COMINBANK

ANNUAL FINANCIAL STATEMENTS

JOINT STOCK COMPANY
COMINBANK

for the year ended on December 31, 2022

Translation from Ukrainian original

Kyiv – 2023

CONTENTS

Introduction. Annual financial statements for the year ended on 31.12.2022.

These financial statements for the fiscal year of 2022 are prepared in accordance with International Financial Reporting Standards. 2022 annual financial statements of Joint Stock Company COMINBANK (the Bank) are prepared as at the end of the day of 31.12.2022.

The reporting currency is UAH. Unit of measurement of the reporting currency is UAH thousand.

Statement of Financial Position as at December 31, 2022

(UAH'000.)

Item	Note	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents	6	319 968	374 348
Loans and due from banks	7	273 098	429 937
Loans and due from customers	8	2 620 752	2 076 997
Investments in securities	9	2 918 822	5 818 385
Deferred tax assets		24 538	7 654
Fixed and intangible assets	10	85 378	77 720
Right-of-use assets		46 616	44 204
Other assets	11	65 462	116 899
Total assets		**6 354 634**	**8 946 144**
LIABILITIES			
Due to banks	12	788 996	3 581 607
Due to customers	13	4 820 134	4 698 596
Current tax liabilities		21 942	12 040
Provisions for liabilities	14	26 787	6 469
Lease liabilities		57 340	43 321
Other liabilities	15	70 553	163 170
Total liabilities		**5 785 752**	**8 505 203**
EQUITY			
Authorized capital	16	215 748	215 748
Unregistered authorized capital		-	26 943
Other additional capital (shareholder transactions)		(117)	(117)
Reserve and other funds of the Bank		222 558	71 477
Revaluation reserves	17	(61 266)	(24 191)
Retained earnings		191 959	151 081
Total equity		**568 882**	**440 941**
TOTAL LIABILITIES AND EQUITY		**6 354 634**	**8 946 144**

Approved for issue and signed on 30.03.2023.

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

Акціонерне товариство «КОМІНБАНК» Ідентифікаційний код 21580639 м. Київ * Україна *

2022 Statement of Profit and Loss and Other Comprehensive Income

(UAH'000)

Item	Note	2022	2021
Interest income	19	869 158	635 651
Interest expense	19	(728 005)	(337 010)
Net interest income		**141 153**	**298 641**
Commission income	20	1 684 839	918 788
Commission expense	20	(895 667)	(725 589)
Result of transactions with financial assets at fair value through profit or loss	23	(1 538)	310
Net profit/(loss) from transactions with debt financial instruments at fair value through other comprehensive income		(57 236)	1 938
Foreign currency transactions		82 312	38 025
Foreign currency revaluation		7 926	(1 399)
Profit/(loss) at initial recognition of financial assets at interest rate higher or lower than market rate		(17)	-
Net loss from impairment of financial assets	7, 8, 11	(244 708)	(34 906)
Net (increase) decrease of provisions for liabilities	14	(20 316)	(2 064)
Other operating income	21	15 152	16 708
Employee benefit expense	22	(203 733)	(181 264)
Depreciation and amortization	22	(16 462)	(12 928)
Depreciation of right-of-use assets	22	(27 586)	(21 398)
Administrative and other operating expenses	22	(226 531)	(110 355)
Profit before tax		**237 588**	**184 507**
Income tax expense	24	(45 629)	(33 426)
Profit for the period		**191 959**	**151 081**
Profit for the period attributable to owners of the Bank		**191 959**	**151 081**
Net earnings per share, attributable to owners of the Bank, UAH	25	1.22	0.96
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified into profit or loss:			
Revaluation of debt financial instruments:	17	(37 075)	(27 572)
net change of fair value		(74 032)	(33 872)
net change of fair value transferred to profit or loss		28 819	248
Income tax related to the components of other comprehensive income to be reclassified into profit or loss		8 138	6 052
Total other comprehensive income after tax for the period		(37 075)	(27 572)
Total comprehensive income for the period		**154 884**	**123 509**
Total comprehensive income attributable to owners of the Bank		**154 884**	**123 509**

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2022 Statement of Cash Flows (indirect method)

(UAH'000)

Item	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxes		237 588	184 507
Adjustments:			
Amortization and depreciation	10, 22	44 048	34 326
Net increase/(decrease) in of allowances for impairment of assets	7, 8, 11	244 708	34 906
Amortization of discount / (premium)		15 283	(31 538)
Results of transaction with financial instruments at fair value through profit or loss	23	1 538	(310)
(Accrued income)		(65 049)	(7 414)
Adjustment of profit under securities related to investing activities		(378 601)	(275 308)
Accrued expense		12 522	14 453
Net loss/(profit) from investing activities		28 410	1 570
Other non-cash flows		28 617	(23 764)
Net cash income / (loss) from operating activities before changes in operating assets and liabilities		**169 064**	**(68 572)**
Changes in operating assets and liabilities:			
Net (increase)/decrease of loans and due from customers	8	(531 409)	(788 856)
Net (increase)/decrease of other assets	11	61 856	(94 600)
Net increase/(decrease) of due to banks	12	(2 791 699)	3 288 900
Net increase/(decrease) of due to customers	13	(178 020)	2 258 938
Net increase/(decrease) of other liabilities	15	(90 765)	123 745
Net cash received/(used) from operating activities before income tax		**(3 360 973)**	**4 719 555**
Income tax paid		(44 472)	(26 088)
NET CASH RECEIVED FROM OPERATING ACTIVITIES		**(3 405 445)**	**4 693 467**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities		(163 934)	(5 789 594)
Proceeds from the sale of investment securities		3 824 053	2 038 936
Proceeds from the sale of fixed assets		147	131
Acquisition of fixed assets	10	(23 098)	(21 396)
Acquisition of intangible assets	10	(4 027)	(8 175)
NET CASH FLOWS RECEIVED/(USED) IN INVESTING ACTIVITIES		**3 633 141**	**(3 780 098)**
CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES			
Input into unregistered share capital		-	26 943
Return of input into unregistered share capital		(26 943)	-
Payments under principal of lease liability		(15 352)	(19 027)
NET CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES		**(42 295)**	**7 916**
Effect of exchange rate changes on cash and cash equivalents		**141 577**	**(12 690)**
Net increase in cash and cash equivalents		326 978	908 595
Cash and cash equivalents at the beginning of the year	6	**1 660 125**	**751 530**
Cash and cash equivalents at the end of the year	6	**1 987 103**	**1 660 125**

Approved for issue and signed on 30.03.2023.

Акціонерне Товариство «КОМІНБАНК» Ідентифікаційний код 21580639 м. Київ * Україна *

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

2022 Statement of Changes in Equity

(UAH'000)

Item	Authorized capital	Unregistered authorized capital	Other additional capital	Reserve and other funds	Revaluation reserves	Retained earnings	Total equity
Balance as at December 31, 2020	**215 748**	-	**(117)**	**6 216**	**3 381**	**65 261**	**290 489**
Total comprehensive income	-	-	-	-	**(27 572)**	**151 081**	**123 509**
Profit/(loss) of the period	-	-	-	-	-	151 081	**151 081**
Other comprehensive income	-	-	-	-	(27 572)	-	**(27 572)**
Allocation of profit to reserve and other funds	-	-	-	65 261	-	(65 261)	-
Unregistered share capital	-	26 943	-	-	-	-	26 943
Balance as at December 31, 2021	**215 748**	**26 943**	**(117)**	**71 477**	**(24 191)**	**151 081**	**440 941**
Total comprehensive income	-	-	-	-	**(37 075)**	**191 959**	**154 884**
Profit/(loss) of the period	-	-	-	-	-	191 959	**191 959**
Other comprehensive income	-	-	-	-	(37 075)	-	**(37 075)**
Allocation of profit to reserve and other funds	-	-	-	151 081	-	(151 081)	-
Unregistered share capital	-	(26 943)	-	-	-	-	**(26 943)**
Balance as at December 31, 2022	**215 748**	-	**(117)**	**222 558**	**(61 266)**	**191 959**	**568 882**

Approved for issue and signed on 30.03.2023

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

Акціонерне Товариство «КОМІНБАНК» Ідентифікаційний код 21580639 м. Київ Україна

Notes to Financial statements of JSC COMINBANK for the year ended on 31.12.2022

NOTE 1. BACKGROUND INFORMATION

Joint-Stock Company COMINBANK (abbreviated name: JSC COMINBANK, hereinafter referred to as the Bank) is registered in Ukraine. Location of the Bank: Ukraine, Kyiv, 04053, street Bulvarno-Kudryavskaya, building 6. Certificate of registration of the Bank in the State Register of Banks No. 219 of 03.12.1993.

