<i>Buildings</i>	<i>Right-of-use assets Buildings/ Premises</i>	<i>Other property, plant and equipment</i>	<i>Computers and equipment</i>	<i>Office equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
<b>Cost or revalued amount</b>									
<b>At 31 December 2021</b>	<b>4,457</b>	<b>1,667,144</b>	<b>19,122</b>	<b>2,896</b>	<b>604,836</b>	<b>265,666</b>	<b>20,356</b>	<b>82,283</b>	<b>2,666,760</b>
Additions	–	–	3,860	–	8,058	24,089	–	12,079	48,086
Disposals	–	(18,364)	(2,632)	(113)	(8,136)	(28,770)	(503)	(792)	(59,310)
Deduction of accumulated depreciation on revaluation	–	(53,678)	–	–	–	–	–	–	(53,678)
Revaluation of property, plant and equipment	(33)	208,616	–	–	–	–	–	(210)	208,373
Transfers	–	220	–	–	–	–	–	(220)	–
<b>At 31 December 2022</b>	<b>4,424</b>	<b>1,803,938</b>	<b>20,350</b>	<b>2,783</b>	<b>604,758</b>	<b>260,985</b>	<b>19,853</b>	<b>93,140</b>	<b>2,810,231</b>
<b>Accumulated amortisation</b>									
<b>At 31 December 2021</b>	<b>–</b>	<b>(25,909)</b>	<b>(13,433)</b>	<b>(2,780)</b>	<b>(528,202)</b>	<b>(225,802)</b>	<b>(20,168)</b>	<b>–</b>	<b>(816,294)</b>
Charge for the year	–	(31,278)	(2,662)	(28)	(36,980)	(10,031)	–	–	(80,979)
Modification	–	–	(169)	–	–	–	–	–	(169)
Write-off of accumulated depreciation on revaluation	–	53,678	–	–	–	–	–	–	53,678
Disposals	–	617	2,632	111	7,993	8,543	503	–	20,399
<b>At 31 December 2022</b>	<b>–</b>	<b>(2,892)</b>	<b>(13,632)</b>	<b>(2,697)</b>	<b>(557,189)</b>	<b>(227,290)</b>	<b>(19,665)</b>	<b>–</b>	<b>(823,365)</b>
<b>Net book value</b>									
<b>At 31 December 2021</b>	<b>4,457</b>	<b>1,641,235</b>	<b>5,689</b>	<b>116</b>	<b>76,634</b>	<b>39,864</b>	<b>188</b>	<b>82,283</b>	<b>1,850,466</b>
<b>At 31 December 2022</b>	<b>4,424</b>	<b>1,801,046</b>	<b>6,718</b>	<b>86</b>	<b>47,569</b>	<b>33,695</b>	<b>188</b>	<b>93,140</b>	<b>1,986,866</b>

During 2023, the Bank recognised UAH 12,725 thousand of rent expense on short-term leases and leases of low-value assets (31 December 2022: UAH 10,424 thousand).

As at 31 December 2023, the Bank had capital commitments for the purchase of property, plant and equipment in the amount of UAH 21,276 thousand (31 December 2022: UAH 5,020 thousand).

On 1 August of each year, the Bank performs testing of fair value of property, plant and equipment. On the basis of such testing, the difference between fair value of property, plant and equipment and their carrying amount is calculated. The Bank analyses the estimated differences for the significance of the impact on the financial statements and carries out a revaluation in case of significant deviation. Based on the results of the test, the Bank decided not to conduct a revaluation in 2023.

The latest valuation of property, plant and equipment was performed as at 1 December 2022 by an independent appraiser and fair value was determined using comparative and income approaches based on market information.

Based on the results of property, plant and equipment revaluation in 2022, the Bank recognised gain from the increase in fair value in the amount of UAH 21,346 thousand in the consolidated statement of profit or loss and in the amount of UAH 187,027 thousand in the consolidate statement of other comprehensive income.

If the buildings were reported at cost as at 31 December 2023, the carrying amount would be as follows:

	<i>31 December 2023 (revalued)</i>	<i>31 December 2023 (at cost)</i>	<i>31 December 2022 (revalued)</i>	<i>31 December 2022 (at cost)</i>
Cost	1,798,405	1,048,594	1,808,362	1,058,551
Accumulated amortisation	(37,175)	(243,502)	(2,892)	(233,093)
<b>Net book value</b>	<b>1,761,230</b>	<b>805,092</b>	<b>1,805,470</b>	<b>825,458</b>

As at 31 December 2022, the Bank impaired property, plant and equipment with a carrying amount of UAH 9,656 thousand located in the occupied territory and the territory of active hostilities due to the loss of control over them. Property, plant and equipment with a carrying amount of UAH 415 thousand, for which reliable information on their destruction was obtained, were written off of the Bank's books.

Based on results of the impairment of fixed assets in 2022, the Bank recorded a loss in the amount of UAH 5,435 thousand in the consolidate statement of profit or loss and in the amount of UAH 4,221 thousand in the consolidate statement of other comprehensive income.

#### 14. Intangible assets

Movements in intangible assets were as follows:

	<i>Computer software</i>	<i>Licenses</i>	<i>Total</i>
<b>Cost</b>			
<b>At 31 December 2022</b>	<b>216,606</b>	<b>11,048</b>	<b>227,654</b>
Additions	8,710	–	8,710
Disposals	(508)	–	(508)
<b>At 31 December 2023</b>	<b>224,808</b>	<b>11,048</b>	<b>235,856</b>
<b>Accumulated amortisation</b>			
<b>At 31 December 2022</b>	<b>(155,059)</b>	<b>(9,135)</b>	<b>(164,194)</b>
Charge for the year	(19,974)	(1,374)	(21,348)
Disposals	508	–	508
<b>At 31 December 2023</b>	<b>(174,525)</b>	<b>(10,509)</b>	<b>(185,034)</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>61,547</b>	<b>1,913</b>	<b>63,460</b>
<b>At 31 December 2023</b>	<b>50,283</b>	<b>539</b>	<b>50,822</b>

	<i>Computer software</i>	<i>Licenses</i>	<i>Total</i>
<b>Cost</b>			
<b>At 31 December 2021</b>	<b>201,688</b>	<b>11,048</b>	<b>212,736</b>
Additions	15,593	–	15,593
Disposals	(675)	–	(675)
<b>At 31 December 2022</b>	<b>216,606</b>	<b>11,048</b>	<b>227,654</b>
<b>Accumulated amortisation</b>			
<b>At 31 December 2021</b>	<b>(130,594)</b>	<b>(7,679)</b>	<b>(138,273)</b>
Charge for the year	(25,122)	(1,456)	(26,578)
Disposals	657	–	657
<b>At 31 December 2022</b>	<b>(155,059)</b>	<b>(9,135)</b>	<b>(164,194)</b>
<b>Net book value</b>			
<b>At 31 December 2021</b>	<b>71,094</b>	<b>3,369</b>	<b>74,463</b>
<b>At 31 December 2022</b>	<b>61,547</b>	<b>1,913</b>	<b>63,460</b>

As at 31 December 2023, the Bank had capital commitments for the acquisition of intangible assets of UAH 23,288 thousand (31 December 2022: UAH 21,298 thousand).

#### 15. Income tax

The income tax charge comprises:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Current tax charge	(2,089,512)	48
Changes in deferred income tax	460,595	257,486
<b>(Income tax expense) / Gain from income tax refund</b>	<b>(1,628,917)</b>	<b>257,534</b>

As at 31 December 2023, Ukrainian corporate income tax was calculated as taxable profits at the rate of 50% (31 December 2022: 18%).

At the end of 2023, the Law of Ukraine “On Amendments to the Tax Code of Ukraine on the Specifics of Taxation of Banks and Other Taxpayers” came into force, which established an increased basic income tax rate for banks of 50% for 2023 and cancelled the possibility of taking into account in 2023 the unused tax losses carried forward to reduce taxable profits. At the same time, starting from 2024 and subsequent years, the basic tax rate was set at 25% with the possibility to deduct unused tax losses carried forward.

Income tax assets and liabilities consist of the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Current tax assets	3,039	2,866
Deferred tax asset	1,840,007	1,414,884
<b>Tax assets</b>	<b>1,843,046</b>	<b>1,417,750</b>
Current tax liabilities	<b>596,600</b>	<b>143</b>

As at 31 December 2022, for the amount of current tax assets in the amount of advance payments of income tax paid by the Bank in 2018-2020 and 2022 in connection with the allocation of part the Bank's profit for dividends, which will be taken into account in the reduction of income tax liabilities in future reporting periods, an impairment loss was recognised in full in the amount of UAH 492,911 thousand.

Due to amendments to the Tax Code of Ukraine, as at 31 December 2023, the Bank had current income tax liabilities, as a result of which the Bank reversed the impairment of prepaid income tax in the amount of UAH 492,911 thousand, which was recognised as impaired as at 31 December 2022. The amount of prepaid income tax in the amount of UAH 492,911 thousand was credited when paying income tax for 2023.

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax (expense) benefit based on the statutory rate with the actual rate is as follows:

	<i>2023</i>	<i>2022</i>
<b>Profit before tax</b>	<b>4,898,386,</b>	<b>(7,972,313)</b>
Statutory tax rate	50%	18%
<b>Income tax charge at the statutory rate</b>	<b>(2,449,193)</b>	<b>1,435,016</b>
Effect of changes in tax rate	589,810	—
Effect of impairment for advance payments of income tax	246,456	—
Changes in unrecognised deferred tax assets	—	(1,125,266)
Non-deductible expenditures	(15,990)	(52 216)
<b>(Income tax expense) / Gain from income tax refund</b>	<b>(1,628,917)</b>	<b>257,534</b>

Deferred tax assets and liabilities include:

	Origination and reversal of temporary differences			Origination and reversal of temporary differences		
	In the consolidated statement of profit or loss	In the consolidated statement of comprehensive income		In the consolidated statement of profit or loss	In the consolidated statement of comprehensive income	
	At 1 January 2022		31 December 2 022			31 December 20 23
<b>Tax effect of deductible temporary differences</b>						
Impairment of assets and liabilities	80,920	121,512	–	202,432	(146,746)	55,686
Valuation of financial instruments	127,603	–	317,067	444,670	–	299,380
Unused tax losses carried forward	3,595,201	1,264,286	–	4,859,487	1,692,041	6,551,528
<b>Deferred tax asset</b>	<b>3,803,724</b>	<b>1,385,798</b>	<b>317,067</b>	<b>5,506,589</b>	<b>1,545,295</b>	<b>6,906,594</b>
Unrecognised deferred tax asset	(2,557,922)	(1,125,266)	(317,067)	(4,000,255)	(1,089,701)	(4, 944,666)
<b>Recognised deferred tax asset</b>	<b>1,245,802</b>	<b>260,532</b>	<b>–</b>	<b>1,506,334</b>	<b>455,594</b>	<b>1,961,928</b>
<b>Tax effect of deductible temporary differences</b>						
Property, plant and equipment and intangible assets	(55,499)	(3,046)	(32,905)	(91,450)	5,001	(121,921)
<b>Deferred tax liabilities</b>	<b>(55,499)</b>	<b>(3,046)</b>	<b>(32,905)</b>	<b>(91,450)</b>	<b>5,001</b>	<b>(121,921)</b>
<b>Net deferred tax asset</b>	<b>1,190,303</b>	<b>257,486</b>	<b>(32,905)</b>	<b>1,414,884</b>	<b>460,595</b>	<b>1,840,007</b>

The information on the professional judgements applied by the management for the recognition of deferred tax assets is provided in Note 4.

## 16. Other financial assets and other financial liabilities

Other financial assets comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Transit accounts on operations with payment cards	422,150	271,219
Other accrued income	110,445	162,950
Accounts receivable on operations with customers	104,834	84,632
Accrued service fee on guarantees issued	38,020	82,137
Other	417	733
	<b>675,866</b>	<b>601,671</b>
Less: allowance for expected credit losses	(130,342)	(149,704)
<b>Other financial assets</b>	<b>545,524</b>	<b>451,967</b>

Other financial liabilities comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Transit accounts on operations with customers	693,825	387,806
Transit accounts on operations with payment cards	195,947	170,777
Accrued expenses	27,842	17,164
Liabilities on guarantees issued	10,283	12,902
Lease commitments	4,035	7,179
Other	140	4,988
<b>Other financial liabilities</b>	<b>932,072</b>	<b>600,816</b>

The following table shows the analysis of changes in the gross carrying amount and the corresponding ECL on other financial assets (except for transit accounts on operations with payment cards):

	<i>Over the life of the asset (simplified approach)</i>
<b>Gross carrying amount at 1 January 2023</b>	<b>330,452</b>
New assets originated or purchased	377,397
Completed (repaid) assets	(369,481)
Change in carrying amount	(87,245)
Translation differences	2,593
<b>Gross carrying amount at 31 December 2023</b>	<b>253,716</b>
	<i>Over the life of the asset (simplified approach)</i>
<b>Gross carrying amount at 1 January 2022</b>	<b>144,699</b>
New assets originated or purchased	3,205,673
Completed (repaid) assets	(3,127,843)
Change in carrying amount	108,674
Written-off assets	(12,549)
Translation differences	11,798
<b>Gross carrying amount at 31 December 2022</b>	<b>330,452</b>



The amount of other financial assets that are credit impaired as on 31 December 2023 is UAH 124,358 thousand (31 December 2022: UAH 127,668 thousand). The Bank has formed provisionsa in full for such other financial assets.

	<i>Over the life of the asset (simplified approach)</i>
<b>Allowance at 1 January 2023</b>	<b>149,704</b>
New assets originated or purchased	25,984
Completed (repaid) assets	(36,578)
Modifications in allowance	(11,346)
Translation differences	2,578
<b>Allowance at 31 December 2023</b>	<b>130,342</b>
	<i>Over the life of the asset (simplified approach)</i>
<b>Allowance at 1 January 2022</b>	<b>86,466</b>
New assets originated or purchased	83,722
Completed (repaid) assets	(77,476)
Modifications in allowance	56,828
Written-off assets	(12,549)
Translation differences	12,713
<b>Allowance at 31 December 2022</b>	<b>149,704</b>

## 17. Other non-financial assets and other non-financial liabilities

Other non-financial assets comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Advance payments	133,968	146,755
Cash, which availability is not confirmed	45,990	44,237
Inventories	31,918	34,167
Other tax assets, except those related to income tax	26,166	22,707
Repossessed pledged property	2,483	5,791
Other	1,306	2,453
	<b>241,831</b>	<b>256,110</b>
Less: allowance for impairment	(91,426)	(118,396)
<b>Other non-financial assets</b>	<b>150,405</b>	<b>137,714</b>

Other non-financial liabilities comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Accrued unused vacations	219,768	183,963
Accrued salary	98,579	28,784
Payables to the Individual Deposit Guarantee Fund	69,563	63,305
Payables on taxes and mandatory contributions, except for income tax	40,261	22,074
Deferred income	28,649	25,982
Payables on the Bank's business activities	17,295	9,713
Other	95	152
<b>Other non-financial liabilities</b>	<b>474,210</b>	<b>333,973</b>

The following tables show the analysis of impairment losses on other non-financial assets:

<b>Allowance at 1 January 2023</b>	<b>118,396</b>
Reversal	(28,804)
Translation differences	1,834
<b>Allowance at 31 December 2023</b>	<b>91,426</b>

<b>Allowance at 1 January 2022</b>	<b>69,599</b>
Charge	42,013
Written-off assets	(4,606)
Translation differences	11,390
<b>Allowance at 31 December 2022</b>	<b>118,396</b>

## 18. Derivative financial instruments

The Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange and capital markets, as well as interest rate swaps.

### *Forward transactions*

The Bank enters into agreements certifying the obligation to purchase (sell) foreign currency at a certain time and on certain terms in the future with the fixation of price of such sale (purchase) at the time of the agreement.

### *Currency swap*

The Bank enters into currency exchange operations whereby it is obliged to supply one currency in exchange for another under pre-determined exchange rates.

### *Interest rate swap*

The Bank enters into agreements with the NBU for the exchange of interest payments which are calculated at different rates, but with the consideration of one notional amount during the term of the agreement. The notional amount of loans (granted and borrowed) under the interest rate swap is used exclusively for interest calculations and is not transferred between the parties to the agreement.

As at 31 December 2023, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	2,534,081	2,538,624	4,469	1,377
Interest rate swap	5,385,000	5,385,000	647,780	–

As at 31 December 2022, the notional amounts are:

	<i>Notional amount</i>		<i>Fair value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Currency swap	12,073,256	12,052,958	16,809	9,810
Interest rate swap	8,397,406	8,397,406	2,307,813	–

To make a guarantee fund on interest rate swaps, the Bank used the investment securities – Ukrainian government bonds with the carrying amount of UAH 1,367,819 thousand (31 December 2022: UAH 967,193 thousand) (Note 11).

During 2023, the Bank recognised loss from revaluation of derivative financial instruments in amount of UAH 577,191 thousand (2022: UAH 2,446,467 thousand) recorded under “Net increase/(decrease) from financial instruments at fair value through profit or loss”.

## 19. Non-current assets classified as held for sale

Movements in non-current assets classified as held for sale were as follows:

	2023	2022
<b>Non-current assets classified as held for sale as at 1 January</b>	<b>218,877</b>	<b>8,332</b>
Additions	61,585	218,877
Transfer to Investment property	(161,196)	(8,332)
Sale of non-current assets classified as held for sale	(57,681)	–
<b>Non-current assets classified as held for sale as at 31 December</b>	<b>61,585</b>	<b>218,877</b>

During 2023, the repayment of bad debts of loans and advances to customers was done by means of repossession of pledged property, which is included in “Non-current assets classified as held for sale”, in the form of non-residential real estate and a land of UAH 61,585 thousand (2022: residential real estate and land in the amount of UAH 218,877 thousand). According to the Bank’s expectations, the sale of assets is expected to be completed within twelve months from the reporting date through public auctions.

During 2023, the Bank received UAH 1,092 thousand of income from operations with non-current assets classified as held for sale (2022: no income or expenses).