As at December 31, 2021, the only shareholder of the Bank owning 100% of the Bank's shares is a citizen of the United Kingdom of Great Britain and Northern Ireland, Stephan Paul Pinter.

Bank management and members of Supervisory Board do not have shares in authorized capital of the Bank.

The Bank operates on the territory of Ukraine based on the Charter and Banking License No. 186 of November 11, 2011. According to the License of the National Securities and Stock Market Commission, series AE No. 263254 of September 03, 2013, the Bank has the right to carry out professional activities in the stock market, namely "Depository activities of the depository institution".

Governing bodies of the Bank are General meeting of shareholders, Supervisory Board and Management Board. Controlling bodies of the Bank are Compliance control service, Risk management department and Internal audit service.

The Bank does not have any investments into associates, affiliates or similar institutions.

In 2022, the Bank was not a responsible entity or member of bank group.

As at 31.12.2022, the Bank has 58 branches, while as at 31.12.2021 the Bank had 43 branches.

On 18.11.2022 name “Joint-Stock Company Commercial Industrial Bank” was changed into Joint Stock Company COMINBANK as per Decision of the Sole shareholder of September 27, 2022.

The main strategic goal is the further development of the Bank as a reliable universal credit and financial institution, which is focused on maximum satisfaction of the interests of customers, counterparts and shareholders. The Bank's strategy is aimed at ensuring maximum reliability, high liquidity and impeccable solvency, the implementation of which is achieved through a balanced and risk-free credit policy.

In spite of russian aggression and the resulting economic crisis, the Bank continued its dynamic growth in 2022. The Bank continues to increase its presence at Ukrainian market of banking services, opening new branches. E.g., in 2022, the Bank opened 15 new branches in Ukraine, and as at the end of 2022 the Bank network in Ukraine consists of 58 branches. The Bank continued to increase scope of loan portfolio in 2022. Besides. The Bank launched new products for entrepreneurs and continued to improve and increase its team.

As at the end of 2022, the Bank paid in advance UAH 3,4 billion of refinancing loan received from National Bank of Ukraine (NBU) or 80% of the Bank debt to NBU. Balance of the refinancing loan as at December 31, 2022, is only UAH 789 million. Advance repayment was the result of positive dynamics of attraction of funds of legal entities and individuals, maturity-balanced portfolio of government bonds (GB) and successful sale of GB at secondary market.

Based on results of the Bank in nine months of 2022, Rating committee of Standard-Rating rating agency updated long-term rating of JSC COMINBANK at national scale to uaAAA level on November 21, 2022. A bank or a separate debt instrument with uaAAA rating demonstrate the highest credit quality.

The Bank was a winner in *BANK OF THE YEAR-2022* of Ukrainian contest in two nominations - *Best Bank in Individual Approach to Customers* and *Bank with Highest Dynamics of Growth during War* (14 new branches were opened in just half a year).

The Bank is one of TOP 20 in the rating of banks resilience by the results of 2nd quarter of 2022, as published at *Minfin* portal, and one of TOP 5 of best deposit programs for business in *Prostobank.ua* financial portal rating.

Based on results of annual analysis of banking market by *Financial Club* community, the Bank id one of TOP 25 *Leading Ukrainian Banks during War*. The Bank was also number two in *Classic Deposit* nomination and number 22 on overall rating.

In the situation of military aggression, the Bank ensured both work of bank branches and accessibility of digital banking. Uninterrupted power sources were installed in priority branches, additional stand-by Bank office was established outside of Kyiv, data are copied at servers of several major data centres in Ukraine and a data centre in a European country. Besides, the Bank continues to work on implementation of virtual office based on a stand-by server abroad.

The Bank joined *POWER BANKING* system — a united network of bank branches all over Ukraine that would work and provide services to customers even in critical situations during blackouts. At the moment 19 Bank branches, six of which are located in Kyiv and Kyiv oblast, are a part of the network.

One of components of business strategy of the Bank is corporate social accountability. The Bank is a partner in *Know Your Rights: Loans* National information campaign to protect rights of consumers of credit services, initiated by NBU. Purpose of the campaign is to protect and educate, as the program focuses of right of borrowers and improvement of knowledge of customers regarding credit services.

In 2022, the Bank systematically supported projects in support of Ukraine. Its armed forces and people, suffering from russian aggression. The Bank signed Memorandum of cooperation with *Lytsarsky Khrest (Knight's Cross)* public organization that provides a systematic support to Ukrainian armed forces, territorial defence troops and people that are in the areas of hostilities.

Within the framework of integrated program of the Bank on restoration of educational infrastructure in town of Bucha, the staged *Synergy of Good Will* event to attract Bank customers to participate in charitable support to restore a kindergarten in Bucha.

The Bank acted as a co-organizer of a master class of Alan Meyer, a well-known German artist and organizer of charity auctions to support Ukraine, staged in Chernihiv and Koriukivka on May 5 and 6.

In December 2022, due to partnership of the Bank with *Zaporuka* charity foundation, close to 300 families of IDPs received food packages for winter holidays. As of November 2022, the Bank actively supports a military hospital.

Early in the year, the Bank joined European Business Association (EBA) – one of the strongest Ukrainian business associations with over 1000 leading Ukrainian companies as members. Full-time membership in the association would intensify cooperation along all lines of Association and assist in development of Ukrainian business.

The Bank is a member of the Association of Ukrainian Banks (AUB), the Professional Association of Registrars and Depositories, the Ukrainian Credit and Banking Union (UCBS), an affiliated member of the *MasterCard Worldwide* International Payment System and an associate member of the *Visa International* Payment System.

The financial statements were approved for issue by Supervisory Board and Management Board of the Bank on 30.03.2023.

NOTE 2. ECONOMIC ENVIRONMENT WHERE THE BANK OPERATES

NBU estimates that in 2022 Ukrainian economy dropped by 30.3%. Major reason for the most dramatic drop in the history of the country are the effects of full-scale war: ruining of infrastructure and production facilities, disruption of logistics chains and drop of export, decrease of investments and poor consumers' demand, partially due to active migration, and much lower harvest, compared to previous year. The biggest drop in investments happened in private sector, major reasons being uncertainty, high safety risks, drop of effective demand, worsening of financial performance of companies, as confirmed by significant drop in construction business. Still, certain support was provided by purchases and supply of arms and equipment for Ukrainian armed forces (UAF). Harvest of grain in 2022 dropped by 40% compared to record breaking of previous-year harvest mostly through dramatic decrease of harvested areas under occupation and mining of certain territories. Still, due to reorientation of spring crops in favour of rape and soya (partially replacing corn), their harvest in higher than in previous year. Oil plants' harvest also is better than expected.

In total, in 2022, consumer prices went up by 26.6%.

Ukrainian economy gradually restored in 3rd quarter of 2022 due to initial stabilization of frontline and subsequent liberation by UAF of more than half areas occupied in 2022. As a result, production and supply chains started to restore gradually. “Grain corridor” agreement helped to significantly increase export of agricultural products, supporting transportation and other services, creating better conditions for preservation of current-year harvest. Still, as of October, Ukrainian economy faces a major – interruptions in electric power supply through regular and high-scale bombing and shelling of electric power infrastructure. Deficit of electric power lead to stoppages of businesses, difficulties in logistics and sales. So, scope of production in IV quarter slowed down again.

During the last few months Ukrainian export of goods was quite stable despite massed missile attacks and russian barriers for “grain corridor”. On the other hand, import increased significantly compared to previous periods caused by the need to buy alternative energy sources and fuel because of power terror. All the above caused the increase of negative balance in foreign trade of the country. Trade deficit was compensated by official financial, including grants and stable cash transfers by labour migrants. As a result, current account as the end of 2022 demonstrated surplus.

In 2022, Ukraine received over USD 32 billion international aid, where over USD 14 billion were grants. It made it possible to finance major part of deficit of the country budget (over 27% of GDP net of grants) and increase international reserves up to USD 28.5 billion by the end of the year.

Operating terms of financial institutions continue to be complicated: the war is going on with russia continuing to use terror tactics. Full-scale shelling of cities and villages together with continuing ruining of infrastructure increase the risks for economic and financial stability. Still, financial sector continues to operate without interruptions: payments are made in time, and customers have free access to their funds.

Liquidity of banking system stayed generally high as of the commencement of full-scale war. Maintaining the trust of depositors to banks is supported by regular and large state payments to bank accounts of population. Still, inflow of new funds to the sector is uneven: major funds are inputted into accounts at state-controlled banks.

Commission income of banks dropped significantly during first months of full-scale war, affected both by demand for banking services and temporary suspension or even a termination of tariffs for vital services for business and population by the banks. When the military situation improved, the scope of transactions started to grow followed by increase of commission income of the banks.

Poor prospects of property market actually stopped mortgage crediting during first months of war. Despite demand for new residences for many IDPs, high safety risks and decrease of financial situation made it impossible to the market to operate and develop mortgages. Insignificant demand is observable only at secondary market. Despite of introduction of several state programs to support crediting, new mortgage loans are rare.

Customers’ funds continue to be major source of finding for the banks. Their share increased to 87.9% by the end of December. Increase of inflow of customers’ funds made it possible for the banks to stop high interest-rate refinancing loans, actively attracted by financial institutions during the periods of high uncertainty during corona-crisis and at initial stages of war. Their share in total funding reached two-year minimum.

Income of people in private sector radically dropped through forced mass dismissals, emigration, idle time and decrease of salaries. Still, loss of such income was, to a certain extent, compensated by rapid growth of income of servicemen.

Due to payments to servicemen, funds of population in local currency gradually increased in banks, mostly in state-owned banks. Customers’ funds in Ukrainian and foreign-controlled banks decreased slowly in the second half of the year.

Share of term deposits of individuals also went down in the second half of the year, worsening the structure of funding. As of July, the banks started to increase interest rate under deposits following the increase of NBU discount rate to stabilize scope of UAH funds of individuals. Since then, term funds in local currency started to increase for the first time after commencement of full-scale russian military aggression, although their share is still less than one third.

Due to decrease of currency limitations in July, the individuals received a possibility to buy foreign currency for placement at term deposit accounts, resulting in growth of currency deposits for the first time since corona-crisis. Regularity of payments and work of network of bank branches also helped to support trust in banks. In spite of war and massed shelling and bombing, payments of individuals and businesses are made in time. Number of payments increases. The banks developed and started to implement measures to counteract to blackout effects. They appointed they branches that would operate even in case of long absence of power supply and communications.

The Banks continue to credit business even in wartime, increasing corporate loan portfolio in UAH in the first half year, although this trend stopped in the second half year. Decrease of net portfolio results from two components: supressed demand and creation of allowances for existing and expected credit losses. As of June, repayment of loans was higher than granting of new loans after termination of high demand for loans for sowing campaign in spring. Besides, the banks started to create allowances for ECL more actively. In general, loan demand of business is directly related to economic activity. Level of production still is much lower compared to pre-war indicators. Lower demand for circulating assets caused decrease of demand for credits of large foreign corporations, while high uncertainty actually stopped capital investments almost terminating the demand for long-term credit resources.

Crediting in foreign currency does not look attractive either to banks or borrowers. The borrowers do not want to face the risks keeping in mind devaluation expectations. A quarter of net portfolio was repaid as of the commencement of full-scale war with significant share of settlements in advance. Currency loan portfolio would continue to shrink taking into account existing risks.

Negative consumers' disposition keeps back demand for consumer goods. Retail loan portfolio continues to decrease through credit losses and slow new crediting. In addition to lack of solvent demand, crediting is kept back by prudent banking standards, getting stronger during the war.

It was mostly scope of NBU deposit certificates and cash in other banks that were increasing, while investments in GB decreased somewhat during the year.

Effect of economic environment on financial position and performance of the Bank
As at 31.12.2022, cash and cash equivalents of the Bank went down by 14,5% compared to 31.12.2021. As a result of inability of reliable confirmation of existence of cash at temporarily occupies territories and areas of continuing hostilities the Bank formed an allowance in an amount of UAH 3 939 thousand.

Funds at correspondent accounts in other banks went down by 36,5% compared to 31.12.2021. Investments in GB as at 31.12.2022 is two times less than as at 31.12.2021.

In 2022, interest income under NBU deposit certificates increased almost four-fold compared to 2021, while interest income under GB increased by close to 34%.

As at 31.12.2022, scope of loans to corporate customers and private entrepreneurs by the Bank increased by 36,4% compared to 31.12.2021, while scope of loans to individuals did not change much. In total, portfolio of loans to individuals is just 4,2% of total loan portfolio. Interest income under loans to corporate customers and private entrepreneurs in 2022 increased by 29,4% compared to 2021. Interest income under loans to individuals in 2022 decreased by 8,9% compared to 2021. Scope of allowances for ECL in 2022 increased by 6,1 times compared to 2021.

Scope of commission income of the Bank in 2022 increase close to two times compared to 2021 mostly due to cash-and-settlement services, servicing of loans and documentary transactions.

As at 31.12.2022, scope of corporate term deposits went down by 22,3% comparted to 31.12.2021, while funds on demand of corporate customers decreased by 24,6%.

Term deposits of individuals as at 31.12.2022 increased by 52,1% compared to 31.12.2021, while funds on demand of individual customers increased for more than two-fold. Currency term deposits of individuals as at December 31, 2022, increased by 15,6% compared to December 31, 2021. Share of term currency deposits of individuals as at December 31, 2022, is 31,8%, while it was 41,9% as at December 31, 2021.

Interest expenses under corporate and individuals' deposits in 2022 increased by 1,7 times compared to 2021.

As at 31.12.2022, scope of refinancing loans of NBU went down close to 80% compared to 31.12.2021.

Interest expense under refinancing loans went up by 2,6 times compared to 2021.

NOTE 3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRS), approved by International Accounting Standards Board (IASB), and interpretations issued by IFRS Interpretation Committee (IFRIC).

Accounting of the Bank complies with regulations on accounting and reporting in Ukrainian banking institutions, introduced by NBU rules in accordance with IFRS.

The financial statements of the Bank are prepared in accordance with IFRS currently in force and related interpretations. The following IAS and IFRS were used by the Bank during preparation of its financial statements:

- IAS 1 *Presentation of Financial Statements*;
- IAS 2 *Inventories*;
- IAS 7 *Statement of Cash Flows*;
- IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- IAS 10 *Events after the Reporting Period*;
- IAS 12 *Income Taxes*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 18 *Revenue*;
- IAS 21 *The Effects of Changes in Foreign Exchange Rates*;
- IAS 24 *Related Party Disclosures*;
- IAS 27 «*Separate Financial Statements*;
- IAS 32 *Financial Instruments: Presentation*;
- IAS 33 *Earnings per Share*;
- IAS 36 *Impairment of Assets*;
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
- IAS 38 *Intangible Assets*;
- IAS 40 *Investment Property*;
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IFRS 8 *Operating Segments*;
- IFRS 9 *Financial Instruments*;
- IFRS 13 *Fair Value Measurement*;
- IFRS 15 *Revenue from Contracts with Customers*;
- IFRS 16 *Leases*.

The financial statements are prepared based on historical value principle, except for property items disclosed at revalued cost in accordance with IAS 16 Property, Plant and Equipment and certain financial instruments in accordance with IFRS 9 Financial Instruments, as well as investment property in accordance with IAS 40 Investment Property that are disclosed at fair value.

Functional and reporting currency is UAH; the statements are presented in UAH thousand, if not stated otherwise.

NOTE 4. ACCOUNTING POLICIES

Note 4.1. Significant accounting estimates and judgments in preparation of financial statements.

Significant accounting estimates and judgments. Financial assets and liabilities of the Bank are disclosed at fair value, historical value or amortized cost depending on their classification.

Fair value is the price receivable under sale of an asset or payable for transfer of liability in usual transaction between market participants as at the date of measurement, it is offer price for financial assets and demand price for financial liabilities at active market, if quotations of this financial instrument are freely and regularly available at stock exchange or other agency, and if these quotations reflect factual and regular market operations at general terms. Fair value of financial instruments with no information on market prices from external sources is measured by models of discounting of cash flows, measurement models based on data on latest transactions between independent parties, and analysis of financial information on items of investing. Application of measurement methods may require use of assumptions, not supported by market data. These financial statements disclose the information if replacement of an assumption by an alternative may result in significant changes in income, expense, total assets or liabilities.

Historical value is the amount of cash or cash equivalents paid or fair value of other resources used to acquire an asset as at the date of acquisition, including transaction costs. Historical value is used for investments into equity instruments without market quotations, when fair value cannot be reliably measured.

Transaction costs are the costs of acquisition, issue or disposal of financial asset or liability, not payable if a transaction does not take place. Transaction costs do not include premiums or discounts under debt instruments, cost of financing, internal administrative expenses or cost of keeping.