Non-current assets classified as held for sale are allocated to the following segments: in the amount of UAH 59,204 thousand to “Corporate banking” and in the amount of UAH 2,381 thousand to “Medium-sized business, municipalities and utilities sector” (2022: allocated to the following segments: in the amount of UAH 200,941 thousand to “Corporate banking” and in the amount of UAH 17,936 thousand to “Retail banking”).

## 20. Due to other banks

Due to other banks comprise:

	31 December 2023	31 December 2022
<b>Amounts due to the National Bank of Ukraine</b>		
Loans from the National Bank of Ukraine	–	18,468,854
	–	<b>18,468,854</b>
<b>Amounts due to banks</b>		
Current accounts	6,184,866	3,491,381
Loans and deposits	150,790	152,308
Other amounts due to credit institutions	55,428	46,095
	<b>6,391,084</b>	<b>3,689,784</b>
<b>Due to other banks</b>	<b>6,391,084</b>	<b>22,158,638</b>

As at 31 December 2023, no amounts are due to the National Bank of Ukraine.

As at 31 December 2022, amounts due to the National Bank of Ukraine on refinancing loans comprised:

<i>Date of agreement</i>	<i>Maturity date</i>	<i>Interest rate type</i>	<i>Effective interest rate</i>	<i>Carrying amount</i>
11 September 2020	30 August 2024	Floating (NBU discount rate + margin)	28.07409%	514,999
9 October 2020	3 October 2025	Floating (NBU discount rate + margin)	28.07409%	337,989
13 November 2020	7 November 2025	Floating (NBU discount rate + margin)	28.07409%	10,757,788
11 December 2020	05 December 2025	Floating (NBU discount rate + margin)	28.07409%	999,997
15 January 2021	01 December 2025	Floating (NBU discount rate + margin)	28.07349%	18,089

<i>Date of agreement</i>	<i>Maturity date</i>	<i>Interest rate type</i>	<i>Effective interest rate</i>	<i>Carrying amount</i>
09 April 2021	03 April 2026	Floating (NBU discount rate + margin)	28.07409%	299,999
14 May 2021	08 May 2025	Floating (NBU discount rate + margin)	28.07468%	80,000
11 June 2021	05 June 2026	Floating (NBU discount rate + margin)	28.07409%	4,519,983
09 July 2021	5 July 2024	Floating (NBU discount rate + margin)	28.07528%	940,010
<b>Loans repayable to the NBU</b>				<b>18,468,854</b>

As at 31 December 2023, the Bank has an open credit line in the amount of UAH 100,000,000 thousand for obtaining refinancing loans from the NBU, which is secured by investment securities - Ukrainian government bonds with a carrying value of UAH 22,578,326 thousand (31 December 2022: UAH 23,899,166 thousand) (Note 11).

#### Amounts due to banks

As at 31 December 2023, current accounts included UAH 3,673,233 thousand placed by five Ukrainian banks (31 December 2022: UAH 1,514,705 thousand placed by five Ukrainian banks). The placements were made under normal banking terms and condition

As at 31 December 2023, deposits and loans attracted from non-resident banks amounted to UAH 56,192 thousand (31 December 2022: UAH 47,021 thousand).

For the purposes of the consolidated statement of cash flows, amounts due to banks are presented in operating activities. Loans from the NBU were obtained to ensure the Bank's liquidity during the period of uncertainty associated with military actions in 2022 and, respectively, were presented in operating activities.

## 21. Other borrowed funds

Other borrowed funds comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Loans from international financial organisations	25,993,325	23,400,194
Eurobonds issued	2,413,346	3,870,390
Loans from Ukrainian financial organisations	324,116	30,774
<b>Other borrowed funds</b>	<b>28,730,787</b>	<b>27,301,358</b>

As at 31 December 2023, loans from international financial organisations include loans from the International Bank for Reconstruction and Development (IBRD) within the Second Project of Export Development and Additional Financing for the Second Project of Export Development with a carrying amount of UAH 5,327,095 thousand (31 December 2022: UAH 5,698,536 thousand). The IBRD loans are guaranteed by Ukraine. The loans are denominated in US dollars, bear interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loans are subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rates are as follows: 6.28% and 6.49% p.a., respectively. Loans mature in 2026 and 2041.

Loans from international financial institutions include the loan from the IBRD under the Project on Energy Efficiency in the amount of UAH 4,976,053 thousand (31 December 2022: UAH 5,033,087 thousand). The IBRD loans are guaranteed by Ukraine. The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loan is subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rate is as follows: 6.49% p.a. The loan matures in 2040.

Loans from international financial institutions include the loan from the IBRD under the Project on Access to Long Term Finance in the amount of UAH 5,448,134 thousand (31 December 2022: UAH 5,401,444 thousand). The IBRD loans are guaranteed by Ukraine. The total amount of financing under the Loan agreement is USD 150,000 thousand. The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from

the LIBOR rate to the SOFR rate. Accordingly, the IBRD loan is subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rate is as follows: 6.7% p.a. The loan matures in 2052.

Loans from international financial institutions include the loan from the IBRD for Additional Funding to Counteract COVID-19 under the Project on Access to Long Term Finance in the amount of UAH 3,848,347 thousand (31 December 2022: in the amount of UAH 3,653 thousand). The IBRD loans are guaranteed by Ukraine. The total amount of financing under the Loan agreement is USD 100,000 thousand. The loan is denominated in US dollars, bears interest rate LIBOR(6m)USD + spread IBRD. On 1 January 2022, the IBRD switched from the LIBOR rate to the SOFR rate. Accordingly, the IBRD loan is subject to a weighted average monthly SOFR rate, which is reviewed once a month, and as of the current date, the interest rate is as follows: 6.44% p.a. The loan matures in 2041.

As at 31 December 2023, loans from international financial institutions include loans from the European Investment Bank (“EIB”) under the loan for SMEs and Mid-Caps and loan under the Deep and Comprehensive Free Trade Area (DCFTA) Initiative between EU and Ukraine totaling UAH 4,071,058 thousand (31 December 2022: UAH 6,501,569 thousand). The total amount of these loans under the loan agreements is EUR 300,000 thousand. Loan tranches are denominated in USD, EUR and UAH and mature in 2025, 2026 and 2027, bear fixed interest rate for each tranche: the interest rates are: 1.431%, 7.7% and 15.1% p.a., respectively.

Loans from international financial institutions included loan from the European Bank for Reconstruction and Development (EBRD) under the loan agreement of 16 August 2019 in the amount of EUR 80,000 thousand. As at 31 December 2023, the loan was repaid.

Loans from international financial institutions include a loan from the EBRD under the EBRD Resilience and Livelihoods Framework in the amount of EUR 50,000 thousand, which is intended for lending to private companies and municipalities. The loan is denominated in EUR and received by the Bank by two tranches in the amount of EUR 27,500 thousand and EUR 22,500 thousand with a floating interest rate of EURIBOR(6m) + 3% p.a., which is reviewed twice a year and currently amounts to 7.029% and 6.9224% p.a., respectively. The loan matures in 2025 and 2028, respectively.

Loans from international financial institutions include a loan from the Nordic Environment Finance Corporation under Financing Energy Efficiency and Renewable Energy Project in the amount of UAH 214,879 thousand (31 December 2022: UAH 196,234 thousand). The amount of loan under the Loan Agreement is equivalent to EUR 5,000 thousand. The loan is denominated in EUR, the Bank accounts for loan tranches in EUR at the floating rate of 6.938%. The loan matures in 2025.

Loans from Ukrainian financial institutions include a loan from the Entrepreneurship Development Fund (EDF) attracted under the lending program for micro, small and medium businesses (private entrepreneurs and legal entities of private ownership). Loan debt to the EDF is secured by investment securities (Note 11).

Loan agreements with international financial institutions provide for various covenants and restrictions (Note 25).

#### Eurobonds issued

	31 December 2023			31 December 2022		
	<i>Debt balance</i>		<i>Carrying</i>	<i>Debt balance</i>		<i>Carrying</i>
	<i>(‘000)</i>	<i>Currency</i>	<i>amount</i>	<i>(‘000)</i>	<i>Currency</i>	<i>amount</i>
January 2013 issue	50,708	USD	2,011,121	84,513	USD	3,225,325
April 2013 issue	10,142	USD	402,225	16,903	USD	645,065
<b>Eurobonds issued</b>			<b>2,413,346</b>			<b>3,870,390</b>

In January 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 500,000 thousand (UAH 3,996,500 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in January 2018.

In April 2013, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand (UAH 799,300 thousand at the exchange rate at the date of issue). The bonds had a fixed coupon rate of 8.75% p.a. and maturity in January 2018 and were consolidated and form a single series with the notes issued in January 2013.

The issued Eurobonds in the form of loan participation notes with a par value of USD 600,000 thousand and maturity in 2018 were reprofiled on 09 July 2015 on the following conditions:

- The coupon rate of 9.75% p.a.;

- Maturity date was rescheduled for 7 years, i.e. to 22 January 2025 with 50% of the principle amount payable on 22 January 2021 and the remaining part of the principle amount payable in eight equal semi-annual payments from 22 July 2021 through 22 January 2025.

In 2020 and 2022, the Bank made a partial redemption of Eurobonds in the form of loan participation notes with maturity in January 2025. As a result of the transactions, loan participation notes with the total par value of USD 238,006 thousand were redeemed and canceled.

## Financial terms of the agreements

Agreements with other credit organizations contain requirements for the fulfillment of financial performance indicators and the overall risk structure of the Bank (capital adequacy, liquidity, credit risks). The values of the indicators are set by the terms of the agreements, other documents agreed by the parties to the agreements, with reference to both international and local regulatory requirements.

In 2023, the Bank violated covenants on all loans received from credit institutions, which are presented in the caption "Other borrowed funds". The Bank received respective letters of waiver from the lenders covering the breached covenants in 2023. Management's expectations are disclosed in Note 2.

## 22. Customer accounts

Customer accounts comprise:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Current accounts:		
- Legal entities	90,374,040	59,393,337
- Budget financed organisations	25,505,695	51,054,029
- Individuals	10,224,668	10,193,028
	<b>126,104,403</b>	<b>120,640,394</b>
Term deposits:		
- Legal entities	55,331,310	26,035,709
- Individuals	26,613,670	21,319,569
	<b>81,944,980</b>	<b>47,355,278</b>
On demand deposits:		
- Legal entities	4,742,848	7,784,366
- Individuals	1,156,911	1,367,387
	<b>5,899,759</b>	<b>9,151,753</b>
<b>Customer accounts</b>	<b>213,949,142</b>	<b>177,147,425</b>
Held as security against guarantees and avals (Note 25)	1,425,911	3,196,199
Held as security against letters of credit (Note 25)	1,067,251	578,870
Held as security against loans to customers (Note 10)	765,485	1,306,263
Held as security against undrawn loan commitments (Note 25)	15,747	2,589

As at 31 December 2023, legal entities current accounts included funds of ten largest customers in the amount of UAH 27,678,961 thousand (30.6% of legal entities current accounts) (31 December 2022: UAH 14,208,407 thousand, or 23.9%).

As at 31 December 2023, individuals' current accounts included funds of ten largest customers in the amount of UAH 354,612 thousand (3.5% of individuals' current accounts) (31 December 2022: UAH 631,136 thousand, or 6.2%).

As at 31 December 2023, term deposits and demand deposits of legal entities included funds attracted from five customers in the amount of UAH 11,109,508 thousand (18.5% of deposits of legal entities) (31 December 2022: UAH 6,890,584 thousand, or 20.4%).

As at 31 December 2023, term deposits and demand deposits of individuals included funds attracted from ten customers in the amount of UAH 3,870,292 thousand (13.9% of deposits of individuals) (31 December 2022: UAH 3,539,612 thousand, or 15.6%).

As at 31 December 2023, deposits of legal entities included funds raised in gold, which are measured at fair value through profit or loss in the amount of UAH 33,335 thousand (31 December 2022: UAH 27,909 thousand). As at 31 December 2023, there is no change in fair value of funds raised in gold due to changes in credit risk (31 December 2022: none).

The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only in cases provided for by the deposit agreement.

An analysis of customer accounts by economic sector is as follows:

	<i><b>31 December 2023</b></i>	<i><b>%</b></i>	<i><b>31 December 2022</b></i>	<i><b>%</b></i>
Individuals	37,995,249	17,8	32,879,984	18,6
Trade	28,796,146	13,5	20,194,831	11,4
Budget financed organisations	25,505,695	11,9	51,054,029	28,8
Agriculture and food industry	19,296,288	9,0	11,916,041	6,7
Transport and communications	15,910,613	7,4	3,834,963	2,2
Finance	13,176,405	6,2	8,636,601	4,9
Power engineering	12,555,110	5,9	6,040,481	3,4
Mechanical engineering	12,210,047	5,7	6,152,873	3,5
Professional, scientific and technical activities	10,780,095	5,0	7,508,024	4,2
Extractive industry	6,506,515	3,0	4,290,318	2,4
Health protection	6,212,983	2,9	4,123,658	2,3
Chemical industry	4,523,647	2,1	3,463,861	2,0
Production of construction materials	3,566,308	1,7	1,297,054	0,7
Construction	2,845,172	1,3	3,653,590	2,1
Real estate	2,215,061	1,0	1,741,782	1,0
Metal processing	1,764,691	0,8	1,123,989	0,6
Information and telecommunications	1,546,938	0,7	2,731,005	1,5
Processing	781,510	0,4	626,359	0,4
Wood processing	763,945	0,4	705,343	0,4
Education	626,780	0,3	534,085	0,3
Personal services	480,649	0,2	301,565	0,2
Pulp and paper industry	452,956	0,2	245,625	0,1
Light industry	311,375	0,1	157,635	0,1
Metallurgy	294,819	0,1	134,371	0,1
Production of rubber and plastic goods	288,121	0,1	220,975	0,1
Hotels and restaurants	46,578	0,1	50,488	0,1
Other	4,495,446	2,2	3,527,895	1,9
<b>Customer accounts</b>	<b>213,949,142</b>	<b>100,0</b>	<b>177,147,425</b>	<b>100,0</b>

### 23. Subordinated debt

In February 2006, the Bank obtained a loan of USD 95,000 thousand from Credit Suisse International. This loan was funded by 8.4% loan participation notes issued on a limited recourse basis by Credit Suisse International, for the sole purpose of funding a subordinated loan to the Bank. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August each year, commencing on 9 August 2006.

In November 2006, the Bank obtained a further loan of USD 30,000 thousand from Credit Suisse International. This loan was funded by 8.4% loan participation notes, which were consolidated and form a single series with the securities issued in February 2006. The interest rate was changed to 5.79% in February 2011 according to the terms of the loan. Interest payments are made semi-annually in arrears on 9 February and 9 August each year, commencing on 9 August 2006.

On 29 May 2015, the Bank as a borrower, the Credit Suisse International as a creditor and Biz Finance Plc as a new creditor signed the second supplementary loan agreement under which Credit Suisse International was replaced with Biz Finance Plc. from the date of its signing.

On 9 July 2015, the Bank and Biz Finance Plc. signed the Agreement on amendments and revisions to the loan agreement (the Agreement on funds borrowing under subordinated debt terms) of USD 125,000 thousand dated 7 February 2006 as amended by the Supplement loan agreement dated 9 November 2006 and the second Supplementary loan agreement dated 29 May 2015, as follows:

- starting 9 August 2015, the interest rate was changed under the terms of agreement to 7% p.a. + 6m Libor rate;
- maturity date was rescheduled for 7 years, i.e. to 9 February 2023 with 50% of the principle amount payable on 9 February 2020 and the remaining part of the principle amount payable in six equal semi-annual payments from 9 August 2020 through 9 February 2023.

On 9 February 2023, the loan was fully repaid.

In November 2019, the Bank, through BIZ Finance PLC, issued Eurobonds in the form of loan participation notes with a par value of USD 100,000 thousand with a fixed coupon rate of 9.95% per annum and maturity in November 2029, with the possibility of early repayment in November 2024, solely for the purpose of financing the Bank subordinated debt.

Interest payments are made semi-annually in arrears on 14 May and 14 November of each year, commencing on 14 May 2020.

As at 31 December 2023, the carrying amount of the above mentioned loan was UAH 3,805,882 thousand (31 December 2022: UAH 4,055,444 thousand).

## 24. Equity

As at 31 December 2023, the Bank authorised issued share capital comprised 31,168,806 ordinary registered shares (31 December 2021: 31,168,806) with the nominal value of UAH 1,462.04 per share (31 December 2022: 1,462.04 per share). As at 31 December 2023, 31,168,806 ordinary registered shares were fully paid and registered (31 December 2022: 31,168,806 ordinary registered shares were fully paid and registered).

Resolution #183 of the Cabinet of Ministers of Ukraine “Some Issues of Dividend Payment by State Banks in 2022” of 03 March 2022 approved the basic standard for deducting a share of profit to be allocated to the state budget for the payment of dividends by Ukreximbank based on the results of financial and economic activities in 2021.

In the first quarter of 2022, the Bank made a transfer of part of its profit to pay dividends based on the results of financial and economic activities in 2021 in the amount of UAH 1,364,209 thousand, the amount of dividends per share is UAH 43.77. According to Article 57 of the Tax Code of Ukraine, the Bank accrued and paid to the budget the advance income tax payment in the amount of UAH 245,558 thousand.