Amortized cost is the cost of financial asset or liability at initial recognition less payment of principal plus accrued interest, plus (or minus) accumulated amortization of any difference between initial amount and settlement amount using effective interest rate method, and for financial assets less any impairment.

Effective interest rate method is the method of calculation of amortized cost of financial asset or liability and distribution of income or expenses during a respective period. Effective interest rate is the rate used for calculation of estimated future cash outflow or inflow (without accounting for future losses, related to issue of loans) and discount during the expected life of financial instrument or a shorter period in certain cases down to net carrying amount of financial asset or financial liability.

Profit or loss from subsequent measurement is profit or loss from change of fair value of financial instrument classified as a financial instrument through profit or loss if the result of revaluation is recognized in profit or loss.

Profit or loss from change of fair value of financial assets measured at fair value through other comprehensive income is recognized directly in other comprehensive income (except for impairment loss) until derecognition of the asset, when cumulative profit or loss, recognized earlier in other comprehensive income, is recognized in profit or loss. Interest under financial asset through other comprehensive income is recognized as profit or loss of the period when they were earned and are calculated using effective interest rate method.

Profit or loss under financial assets and liabilities at amortized cost is recognized in profit or loss of the period, when financial asset or liability are derecognized or impaired, as well as in the process of amortization.

Accounting policies of the Bank on recognition and measurement of particular assets and liabilities, income and expense are disclosed in respective notes to financial statements.

Note 4.2. Financial instruments

The Bank recognizes financial assets and liabilities in the statement of financial position when it becomes a party of contractual obligations related to this financial instrument. Transactions of usual acquisition or sale of financial assets and liabilities are recognized as at the date of settlement. All other transaction of acquisition or sale of financial instruments are recognized when the Bank becomes a party in the contract on acquisition of a financial instrument.

Initially financial instruments are recognized at fair value plus, if a financial asset or a liability are recognized not as fair value with disclosure of revaluation through profit or loss, cost of transaction directly related to acquisition or issue of this financial asset or liability. Confirmation of fair value at initial recognition is transaction price. In the absence of active market, basis for determination of current fair value are data on latest contracts between independent parties. Profit or loss at initial recognition are taken into account only when there is a difference between fait value and transaction price that can be confirmed by current market transactions with the same instruments or methods of measurement based solely on open market information.

The Bank measures financial instruments as those at fair value through profit/loss net of transaction costs at their initial recognition.

After initial recognition, debt financial assets are recognized based on business model and characteristics of contractual cash flows at:

1) amortized cost;
2) fair value though other comprehensive income;
3) fair value through profit/loss.

There are three business models for financial assets:

1. Business model №1: used to collect contractual cash flows generated by the instrument, when cash flows are generated solely by repayment of principal and interest (business model №1); assets, held within this business model, are accounted at amortized cost.
2. Business model №2: used to collect contractual cash flows under principal and interest (principal and interest) and sale of instrument (business model №2); assets, held within this business model, are accounted at fair value through other comprehensive income.
3. Business model №3 (amortized nature): assets, held within this business model assets, are accounted at fair value through profit or loss.

As all loans, issued by the Bank, are measured in accordance with business model №1, after initial recognition they are recognized at amortized cost, using effective interest rate. Business model is selected rather for groups of financial assets managed as an aggregate to reach certain business purpose, than for each asset.

As all loans, issued by the Bank, are measured in accordance with business model №1, after initial recognition they are recognized at amortized cost, using effective interest rate. Business model is selected rather for groups of financial assets managed as an aggregate to reach certain business purpose, than for each asset.

Debt financial assets held within the framework of business model, aimed at collection of contractual cash flows (solely for payment of principal and interest for remaining principal), and sale of financial assets are measured at fair value through other comprehensive income. Equity instruments, which do not comply with criteria of recognition as equity instruments at fair value through profit or loss, are also measured at fair value through other comprehensive income.

All other debt instruments that do not comply with business models of 'collection of contractual cash flows' or 'collection of cash flows and sale of asset', equity instruments and financial liabilities acquired (initiated) for the sale in near future or initially recognized as part of portfolio of identified financial instruments, managed collectively and having evidence of recent factual collection of short-term profit, and derivative financial instruments are measured at fair value through profit or loss.

If a business model is changed (as a result of respective decision of Management Board), debt financial assets are reclassified to respective business model. Date of reclassification is day one of the year following the year when the Bank changes business n=model resulting in reclassification of financial asset. Financial liabilities are not reclassified.

The Bank established provision for irrevocable financial liabilities; the amount of off-balance sheet credit liabilities is adjusted by credit conversion factor (CCF) reflecting quantitative probability that gross carrying amount of off-balance sheet liabilities would become balance sheet asset. CCF is measured in accordance with the type of financial liability and accepted at the level, approved by separate decision of Credit committee of the Bank. The Bank does not establish provision for revocable and non-risk liabilities, when terms of a contract set unconditional right of the Bank refuse to further execute its obligations unilaterally without any preliminary note to a borrower, including case of deterioration of financial position of the borrower and/or untimely execution of its contractual obligation toward the Bank, as well as under avals of tax promissory notes.

The Bank measures credit risk and calculates allowance for ECL as of the date of their recognition till the date of derecognition. The allowance is recognized for CL under debt financial assets at amortized cost and debt financial assets at fair value through other comprehensive income. Allowance for equity instruments is not recognized.

The Bank uses 3 stages of impairment:

- Stage 1 – low credit risk;
- Stage 2 – significant increase of credit risk;
- Stage 3 – default/impairment of asset.

Transfer between stages relates to all financial instruments within the framework of impairment model. For this purpose, the Bank divides portfolio of financial instruments, measured for impairment in accordance with IFRS 9, into:

- Purchased or created financial asset(s) (PCA), that was impaired as at the moment of initial recognition. They stay in their category until derecognition (even if the quality improves);
- All other financial assets – within the framework of impairment model – general approach to logics of transfer between stages is applied. As a result, one of the three stages are selected for each financial instrument that is not classified as PCA.

The Bank applied the following general approach to transfer between stages:

- At initial recognition, financial instrument is classified as Stage 1. If an instrument has indications of impairment, it must be classified as PCA.
- Financial instrument is remeasured as at subsequent reporting dates and allocated to respective stage of impairment, as shown in the Table 1:

Table 1

Stage	Method of ECL measurement	Characteristics of financial instruments at respective stages
Stage 1	ECL for 12 months	1. Financial instruments of low credit risk 2. Financial instruments with credit risk insignificantly increased after initial recognition. 3. Credit risk under financial instruments did not increase significantly after initial recognition
Stage 2	Life-time ECL	Significant increase of credit risk after initial recognition, but financial instrument is not considered impaired.
Stage 3	Life-time ECL	Financial instrument is impaired (at initial recognition), default of instrument

Transfer from Stage 2 to Stage 1 is possible if it is proven that ECL is not significantly higher that as at initial recognition. Financial instruments at Stage 3 with indications of default may be transferred to Stage 2, if:

- A debtor/counterpart resumes regular payments, i.e., repays for at least 180 consecutive calendar days or 365 days – quarterly settlement of principal or interest in an amount not less than amount of interest accrued at contractual rate for respective period (month, quarter);
- At least 180 days passed as of the moment of eradication of event(s), used as a basis to declare default of the borrower;
- Not any of obligations of borrower/counterpart is delayed for over 30 days as at the moment of transfer to Stage 2;
- The bank has documented substantiated judgement that a borrower/counterpart can service the debt in spite of current financial difficulties.

If a default factor, i.e., overdue debt is over 90 days, is identified for a financial instrument, but, as at the reporting date, the borrower repaid the overdue debt, this financial instrument may be allocated to Stage 2 or 1 without application of the above requirements.

As at each reporting date, the Bank analyses a financial instrument for significant increase of ECL as of the moment of its initial recognition. This analysis is oriented at change on default risk during life of the instrument rather than changes of ECL. For this purpose, the Bank compares the default risk under financial instrument as at the reporting date and as at the date of initial recognition and analyses substantiated and confirmed information accessible without excessive costs or efforts, indicating significant increase of credit risk after the initial recognition of respective instrument.

Definition of default reflects an assumption that default occurs when:

- A debtor/counterpart (except for a bank) fails to settle the debt to the Bank for over 90 calendar days, or debtor bank/counterpart fails to settle the debt for over 30 calendar days;
- A debtor/counterpart is not able to execute in full obligations toward the Bank within the contractual term without use of collection of collateral (if any) by the Bank.