## Movements in other reserves

Movements in other reserves were as follows:

	<i>Property revaluation reserve</i>	<i>Reserve for gains and losses on financial assets measured at fair value through other comprehensive income</i>	<i>Reserve for gains and losses from investments in equity instruments</i>	<i>Other reserves</i>
<b>At 1 January 2022</b>	<b>926,276</b>	<b>(962,130)</b>	<b>(62,775)</b>	<b>(98,629)</b>
Depreciation of revaluation reserve, net of tax	(18,466)	—	—	(18,466)
Revaluation of property, plant and equipment	187,027	—	—	187,027
Impairment of property, plant and equipment	(4,221)	—	—	(4,221)
Income tax related to components of other comprehensive income	(32,905)	—	—	(32,905)
Other changes	(5,408)	—	—	(5,408)
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including:	—	(1,487,595)	(1,069)	(1,488,664)
Expenses for expected credit losses of investment securities at fair value through other comprehensive income	—	308,674	—	308,674
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	—	(68,998)	—	(68,998)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	—	(1,727,271)	(1,069)	(1,728,340)
Income tax not related to components of other comprehensive income	—	—	—	—
<b>At 31 December 2022</b>	<b>1,052,303</b>	<b>(2,449,725)</b>	<b>(63,844)</b>	<b>(1,461,266)</b>
Depreciation of revaluation reserve, net of tax	(25,063)	—	—	(25,063)
Income tax related to components of other comprehensive income	(35,472)	—	—	(35,472)
Net (decrease)/increase on investment securities at fair value through other comprehensive income, including:	—	2,104,564	(1,837)	2,102,727
Expenses for expected credit losses of investment securities at fair value through other comprehensive income	—	554,623	—	554,623
Net realised gains from operations with debt financial instruments at fair value through other comprehensive income	—	(51,739)	—	(51,739)
Net unrealised (losses)/gains on investment securities at fair value through other comprehensive income	—	1,601,680	(1,837)	1,599,843
Income tax not related to components of other comprehensive income	—	—	—	—
<b>At 31 December 2023</b>	<b>991,768</b>	<b>(345,161)</b>	<b>(65,681)</b>	<b>580,926</b>

## Nature and purpose of reserves

### *Property revaluation reserve*

The revaluation reserve for property, plant and equipment is used to record increases in the fair value of buildings and land, as well as its decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

### *Reserve for gains and losses on financial assets measured at fair value through other comprehensive income*

This reserve is for changes in fair value of investment securities at fair value through other comprehensive income.

*Reserve for gains and losses from investments in equity instruments*

This reserve is for changes in the fair value of investments in equity instruments.

*Reserves and other funds of the Bank*

The Bank reserve fund is created under the Charter up to reaching 25 percent of regulatory capital at the beginning of each year. The amount of allocations to the reserve fund is not less than 5 percent of the annual income of the Bank. The reserve fund is created for unforeseen losses for all assets and off-balance sheet commitments.

The Bank distributable reserves are determined by the amount of the reserves according to the Bank accounts and as at 31 December 2023, there were no such reserves (31 December 2022: none).

The Bank non-distributable reserves are represented by revaluation reserve, reserve of gains and losses on financial assets at fair value through other comprehensive income and reserve of gains and losses from investments in equity instruments. As at 31 December 2023, the Bank's amount on non-distributable reserves was UAH 580,926 thousand (31 December 2022: UAH (1,461,266) thousand)

## **25. Commitments and contingencies**

### **Legal aspects**

In the ordinary course of business, the Bank is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

### **Tax and other regulatory compliance**

The Ukrainian legislation and regulations regarding taxation continue to evolve. The legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. The management believes that its interpretation of the relevant legislation is appropriate and that the Bank has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

At the same time, there is a risk that the transactions and interpretations not challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. Assessment of amount and probability of negative consequences of possible unreported claims are unreasonable.

Since 1 September 2013 transfer pricing rules came into force. These rules provide that in the case of transactions with related parties (non-residents) and, in some cases with unrelated parties (controlled transactions) that are not at market value, entities should charge additional tax liabilities.

The Bank has implemented required internal control for the compliance with the transfer pricing legislation.

On 1 January 2022, new rules of recognising the negative value of the object of taxation of previous tax (reporting) years ('tax losses') in determining the object of taxation of corporate income tax by large taxpayers came into force as introduced by Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine to Ensure Balanced Budget Revenues" N1914-IX of 30 November 2021.

These rules stipulate that starting from the first tax (reporting) period of 2022 large taxpayers have the right to reduce the object of taxation by no more than 50 percent of the accumulated tax losses of previous tax (reporting) years outstanding as at 1 January 2022.

The Bank had a close look at and took into account new rules for adjusting the pre-tax financial result for part of the amount of negative value of the object of taxation of previous tax (reporting) years when calculating the deferred tax asset.

On 08 December 2023 the Law of Ukraine "On the introduction of amendments into the Tax Code of Ukraine as regards the taxation of banks and other taxpayers" No. 3474-IX dated 21.11.2023 (hereinafter – Law No.3474) came into force.

From 08.12.2023, the Law of Ukraine dated November 21, 2023 No. 3474-IX "On Amending the Tax Code of Ukraine on the Specifics of Taxation of Banks and Other Taxpayers" (hereinafter - Law No. 3474) entered into force. Law No. 3474 changed the approaches to the taxation of banks' profits, in particular::

- an increased basic income tax rate of 50 percent has been established for 2023 (including for the advance payments when paying dividends), and starting from the reporting periods of 2024 and in subsequent years, the basic rate is 25 percent;
- the possibility of taking into account in 2023 outstanding tax losses of previous years in the reduction of the object of taxation with the right to such taking into account, starting from the reporting periods of 2024 until their full repayment, was canceled.

The Bank learnt and considered the new rules of taxation of the Bank income when calculating the Bank income tax for 2023 and calculating the deferred tax asset.

#### Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts of the Bank included:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Undrawn loan commitments	13,199,083	24,309,454
Financial guarantees	3,265,787	3,393,212
Letters of credit	3,744,303	1,367,304
Avals on promissory notes	240,361	339,993
Performance guarantee	4,457,152	6,166,559
	<b>24,906,686</b>	<b>35,576,522</b>
Allowance for expected credit losses	(246,447)	(522,314)
Cash held as security against letters of credit, avals, financial guarantees and undrawn loan commitments	(2,508,909)	(3,777,658)

As at 31 December 2023, credit-related commitments amounted to UAH 13,199,083 thousand, including revocable credit-related commitments of UAH 12,861,321 thousand (31 December 2022: UAH 24,309,454 thousand, including revocable credit-related commitments of UAH 23,667,780 thousand).

As at 31 December 2023, the Bank issued letters of credit of UAH 3,480,553 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 853,644 thousand (31 December 2022: UAH 1,349,605 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 561,171 thousand).

As at 31 December 2023, the Bank issued financial guarantees of UAH 2,980,227 thousand in favour of four Ukrainian companies that are partially secured by cash deposits of UAH 279,620 thousand (31 December 2022: UAH 2,791,413 thousand in favour of four Ukrainian companies that were partially secured by cash deposits of UAH 1,379,329 thousand).

As at 31 December 2023, the Bank undrawn loan commitments for transactions with plastic cards amounted to UAH 709,248 thousand (31 December 2022: UAH 566,832 thousand).

The following tables show the analysis of changes in credit-related commitments and the corresponding allowance:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Credit-related commitments at 1 January 2023</b>	<b>22,097,121</b>	<b>588,792</b>	<b>1,389,565</b>	<b>224,826</b>	<b>9,149</b>	<b>24,309,453</b>
New liabilities originated or purchased	14,669,648	—	—	—	—	14,669,648
Completed (settled) credit-related commitments	(26,066,507)	(472,877)	(1,207,323)	(448,213)	(12,303)	(28,207,223)
Transfer to Stage 1	645,965	(272,628)	(370,877)	(2,460)	—	—
Transfer to Stage 2	(249,345)	178,060	145,405	(74,120)	—	—
Transfer to Stage 3	(169,749)	(24,529)	—	193,530	748	—
Modifications in liabilities	1,985,537	20,696	57,262	160,524	2,674	2,226,693
Translation differences	201,147	9	32	(676)	—	200,512
<b>Credit-related commitments at 31 December 2023</b>	<b>13,113,817</b>	<b>17,523</b>	<b>14,064</b>	<b>53,411</b>	<b>268</b>	<b>13,199,083</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Credit-related commitments at 1 January 2022</b>	<b>14,016,352</b>	<b>10,232</b>	–	<b>1,476</b>	–	<b>14,028,060</b>
New liabilities originated or purchased	19,884,747	–	–	–	–	19,884,747
Completed (settled) credit-related commitments	(16,555,987)	(886,579)	(901,722)	(57,997)	–	(18,402,285)
Transfer to Stage 1	3,073	(2,876)	–	(197)	–	–
Transfer to Stage 2	(3,471,200)	1,269,354	2,201,861	(15)	–	–
Transfer to Stage 3	(148,175)	(40,546)	–	179,572	9,149	–
Modifications in liabilities	5,109,447	250,825	15,560	95,176	–	5,471,008
Translation differences	3,258,864	(11,618)	73,866	6,811	–	3,327,923
<b>Credit-related commitments at 31 December 2022</b>	<b>22,097,121</b>	<b>588,792</b>	<b>1,389,565</b>	<b>224,826</b>	<b>9,149</b>	<b>24,309,453</b>
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance for credit-related commitments at 1 January 2023</b>	<b>318,330</b>	<b>5,330</b>	<b>59,380</b>	<b>94,144</b>	<b>1,434</b>	<b>478,618</b>
New liabilities originated or purchased	208,443	–	–	–	–	208,443
Completed (settled) credit-related commitments	(335,632)	(1,032)	(66,250)	(147,607)	(3,636)	(554,157)
Transfer to Stage 1	3,602	(2,510)	–	(1,092)	–	–
Transfer to Stage 2	(3,464)	870	2,636	(42)	–	–
Transfer to Stage 3	(45,574)	(2,522)	–	48,074	22	–
Modifications in allowance	142,587	136	5,720	21,826	2,180	172,449
Modifications in macro-model inputs	(207,762)	(128)	–	–	–	(207,890)
Translation differences	2,337	11	–	24	–	2,372
<b>Allowance of credit-related commitments at 31 December 2023</b>	<b>82,867</b>	<b>155</b>	<b>1,486</b>	<b>15,327</b>	<b>–</b>	<b>99,835</b>
	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Allowance for credit-related commitments at 1 January 2022</b>	<b>248,247</b>	<b>76</b>	–	<b>593</b>	–	<b>248,916</b>
New liabilities originated or purchased	467,427	–	–	–	–	467,427
Completed (settled) credit-related commitments	(330,704)	(6,971)	(60,994)	(13,367)	–	(412,036)
Transfer to Stage 1	246	(134)	–	(112)	–	–
Transfer to Stage 2	(144,659)	13,018	131,651	(10)	–	–
Transfer to Stage 3	(62,425)	(1,408)	–	62,399	1,434	–
Modifications in allowance	(168,395)	(714)	(24,604)	40,506	–	(153,207)
Modifications in macro-model inputs	233,076	3,027	–	–	–	236,103
Translation differences	75,517	(1,564)	13,327	4,135	–	91,415
<b>Allowance of credit-related commitments at 31 December 2022</b>	<b>318,330</b>	<b>5,330</b>	<b>59,380</b>	<b>94,144</b>	<b>1,434</b>	<b>478,618</b>

The Bank allocates loan commitments to stages based on the stage allocation of the customer's balance sheet debt.

The following tables show the analysis of changes in financial guarantees and corresponding allowance:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Financial guarantees at 1 January 2023</b>	<b>3,200,034</b>	<b>193,178</b>	–	–	<b>3,393,212</b>
New financial guarantees originated or purchased	2,262,185	–	–	–	2,262,185
Completed (settled) financial guarantees	(2,337,845)	(82,368)	–	–	(2,420,213)
Transfer to Stage 1	260,744	(238,016)	(22,728)	–	–
Transfer to Stage 2	(214,938)	326,987	22,437	(134,486)	–
Transfer to Stage 3	–	(191,763)	–	191,763	–
Modifications in financial guarantees	44,114	–	–	(56,828)	(12,714)
Translation differences	47,694	(4,219)	291	(449)	43,317
<b>Financial guarantees at 31 December 2023</b>	<b>3,261,988</b>	<b>3,799</b>	–	–	<b>3,265,787</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Financial guarantees at 1 January 2022</b>	<b>1,533,699</b>	<b>32,734</b>	–	–	<b>1,566,433</b>
New financial guarantees originated or purchased	2,647,993	–	–	–	2,647,993
Completed (settled) financial guarantees	(1,073,625)	(1,222)	–	(40,225)	(1,115,072)
Transfer to Stage 1	–	–	–	–	–
Transfer to Stage 2	(183,502)	188,572	(5,070)	–	–
Transfer to Stage 3	–	(32,180)	–	32,180	–
Modifications in financial guarantees	(32,952)	–	–	–	(32,952)
Translation differences	308,421	5,274	5,070	8,045	326,810
<b>Financial guarantees at 31 December 2022</b>	<b>3,200,034</b>	<b>193,178</b>	–	–	<b>3,393,212</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Allowance for financial guarantees at 1 January 2023</b>	<b>1,375</b>	–	–	–	<b>1,375</b>
New financial guarantees originated or purchased	600	–	–	–	600
Completed (settled) financial guarantees	(214)	–	–	–	(214)
Transfer to Stage 2	–	–	–	–	–
Transfer to Stage 3	–	–	–	–	–
Modifications in allowance	(419)	(8)	14	–	(413)
Translation differences	–	8	–	–	8
<b>Allowance for financial guarantees at 31 December 2023</b>	<b>1,342</b>	–	<b>14</b>	–	<b>1,356</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Total</i>
<b>Allowance for financial guarantees at 1 January 2022</b>	<b>2,882</b>	–	–	–	<b>2,882</b>
New financial guarantees originated or purchased	129	–	–	–	129
Completed (settled) financial guarantees	(2,682)	–	–	(40,225)	(42,907)
Transfer to Stage 2	–	506	(506)	–	–
Transfer to Stage 3	–	(1,720)	–	1,720	–
Modifications in allowance	864	1,208	497	38,505	41,074
Translation differences	182	6	9	–	197
<b>Allowance for financial guarantees at 31 December 2022</b>	<b>1,375</b>	–	–	–	<b>1,375</b>

As at 31 December 2023, the security accounts for letters of credit comprised UAH 1,067,251 thousand (as at 31 December 2022: UAH 578,870 thousand).

The following tables show the analysis of changes in the letters of credit (except for security accounts) and the corresponding allowance:

	<i>Stage 1 Collective</i>
<b>Letters of credit at 1 January 2023</b>	<b>788,434</b>
New letters of credit originated or purchased	8,271,815
Completed (settled) letters of credit	(5,958,459)
Modifications in letters of credit	(476,821)
Translation differences	52,083
<b>Letters of credit at 31 December 2023</b>	<b>2,677,052</b>

	<i>Stage 1 Collective</i>
<b>Letters of credit at 1 January 2022</b>	<b>1,115,381</b>
New letters of credit originated or purchased	2,675,622
Completed (settled) letters of credit	(2,515,996)
Modifications in letters of credit	(634,016)

Translation differences	147,443
<b>Letters of credit at 31 December 2022</b>	<b>788,434</b>

	<b>Stage 1 Collective</b>
<b>Allowance for letters of credit at 1 January 2023</b>	<b>39,995</b>
New letters of credit originated or purchased	498,641
Completed (settled) letters of credit	(353,983)
Modifications in allowance	(46,849)
Translation differences	7,202
<b>Allowance for letters of credit at 31 December 2023</b>	<b>145,006</b>

	<b>Stage 1 Collective</b>
<b>Allowance for letters of credit at 1 January 2022</b>	<b>39,155</b>
New letters of credit originated or purchased	118,528
Completed (settled) letters of credit	(134,737)
Modifications in allowance	(187)
Translation differences	17,236
<b>Allowance for letters of credit at 31 December 2022</b>	<b>39,995</b>

The following tables show the analysis of modifications in avals and corresponding allowance:

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Total</b>
<b>Avals at 1 January 2023</b>	<b>331,662</b>	<b>8,331</b>	<b>339,993</b>
New avals originated or purchased	3,700,790	–	3,700,790
Completed (settled) avals	(2,715,441)	(8,331)	(2,723,772)
Transfer to Stage 1	6,999	(6,999)	–
Transfer to Stage 2	(6,999)	6,999	–
Modifications in avals	(1,076,650)	–	(1,076,650)
<b>Avals at 31 December 2023</b>	<b>240,361</b>	<b>–</b>	<b>240,361</b>

	<b>Stage 1 Collective</b>	<b>Stage 2 Collective</b>	<b>Total</b>
<b>Avals at 1 January 2022</b>	<b>400,443</b>	<b>–</b>	<b>400,443</b>
New avals originated or purchased	3,434,738	–	3,434,738
Completed (settled) avals	(2,699,639)	(16,223)	(2,715,862)
Transfer to Stage 2	(24,554)	24,554	–
Modifications in avals	(779,326)	–	(779,326)
<b>Avals at 31 December 2022</b>	<b>331,662</b>	<b>8,331</b>	<b>339,993</b>

	<b>Stage 1 Collective</b>
<b>Allowance for avals at 1 January 2023</b>	<b>19</b>
New avals originated or purchased	145
Completed (settled) avals	(60)
Modifications in avals	(82)
<b>Allowance for avals at 31 December 2023</b>	<b>22</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Total</i>
<b>Allowance for avals at 1 January 2022</b>	<b>34</b>	<b>–</b>	<b>34</b>
New avals originated or purchased	192	–	192
Completed (settled) avals	(204)	(3)	(207)
Transfer to Stage 2	(1)	1	–
Modifications in avals	(2)	2	–
<b>Allowance for avals at 31 December 2022</b>	<b>19</b>	<b>–</b>	<b>19</b>

*Performance guarantees*

Performance guarantees are the arrangements to provide compensation where a counterparty fails to perform its contractual obligations. Risk related to the counterparty’s possible failure to perform its contractual obligations.

The tables below present an analysis of changes in performance guarantees and corresponding provisions:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Performance guarantees at 1 January 2023</b>	<b>5,913,315</b>	<b>141,578</b>	<b>–</b>	<b>111,666</b>	<b>6,166,559</b>
Newly created or acquired performance guarantees	1,362,382	–	–	–	1,362,382
Completed (redeemed) performance guarantees	(3,001,319)	(19,524)	(3,231)	(111,666)	(3,135,740)
Transfer to Stage 1	237,283	(237,283)	–	–	–
Transfer to Stage 2	(113,924)	242,343	(128,419)	–	–
Transfer to Stage 3	(26,788)	(121,053)	147,841	–	–
Changes to performance guarantees	(83,290)	(5,321)	–	–	(88,611)
Exchange rate differences	152,677	(740)	625	–	152,562
<b>Performance guarantees at 31 December 2023</b>	<b>4,440,336</b>	<b>–</b>	<b>16,816</b>	<b>–</b>	<b>4,457,152</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Performance guarantees at 1 January 2022</b>	<b>5,656,402</b>	<b>–</b>	<b>673,678</b>	<b>–</b>	<b>–</b>	<b>6,330,080</b>
Newly created or acquired performance guarantees	1,431,342	–	–	–	–	1,431,342
Completed (redeemed) performance guarantees	(1,982,717)	(70,648)	(562,013)	–	–	(2,615,378)
Transfer to Stage 1	32,286	–	–	(32,286)	–	–
Transfer to Stage 2	(205,546)	201,885	3,701	(40)	–	–
Transfer to Stage 3	(32,326)	–	(111,666)	32,326	111,666	–
Changes to performance guarantees	(87,507)	1,185	(3,747)	–	–	(90,069)
Exchange rate differences	1,101,381	9,156	47	–	–	1,110,584
<b>Performance guarantees at 31 December 2022</b>	<b>5,913,315</b>	<b>141,578</b>	<b>–</b>	<b>–</b>	<b>111,666</b>	<b>6,166,559</b>

The provision for performance guarantees is recognised in “Provisions for loan commitments and financial guarantee contracts” of the consolidated statement of financial position.

Movements in provisions for performance guarantees are provided in the tables below:

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Provision at 1 January 2023</b>	<b>842</b>	<b>–</b>	<b>–</b>	<b>1,465</b>	<b>2,307</b>
New originated or purchased	1,428	–	–	–	1,428
Completed (settled)	(403)	(2)	(110)	(1,465)	(1,980)
Transfer to Stage 2	–	1,050	(1,050)	–	–
Transfer to Stage 3	(1,064)	–	1,064	–	–
Modifications in allowance	(583)	(1,048)	96	–	(1,535)
Translation differences	8	–	–	–	8
<b>Provision of credit-related commitments at 31 December 2023</b>	<b>228</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>228</b>

	<i>Stage 1 Collective</i>	<i>Stage 2 Collective</i>	<i>Stage 2 Individual</i>	<i>Stage 3 Collective</i>	<i>Stage 3 Individual</i>	<i>Total</i>
<b>Provision at 1 January 2022</b>	<b>561</b>	–	–	–	–	<b>561</b>
New originated or purchased	1	–	–	–	–	1
Completed (settled)	(184)	(1)	–	–	–	(185)
Transfer to Stage 2	(32)	310	(276)	(2)	–	–
Modifications in allowance	257	(309)	276	2	1,465	1,691
Translation differences	239	–	–	–	–	239
<b>Provision of credit-related commitments at 31 December 2022</b>	<b>842</b>	–	–	–	<b>1,465</b>	<b>2,307</b>

#### Pledged assets

The Bank pledges as collateral the assets stated in the consolidated statement of financial position in terms of various current transactions carried out under the normal conditions applicable to such agreements.

As at 31 December 2023, the securities pledged by the Bank as collateral are:

	<i>2023</i>	<i>2022</i>		<i>2023</i>	<i>2022</i>
<i>Liability type</i>	<i>Liability amount</i>		<i>Asset type</i>	<i>Asset carrying amount</i>	
NBU refinancing loans	–	18,468,854	Ukrainian government bonds at fair value through profit or loss	9,543,030	10,546,640
			Ukrainian government bonds at fair value through other comprehensive income	6,558,951	6,629,543
			Ukrainian government bonds at amortised cost	6,476,345	6,722,983
			Corporate bonds	–	8,461,960
NBU interest rate swap (notional amount)	5,385,000	8,397,406	Ukrainian government bonds at fair value through other comprehensive income	1,367,819	967,193
Loan from Ukrainian financial organizations	324,116	30,774	Ukrainian government bonds at fair value through other comprehensive income	629,707	63,729



## 26. Interest income and expenses

	2023	2022
<b>Interest income calculated using effective interest method</b>		
Interest income on loans and advances to customers	9,608,633	8,453,170
Interest income on cash and balances with the National Bank of Ukraine	3,848,955	1,187,014
Interest income on debt instruments at fair value through other comprehensive income	3,600,631	1,635,524
Interest income on debt instruments at amortised cost	1,593,735	2,005,075
Interest income on cash and bank balances in other banks	1,088,589	126,698
Interest income on deposits to banks	455,656	91,729
Interest income on loans and advances to banks	5,809	7,053
	<b>20,202,008</b>	<b>13,506,263</b>
<b>Other interest income</b>		
Interest income on debt instruments at fair value through profit or loss	1,014,455	1,133,548
Interest income on finance lease	214,489	228,701
	<b>1,228,944</b>	<b>1,362,249</b>
<b>Interest expense</b>		
Interest expense on deposits from customers	(13,654,983)	(5,066,007)
Interest expense on borrowings	(1,911,312)	(1,321,464)
Interest expense on liabilities due to central banks	(1,331,178)	(3,970,417)
Interest expense on bonds	(263,545)	(398,328)
Interest expense on bank loans and overdrafts	(6,508)	(37,825)
Interest expense on deposits from banks	(898)	(3,294)
Other interest expenses	(1,173)	(68,011)
	<b>(17,169,597)</b>	<b>(10,865,346)</b>

## 27. Fee income and expense

	2023	2022
<b>Fee income</b>		
Cash and settlement service	817,055	624,360
Transactions with banks	265,336	193,128
Guarantees and letters of credit	165,496	257,757
Credit servicing commission	26,425	82,521
Other	42,825	49,303
	<b>1,317,137</b>	<b>1,207,069</b>
<b>Fee expense</b>		
Cash and settlement service	(335,652)	(235,592)
Guarantees and letters of credit	(150,501)	(40,416)
Currency conversion	(29,424)	(16,166)
Other	(7,711)	(4,341)
	<b>(523,288)</b>	<b>(296,515)</b>

As at 31 December 2023, total fee income from contracts with customers amounted to UAH 1,151,641 thousand (31 December 2022: UAH 949,312 thousand).

Fee income from cash and settlement services was earned by the following segments:

	Corporate banking	Medium-sized business, municipalities and utilities sector	Retail banking	Interbank and investments business	Unallocated	Total
<b>2023 year</b>						
<b>Fee income</b>						
Cash and settlement service	421,751	222,884	164,196	364	7,860	<b>817,055</b>

<i>2022 year</i>	<i>Corporate banking</i>	<i>Medium-sized business, municipalities and utilities sector</i>	<i>Retail banking</i>	<i>Interbank and investments business</i>	<i>Unallocated</i>	<i>Total</i>
<b>Fee income</b>						
Cash and settlement service	271,673	197,936	153,788	94	869	<b>624,360</b>

## 28. Employee benefits expense and other administrative and operating expenses

Employee benefits expense and other administrative and operating expenses comprise:

	<i>2023</i>	<i>2022</i>
Salaries and bonuses	1,648,500	1,556,797
Mandatory contributions to the state funds	288,427	282,689
<b>Employee benefits expense</b>	<b>1,936,927</b>	<b>1,839,486</b>
Payables to the Individual Deposit Guarantee Fund	264,188	228,142
Repair and maintenance of property, plant and equipment	155,035	99,623
Modifications of financial assets	80,567	—
Maintenance of premises	73,010	59,147
Security	66,776	73,277
Electronic and data processing costs	53,149	40,417
Legal and advisory services	45,488	61,632
Expenses for cash collection	25,894	18,304
Operating taxes	23,396	35,748
Administrative expenses	20,039	14,773
Communication services	19,328	15,827
Rent of premises	12,725	10,424
Marketing and advertising	10,221	9,230
Business travel and related expenses	6,057	2,670
Charity	5,829	3,565
Representative offices expenses	3,517	3,624
Result from sale of investment property	—	20,590
Impairment of non-current assets	—	5,435
Personnel recruitment expenses	—	5,208
Other	72,189	57,767
<b>Other administrative and operating expenses</b>	<b>937,408</b>	<b>765,403</b>

Expenses for payment to the non-state pension fund in 2023 amounted to UAH 1,062 thousand (2022: UAH 1,172 thousand).

## 29. Risk management

### Introduction

The risk management system is key to ensuring the Bank sustainable operations, it provides for proper identification and unbiased assessment of the Bank risks, and for continuous risk analysis, monitoring and control, and for the preparation of the relevant information, to make timely and adequate management decisions.

The system of the Bank risk management is complex and relies on the law of Ukraine, with due consideration of the Bank systemic importance and the recommendations by the Basel Committee on Banking Supervision (BCBS) on how to manage risks. The Bank and its governing bodies constantly ensure the measures for the sustainable development of a risk management culture and the effective functioning of the Bank risk management system.

The Bank risk management system covers all significant types of risks that the Bank is exposed to during its operations, namely:

- Credit risk;
- Liquidity risk;
- Interest risk in the banking book;
- Market risk;
- Operational risk;
- Compliance risk;

and includes the following components:

- Organisational structure;
- Risk management culture and code of conduct (ethics) of the Bank;
- Internal regulatory documents on risk management;
- Tools for effective risk management in the Bank;
- Information systems that provide for risk management and reporting instruments.

### *Risk management structure*

The Bank risk management system (“RMS”) is based on a segregation of responsibilities between all stand-alone structural and separate units of the Bank using the three line protection model.

The Bank RMS bodies are: Supervisory Board, Risk Committee of the Supervisory Board, Management Board; Management Board committees, namely Credit Committee, Small Credit Committee, Assets and Liabilities Committee (ALCO), Operational and Compliance Risk Management Committee; other Bank collegial bodies; Internal Audit Department (third line of protection); Chief Risk Officer (CRO) and Risk Management Department (second line of protection); Chief Compliance Officer (CCO) and Compliance Control Department (second line of protection); business units and support units (first line of protection).

The Supervisory Board is ultimately responsible for setting and approving the objectives in risk and capital management and for approving the risk management strategy. The Bank Supervisory Board was formed in accordance with Ukraine’s legal requirements for governing bodies of state-owned banks.

Units of the second and third lines of protection, the Chief Risk Officer (CRO) and the Chief Compliance Officer (CCO) are accountable to the Supervisory Board. These units are staffed with duly qualified employees who ensure the effective performance of the appropriate roles and tasks.

The risk management is carried out at the Bank all organisational levels, including by involving every employee of the Bank in the risk management process.

The Bank risk management system is regulated by a number of the Bank risk management regulations, including the regulation of the entire risk management process (from risk identification to risk reporting) and both defining the general requirements (including the organisational structure, strategic objectives of risk management, risk appetite level etc.) and detailing the methodological approaches and procedures for risk management. The Bank risk management regulations (Risk Management Strategy, Risk Appetite Statement, Business Recovery Plan, Business Continuity Plan, policies, methodologies, provisions/rules/procedures, etc.) are prepared and updated by the Bank with due regard to the requirements of Resolution #64 of the Board of the National Bank of Ukraine of 11 June 2018 (as amended).

Risk management at the Bank is carried out by way of risk identification and assessment; continuous and qualitative risk analysis; identifying and setting an acceptable level of risk; risk forecasts; capital estimation based on the results of risk assessment and/or forecasting (including stress testing); continuous monitoring and control of risks, including of the amounts of the applicable indicators/ limits, preparation and implementation, where required, of measures to mitigate/reduce the level of risks; and risk reporting to the Bank management, including to the Supervisory Board, Risk Committee of the Supervisory Board, Management Board and other collegial bodies of the Bank (on a daily, monthly and quarterly basis).

The Bank uses effective tools and models for risk management, including risk assessment tools and models, in particular, limiting, statistical and mathematical models, analysis of actual values of indicators and the reasons for their significant changes, forecasting, etc. The Bank ensures constant monitoring of risks, their levels, as well as actual implementation of measures aimed at mitigating risks and their effectiveness.

#### *Risk measurement and reporting systems*

The tools and models, which are used to assess a particular type of risk, are determined based on the nature of this type of risk, the requirements of the NBU regulations and the banking practice of assessing/managing this type of risk, as well as with due consideration of the current situation and (where relevant) actual values and forecasts for the macroeconomic indicators.

The Bank risks are measured using methods, which reflect both the expected loss under normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment, including with due consideration of macrofactors. The Bank also runs worse case scenarios reflecting the impact of emergency events with a low probability of occurrence. The Bank also carries out back-testing of the models and checks their adequacy.

Risks are monitored and controlled primarily based on the amounts/limits established by the Bank, which reflect the level of risk acceptable to the Bank. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Risk reporting at regular intervals is provided to the Bank's Supervisory Board and the Risk Committee of the Bank's Supervisory Board (quarterly), the Bank's Management Board and dedicated committees of the Bank's Management Board (monthly), as well as other users. Risk reporting is made in such a way as to reflect accurate, complete, reliable, timely information on all significant risks of the Bank, the ongoing situation and the dynamics of their changes. The risk reporting shall include all necessary information to enable the appropriate collegial and management bodies of the Bank to assess, from the managerial point of view, the significant risks of the Bank and the effectiveness of their management, to make the appropriate conclusions and, if necessary, to take the adequate management decisions. Cases of violation of risk limits/amounts and significant increase in risk (at approximation of the actual risk levels to the established risk appetite limits) should be communicated to the authorised collegial bodies of the Bank, including the Management Board and Supervisory Board.

#### *Risk concentration*

Concentration arises when a number of counterparts are engaged in similar business activities, or activities in the same geographic region, or have similar economic characteristics, which determine their ability to meet contractual obligations that are equally affected by the changes in economic, political or other environment. Concentration indicates the relative sensitivity of the Bank performance to the developments affecting a particular segment.

To avoid excessive concentrations of risks, the regulatory documents that outline the approaches to the Bank activities and procedures include specific guidelines to focus on maintaining a diversified portfolio. The identified concentration of risks is duly controlled and managed

#### **Credit risk**

The Bank takes on the exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk management is primarily aimed at ensuring the fulfilment of liabilities by the Bank debtors/ counterparties in the form, amount and within the time periods adequate for maintaining liquidity, yield and capital adequacy ratios within the limits fixed in the Bank.

The credit risk management includes the following:

- comprehensive and complete analysis of a debtor and a credit project, process of making conclusions by the dedicated departments of the Bank and considering them in the process of taking decisions to issue a loan/assume a credit-related commitment;
- proper support of the system of credit proxies, with the proxy levels being differentiated depending on the level of credit risk: the higher the risk, the higher the level of proxy at which the decision is taken to make a loan transaction / assume a credit-related commitment;
- providing loans or assuming credit-related commitments solely in accordance with the law, the approved credit policy and other regulations of the Bank;
- setting credit risk amounts/limits and continuous control of their observation;
- assessing credit risk within the established credit risk level in accordance with the requirements of the National Bank of Ukraine, and measuring the impairment of financial assets and charging allowances for active bank operations in accordance with IFRS and in adequate amounts;
- continuous monitoring of credit risk at the level of both individual loans/commitments and sub-portfolios and total credit portfolio, including over time with identification of significant changes and analysis of their causes;
- maintaining and regular updating of the Bank credit risk management methodology;
- support of the system of comprehensive and complete credit risk reporting with the frequency as required by law, including of the system for monitoring and escalation of any identified violations of credit risk limits with further decisions to be taken on measures to eliminate such violations and with control of their implementation in place.

#### *Individual credit risk*

Individual credit risk is the risk associated with a particular loan transaction or a debtor and the probability that the debtor will not be able to timely and fully meet its obligations to the Bank to repay the debt under the terms of the loan agreement. It can also be defined as the probability that the Bank will incur losses from the debtor failure to comply with the terms of the loan transaction.

The Bank manages its individual credit risk throughout the life cycle of the loan transaction, from assessing the risk acceptability in the analysis of the debtor and the credit project, which precedes the loan transaction, to full debtor performance under the loan transaction.

Individual credit risk management includes the following:

- proper analysis of a debtor, including the assessment of the debtor financial position and creditworthiness, due consideration of the group influence (if any) and assessment of the probability of the debtor default according to the system of the internal credit rating, which is based on the financial data (quantitative parameters) and non-financial data (qualitative parameters) on the Bank debtors/counterparties;
- proper analysis of a loan transaction, including comprehensive consideration of the risk factors attributable to this loan transaction, assessment of the possibility of its being carried out, structuring of the loan transaction agreement in accordance with the Bank regulations;
- fixing and monitoring of the individual credit limits;
- assessment and monitoring of the loan transaction collateral and checking it for acceptability;
- continuous monitoring of the debtor fulfillment of its obligations to the Bank, including continuous monitoring of the credit risk factors (“CRF”) within the early response system and further work with the debtors, for which CRF is identified, making operational decisions on plans for further work with such debtors and control over the execution of those plans;
- regular credit review;
- charge of a sufficient allowance for impairment of financial assets on loan transactions of debtors;
- continuous provision of effective work with non-performing debts of debtors by the Bank dedicated renegotiation and recovery unit (respective reclassification of a debt into a non-performing one, if this debt has the evidence of a non-

performing debt) for full repayment of debts on loan transactions (including the debts recorded off-balance), including the measures to repay the debt at the expense of collateral and other enforcement activity under the legal collection in progress.

#### *Portfolio credit risk*

Portfolio credit risk is the risk originating from the total debt on the Bank loan transactions. It is inherent in the group of loan transactions or debtors with similar credit profiles, in the sub-portfolio (in particular, portfolio of loans, securities, receivables, etc.) or in the total loan portfolio of the Bank (for all loan transactions).