Allowance for ECL is not recognized for acquired or created impaired financial assets as at the date of initial recognition. Initial ECL for such financial asset are included into effective interest rate adjusted by credit risk.

The Bank subdivides financial assets into material and immaterial assets. Immaterial assets are financial assets with underlying debt not over 1% of Bank registered capital. All other assets are material.

Material assets are analysed for existence of impairment indications. If there are no impairment indications, financial assets are disclosed collectively. Individual measurement for impairment reflects predicted ECL for the life of financial asset. Indications of impairment are factors of significant increase of credit risk and default.

When analysing for indication of impairment, the Bank tales into account external and/or internal sources of information. Outside sources may present information on e.g., deterioration of economic and political situation in the country compared to that period, when an asset was recognized, changes/expected changes in technological, market, economic or legal environment of a borrower with significant negative effect, or intended market for an instrument, national or regional economic conditions related to non-compliance with their obligations under assets of a group of borrowers. Internal sources may present information on significant financial difficulties of a borrower, violation of contractual terms by a borrower, issuance of concession by creditors of a borrower, economic reasons related to financial difficulties of a borrower that would not have been otherwise analysed, regarding probability of bankruptcy, economic losses, discontinuation of operations or financial restructuring of a debtor, change of owners or top management that may cause certain problems, blocking of accounts, etc.

When assessing credit risks and calculating allowance for ECL for individual assets, the Bank adjusts carrying amount of an asset, set in accordance with IFRS 9, by measuring discounted future cash flows keeping in mind possible scenarios of compensation (voluntary settlement, restructuring, sale of debt, settlement by a third party, settlement by underlying collateral, debt write-off). When measuring discounted future cash flows, related to settlement scenario, the Bank takes into account settlement by foreclosure of collateral or other sources of settlement, including voluntary settlement by a borrower and inflow of cash from steps taken to collect the debt. Calculation of cash flows under sale of collateral takes into account collateral liquidity ratio, additional expenses related to sale of collateral and estimated period of sale of collateral. The Bank uses average period of sale of collateral, if there is no objective information on possible term of sale, based on previous experience and length of foreclosure procedures depending on type of collateral. When calculating allowance for ECL the Bank keeps in mind value of the collateral that is an acceptable security in accordance with internal Bank criteria. E.g., a collateral must comply with principles of unobstructed collection, fair value measurement, safekeeping, existence and proper protection of Bank rights as the creditor. Each type of collateral is assigned a liquidity ratio.

ECL is discounted as at the reporting date using effective interest rate, set at the moment of initial recognition or close to that rate. If financial instrument has a variable interest rate, ECL is discounted using current effective interest rate, calculated in accordance with requirement of the IFRS 9.

For immaterial assets or assent with no indication of impairment (factors of significant increase of credit risk and/ or default/impairment), the Bank performs measurement on collective basis. Collective measurement for impairment discloses forecast of ECL, if:

- Financial asset is allocated to Stage 1 (low credit risk) – based on ECL for 12 months;
- Financial asset is allocated to Stage 2 (significant increase of credit risk) and Stage 3 (default/impairment of asset) – based on life of financial asset.

For measurement, the Bank subdivides financial assets based on similar characteristics of credit risk by groups (portfolios). For financial assets with significant increase of credit risk, the Bank recognizes ECL for the life on financial asset. If the Bank cannot group the financial assets, where credit risk is considered to increase significantly after initial recognition, based on general characteristics of credit risk, the Bank recognized ECL for a life of the assets with credit risk significantly increased. Aggregating financial instruments for measurement of indication of credit risk changes on collective basis may change in time when new information for groups of financial assets or separate financial instruments becomes available.

ECL is calculated as weighted average of credit loss calculated based on probability of occurrence of default as weighting ratio. The Bank uses the following scenarios of realization of credit risk: basic, pessimistic, optimistic.

Weight of the above scenarios is determined based on historical data and/or by analysis of impact factors (changes of GDP, changes in industry, level of average salary, unemployment, average property prices, etc.) for a certain group of financial assets with similar characteristics of credit risk and is approved by a separate decision of Credit committee of the Bank. Probability of default for a certain scenario is determined based on historical data for last 36 months; if there is no data for 36 months data for a lesser period may be used; anyhow, the period cannot be less than 12 months. If there are no historical data or if number of historical data is inadequate, the Bank uses benchmarking or expert evaluation; official NBU data may be also used.

Credit loss is defined as difference between current value of contractual cash flows and current value of cash flows, that the Bank expects to receive, discounted at effective interest rate. Carrying amount of financial asset is decreased by impairment loss by consumption of allowance.

ECL under receivables are recognized for the life of financial asset (simplified approach).

As to financial assets at amortized cost, if impairment loss decreases subsequently, and this decrease can be objectively related to an event, that occurred after recognition of impairment, previously recognized impairment loss may be reversed through profit or loss to the extent that carrying amount of investment as at the reversal date is not higher than depreciated cost that would exist were impairment not recognized.

If an asset at fair value through other comprehensive income is considered as impaired, am amount of difference between its initial value (net of any principal and amortization) and current fair value, net of any impairment loss, recognized earlier in equity, is transferred to profit/loss. Impairment loss is subsequently reversed through profit or loss, if increase of fair value of can be objectively related to an event, that occurred after recognition of impairment loss.

Change of terms of contract for financial asset, which results in review of underlying cash flows (except for a change of loan currency), do not cause derecognition of initial financial asset and recognition of new financial asset. The Bank continues to recognize initial financial asset with new terms. New carrying amount of the asset is determined as current value of reviewer or modified contractual cash flows, discounted at initial effective interest rate (or initial effective interest rate adjusted by credit risk for acquired or impaired financial assets). Transaction costs are included into carrying amount of modified financial asset and are amortized during its life. Difference between gross carrying amount under initial terms and gross carrying amount under reviewed or modified terms is recognized as profit or loss through modification.

Change of loan currency is disclosed as derecognition of initial financial asset and recognition of new financial asset at fair value. New financial asset is recognized as at the date of change of currency, including costs of transaction, related to creation of new financial asset, with the new effective interest rate. Result of derecognition (difference between carrying amount of initial financial asset and fair value of new financial asset) is disclosed in profit or loss.

Loans, for which significant terms of prior agreement are changed to soften demands to the borrower due to financial difficulties of the borrower and the need to create favourable conditions for the borrower to meet the obligations under the agreement [e.g., change of interest rate; partial debt forgiveness; change of repayment schedule (term and amount of repayment of principal, interest/commission payments] are recognized as restructured.

Debt with certainty of nonrepayment by a debtor is written off through utilisation of allowance by decision of Management Board. Difference between carrying amount of financial asset as at the dater of derecognition and compensation received (including value of new asset net of liability accepted) is recognized as profit or loss through derecognition.

Exchange of debt financial liabilities by borrower and the Bank under significantly different terms is disclosed as settlement of initial financial liability and recognition of new liability. Similar to this, the Bank discloses significant changes of terms under financial liability or its part as settlement of initial financial liability and recognition of new liability. Significantly different are the terms when net value of current cash flows under new terms, discounted using initial effective interest rate (for financial instrument with floating interest rate – effective interest rate, calculated at latest change of nominal interest rate), differs at least by 10% from discounted current value of cash flows remaining to maturity of initial financial liability.

If exchange of debt financial liabilities or change of terms of financial liability are disclosed in accounting as settlement of initial financial liability and recognition of new financial liability, any costs or proceeds are disclosed as profit or loss through derecognition. If exchange of debt financial liabilities or change of terms of financial liability are not recognized as derecognition of initial financial liability, carrying amount of financial liability is adjusted for any related costs or proceeds, amortized at effective interest rate taking into account changed cash flows.

Financial asset (or, if applicable, a part of financial asset or a part of a group of similar financial assets) is derecognized when:

- Contractual rights to cash inflows under this financial asset are terminated;
- The Bank transfers its right to receive cash flows under the asset or keeps the right to receive cash flows under the asset but undertakes to pay them in full without any significant delay to a third party based on agreement on transfer; and
- The Bank either (a) transfers all significant risks and benefits of owning of the asset, or (b) does not transfer all significant risks and benefits of owning of the asset but transferred control over the asset.

Financial asset is derecognized when it was transferred, and this transfer is qualified as derecognition. After transfer, the Bank assesses whether it keeps all risks and benefits of owning transferred asset. If all significant risks and benefits remain, the asset continues to be disclosed in the statement of financial position. If all significant risks and benefits were transferred, the asset is derecognized. If all significant risks and benefits were not either maintained or transferred, the Bank makes an assessment whether it preserves control over the asset. Control is treated as preserved, if the counterpart does not have a practical possibility to sell the asset.