The Bank manages its portfolio credit risk by performing the components of individual credit risk management, and this also includes:

- diversification of the loan portfolio and setting concentration limits to avoid the risk of portfolio deterioration in the quality of loan transactions;
- setting other limits and indicators of credit risk related to the portfolio/sub-portfolios to control the Bank credit risk;
- comprehensive monitoring of the loan portfolio, including the monitoring of the loan portfolio structure, control of credit risk limits and indicators and escalation in case of any violations in order to make decisions on mitigation/elimination of negative factors, as well as control and evaluation of their use;
- comprehensive, entire and regular credit risk reporting in accordance with law (including by sub-portfolio, group and category of a borrower, etc., in movement and with the identification and analysis of significant changes).

#### *Credit-related commitment risks*

The Bank issues financial guarantees to its customers, under which the Bank may be required to make payments on behalf of the relevant customers. These guarantees expose the Bank to risks similar to credit risks which are mitigated by similar control procedures and principles.

The Bank undertakes to effect payment against presentation of complying documents under letters of credit. Uncovered letters of credit expose the Bank to risks similar to credit risks which are mitigated by similar control procedures and principles.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value.

For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

### **Impairment of financial assets**

#### *Assessment of expected credit losses*

The Bank recognises an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as credit-related commitments and financial guarantees (collectively “financial instruments”). Equity instruments are not subject to impairment.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in other case the allowance is based on the ECL over the life of the asset. The 12 months ECL is the portion of lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime expected credit losses and 12 months ECL are calculated on either an individual basis or a collective basis.

Assessment of whether the credit risk has increased significantly by considering the change in the risk of default occurring over the remaining life of the financial instrument, identification of default events and calculation of allowance is made by the Bank at the end of each reporting period (monthly).

The Bank groups its financial instruments, for which ECL is measured, as described below:

- |         |  |
|---------|--|
| Stage 1 | When financial instruments are first recognised, the Bank recognises an allowance based on 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from other Stages. |
| Stage 2 | When a financial instrument has shown a significant increase in credit risk since origination, the Bank  |

	records an allowance for the lifetime expected credit losses. Stage 2 financial instruments also include financial instruments, for which the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3	Financial instruments considered credit-impaired. For such financial instruments, the Bank records an allowance for the lifetime expected credit losses.
Purchased or originated credit impaired (POCI)	Purchased or originated credit impaired financial assets are assets that are credit impaired on initial recognition. POCI financial assets are recorded at fair value at initial recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

#### *Calculation of expected credit losses*

the Bank uses certain lists of events that contain signs of an increase in credit risk, such as deterioration of the financial condition, which is expressed in the form of a significant (3 or more) reduction of the internal rating/class, restructuring without grace period of interest payments for more than 90 days, assignment of the management status of "pre-problem debt". Also, regardless of whether there are events that contain signs of an increase in credit risk, it is considered that a delay in the fulfillment of monetary obligations of more than 30 days is evidence of a significant increase in credit risk since the initial recognition of a financial instrument.

The Bank considers that an event of default has occurred on the financial instrument, and, accordingly, classifies such an asset as Stage 3 (credit-impaired asset) in cases where the debtor has delayed the fulfillment of monetary obligations for more than 90 days, as well as in the event of restructuring of the interest payment period (for more than 90 days), bankruptcy of the debtor, location of the main production assets in the temporarily occupied territory / territory of active hostilities (provided that that assets in the government-controlled territories do not generate cash flows sufficient to service the debtor's monetary obligations), assigning the debtor a default internal rating and/or the management status of "problem debts" or "restructuring". Where the terms of a credit-impaired asset are reviewed and the modification does not result in derecognition of a financial asset, those assets remain in Stage 3 until the criteria for de-default are met below.

If the borrower financial position is improved and its solvency is restored, the asset may be excluded from default when the following major criteria are met

- Repayment of liabilities overdue more than 90 days that resulted in the recognition of a default and the absence of overdue payments more than 7 days during the last six consecutive months as at the reporting date;
- Settlement of payments postponed as part of their restructuring (with respect to the accrued interest payment) or payment of income in the amount bigger than the amount of income that was restructured;
- Repayment of debt in the amount not less than 50% of debt at the date of restructuring.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)	The <i>Probability of Default</i> is an estimate of the likelihood of default over a given time horizon.
Exposure at Default (EAD)	The Exposure at Default is an estimate of the exposure at default. In the ECL calculation for the entire lifetime of a financial instrument, its expected changes after the reporting date are considered, including the granting/repayment of the debt principal, accrual and payment of interest.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs. LGD is based on the difference between the contractual cash flows due and the one that the Bank would expect to receive, including from the realisation of any collateral.

Depending on the qualities of a financial instrument, the Bank calculates ECL either on an individual basis (scenario analysis) or a collective (portfolio) basis.

The Bank calculates ECLs on an individual basis for all Stage 2 or Stage 3 assets of the borrowers whose debt to the Bank is significant (equivalent to over UAH 300,000 thousand), of bank borrowers, and the assets, which, at the moment of derecognition of an initial instrument and recognition of a new one, were classified as POCI. As part of the scenario analysis, the Bank calculates ECL based on the forecast of the cash flows discounted using effective interest rate with due consideration of the period of cash flow proceeds. During calculation, the likelihood that the scenario will be implemented in an upside case, base and downside cases is considered.

The Bank calculates ECL on a collective (portfolio) basis for all other assets grouped by the respective features, including by the credit risk profile, and uses the models for calculation, which are relevant for the respective group, and relies on a broad range of forward looking information as economic inputs.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

For the off-balance sheet financial instruments, the allowance is calculated similar to that for the balance-sheet financial instruments, with due consideration of a conversion rate.

*Debt instruments at fair value through other comprehensive income*

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

*Purchased or originated credit impaired financial assets*

For purchased or originated credit impaired assets, only changes in ECL accumulated from the initial recognition for the entire term are recognised by the Bank as the estimated ECL allowance.

*Internal rating and probability of default assessment process*

The Probability of Default (PD) is one of the credit risk components. The Bank applies an approach to assess of probability of default (PD) for corporate borrowers, which involves the calculation of probability of default (PD) and internal rating class (PD-Rate) ranging from 1 to 17 (17 grades). Rating class 1-14 corresponds to not default, rating class 15-17 corresponds to default (probability of default is 100%).

The following information is used to calculate the borrowers/Group rating:

- Financial statements data;
- Answers to non-financial issues;
- Warning signals in respect of the borrower (high risk factors);
- Information on the level of support from the Group (parent company support level, if any).

The estimated probability of default (PD) and rating class (PD-Rate) are determined on the basis of the quantitative (financial model) and qualitative (non-financial model) factors, the weight of the model factors is 80% and 20%, respectively. The estimated rating is modified (decreased) using the warning signals and taking into account the parent company support (increased or decreased), if any.

The rating system is revised (validation and adjustment, if required) on an annual basis.

The Bank uses the following levels of internal credit rating (rating class) to assess the assets of corporate borrowers.

***Internal rating class  
(PD-Rate)***

<b><i>Internal rating class (PD-Rate)</i></b>	<b><i>Probability of default(PD)</i></b>	<b><i>Internal rating description</i></b>
From 1 to 7	Up to 3.087%	High rating
From 8 to 9	From 3.088% to 7.35%	Standard rating
From 10 to 14	From 7.36% to 99.9%	Low rating
From 15 to 17	100%	Credit-impaired assets (default)

The Bank determines the probability of default (PD) for Ukrainian government bonds, other securities issued by central and local authorities based on the statistical and analytical data of the international rating agency Fitch Ratings regarding sovereign defaults separately in national and foreign currencies and the corresponding long-term credit rating assigned to Ukraine by this agency, taking into account the term of the financial instrument. Based on the value of such rating as at 31 December 2022, Ukrainian government bonds and other securities issued by central authorities are classified as assets with a low rating. Determination of the probability of default for securities issued by local authorities is carried out on the basis of the rating assigned to them by an international rating agency (if necessary adjusted to the scale of the international rating agency Fitch Ratings). Probability of default for securities issued by corporate borrowers is determined based on the internal rating class (PD-Rate), as described above.



### *Exposure at Default (EAD)*

For Stage 1, the exposure at default (EAD) is equal to the gross carrying amount of a financial instrument at the calculation date.

For Stages 2 and 3, EAD is calculated for the entire lifetime of the asset, with the principal, future interest and accumulated depreciation determined on the basis of the debt repayment schedule.

The EAD for credit-related commitments and other financial liabilities is calculated based on a credit conversion factor (CCF).

### *Loss Given Default (LGD)*

Loss given default (LGD) is one of credit risk components on the basis of which the expected credit losses are estimated and shows a share of current loan debt which the bank would lose irrevocably in the event of default of a borrower with regard to the existing collateral for the loan and other characteristics of loan and borrower. The main acceptable repayment sources are as follows: repayment through enforcement of collateral (by types of collateral) and cash repayment (by business lines of the borrowers' activities). The LGD coefficients are calculated based on the bank's own statistics for the period of at least 5 years. The statistics and coefficients are reviewed and updated on an annual basis.

Loss given default for Ukrainian government bonds is determined by the Bank in accordance with the statistical and analytical data of the international rating agency Fitch Ratings.

### *Impact of macroeconomic indicators*

Under IFRS 9, the Bank takes into account in its estimates of expected credit losses the forecasts of future economic conditions with regard to the link between macroeconomic factors and an integral index of the credit portfolio quality. The actual rate of defaults for the year (by segments) calculated as the ratio of the number of loans that became defaulted during the year to the number of loans that were not defaulted at the beginning of the year, is taken as an integral indicator of the loan portfolio quality. The following indicators and their modifications (change for the year, quarter, time lag) can be taken as macroeconomic factors: Consumer Price Index, GDP growth, export/import growth, etc. The following data serve as the sources of information on the actual and projected macroeconomic indicators: inflation report and other statistical reports of the NBU, the State Statistics Service of Ukraine, IMF and World Bank data, etc. The statistics and macro coefficients are reviewed and updated at least once every six months. Upon the results of review, the macro model coefficients (probability of default adjustment indicators) are determined.

The table below shows the current coefficients of the macro model with regard to segments (business units) as at 31 December 2023.

<i>Segment</i>	<i>2024</i>	<i>2025</i>	<i>2026 and subsequent years</i>
Corporate banking	1.47	0.47	0.45
Small and medium-sized business	0.67	0.18	0.17
Retail banking	0.63	0.55	0.52
State budget-financed institutions	1.47	0.47	0.45

The table below summarizes the coefficients of the macro model with respect to the segments (business lines) as at 31 December 2022.

<i>Segment</i>	<i>2023</i>	<i>2024</i>	<i>2025 and subsequent years</i>
Corporate banking	2.8	1.66	0.71
Small and medium-sized business	1.73	0.77	0.65
Retail banking	2.38	1.16	1.00
State budget-financed institutions	2.8	1.66	0.71

The Bank uses forecast values of macroeconomic indicators to build models under three scenarios: a scenario based on the NBU/CMU forecasts, a scenario based on the World Bank/IMF forecasts, and a scenario based on extrapolation of actual values of macroeconomic indicators for previous years (expert). The final values of the adjusting coefficients by segment are

calculated based on the coefficients under these scenarios with a weight of 50%, 30%, and 20%, respectively (in 2022, the weight was distributed as 40%, 40%, and 20%, respectively). Given the time lag in obtaining the projected values, the latest values are available as at October 30 of the respective year and are presented below.

The table below shows the projected values of macroeconomic indicators as at 30 October 2023.

Indicators (forecast)	NBU/KMU (fraction 50%)			Word Bank/ IMF (fraction 30%)			EXPERT (fraction 20%)			
	<i>year</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
GDP growth		4,5	3,8	7,0	3,5	4,0	6,5	8,2	12,0	4,8
inflation index		5,8	9,8	6,0	11,0	10,0	7,0	7,8	5,6	2,3
export		-7,2	33,4	8,1	-10,0	15,0	30,0	-1,0	-6,9	-4,9
import		27,9	26,4	0,8	3,0	10,0	15,0	42,6	32,4	23,6
USD exchange rate		41,2	41,9	42,6	37,5	41,4	46,0	41,4	42,8	42,2
discount rate		15,0	15,0	15,0	15,0	15,0	15,0	16,6	20,6	15,4

The table below shows the forecast values of macroeconomic indicators as at 30 October 2022:

Indicators (forecast)	NBU/KMU (fraction 50%)			Word Bank/ IMF (fraction 30%)			EXPERT (fraction 20%)			
	<i>year</i>	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP growth		-31,5	4,0	5,2	-35,0	3,2	4,1	-31,5	7,7	7,7
inflation index		30,0	20,8	9,4	30,0	20,0	15,0	30,0	8,6	9,5
export		-32,3	2,1	9,9	-60,0	40,0	35,0	-32,3	-4,5	19,1
import		-23,9	15,8	-6,2	-40,0	34,0	28,5	-23,9	3,8	19,2
USD exchange rate		42,0	45,8	45,8	H.A.	H.A.	H.A.	42,0	47,6	49,1

An increase and decrease in the current macro-model coefficients by 10% compared to the estimated ones (for 2023) will result in an increase in the amount of ECL by UAH 134,945 thousand and a decrease in the amount of ECL by UAH -135,208 thousand (2022: UAH 244,769 thousand and -UAH 280,006 thousand), respectively.

*Credit quality by category of financial assets*

The Bank uses its internal credit ratings to manage the credit quality of financial assets, as described above. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Bank credit rating system.

<i>At 31 December 2023</i>	<i>Note</i>	<i>Stage</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Credit-impaired</i>	<i>Total</i>
<b>Financial assets</b>							
Cash and cash equivalents (except for cash in hand)	6	1	109,550,668	57,124	1,348	–	109,609,140
Loans and advances to banks	9	1	978,031	33,535	–	–	1,011,566
		3	–	–	–	72,083	72,083
Loans and advances to customers	10						
Legal entities		1	12,184,860	3,501,014	3,064,392	–	18,750,266
		2	136,714	1,088,428	1,783,975	–	3,009,117
		3	–	–	–	20,279,882	20,279,882
		POCI	–	–	–	14,460,048	14,460,048
Individuals		1	115,896	–	2,208	–	118,104
		2	1,310	781	1,849	–	3,940
		3	–	–	–	1,517,079	1,517,079
		POCI	–	–	–	2,334	2,334
State entities		1	9,672,264	377,875	4,102,700	–	14,152,839
		2	12,988,067	678,891	5,590,241	–	19,257,199
		3	–	–	–	3,634,481	3,634,481
		POCI	–	–	–	16,302	16,302
Investments in securities	11						
- at fair value through other comprehensive income		1	20,342	–	18,442,113	–	18,462,455
		2	–	–	9,960,341	–	9,960,341
- at amortised cost		1	100,022	–	7,484,031	–	7,584,053
		2	–	–	12,548,228	–	12,548,228
Other financial assets (except for transit accounts on transactions with payment cards)	16	1	–	127,752	1,607	–	129,359
		3	–	–	–	123,778	123,778
		POCI	–	–	–	579	579
<b>Total financial assets</b>			<b>145,748,174</b>	<b>5,865,400</b>	<b>62,983,033</b>	<b>40,106,566</b>	<b>254,703,173</b>
<b>Loan commitments and financial guarantee contracts</b>							
Financial guarantees	22	1	2,453,193	162,409	622,277	–	3,237,879
		2	24,109	–	3,799	–	27,908
Performance guarantee		1	1,453,112	2,856,484	130,740	–	4,440,336
		3	–	–	–	16,816	16,816
Undrawn loan commitments		1	9,795,957	1,927,449	1,216,326	–	12,939,732
		2	8,087	2,316	195,270	–	205,673
		3	–	–	–	53,678	53,678
Letters of credit (except for coverage accounts)		1	–	2,626,909	50,143	–	2,677,052
Avals on promissory notes		1	199,035	41,326	–	–	240,361
<b>Total loan commitments and financial guarantee contracts</b>			<b>13,933,493</b>	<b>7,616,893</b>	<b>2,218,555</b>	<b>70,494</b>	<b>23,839,435</b>
<b>Total</b>			<b>157,892,763</b>	<b>13,482,347</b>	<b>66,990,438</b>	<b>40,177,060</b>	<b>278,542,608</b>

<i>At 31 December 2022</i>	<i>Note</i>	<i>Stage</i>	<i>High rating</i>	<i>Standard rating</i>	<i>Low rating</i>	<i>Credit-impaired</i>	<i>Total</i>
<b>Financial assets</b>							
Cash and cash equivalents (except for cash in hand)	6	1	79,409,213	210,091	1,303	—	79,620,607
Loans and advances to banks	9	1	535,575	59,686	—	—	595,261
		3	—	—	—	76,442	76,442
Loans and advances to customers	10						
Legal entities		1	12,752,672	4,465,594	4,946,683	—	22,164,949
		2	3,260,482	1,526,761	4,232,654	—	9,019,897
		3	—	—	—	18,375,099	18,375,099
		POCI	—	—	—	14,062,465	14,062,465
Individuals		1	91,236	—	5,775	—	97,011
		2	15,072	—	5,470	—	20,542
		3	—	—	—	1,510,575	1,510,575
		POCI	—	—	—	2,241	2,241
State entities		1	15,973,953	13,417,879	5,305,680	—	34,697,512
		2	—	—	128,663	—	128,663
		3	—	—	—	3,509,704	3,509,704
		POCI	—	—	—	13,666	13,666
Investments in securities	11						
- at fair value through other comprehensive income		1	22,179	—	3,579,403	—	3,601,582
		2	—	—	9,230,225	—	9,230,225
- at amortised cost		1	97,177	—	15,386,768	—	15,483,945
		2	—	—	7,005,186	—	7,005,186
Other financial assets (except for transit accounts on transactions with payment cards)	16	1	—	95,191	107,129	—	202,320
		3	—	—	—	120,726	120,726
		POCI	—	—	—	6,942	6,942
<b>Total financial assets</b>			<b>112,157,559</b>	<b>19,775,202</b>	<b>49,934,939</b>	<b>37,677,860</b>	<b>219,545,560</b>
<b>Loan commitments and financial guarantee contracts</b>							
Financial guarantees	22	1	1,095,979	1,790,354	313,701	—	3,200,034
		2	193,178	—	—	—	193,178
Performance guarantee		1	1,439,441	3,876,379	597,495	—	5,913,315
		2	114,130	—	27,448	—	141,578
		3	—	—	—	111,666	111,666
Undrawn loan commitments		1	12,608,021	7,906,967	1,582,133	—	22,097,121
		2	462,538	1,463,737	52,082	—	1,978,357
		3	—	—	—	233,975	233,975
Letters of credit (except for coverage accounts)		1	788,434	—	—	—	788,434
Avals on promissory notes		1	234,612	97,050	—	—	331,662
		2	8,331	—	—	—	8,331
<b>Total loan commitments and financial guarantee contracts</b>			<b>16,944,664</b>	<b>15,134,487</b>	<b>2,572,859</b>	<b>345,641</b>	<b>34,997,651</b>
<b>Total</b>			<b>129,102,223</b>	<b>34,909,689</b>	<b>52,507,798</b>	<b>38,023,501</b>	<b>254,543,211</b>

The Bank internal rating system is supported by financial methods of analysis taking into account processed market information to establish the main assumptions for assessing the party risk during the conclusion of the agreement. The relevant risk ratings are regularly analyzed and revised.

### Conditionally risk-free financial assets

The Bank allocates a sub-portfolio of financial assets that it considers to be conditionally risk-free, as the debt on such assets is fully covered by deposits placed with the Bank or fully covered by guarantees of foreign investment grade banks. In the event of a delay in payment or other failure to fulfill the obligation, repayment is made from the collateral. For such assets, the Bank does not analyze significant changes in credit risk depending on changes in the financial condition of the borrower.

At 31 December 2023	Stage	Balance value	ECL	Deposits	Guarantees	Total collateral
Loans and advances to legal entities	1	1,876,222	2	1,684,708	611,517	2,296,225
	2	161	–	4,178	–	4,178
	3	21,203	–	23,671	–	23,671
Loans and advances to the Government	1	12,495	–	312,214	–	312,214
<b>Total</b>		<b>1,910,081</b>	<b>2</b>	<b>2,024,771</b>	<b>611,517</b>	<b>2,636,288</b>

At 31 December 2022	Stage	Balance value	ECL	Deposits	Guarantees	Total collateral
Loans and advances to legal entities	1	2,306,383	117	2,406,079	791,323	3,197,402
	2	29,527	–	48,320	–	48,320
	3	26,584	–	30,906	–	30,906
Loans and advances to the Government	1	83,821	–	185,839	–	185,839
	2	2,022	–	2,060	–	2,060
<b>Total</b>		<b>2,448,337</b>	<b>117</b>	<b>2,673,204</b>	<b>791,323</b>	<b>3,464,527</b>

### Analysis of collateral

#### Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral. The collateral comes in various forms, such as cash, securities, real estate, inventories, etc. The Bank accounting policy for collateral assigned to it through its lending arrangements did not change during the reporting year. Collateral, unless repossessed, is not stated in the Bank consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. The fair value of collateral received is valued at inception with subsequent revaluation: real estate, land, vehicles, equipment are revalued at least once every twelve months, other property is revalued not less than once every six months.

The Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

#### Collateral repossessed

The Bank accounting policy for repossessed collateral remained the same during the reporting year. The Bank policy is to determine whether a repossessed asset can be best used for its internal operations, obtaining lease payments, or should be sold. Assets determined to be useful for the internal operations are transferred to the property, plant and equipment category, assets determined to be held for obtaining lease payments are transferred to investment property category and are recognised at fair value. Assets being repossessed for sale are accounted for in “Non-current assets held for sale” or “Repossessed pledged property”.

#### Write-off

The Bank accounting policy for write-offs remained the same during the reporting year. In accordance with the Ukrainian law, loans may only be written off with the approval of the Bank Management Board or Supervisory Board. The Bank does not use any partial write-offs of assets. Financial assets are written off in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The table below provides the analysis of the market value of collateral for credit-impaired assets (Stage 3) and purchased and originated credit-impaired assets (POCI) which is taken into account by the Bank for the purpose of asset impairment assessment in the amount not exceeding the carrying amount of the loan.

At 31 December 2023	Maximum exposure at risk	Cash/ deposits	Collateral market value							Total collateral	Net exposure at risk	Relevant ECLs
			Guarantees of the CMU/Investment banks	Real estate	Land	Vehicles	Equipment	other movable property	Excessive collateral			
Loans to legal entities	34,739,930	59,818	385,086	12,947,601	321,902	860,736	6,303,093	715,158	(4,836,530)	16,756,865	17,983,065	16,836,058
Loans to individuals	1,519,413	–	–	–	–	–	–	–	–	–	1,519,413	1,519,190
Loans to state entities	3,650,783	–	–	390	–	–	535	–	–	925	3,649,858	924,592
<b>Total</b>	<b>39,910,126</b>	<b>59,818</b>	<b>385,086</b>	<b>12,947,991</b>	<b>321,902</b>	<b>860,736</b>	<b>6,303,628</b>	<b>715,158</b>	<b>(4,836,530)</b>	<b>16,757,790</b>	<b>23,152,336</b>	<b>19,279,840</b>

At 31 December 2022	Maximum exposure at risk	Cash/ deposits	Collateral market value							Total collateral	Net exposure at risk	Relevant ECLs
			Guarantees of the CMU/Investment banks	Real estate	Land	Vehicles	Equipment	Goods / other movable property	Excessive collateral			
Loans to legal entities	32,437,564	199,475	141,372	13,166,088	477,572	597,327	2,945,350	203,753	(2,830,671)	14,900,266	17,537,298	15,967,058
Loans to individuals	1,512,816	–	–	–	–	–	–	–	–	–	1,512,816	1,510,575
Loans to state entities	3,523,370	6,000	–	75,501	–	–	543	4,484,506	(1,779,193)	2,787,357	736,013	903,155
<b>Total</b>	<b>37,473,750</b>	<b>205,475</b>	<b>141,372</b>	<b>13,241,589</b>	<b>477,572</b>	<b>597,327</b>	<b>2,945,893</b>	<b>4,688,259</b>	<b>(4,609,864)</b>	<b>17,687,623</b>	<b>19,786,127</b>	<b>18,380,788</b>

## Restructured loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. The Bank considers the loan restructured if the modifications made as a result of existing or expected financial difficulties of the borrower are those that the Bank would not agree in the event of the borrower financial solvency. Restructuring may include extending repayment terms and agreeing on new loan terms. Once the terms of loan have been renegotiated, the loan is no longer considered overdue. The management continually analyses the restructured loans to make sure that all criteria and options for future payments are met.

## Geographical concentration

Geographical concentration of the Bank financial assets and liabilities is provided below:

	31 December 2023			
	Ukraine	OECD countries	Other non-OECD countries	Total
<b>Assets</b>				
Cash and cash equivalents	53,831,492	56,958,889	4,346	110,794,727
Loans and advances to banks	20	757,934	251,911	1,009,865
Loans and advances to customers	74,569,673	–	–	74,569,673
Investments in securities	69,994,403	–	–	69,994,403
Derivative financial assets	652,249	–	–	652,249
Other financial assets	544,283	1,188	53	545,524
	<b>199,592,120</b>	<b>57,718,011</b>	<b>256,310</b>	<b>257,566,441</b>
<b>Liabilities</b>				
Due to other banks	6,334,895	5,447	50,742	6,391,084
Customer accounts	211,385,472	1,731,993	831,677	213,949,142
Derivative financial liabilities	285	1,092	–	1,377
Other borrowed funds	324,116	28,406,671	–	28,730,787
Subordinated debt	–	3,805,882	–	3,805,882
Other financial liabilities	744,980	187,091	1	932,072
	<b>218,789,748</b>	<b>34,138,176</b>	<b>882,420</b>	<b>253,810,344</b>
<b>Net position</b>	<b>(19,197,628)</b>	<b>23,579,835</b>	<b>(626,110)</b>	<b>3,756,097</b>
<b>Loan commitments and financial guarantee contracts (Note 25)</b>	<b>22,151,330</b>	<b>–</b>	<b>–</b>	<b>22,151,330</b>

<b>31 December 2022</b>				
	<b>Ukraine</b>	<b>OECD countries</b>	<b>Other non-OECD countries</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	21,529,874	59,851,812	4,436	81,386,122
Loans and advances to banks	26,324	347,060	220,088	593,472
Loans and advances to customers	82,429,861	—	—	82,429,861
Investments in securities	62,486,708	—	—	62,486,708
Derivative financial assets	2,324,622	—	—	2,324,622
Other financial assets	445,885	5,993	89	451,967
	<b>169,243,274</b>	<b>60,204,865</b>	<b>224,613</b>	<b>229,672,752</b>
<b>Liabilities</b>				
Due to other banks	22,111,516	33	47,089	22,158,638
Customer accounts	175,365,878	1,148,264	633,283	177,147,425
Derivative financial liabilities	9,810	—	—	9,810
Other borrowed funds	30,774	27,270,584	—	27,301,358
Subordinated debt	—	4,055,444	—	4,055,444
Other financial liabilities	336,761	264,040	15	600,816
	<b>197,854,739</b>	<b>32,738,365</b>	<b>680,387</b>	<b>231,273,491</b>
<b>Net position</b>	<b>(28,611,465)</b>	<b>27,466,500</b>	<b>(455,774)</b>	<b>(1,600,739)</b>
<b>Loan commitments and financial guarantee contracts (Note 25)</b>	<b>31,276,550</b>	<b>—</b>	<b>—</b>	<b>31,276,550</b>

### Liquidity risk

Liquidity risk is the risk that the Bank will incur damage or incremental loss or suffer shortfall in the expected profit as a result of its failure to finance the increase of assets and/or to discharge its obligations in due time.

The main purpose of liquidity risk management is to ensure the ability of the Bank to fulfil its obligations when they fall due by maintaining acceptable (manageable) liquidity gaps.

The key task of the liquidity risk management is as follows:

- determination and observance by the Bank of an acceptable level of liquidity risk in accordance with the Bank strategic objectives;
- making a sufficient amount of highly liquid assets for the Bank to meet its obligations;
- thorough assessment of inflows and outflows of funds by contractual and expected maturities (including with due consideration of using different behavioral models);
- assessment of how the implementation of various stress case scenarios impacts the inflow and outflow of funds;
- planning, making timely decisions to prevent the occurrence and implementation of measures to mitigate the liquidity risk;
- compliance with liquidity ratios and liquidity risk limits.

Liquidity risk management is performed:

- Either on the long-term basis that is focused on ensuring appropriate liquidity levels in the short and long-term time horizon;
- Or on the short-term basis that is focused on ensuring appropriate level of instant and current liquidity taking into consideration estimated and unpredictable cash flow changes.

Liquidity risk management includes determination of acceptable levels of maturity gaps (by currency) and also:

- Setting target (most appropriate and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) levels of key liquidity risk indicators;
- Permanent monitoring of actual key liquidity risk indicators;
- Undertaking adequate corrective actions if actual key liquidity risk indicators approach their critical and/or threshold levels.

In addition, the Bank assesses liquidity based on certain liquidity ratios established by the NBU.

#### Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank financial liabilities based on contractual undiscounted repayment obligations. Liabilities on demand with the maturity up to 3 month are classified as liabilities on demand. However, the Bank expects that many customers will not demand repayment on the earliest date when the Bank could be required to make a respective repayment and the table does not reflect the expected cash flows calculated by the Bank on the basis of information on deposit repayment in previous periods.

<b>Financial liabilities As at 31 December 2023</b>	<b>Less than 3 months</b>	<b>From 3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Due to other banks	6,289,101	96,855	5,128	–	6,391,084
Customer accounts	173,389,555	37,282,223	2,605,819	1,069,361	214,346,958
Other borrowed funds	1,074,588	4,789,417	15,896,571	22,041,443	43,802,019
Subordinated debt	–	401,404	1,605,615	4,196,056	6,203,075
Derivative financial liabilities	5,561	–	–	–	5,561
Including:					
- financial instruments settled on a gross basis	5,561	–	–	–	5,561
- Amounts to be received	(2,523,785)	–	–	–	(2,523,785)
- Amounts to be paid	2,529,346	–	–	–	2,529,346
Other financial liabilities	477,636	27,278	4,906	100	509,920
Including:					
- lease commitments	36	3,999	–	–	4,035
Loan commitments and financial guarantee contracts and guarantee to fullfillment	12,045,365	–	–	–	12,045,365
<b>Total undiscounted financial liabilities</b>	<b>193,281,806</b>	<b>42,597,177</b>	<b>20,118,039</b>	<b>27,306,960</b>	<b>283,303,982</b>

<b>Financial liabilities As at 31 December 2022</b>	<b>Less than 3 months</b>	<b>From 3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Due to other banks	4,730,640	3,184,223	27,633,316	–	35,548,179
Customer accounts	157,200,798	19,424,602	777,712	56,174	177,459,286
Other borrowed funds	1,552,052	6,513,356	13,071,250	17,096,041	38,232,699
Subordinated debt	404,036	386,264	1,545,057	4,426,132	6,761,489
Derivative financial liabilities	6,655	–	–	–	6,655
Including:					
- financial instruments settled on a gross basis	6,655	–	–	–	6,655
- Amounts to be received	(9,000,000)	–	–	–	(9,000,000)
- Amounts to be paid	9,006,655	–	–	–	9,006,655
Other financial liabilities	732,804	2,056	4,111	–	738,971
Including:					
- lease commitments	1,012	2,056	4,111	–	7,179
Loan commitments and financial guarantee contracts and guarantee to fullfillment	11,853,889	–	–	–	11,853,889
<b>Total undiscounted financial liabilities</b>	<b>176,480,874</b>	<b>29,510,501</b>	<b>43,031,446</b>	<b>21,578,347</b>	<b>270,601,168</b>

The above table shows the timing of expiry dates of letters of credit, financial guarantees and Banks avals on promissory notes as part of loan commitments and financial guarantee contracts, according to the respective agreements. Undrawn loan commitments can be executed on demand and are included with the maturity up to 3 months. The Bank expects that not all of the contingent liabilities or commitments will be drawn before their expiry. To limit the liquidity risk arising from asymmetric prepayment and early repayment of the term assets and liabilities, the Bank incorporates such conditions in standard client agreements that motivate customers not to use the options of prepayment and early repayment.



## Market risk

The Bank considers market risk as the aggregate of interest rate risk and currency risk, i.e. inability to secure excess of income (including interest income) over expenses (including interest expenses) by currency in volumes required to fulfil the Bank obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank.

## Interest rate risk

Interest rate risk is considered by the Bank as the inability to secure excess of interest income over interest expenses in volumes required to fulfil the Bank interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the mismatch of interest receipts and interest payments by volumes or dates to be the main source of interest rate risk.

The Bank considers interest rate risk management as an integral part of the Bank operations including the effect of negative impact by internal and external factors.

Interest rate risk management is aimed at securing the excess of interest income over interest expenses in volumes sufficient to fulfil the Bank interest payment obligations and to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. Interest rate risk management is performed via:

- Setting target (most appropriate and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) key interest rate risk indicators;
- Permanent monitoring of actual key interest rate risk indicators;
- Taking efficient measures if the actual key interest rate risk indicators approach their critical and/or threshold levels.

The key tasks of the interest rate risk management are as follows:

- determination and observance by the Bank of an acceptable level of interest rate risk in accordance with the Bank strategic objectives;
- ensuring the most acceptable interest rate gap based on the risk appetite;
- assessment of the interest rate gaps and sensitivity of the Bank to changes in interest rates;
- planning, making timely decisions to prevent the occurrence of the interest rate risk, implementation of measures to mitigate the interest rate risk;
- assessment of how the implementation of various stress case scenarios impacts the Bank sensitivity to changes in interest rates.

The sensitivity of the consolidated statement of profit or loss reflects the effect of the acceptable changes in interest rates on the Bank net interest income for one year determined based on the floating rate on non-trading financial assets and financial liabilities held at reporting date.

The table below demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank consolidated statement of profit or loss.

<i>31 December 2023</i>					
<i>Currency</i>	<i>Interest rate basis</i>	<i>Increase in basis points</i>	<i>Effect on profit before tax</i>	<i>Decrease in basis points</i>	<i>Effect on profit before tax</i>
UAH	NBU	+300	306,263	-300	(306,263)
UAH	UIRD	+300	263,842	-300	(263,842)
USD	SOFR	+75	(56,204)	-75	56,204
USD	LIBOR	+75	34	-75	(34)
USD	UIRD	+75	73,044	-75	(73,044)
USD	Fed Funds	+75	36,551	-75	(36,551)
EUR	UIRD	+75	48,862	-75	(48,862)
EUR	ESTR	+75	23,862	-75	(23,862)
EUR	Euribor	+75	(8,168)	-75	8,168
<b>Total</b>			<b>688,086</b>		<b>(688,086)</b>

<b>31 December 2022</b>					
<b>Currency</b>	<b>Interest rate basis</b>	<b>Increase in basis points</b>	<b>Effect on profit before tax</b>	<b>Decrease in basis points</b>	<b>Effect on profit before tax</b>
UAH	NBU	+500	(409,960)	-500	409,960
UAH	UIRD	+500	395,715	-100	(395,735)
USD	SOFR	+100	(170,586)	-100	170,586
USD	LIBOR	+100	(145,953)	-100	145,418
USD	UIRD	+100	112,030	-100	(112,030)
EUR	Euribor	+75	7,749	-75	(7,749)
EUR	UIRD	+75	37,691	-75	(37,691)
<b>Total</b>			<b>(173,314)</b>		<b>172,759</b>

To assess the possible effects of the acceptable changes in interest rates, the equity sensitivity on investment securities with fixed rate measured at fair value through other comprehensive income and classified at the 2<sup>nd</sup> level of the fair value hierarchy of the asset, the method of modified duration is used with the following assumptions: for corporate bonds, +/-300 b.p. (31 December 2022: +/-500 b.p.), for corporate bonds, +/-300 b.p. for Ukrainian government bonds denominated in local currency (31 December 2022 +/-500 b.p.), +/-75 b.p. for Ukrainian government bonds in foreign currencies (31 December 2022: +/-100 b.p.). As at 31 December 2023, the total effect of changes on the Bank equity is: UAH (2,954,459) thousand /UAH 2,954,459 thousand (31 December 2022: UAH (4,807,614) thousand /UAH 4,807,614 thousand).