If the Bank does not have control over an asset, the asset is derecognized. If the control is preserved the asset continues to be recognized pro rata to participation of the Bank in the asset.

Degree of further participation of the Bank in the transferred asset depends on the degree of susceptibility to risk of changes of the value of transferred asset:

a) if subsequent participation of the Bank is a guarantee for transferred asset, the degree of further participation is lower of value of asset or maximal amount of compensation received that the Bank would have to return (guarantee amount);

b) if subsequent participation of the Bank is in the form of option sold or acquired (or both) for transferred asset, the degree of further participation is the amount of transferred asset that the Bank may buy back. Still, in cash of sold ‘put’ option for an asset, measured at fair value, the degree of further participation is lower of fair value of asset transferred or cost or execution of option;

c) if subsequent participation of the Bank is in the form of option payable in cash or similar security for transferred asset, the scope of further participation is measured in the manner similar to participation, when an option is not payable in cash.

If the Bank continues to recognize an asset to the extent of its further participation, the Bank recognized the related liability. The asset transferred and respective liability are measured based on rights and obligations preserved by the Bank. The liability is measures in such a way that net carrying amount of transferred asset and respective liability is:

a) amortized cost of rights and obligations preserved by the Bank, if transferred asset is measured at amortized cost, or:

b) equal to fair value if subsequent participation of the Bank is in the form of option when they are measured separately, if transferred asset is measures at fair value.

The Bank continues to recognize any income originated by the transferred asset to the extent of its participation in the asset and recognized any expenses under related liability.

Financial liability is derecognized when it is executed, annulled, or its life is terminated.

Note 4.3. Cash and cash equivalents

Cash and cash equivalents are the assets that can be converted into known amount of cash at first demand, having insignificant risk of changes of value. Cash and cash equivalents include cash balance at correspondent accounts in NBU not limited in use, balances at correspondent accounts in other banks without credit risk, and deposits and overnight credits in banks, except for guarantee deposits that are disclosed and cash in other banks due to their economic essence. Cash coverage, placed in other banks, is disclosed as a component of other financial assets.

All other short-term funds in other banks are disclosed as due from banks. Amount of cash limited in use is excluded from cash and cash equivalents. Amount of mandatory minimal reserve, deposited in NBU is not included into cash equivalent for the purpose of measurement of cash flows due to existing limitations of use.

Note 4.4. Loans and due from banks
Loans and due from banks include short-term and long-term deposits in other banks, short-term and long-term loans to other banks, balances with credit risk at correspondent accounts in other banks.

Al initial recognition, loans to banks and deposits are measured at fair value taking into account transaction costs. After initial recognition, these financial assets are recognized at amortized cost using effective interest rate. Balances with credit risk at correspondent accounts in other banks are recognized at fair value.

Interest income under deposits and loans to banks is recorded at interest income accounts using effective interest rate method. Interest income under balances at correspondent accounts are recognized at nominal interest rate.

Note 4.5. Loans and due from customers
Loans to customers are financial assets, which are not derivative financial instruments, having fixed or definable payment, not quoted at active market, except for assets classified as other financial assets.

Loans are initially recognized at fair value plus transaction costs. Subsequently, in accordance with business model of receipt of contractual cash flows the loans are disclosed at amortized cost using effective interest rate. Loans to customers are disclosed net of allowance for ECL. Interest income and impairment loss are recognized in profit or loss. If there is a doubt regarding repayment of a loan, its value is reduced down to current value of expected cash flows, while interest income is calculated based on effective interest rate for this instrument used to measure impairment loss.

Loans are written off based on decision of Bank Management Board if the debt cannot be settled and corresponds to criteria of derecognition of an asset. After decision of Management Board on write-off of bad debt through consumption of special allowance, the work to collect the debt continues, only if, as at the moment of write-off, there is no information on termination of borrower's obligation under current Ukrainians law.

The Bank reviews possibilities to restructure loans. Bank management regularly monitors loans with term revised to be sure that all criteria are complied with, and future payment would most likely be made. These loans continue to be an object of individual or collection measurement for impairment, calculated using initial effective interest rate for the loan.

Note 4.6. Investments in securities
For the purpose of measurement and disclosure in accounting, financial investments of the Bank are classified as flows depending on business model:

- Financial investments at fair value through profit or loss. They include debt securities and other financial investments, held under business model №3 (other model), namely, those acquired for sale in near future for income from short-tern price or dealer's margin fluctuations, any other securities treated by the Bank at initial recognition as those, for which the Bank intends and can account for at fair price through profit or loss, and financial investments that at initial recognition are a part of portfolio of financial instruments managed together, and there is an evidence of actual generation of short-term profit through them.
- Financial assets at fair value through other comprehensive income. They include debt securities, shares and other financial investments held under business model №2 (collection of cash flows or sale of asset), namely, debt securities that the Bank does not intend and/or gold until maturity; securities ready for sale due to change of market interest rates, liquidity needs and availability of alternative investments; other securities acquired to collect contractual cash flows or sell;

- Financial investments at amortized cost. They include debt securities with fixed or definable payments and fixed term of settlement held under business model №1 (collection of contractual cash flows). Debt securities are disclosed at amortized cost if the Bank intends and is able to hold them until maturity in order to get interest income.

The Bank does not recognize initially securities as those measured at amortized cost, if:

- There are no financial resources to finance securities until maturity;
- There is legal or other limitation that might impede Bank intention to held securities until maturity;
- The Bank intends to hold securities for indefinite period;
- The Bank is ready to sell in case of changes of market interest rates, risks, liquidity needs, availability of alternative investments and profit through them, change of sources and term of financing;
- Terms of issue of irredeemable debt securities provide for payment of interest for indefinite period (i.e., there is not fixed maturity);
- The issuer has a right to settle securities for amount significantly less than their amortized cost.

At initial recognition, financial investments at fair value through profit or loss are disclosed at fair value less transaction cost as at incurrence date. Transactions cost related to acquisition of financial investments are posted as expenses as at incurrence date. All other financial investments are measured at fair value plus transaction cost at initial recognition.

As at each subsequent balance sheet date, all financial investments are measured at fair value, except for debt financial investments held until maturity under business model №1 (collection of contractual cash flows), accounted for at amortized cost using effective interest rate.

For securities with variable income, profit is recognized as dividends and disclosed in accounting as at the date of establishment of the right to get them. Interest income under debt securities is recognized at effective interest rate from the period from their acquisition to the date of derecognition (sale, cession of right to demand, settlement, write-off through consumption of allowances) or reclassification. Discount or premium, if any, under debt securities are accounted for separately. The bank recognizes interest income separately for debt securities at fair value through profit or loss.

Cost of transaction to acquire debt securities at fair value through other comprehensive income or at amortized cost is disclosed as discount (premium) as at the date of acquisition.

Interest income under debt financial instruments at fair value through profit or loss and dividend income under equity instruments are recognized separately.

Allowance for ECL for securities at fair value through profit or loss is not recognized. Allowance for ECL is recognized for all debt securities at fair value through other comprehensive income. Allowance for ECL is not recognized for equity instruments.

Profit or loss through remeasurement of investments at fair value through profit or loss are disclosed in profit/loss. Profit or loss through remeasurement of investments held under business model №2 (collection of cash flows or sale of asset) to their fair value are disclosed in other comprehensive income, except for impairment losses and income until their realization, when cumulative profit or loss, initially recognized in other comprehensive income, are excluded from capital and transfers into profit or loss of the year. Interest income, calculated using effective interest rate, is included into profit or loss.

Note 4.7. Derivative financial instruments

Derivative instrument is a financial instrument or other contract having the following characteristics:

- Its value changes in response to change of interest rate, price of financial instrument, prices of consumer goods, index of prices or rates, credit rating or index of solvency or another similar variable;
- It does not require initial net investments or requires initial net investments below those needed for other types of contracts of similar reaction to market terms changes;
- It is repayable at a future date.

Derivative instrument is recognized as financial asset or financial liability as at the date of obligation to acquire or sell subject of the contract. Derivative financial instruments include currency swaps, forward transactions, spot currency exchange, as well as combination of these instruments.

Derivative financial instruments recognized by the Bank in 2022, were not intended for hedging. The Bank entered currency swap contracts and forward contracts on sale of securities (government bonds). These transactions were accounted for as derivative financial instruments in accordance with IFRS 9.

Profit or loss generated by these instruments were included into *Results of transactions with derivative financial instruments* item of statements of profit or loss.