Sensitivity of net gain/(loss) on investment securities designated at fair value through profit or loss is calculated by the revaluation of financial instruments, which have a fixed interest rate and are revalued through profit/(loss), as at 31 December 2023 in terms of effects of acceptable changes in interest rates using the method of modified duration. The effect of changes in interest rate of +/-300 b.p. for Ukrainian government bonds in UAH (31 December 2022: +/-500 b.p.), +/-75 b.p. for Ukrainian government bonds in foreign currency (31 December 2022: +/-100 b.p.) on the Bank income is UAH (872,607) thousand /UAH 872,607 thousand (31 December 2022: UAH (2,005,948) thousand /UAH 2,005,948 thousand).

### Currency risk

The Bank considers currency risk as the inability to secure excess of foreign currency cash inflow over foreign currency cash outflow (by currency) in amounts required to maintain liquidity and capital adequacy risks within the range acceptable to the Bank. The Bank considers the inconsistency of fluctuations in foreign currency exchange rates to be the main source of currency risk.

Currency risk management is aimed at securing an excess of foreign currency cash inflow over foreign currency cash outflow at the level acceptable for the Bank and necessary for maintaining liquidity and capital adequacy risks within the range acceptable to the Bank, and is performed via:

- Setting target (optimal and acceptable to the Bank), critical (undesirable but manageable) and threshold (requiring urgent measures) key credit risk indicators;
- Permanent monitoring of actual key currency risk indicators;
- Taking efficient measures if the actual key currency risk indicators approach their critical and/or threshold levels.

The key task of the currency risk management is as follows:

- determination and observance by the Bank of an acceptable level of currency risk in accordance with the Bank strategic objectives;
- assessment of the Bank sensitivity to currency risk (of the impact of changes in foreign exchange rates);
- assessment of how the implementation of various stress case scenarios impacts the level of the Bank currency risk;
- planning, making timely decisions to prevent the occurrence of the currency risk, implementation of measures to mitigate the currency risk;
- observance of the currency risk limits, including the regulatory ones.

The tables below indicate the currencies to which the Bank has significant exposure at 31 December 2023 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against Hryvnia, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the consolidated statement of profit or loss. A negative amount in the table reflects a potential net reduction in consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

<i>Currency</i>	<i>31 December 2023</i>		<i>31 December 2022</i>	
	<i>Change in currency rate, %</i>	<i>Effect on profit before tax</i>	<i>Change in currency rate, %</i>	<i>Effect on profit before tax</i>
UAH/ USD	+8,70%	75,849	+15,00%	334,178
UAH/EUR	+9,40%	(96,810)	+16,50%	(195,201)
<b>Total</b>		<b>(20,961)</b>		<b>138,977</b>
UAH/ USD	-8,70%	(75,849)	-15,00%	(334,178)
UAH/EUR	-9,40%	96,810	-16,50%	195,201
<b>Total</b>		<b>20,961</b>		<b>(138,977)</b>

### Operational risk

The Bank establishes an effective operational risk management system to minimize the negative effect of losses resulting from operational risk events and minimize the likelihood of operational risk events in the future, ensure the Bank stable and continuous operations, interaction of the Bank units at all organisational levels on operational risk management and implementation of the operational risk management culture.

The Bank ensures the implementation and continuous support of the processes of operational risk identification, assessment, monitoring, reporting, control and minimisation. To identify and assess the operational risk, the Bank uses mandatory and additional tools in accordance with the requirements of the National Bank of Ukraine and best practices on operational risk management. The Bank assesses operational risk with regard to its interrelation and impact on other risks inherent in the Bank activities

The Bank has prepared a long list of internal regulatory documents that determine general requirements for the creation of the Operational Risk Management System and applied approaches to the use of specialized instruments.

The Bank uses following specialised tools for operational risk management:

- collection of internal data on operational risk events;
- collection of external data on operational risk events;
- collection of data related to legal aspects;
- assessment of the processes and risks quality;
- analysis of operational risk scenarios;
- operational risk stress testing;
- key risk indicators.

The Bank manages risks of project activities (including significant changes in activities) by providing expert opinions. The Bank analyses internal regulatory documents in terms of identifying process risks, assessing the design of controlling procedures and integrating relevant controls.

To ensure the implementation of operational risk management culture and internal controls culture at all organisational levels, the Bank continuously trains employees and provides consulting support so that they obtain sufficient risk management related knowledge, including for correct and timely identification, analysis, taking measures and reporting on operational risk management.

The Bank is constantly working on improving the operational risk management system and internal control system, including the implementation/compliance with regulations of the National Bank of Ukraine, with regard to international standards and recommendations for operational risk management.

The Bank strategy for its ability to withstand extraordinary events is to proactively plan measures to ensure the sustainability/restoration of the Bank operations covering a certain range of potential events that could disrupt the Bank targeted course of business.

This strategy is implemented by introducing requirements for the Bank to provide customers and creditors of the Bank, the Bank sole shareholder represented by the state, counterparties and regulatory authorities with reasonable evidence of the Bank ability to ensure its sustainability or restore the functioning of its processes at a pre-determined level of performance in the event of emergency events.

Achievement of the Bank strategic goals in terms of its ability to withstand emergency events is ensured by implementing/compliance with the requirements of the relevant strategic components:

The strategic components of the business continuity management are:

- Identification of the Bank critical processes and divisions involved in them.  
The Bank responsible employees determine the list of processes of certain divisions directly involved in achieving the Bank strategic goals;
- Identification of key resources required to ensure the targeted course of the Bank critical processes.  
The Bank responsible employees determine the list of types of key resources required to ensure the targeted course of the processes of divisions directly involved in achieving the Bank strategic goals and the metrics of their availability/restoration;
- Identification of key risks that pose a threat to the target course of the Bank critical processes.  
The Bank responsible employees determine a list of key unfavorable scenarios of business continuity disruption events that may adversely affect the targeted course of processes of divisions directly involved in achieving the Bank strategic goals.

Implementation of the Bank key objectives to ensure its ability to withstand emergency events is based on priorities (in descending order):

- health and safety of the Bank employees;
- minimization of the Bank financial losses in case of a business continuity interruption event;
- protection of the Bank information and material resources;
- reducing the negative effects of a business interruption event on the Bank operations, including, but not limited to: its reputation, ability to carry out certain transactions, liquidity, asset quality, market position and the Bank ability to comply with the requirements of the Ukrainian effective law, including the NBU regulations

The Bank regulates the main approaches to resumption of operations after an emergency in the form of the Bank Business Continuity Plan. This Plan is a set of applied requirements for the resumption of the Bank operations, presented at three levels:

**Level 1.** Plans to restore the availability of the Bank resources

**Level 2.** Business continuity plans for the Bank divisions

**Level 3.** Business Recovery Plan Business Continuity Plan and Operational Response Plan in case of expansion of the military conflict zone in the regions of Ukraine

### 30. Fair value of assets and liabilities

#### Levels of the fair value hierarchy

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as shown below:

		31 December 2023		
		Fair value measurement applied		
	Valuation date	Valuation based on assumptions confirmed by observable data (Level 2)	Valuation based on assumptions not confirmed by observable data (Level 3)	Total
Assets carried at fair value				
Loans and advances to banks in precious metals	31 December 2023	107 328	—	107 328
Investment securities at fair value through profit or loss:				
Ukrainian government bonds	31 December 2023	—	19 071 183	19 071 183
Securities held for trading:				
Ukrainian government bonds	31 December 2023	3 878 986	—	3 878 986
Investment securities at fair value through other comprehensive income:				
Ukrainian government bonds	31 December 2023	27 572 598	—	27 572 598
Corporate shares	31 December 2023	—	20 342	20 342
Derivative financial assets	31 December 2023	652 249	—	652 249
Investment property	31 December 2023	752 086	—	752 086
Buildings	31 December 2023	1 757 369	—	1 757 369
Land	31 December 2023	3 861	—	3 861

Translated from the Ukrainian original

<b>31 December 2023</b>				
<b>Fair value measurement applied</b>				
	<b>Valuation date</b>	<b>Valuation based on assumptions confirmed by observable data (Level 2)</b>	<b>Valuation based on assumptions not confirmed by observable data (Level 3)</b>	<b>Total</b>
<b>Liabilities carried at fair value</b>				
Customer accounts in precious metals	31 December 2023	74 255	—	74 255
Derivative financial liabilities	31 December 2023	1 377	—	1 377
<b>Assets for which fair value is disclosed</b>				
Loans and advances to banks	31 December 2023	902 537	—	902 537
Loans and advances to customers	31 December 2023	—	75 024 396	75 024 396
Investment securities at amortised cost	31 December 2023	18 670 451	—	18 670 451
Other financial assets	31 December 2023	545 524	—	545 524
<b>Liabilities for which fair value is disclosed</b>				
Due to other banks	31 December 2023	6 391 084	—	6 391 084
Customer accounts	31 December 2023	213 871 470	—	213 871 470
Other borrowed funds	31 December 2023	28 601 479	—	28 601 479
<i>including Eurobonds issued</i>	<i>31 December 2023</i>	<i>2 284 038</i>	—	<i>2 284 038</i>
Subordinated debt	31 December 2023	2 812 757	—	2 812 757
Other financial liabilities	31 December 2023	932 072	—	932 072
<b>31 December 2022</b>				
<b>Fair value measurement applied</b>				
	<b>Valuation date</b>	<b>Valuation based on assumptions confirmed by observable data (Level 2)</b>	<b>Valuation based on assumptions not confirmed by observable data (Level 3)</b>	<b>Total</b>
<b>Assets carried at fair value</b>				
Loans and advances to banks in precious metals	31 December 2022	94,668	—	94,668
Investment securities at fair value through profit or loss:				
Ukrainian government bonds	31 December 2022	—	26,961,581	26,961,581
Securities held for trading:				
Ukrainian government bonds	31 December 2022	888,792	—	888,792
Investment securities at fair value through other comprehensive income:				
Ukrainian government bonds	31 December 2022	12,521,500	—	12,521,500
Corporate shares	31 December 2022	—	22,179	22,179
Derivative financial assets	31 December 2022	2,324,622	—	2,324,622
Investment property	31 December 2022	667,496	—	667,496
Buildings	31 December 2022	1,801,046	—	1,801,046
Land	31 December 2022	4,424	—	4,424
<b>Liabilities carried at fair value</b>				
Customer accounts in precious metals	31 December 2022	66,457	—	66,457
Derivative financial liabilities	31 December 2022	9,810	—	9,810
<b>Assets for which fair value is disclosed</b>				
Loans and advances to banks	31 December 2022	498,804	—	498,804
Loans and advances to customers	31 December 2022	—	80,947,706	80,947,706
Investment securities at amortised cost	31 December 2022	19,887,489	—	19,887,489
Other financial assets	31 December 2022	451,967	—	451,967
<b>Liabilities for which fair value is disclosed</b>				
Due to other banks	31 December 2022	22,158,638	—	22,158,638
Customer accounts	31 December 2022	177,112,933	—	177,112,933
Other borrowed funds	31 December 2022	24,931,949	—	24,931,949
<i>including Eurobonds issued</i>	<i>31 December 2022</i>	<i>1,500,981</i>	—	<i>1,500,981</i>
Subordinated debt	31 December 2022	1,458,128	—	1,458,128
Other financial liabilities	31 December 2022	600,816	—	600,816

When moving between levels of the fair value hierarchy, the Bank adheres to the policy of determining the time of transfers - at the end of the reporting period.

As at 31 December, 2022, other borrowed funds, namely Eurobonds and subordinated debt, were transferred from Level 1 to Level 2 of the fair value hierarchy, since there was no active market during 2022, and the fair value, accordingly, was determined using methods based on observable market data.

#### **Investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income**

The fair value of investment securities at fair value through profit or loss is determined using the valuation model, which inputs are both observable in the market (exchange rate, coefficients of zero coupon yield curve on Ukrainian government bonds in UAH (Nelson-Siegel model), interest rates) and unobservable in the market (historical exchange rate volatility). The fair value of Ukrainian indexed government bonds is determined using of the appropriate software complex and is controlled by the specialists of the back-office support of operations on the financial markets of the Operations Department

The fair value of investment securities at fair value through other comprehensive income (excluding shares) is determined by quotations in the securities market or using the method of discounting cash flows based on the NBU yield curve. The fair value determination processes are controlled by the specialists of the back-office support of operations on the financial markets of the Operations Department.

The fair value of shares is determined using the models that include only unobservable market inputs, including the assumptions about the future financial performance of an investee. This calculation is performed using the data of the annual official information on the financial and economic activity of the issuers of securities, if it was made public in accordance with the requirements of the current legislation of Ukraine using the appropriate software complex and is controlled by the specialists of the back-office support of operations on the financial markets of the Operations Department

#### **Derivative financial instruments**

A market approach and open level 2 inputs are used to determine fair value, where possible. Generally, the market approach is used to determine the fair value of interest rate swaps, forwards and swaps in the foreign exchange market for the most liquid currencies.

The determination of the fair value of the interest rate swap is based on the model of the interest rate swap as a combination of two bonds, which is based on the fact that notional amounts of credits that are conditionally exchanged between the parties to the contract are equal, and therefore the interest rate swap can be represented as a combination of a long position in one bond and short position in another bond.

When determining the fair value of a currency swap, the method of determination of the fair value of a currency forward, which is a part of a currency swap, is used. The fair value of a currency forward is determined based on the assumption of a fair forward exchange rate, which is calculated based on the current exchange rate, the effective rate in the base and related currencies, and the terms to maturity.

#### **Fair value of financial assets and financial liabilities not measured at fair value**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not measured at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities

	<i>31 December 2022</i>			
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
<b>Financial assets</b>				
Cash and cash equivalents	110,794,727	110,794,727	81,386,122	81,386,122
Loans and advances to banks	902,537	902,537	498,804	498,804
Loans and advances to customers	74,569,673	75,024,396	82,429,861	80,947,706
Investment securities at amortised cost	19,451,294	18,670,451	22,092,656	19,887,489
Other financial assets	545,524	545,524	451,967	451,967
<b>Financial liabilities</b>				
Due to other banks	6,391,084	6,391,084	22,158,638	22,158,638

<b>31 December 2022</b>				
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Customer accounts	213,874,887	213,871,470	177,080,968	177,112,933
Other borrowed funds	28,730,787	28,601,479	27,301,358	24,931,949
<i>including Eurobonds issued</i>	2,413,346	2,284,038	3,870,390	1,500,981
Subordinated debt	3,805,882	2,812,757	4,055,444	1,458,128
Other financial liabilities	932,072	932,072	600,816	600,816

The following describes the methodologies and assumptions used to determine fair values for the financial instruments that are not recorded at fair value in the annual consolidated financial statements.

#### Assets which fair value approximates their carrying amount

For the financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to on demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

#### Fixed rate financial instruments

The fair values of fixed rate financial assets and financial liabilities measured at amortised cost are estimated by comparing the market interest rates at the date when they were first recognised with the current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money-market interest rates for debts with similar credit risk and maturity. For listed debt issued, the fair values are based on quoted market prices. For listed securities issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

#### Movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are measured at fair value:

	<b>At 1 January 2023</b>	<b>Gain/ (loss) recognised in the separate statement of profit or loss</b>	<b>Gain/ (loss) recognised in the separate statement of comprehensive income</b>	<b>Calculation</b>	<b>At 31 December 2023</b>
Investment securities at fair value through profit or loss	26,961,581	1,986,212 <sup>(a)</sup>	–	(9,876,610) <sup>(b)</sup>	19,071,183
Investment securities at fair value through other comprehensive income	22,179	958 <sup>(c)</sup>	(1,837)	(958) <sup>(d)</sup>	20,342
<b>Total assets</b>	<b>26,983,760</b>	<b>1,987,170</b>	<b>(1,837)</b>	<b>(9,877,568)</b>	<b>19,091,525</b>

	<b>At 1 January 2022</b>	<b>Gain/ (loss) recognised in the consolidated statement of profit or loss</b>	<b>Gain/ (loss) recognised in the consolidated statement of comprehensive income</b>	<b>Calculation</b>	<b>At 31 December 2022</b>
Investment securities at fair value through profit or loss	23,319,113	4,772,928 <sup>(a)</sup>	–	(1,130,460) <sup>(b)</sup>	26,961,581
Investment securities at fair value through other comprehensive income	23,248	795 <sup>(c)</sup>	(1,069)	(795) <sup>(d)</sup>	22,179
<b>Total assets</b>	<b>23,342,361</b>	<b>4,773,723</b>	<b>(1,069)</b>	<b>(1,131,255)</b>	<b>26,983,760</b>

<sup>(a)</sup> Gains in the amount of UAH 1,986,212 thousand include: UAH 971,758 thousand of revaluation of investment securities at fair value through profit or loss included in “Net gain/(loss) from investment securities at fair value through profit or loss” and UAH 1,014,454 thousand of accrued interest income included in “Other interest income” (2022: Gains in the amount of UAH 4,772,928 thousand include: UAH 3,640,085 thousand

- of revaluation of investment securities at fair value through profit or loss included in “Net gain/(loss) on transactions with financial instruments at fair value through profit or loss” and UAH 1,132,843 thousand of accrued interest income included in “Other interest income”).
- (b) Accrued dividends in the amount of UAH 958 thousand included in “Other income” (2022: accrued dividends in the amount of UAH 795 thousand included in “Other income”).
- (c) Redemption in the amount of UAH 9,876,610 thousand includes: redemption of securities in the amount of UAH 8,746,150 and coupon payments in the amount of UAH 1,130,460 thousand (2022: redemption in the amount of UAH 1,130,460 thousand includes: coupon payment in the amount of UAH 1,130,460 thousand).
- (h) Dividend payments in the amount of UAH 958 thousand (2022: dividend payments in the amount of UAH 795 thousand).