All derivative financial instruments are initially measured and recognized at fair value. Cost of transaction are recognized as expenses at initial recognition.

For each subsequent balance sheet date after initial recognition derivative financial instruments are disclosed at fair value net of transaction cost. Derivative instruments are disclosed as assets if their fair value is positive, or as liabilities if their fair value is negative.

The Bank revalues derivative financial instruments that are derivative off-stock exchange instruments if their fair value changes.

Fair value of derivative financial instrument circulating at organized markets is measured as their market price. If there are no quotes of market prices, the Bank uses the following methods to determine their fair value:

- Reference to market price of another similar instrument;
- Analysis of discounted cash flows;
- Other methods providing for reliable measurement of fair value of derivative financial instruments.

Embedded derivative instrument is a component of a hybrid contract, consisting of basic contract of non-derivative instrument, resulting in fluctuation of certain cash flows from combined instrument similar to independent derivative instrument. Embedded derivative instrument causes modification of certain (or all) cash flows (which otherwise would be needed under the contract) based on defined interest rate, price of financial instrument, price of goods, currency exchange rates, index of prices or rates, credit rating or credit index, or other variable (if, in case of non-financial variable, this variable is not specific for a party under the contract). The Bank separates embedded derivative from basic contract and discloses it as a derivative instrument when the following criteria are met:

- Economic characteristics and risks of embedded derivative are not closely related to economic characteristics and risks of basic contract;
- A separate instrument with similar terms as embedded derivative, complies with definition of derivative instrument;
- Hybrid contract is not measured at fair value through profit or loss (i.e., derivative embedded into financial liability at fair price through profit or loss is not separable).

If embedded derivative is separable, the Bank accounts for basic contract in accordance with respective IFRS.

Note 4.8. Investment property

Investment property, including office premises and land plots, is held to generate profit from long-term lease or profit through increase of value of property that is not used by the Bank. Besides, the Bank includes into investment property:

- Land plots managed by the Bank where subsequent use is not defined yet;
- Property (buildings and land plots), acquired through foreclosure, where subsequent use is not defined yet;
- Buildings owned by the Bank and used for operating lease;
- Buildings not used at the moment and intended for operating lease.

At initial recognition of investment property, the Bank measures and discloses it at historic value, including acquisition cost and all costs directly related to acquisition.

Management Board of the Bank takes decisions on inclusion/transfer of property item into investment property and/or inclusion/transfer of this property into fixed assets or noncurrent assets held for sale as a result of change in its functional use.

After initial recognition of investment property item, the Bank measures it at fair value, recognizing changes of fair value in profit or loss; depreciation and impairment loss are not recognized.

Cost of current servicing, repair and maintenance of investment property item are recognized as expenses when incurred.

Technical equipment (elevators, air conditioners) that is an integral part of a building, is not recognized as a separate fixed asset, being included into fair value of single item of investment property. If equipment is not an integral part of the building and is leased out under separate contracts, i.e., generates lease income separately from building, such objects are recognized as separate fixed assets.

After initial recognition, investment property is measured for subsequent reporting date not less than once per year before preparation of annual financial statements. Revaluation of investment property is based on official appraisal by professional independent appraisers. In 2022, the Bank did not own investment property, so, the appraisal was not performed.

When transferring property used by owner into investment property, the Bank uses IFRS 16 *Property, Plant and Equipment* to disclose its fair value before the date of change in use. Difference between carrying amount and fair value of property, arising as at the date of transfer from property used by owner into investment property is recognized by the Bank as revaluation of fixed assets based on appraiser's report.

Note 4.9. Property, plant and equipment and intangible assets

Property, plant and equipment (fixed assets) include tangible assets held by the Bank for use in its operations, provision of services, lease to other parties or execution of administrative functions, with the useful life longer than one year and cost higher than UAH 20 thousand per unit or set.
Intangible assets include nonmonetary assets that do not have material form, are not cash and assets to be received for fixed or set amount of cash and are identifiable.

After initial recognition, the Bank discloses property items at remeasured (fair) value less accumulated depreciation and impairment loss. Other fixed and intangible assets are disclosed at historical cost less accumulated depreciation and impairment loss.

Historical value of fixed assets includes their historical cost plus all costs related to purchase, delivery, installation and commissioning of these assets.

Before preparation of annual financial statements, review of fair value of fixed assets is mandatory as at the date of stocktaking. The Bank signs the contract with independent expert with a license for to perform appraisal to confirm fair value of fixed assets. Revaluation of fixed asset is disclosed in accounting if its depreciated value significantly differs from its fair value as at balance sheet date. Significant difference between depreciated value and fair value of an item of fixed assets to be disclosed in accounting is an amount over 10% of depreciated value of this item.

When fixed assets are revalued, accumulated depreciation is disclosed in accounting as follows: accumulated depreciation is deducted from historical (remeasured) value of a fixed asset, while net carrying amount is revalued to its fair value. Under this approach, revalued value of an asset is equal to its fair value, while accumulated depreciation is zero.

Independent professional appraisers appraised Bank property as at 01.12.2022.

Market value of property was measured using the following methods:

- Comparative (method of similar sales), including analysis of market sales for similar property items;
- Profit method, providing for direct relationship between income from sale of property and its market value.

Increase of carrying amount through revaluation is disclosed in other comprehensive income resulting in increase of revaluation reserve in capital. Decrease of carrying amount of an asset, compensating prior increase of carrying amount of the same asset, is recognized in comprehensive income, resulting in decrease of revaluation, earlier recognized in capital. All other decreases of carrying amount are disclosed as a component of profit or loss of the year.

As fair value of property appraised did not significantly changed from depreciated value, results of appraisal, the results of appraisal were not disclosed in accounting in the reporting year.

Construction in progress is disclosed at historical cost. Construction in progress is not depreciated until the asset is ready for use.

Most of intangible assets of the Bank have a terminal life, including mostly software and licenses to use software products. If the term of right-of-use of intangible asset is not set by a respective document, while the Bank intends to use an intangible asset for more than 3 years of continuous use to generate future economic benefits, and if the value of this intangible asset is over UAH 100 thousand, useful life of this asset is set as not less than 15 years of continuous use.

Change of historical value of fixed assets is permitted only in case of improvements (refitting, modification, reequipping, reconstruction, modernization) or partial liquidation of certain parts of the item. Expenses on maintenance of an item of fixed assets to keep it in ready-to-use state are included into expenses of the period and have no impact on its depreciated value.

Depreciation and amortization

Depreciation of fixed assets and amortization of intangible assets is charged as of the first day of the month after the month of their commissioning by a straight-line method, when amount of depreciation is calculated by dividing depreciable (amortizable) value for the estimated life of an item. When calculating depreciable (amortizable) value, residual value of noncurrent assets of the Bank is considered to be zero. Low-value noncurrent assets are fully depreciated in the first month of its use. Depreciation of fixed assets and amortization of intangible assets stops as of the day one of the month following the month of disposal.

The Bank sets useful lives of fixed and intangible assets depending on estimated period of use of these assets. The Bank sets the following useful lives and depreciation rates for fixed assets:

- Buildings, facilities and transmitters – 10 to 40 years; depreciation rate 2,5% - 10%;
- Machinery and equipment – 5 years; depreciation rate – 20%;
- Vehicles – 7 years; depreciation rate – 14,3%;
- Instruments, tools, furniture – 3 to 20 years; depreciation rate 5% - 33,3%;
- Other fixed assets – 5 years; depreciation rate – 20%.

Period of right-of-use of intangible assets is set in accordance with legal documents.

Land plots are not depreciated. Improvement of lease property is depreciated during sorter of lease term of respective asset or life of leased asset.

Sale of fixed assets calculated as difference between cash received and carrying amount of assets is recognized in statement of profit and loss
Carrying amount of fixed and intangible assets is revised as at the end of a reporting year to identify possible excess of carrying amount over salvage value. If carrying amount is above salvage value, it is reduced down to salvage value.

Salvage value is larger of fair value less sale cost and value in use. If carrying amount higher than expected salvage value, carrying amount is written down to salvage value. Impairment is recorder in respective period as expenses. After recognition of impairment loss, depreciation of fixed assets and amortization of intangible assets is systematically adjusted in subsequent periods based on reviewed carrying amount of assets during their remaining life.

In 2022, no indications of impairment were identified based on results of stocktaking of fixed and intangible assets.

In 2022, the Bank did not sign any contracts on future purchases of fixed assets.

Note 4.10. Operating lease where the Bank is a lessor

Operating lease is classified as a lease where all risks and benefits related to right of ownership over an asset are not transferrable.