Gains or losses on level 3 assets at fair value included in the profit or loss for the reporting period comprise:

	2023		
	<i>Realised gains</i>	<i>Unrealised gains/(losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	902,389	1,083,823	1,986,212
Investment securities at fair value through other comprehensive income	958	—	958
<b>Total</b>	<b>903,347</b>	<b>1,083,823</b>	<b>1,987,170</b>

	2022		
	<i>Realised gains</i>	<i>Unrealised gains/(losses)</i>	<i>Total</i>
Investment securities at fair value through profit or loss	906,440	3,866,488	4,772,928
Investment securities at fair value through other comprehensive income	795	—	795
<b>Total</b>	<b>907,235</b>	<b>3,866,488</b>	<b>4,773,723</b>

The tables below show the quantitative information as at 31 December 2023 and 2022 about significant unobservable inputs used for the fair valuation of assets classified as those of Level 3 of the fair value hierarchy:

<i>At 31 December 2023</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values</i>
Investment securities at fair value through other comprehensive income	20,342	Discounted cash flows	Expected profitability	13.9
Investment securities at fair value through profit or loss	19,071,183	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	24.498%

<i>At 31 December 2022</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable parameter</i>	<i>Parameter values</i>
Investment securities at fair value through other comprehensive income	22,179	Discounted cash flows	Expected profitability	13.9%
Investment securities at fair value through profit or loss	26,961,581	Garman - Kohlhagen model	Historical UAH/USD exchange rate volatility	25.863%

### Sensitivity of fair value measurement for Level 3 to possible changes in the inputs used

As at 31 December 2023, if the historical exchange rate volatility increases/decreases by 1 percentage point the fair value of investment securities at fair value through profit or loss would increase by UAH 2,332 thousand / decrease by UAH 2,272 thousand (31 December 2022: increase by UAH 4,433 thousand / decrease by UAH 4,300 thousand).

As at 31 December 2023, the Bank assumes the impact of changes in exchange rate volatility as at December 31, 2023 when measuring the fair value of investment securities at fair value through profit or loss at +68.18 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian government bonds with indexed value is UAH 365,643.34 thousand and will result in the profit increase. (31 December 2022: the Bank assumed the impact of changes in exchange rate volatility when measuring the fair value of investment securities at fair value through profit or loss at +77.08 percentage points. The effect of such changes in the exchange rate volatility on Ukrainian government bonds with indexed value is UAH 724,655.32 thousand and will result in the profit increase.)



### 31. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 29 for the Bank contractual undiscounted repayment obligations.

	31 December 2023			31 December 2022		
	Within one year	More than one year	Total	Within one year	More than one year	Total
<b>Assets</b>						
Cash and cash equivalents	110,794,727	–	110,794,727	81,386,122	–	81,386,122
Loans and advances to banks	289,542	720,323	1,009,865	209,229	384,243	593,472
Loans and advances to customers	39,247,402	35,322,271	74,569,673	37,325,677	45,104,184	82,429,861
Investments in securities:						
- at fair value through profit or loss	112,066	18,959,117	19,071,183	8,930,621	18,030,960	26,961,581
- at fair value through other comprehensive income	12,560,449	15,032,491	27,592,940	4,321,258	8,222,421	12,543,679
- at amortised cost	11,047,160	8,404,134	19,451,294	3,329,442	18,763,214	22,092,656
- held for trading	3 878 986	–	3 878 986	888 792	–	888 792
Current tax assets	3,039	–	3,039	2,866	–	2,866
Derivative financial assets	409,516	242,733	652,249	424,743	1,899,879	2,324,622
Non-current assets classified as held for sale	61,585	–	61,585	218,877	–	218,877
Investment property	–	752,086	752,086	–	667,496	667,496
Property, plant and equipment	–	2,074,934	2,074,934	–	1,986,866	1,986,866
Intangible assets	–	50,822	50,822	–	63,460	63,460
Deferred tax asset	–	1,840,007	1,840,007	–	1,414,884	1,414,884
Other financial assets	545,524	–	545,524	451,967	–	451,967
Other non-financial assets	150,405	–	150,405	137,714	–	137,714
<b>Total</b>	<b>179 100 401</b>	<b>83 398 918</b>	<b>262 499 319</b>	<b>137 627 308</b>	<b>96 537 607</b>	<b>234 164 915</b>
<b>Liabilities</b>						
Due to other banks	6,385,956	5,128	6,391,084	3,689,784	18,468,854	22,158,638
Customer accounts	213,631,487	317,655	213,949,142	176,731,096	416,329	177,147,425
Derivative financial liabilities	1,377	–	1,377	9,810	–	9,810
Other borrowed funds	452,650	28,278,137	28,730,787	2,485,676	24,815,682	27,301,358
Subordinated debt	73,465	3,732,417	3,805,882	469,233	3,586,211	4,055,444
Allowance for loan commitments and financial guarantee contracts	246,447	–	246,447	522,314	–	522,314
Other financial liabilities	932,072	–	932,072	596,705	4,111	600,816
Including lease commitments	4,035	–	4,035	3,068	4,111	7,179
Other non-financial liabilities	474,210	–	474,210	333,973	–	333,973
Current tax liabilities	596,600	–	596,600	143	–	143
<b>Total</b>	<b>222 794 264</b>	<b>32 333 337</b>	<b>255 127 601</b>	<b>184 838 734</b>	<b>47 291 187</b>	<b>232 129 921</b>
<b>Net amount</b>	<b>(43 693 863)</b>	<b>51 065 581</b>	<b>7 371 718</b>	<b>(47 211 426)</b>	<b>49 246 420</b>	<b>2 034 994</b>

The maturity analysis does not reflect the historical stability of current accounts. Such accounts are closed during longer period than one specified in the tables above. These balances are included to amounts payable within one year.

Amounts due to customers include term deposits of individuals. In accordance with the Ukrainian law, the Bank is obliged to return term deposit on maturity date specified in the deposit agreement. The return of term deposit on customer's request prior to the date of maturity or occurrence of other events specified in the agreement could be done only cases provided for by the deposit agreement. The Bank expects that customers will not request term deposits early, thus these balances are included in disclosures above in accordance with their contractual maturities. The Bank estimates that customer accounts will not change significantly in 2024, taking into account the planned inflows of customer accounts. However, according to the Bank's estimates, outflows of customer accounts, excluding inflows, will not exceed UAH 68,142,209 thousand by the end of 2024, so the expected liquidity gap will be positive.

### 32. Presentation of financial instruments by measurement category

Assets by measurement categories as at 31 December 2023:

	<i>Assets at fair value through other comprehensive income</i>	<i>Assets at fair value through profit or loss</i>	<i>Assets at amortised cost</i>	<i>Total</i>
Cash and cash equivalents	–	–	110,794,727	110,794,727
Loans and advances to banks	–	107,328	902,537	1,009,865
Loans and advances to customers	–	–	74,569,673	74,569,673
Investments in securities	27,592,940	22,950,169	19,451,294	69,994,403
Derivative financial assets	–	652,249	–	652,249
Other financial assets	–	–	545,524	545,524
<b>Total</b>	<b>27,592,940</b>	<b>23,709,746</b>	<b>206,263,755</b>	<b>257,566,441</b>

Assets by measurement categories as at 31 December 2022:

	<i>Assets at fair value through other comprehensive income</i>	<i>Assets at fair value through profit or loss</i>	<i>Assets at amortised cost</i>	<i>Total</i>
Cash and cash equivalents	–	–	81,386,122	81,386,122
Loans and advances to banks	–	94,668	498,804	593,472
Loans and advances to customers	–	–	82,429,861	82,429,861
Investments in securities	12,543,679	27,850,373	22,092,656	62,486,708
Derivative financial assets	–	2,324,622	–	2,324,622
Other financial assets	–	–	451,967	451,967
<b>Total</b>	<b>12,543,679</b>	<b>30,269,663</b>	<b>186,859,410</b>	<b>229,672,752</b>

As at 31 December 2023, all financial liabilities of the Bank were accounted for at amortised cost, except the attracted gold-denominated deposits and derivative financial liabilities accounted for at FVTPL (31 December 2022: all financial liabilities of the Bank were accounted for at amortised cost, except the attracted gold-denominated deposits and derivative financial liabilities accounted for at FVTPL).

### 33. Related party transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if they are under common control, or one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is paid to the substance of the relationship, not merely the legal form.

Related parties may enter into the transactions, which unrelated parties might not. The terms and conditions of such transactions may differ from those between unrelated parties.

Transactions and balances with related parties comprise transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government and with the key management personnel.

The outstanding balances on key management personnel as at 31 December 2023 and 2022 and related income and expense for 2023 and 2022, are as follows:

	<b>Key management personnel</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Loans to and advances customers, gross</b>	<b>1,110</b>	<b>4,295</b>
Less: Allowance for impairment	(10)	(311)
<b>Loans and advances to customers, net</b>	<b>1,100</b>	<b>3,984</b>
Other financial assets	3	16
Current accounts	6,326	19,426
Time deposits	5,636	8,096
<b>Customer accounts</b>	<b>11,962</b>	<b>27,522</b>
Other non-financial liabilities	15	15
	<b>Key management personnel</b>	
	<b>2023</b>	<b>2022</b>
Interest income on loans	130	58
Interest expense on customer deposits	(269)	(152)
Fee income	174	305
Net increase/(decrease) from foreign exchange translation	428	(3,263)

In 2023, the aggregate remuneration and other benefits paid to key management personnel amounted to UAH 83,990 thousand (UAH 51 thousand of payments to the non-state pension fund) (2022: UAH 115,702 thousand (UAH 58 thousand of payments to the non-state pension fund)).

In the normal course of business, the Bank enters into contractual agreements with the Government of Ukraine and entities controlled, either directly or indirectly, or significantly influenced by the state. The Bank provides the government-related entities with a full range of banking service including, but not limited to, lending, deposit-taking, issue of guarantees, transactions with securities, cash and settlement transactions.

Balances with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, which are individually significant in terms of the carrying amount as at 31 December 2023 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Other borrowed funds</i>	<i>Guarantees issued</i>
Client 1	State entities	—	—	—	—	16,555,749	—	—
Client 2	State entities	—	—	—	—	2,733,669	—	—
Client 3	Finance	52,546,096	—	647,780	—	—	—	—
Client 4	Finance	—	—	—	—	2,193,265	—	—
Client 5	Finance	—	—	—	1,159,635	—	—	—
Client 6	Finance	—	—	—	827,851	—	—	—
Client 7	Finance	—	—	—	—	—	300,620	—
Client 8	Finance	—	—	—	291,408	—	—	—
Client 9	Extractive industry	—	5,701,115	—	—	4,183,134	—	—
Client 10	Extractive industry	—	7,222,152	—	—	—	—	—
Client 11	Power engineering	—	3,731,157	—	—	3,744,293	—	—
Client 12	Power engineering	—	7,149,455	—	—	—	—	—
Client 13	Power engineering	—	—	—	—	—	—	1,408,028
	Transport and communications and technical activities	—	803,809	—	—	6,417,893	—	—
Client 14	activities	—	803,809	—	—	6,417,893	—	—
Client 15	Road construction	—	5,609,958	—	—	—	—	—
Client 16	Mechanical engineering	—	—	—	—	3,611,491	—	—
Client 17	Mechanical engineering	—	2,193,779	—	—	—	—	—
Client 18	Trade	—	—	—	—	—	—	1,902,107
Client 19	Trade	—	—	—	—	—	—	1,846,388
	Professional, scientific and technical activities	—	754,649	—	—	—	—	—
Client 20	technical activities	—	—	—	—	—	—	—
Other		—	2,111,175	—	—	36,350,216	—	—

Balances with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, which are individually significant in terms of the carrying amount as at 31 December 2022 are disclosed below:

<i>Client</i>	<i>Sector</i>	<i>Cash and cash equivalents</i>	<i>Loans and advances to customers</i>	<i>Derivative financial assets</i>	<i>Due to other banks</i>	<i>Customer accounts</i>	<i>Guarantees issued</i>
Client 1	State entities	–	–	–	–	30,215,357	–
Client 2	State entities	–	–	–	–	15,645,416	–
Client 3	Finance	19,507,835	–	2,307,813	18,468,854	–	–
Client 9	Extractive industry	–	5,481,858	–	–	2,354,906	–
Client 10	Extractive industry	–	6,721,052	–	–	–	–
Client 12	Power engineering	–	6,961,186	–	–	–	–
Client 11	Power engineering	–	3,759,120	–	–	–	–
Client 13	Power engineering	–	–	–	–	–	1,408,028
Client 15	Road construction	–	7,074,760	–	–	–	–
Client 16	Mechanical engineering	–	–	–	–	2,386,483	–
Client 17	Mechanical engineering	–	2,010,301	–	–	–	109,966
Client 19	Trade	–	–	–	–	–	2,137,608
Client 18	Trade	–	–	–	–	–	1,928,076
Client 21	Professional, scientific and technical activities	–	–	–	–	2,085,880	–
Client 20	Professional, scientific and technical activities	–	902,615	–	–	–	–
Client 14	Transport and communications and technical activities	–	1,099,474	–	–	–	–
Other		–	2,719,086	–	408,603	23,260,180	–

During the year ended 31 December 2023, the Bank recorded UAH 8,265,672 thousand of interest income under significant transactions with entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government (2022: UAH 5,096,488 thousand), including the interest income of UAH 3,846,170 thousand under transactions with the NBU deposit certificates with maturity up to 90 days (2022: UAH 1,186,941 thousand) of interest income and UAH 5,097,047 thousand (2022: UAH 5,787,502 thousand) of interest expenses.

As at 31 December 2023, the Bank's investments in securities issued by the Ukrainian Government or by entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government amounted to UAH 69,314,071 thousand (31 December 2022: UAH 62,168,561 thousand) and included the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Investment securities at fair value through profit or loss	19,071,183	26,961,581
Investment securities at fair value through other comprehensive income	27,589,928	12,540,558
Investment securities at amortised cost	19,133,225	21,777,630
Investment securities held for trading	3,878,986	888,792

The carrying amount of Ukrainian government bonds is disclosed in Note 11.

During the year 2023, the Bank recognised UAH 5,819,759 thousand of interest income on transactions with Ukrainian government bonds (2022: UAH 3,615,502 thousand) and UAH 714,315 thousand of interest income on transactions with other investment securities (2022: UAH 1,116,908 thousand).

As at 31 December 2023, guarantees received by the Bank from the Government or entities controlled, directly or indirectly, or significantly influenced by the Ukrainian Government, amounted to UAH 31,698,959 thousand (31 December 2022: UAH 25,448,539 thousand).

### 34. Capital adequacy

The Bank manages its capital adequacy to mitigate the risks inherent in its operations. The adequacy of the Bank capital is monitored using the ratios established by the NBU and Basel Capital Accord 1988.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and proper capital ratios in order to support its business activities and maximise the value to the shareholder.

The Bank manages its capital structure and adjusts its total assets to provide for observed and expected changes in the business environment and the risk profile of its business activities.

#### NBU capital adequacy ratios

The National Bank of Ukraine has set the regulatory capital adequacy ratio (H2) at the level of not less than 10% and the main capital adequacy ratio (H3) at the level of not less than 7%.

As at 31 December 2023, the Bank's capital adequacy ratios were lower than the regulatory values set by the NBU.

However, in accordance with the NBU's Board Resolution #23 “On Certain Issues of Activities of Ukrainian Banks and Banking Groups” dated 25 February 2022 no penalties are applied to the Bank for lowering its capital adequacy ratios below the thresholds established by the NBU as such violations are caused by the negative impact of military aggression of the Russian Federation against Ukraine. In order to eliminate the existing violations, the Bank operates according to the Capitalization/Restructuring Program.

Refer to Note 21 for the information on interaction with international creditors in relation to non-compliance with capital ratios and other financial covenants.

The management continues communication with the international creditors on this issue and expects to get the appropriate consents until the Bank achieves the capital recovery and compliance with regulatory ratios and other financial covenants

The Bank capital adequacy ratio was as follows:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Main capital	1,977,222	3,896,200
Additional capital, calculated	9,571,930	3,981,895
Additional capital included in calculation of total capital (limited to main capital)	1,956,880	3,874,021
<b>Total regulatory capital</b>	<b>3,934,102</b>	<b>7,770,221</b>
<b>Risk weighted assets</b>	<b>94,609,317</b>	<b>101,447,519</b>
<b>Main capital adequacy ratio</b>	2,09%	3,84%
<b>Regulatory capital adequacy ratio</b>	4,16%	7,66%

Regulatory capital comprises Tier 1 capital (main capital) consisting of paid-in registered share capital plus reserve funds less losses and portion of the carrying amount of the assets (non-current assets classified as held for sale; repossessed pledged property; property, plant and equipment), which are not used by the bank at the time of executing the types of activities described in Article 47 of the Law of Ukraine “On Banks and Banking”, investment property, and Tier 2 capital (supplementary capital) consisting of asset revaluation reserve, current profit, subordinated debt and retained earnings. For regulatory capital calculation purposes, the qualifying Tier 2 capital amount is limited to 100% of Tier 1 capital.

*Capital adequacy ratio under Basel Capital Accord 1988.*

The Bank capital adequacy ratios computed in accordance with the Basel Capital Accord 1988 were as follows:

	<i><b>31 December 2023</b></i>	<i><b>31 December 2022</b></i>
Tier 1 capital	6,155,688	2,861,156
Tier 2 capital, calculated	4,293,874	604,416
Tier 2 capital, included in calculation of total capital	4,293,874	604,416
<b>Total capital</b>	<b>10,449,562</b>	<b>3,465,572</b>
<b>Risk weighted assets</b>	<b>100,999,622</b>	<b>107,247,078</b>
<b>Tier 1 capital adequacy ratio</b>	<b>6.1%</b>	<b>2.7%</b>
<b>Total capital adequacy ratio</b>	<b>10.3%</b>	<b>3.2%</b>

### 35. Events after the reporting date

As of the date of authorization of these financial statements for issue, there were no events that require disclosure after the reporting date.