Accounting of fixed assets (except for investment property) and intangible assets leased out under operating lease is based on separate *Transferred under lease* analytical accounts of balance sheet accounts for noncurrent assets.

During the period of lease, the lessor accrued depreciation for assets transferred under operating lease.

Income under operating lease is recognized each month at straight-line basis.

Note 4.11. Financial lease where the Bank is the lessor

Financial lease is the lease when where all risks and benefits related to right of ownership over an asset are transferred. Title may be transferred later on or not.

- By the end of lease term, a title or other property right on the asset are transferred to a lessee (if it is known at the moment of sighing of lease contract);
- A lessee has a right to by this asset at a price significantly lower that fair value as at the date of realization of the right, and, as at the commencement of lease, there is reasonable assurance that the right would be realized;
- Term of lease covers most of useful life of an asset even if title would not be transferred;
- As at the commencement date of lease, current value of minimal lease payments is quite close to fair value of the asset leases out;
- Assets leased are of special nature, i.e., only the lessee can use them without significant modification.

Classification of lease is made as at the date of commencement of lease and revised only if lease is modified. Changes of measurement or circumstances do not result in new classification of lease.
Fixed assets transferred under financial lease are disclosed as receivable (loan issued) in an amount of net investment into lease and are recognized in the balance sheet.

Lease payments of the lessee are treated as payment of principal and financial income.

Profit or loss from transfer of noncurrent asset into lease are calculated as difference between fair value of underlying asset or receivable under lease (if it is lower) and carrying amount of underlying asset less nonguaranteed salvage value.

Difference between minimal lease payments and nonguaranteed salvage value of an item under financial lease and its current value, as defined by lease interest rate is profit of the lessor. Allocation of profit to reporting periods during the lease term is made based on lease interest rate for balance of debt of the lessee under the loan as at the beginning of reporting period.

Costs related to formalization of financial lease contract are included into value of net investment (loan) at initial recognition and are amortized during the lease.

Financial income is recognized each month in accordance with the model reflecting stable regular profitability rate for net investments of the lessor into the lease.

Note 4.12. Lease where the Bank is a lessee

The Bank leases premises where its branches, providing banking and other financial services, are located. Value of right-of-use assets and lease liabilities as at December 31, 2022, are disclosed in the statement of financial position.

Lease is a contract, or a part of a contract, providing for right of use of as asset (underlying asset) during a certain period in exchange for compensation. A contract in general or certain components of a contract are a lease contract, if certain criteria are met:

- Identification of asset;
- A lessee has a right to control economic benefits generated by use of asset;
- A lessee has a right to select mode of use of asset (for a certain period in exchange for compensation).

As at commencement date of lease, the Bank records right-of-use asset and lease liabilities. Right-of-use asset is measured at historical cost, including:

- Amount of initial lease liability;
- Lease payments made as at lease commencement date net of incentives received;

- Initial direct costs;
- Estimate of costs of dismantling of underlying asset and restoration of asset to conditions required by term and terms of lease. A lessee discloses liability under these expenses either as at lease commencement date or as a result of use of underlying asset for a certain period.

If the Bank leases small-area property (not more than 20 sq. m.) and value of leased asset under contract is below UAH 100 thousand or is not stated at all, representative of the Bank with respective qualification certificate confirming the right to appraise property appraises underlying asset to verify whether simplified approach can be used due to low value of the asset. If the Bank leases property over 20 sq. m., it is recognized that simplification due to low value of an asset is not applicable to such contracts.

Subsequently right-of-use asset is measured at historical value (cost) less any accumulated depreciating and accumulated impairment loss with adjustment for any revaluation of lease liability. If an asset is written down to zero, subsequent decrease resulting from revaluation of liability is disclosed in profit or loss. Carrying amount of right-of-use asset is adjusted by amount of revalued lease liability, except for cases when this carrying amount was already reduced down to zero, or the change of lease liability relates to variable lease payment that does not depend on any index or rate.

Fair value model is used for right-of-use assets that correspond to definition of investment property. Right-of-use asset is depreciated as of the lease commencement date until the end of useful life of underlying asset, if lease transfers property right for underlying asset to lessee at the end of lease term, or if cost of right-of-use asset reflects the fact that the lessee would use the possibility to buy it. In other cases, right-of-use asset is depreciated as of the lease commencement date until earlier of end of useful life of underlying asset or end of lease (taking into account possible lease extension). Depreciation of right-of-use asset (except for right-of-use asset where underlying asset is investment property disclosed at fair value) is charged monthly and recorded as expenses.

Expenses of the Bank as a lessee for improvement of leases asset (updating, modification, refitting, reequipping, reconstruction) that result in increase of future economic benefits expected initially from its use are disclosed as capital investments into creation (construction) of other noncurrent tangible assets. Cost of maintenance of leased noncurrent assets is disclosed in *Administrative and other operating expenses* item of the statement of profit and loss.
As at the lease commencement sate, lease liability is measured as current value of lease payments not paid yet as at the above date. Payments for the right to use underlying asset (lease payments) are discounted during lease term using interest rate stated in lease contract, is this rate is easily determinable. This rate is the rate making the amount of lease payments and unguaranteed residual value would be equal to total of fair value of underlying asset and all initial direct costs of the lessor. If it is not possible to determine the rate, the rate for national currency resources, attracted from banks, entities or individuals in the last month before initial recognition of lease.

Lease payments as at the date of commencement lease include:

- Fixed payments (including in essence fixed payments), net of incentives to be received;
- Variable lease payments depending on as index or rate;
- Liquidation value guarantee;
- Price of option to buy (if there is a reasonable certainty that the option would be used);
- Fines for termination of lease, of the term of the lease reflects use of option to terminate the lease by a lessee.

Variable lease payments, depending on rate/index (e.g., inflation, interest rates, market prices, currency exchange rates), are included into lease liability. Variable lease payments that depend on other factors are not included into lease liability being discloses as expenses. Variable lease payments, depending on certain index or rate, are initially measured using this particular index or rate as at the lease commencement date.
Lease payments does not include servicing cost, taxes payable or compensated for lessor, insurance.

In practice, lease payment, stipulated in lease contract, may include payment for related services and other costs (e.g., cost of utilities and other operational costs), while cost of these related services is not stated as a separate component. In such cases lease components are not separated from non-lease components and are disclosed as single lease component. If the contract does not stipulate that lease payment includes cost of related services and other costs, the related services/costs are disclosed as expenses when incurred.

After lease commencement date, lease liability is measured in the following way:

a) increasing carrying amount by interest expense under financial lease liability;
b) decreasing carrying amount by amount of lease payments made; and
c) remeasuring carrying amount to reflect and revaluation or modification of lease, or to revise fixed payments.

After lease commencement date, the Bank as a lessee recognizes the following both components in profit/loss:
a) interest under lease liability; and
b) variable lease payments, not included into measurement of lease liability of the period.

The Bank remeasures lease liability on monthly basis, discounting revised lease payments using revised discount rate, if any of the conditions below is met:
- Change of lease term (resulting from review of probability to execute the option for extension or early termination of lease);
- Change in assessment of possibility to buy underlying asset;
- Change in payments resulting from change of floating interest rate.

Revised discount rate is measured as an admissible interest rate for remaining lease term, if this rate is easily determinable, or as the rate for national currency resources, attracted from banks, entities or individuals in the last month before remeasurement of lease, if admissible interest rate is not determinable easily.

Amount of remeasurement of lease liability is recognized as adjustment of right-of-use asset (except for decrease of carrying amount of right-of-use asset to zero or change of variable lease payment that do not depend on index or rate). If carrying amount of right-of-use asset decreased to zero and lease liability continues to decrease, or variable lease payments that do not depend on index or rate, adjustment of lease liability is disclosed in profit or loss.

Sublease is a transaction when a lessee (or a sublessor) gives the right to use underlying asset to a third party, and lease contract (or major lease contract) between initial lessor and lessee continues to stay in force.

Sublessor recognizes major contract and sublease contract as two separate contracts. If major lease contract relates to short-term lease or lease of low-value assets, for which the Bank uses exclusion from recognition, the sublease is classified as operating lease. In other cases, sublease is classified based on characteristics of right-of-use asset, being classified in most cases as financial lease.

When entering into sublease contract, classified as financial lease, the Bank as a sublessor:

- Writes off right-of-use asset and recognizes net investments into lease (present value of lease payments + present salvage value in case of subsequent purchase),
- Recognizes difference between value of right-of-use asset and net investments into lease in the statement of profit and loss,
- Keeps liability under major lease contract,
- Discount rate is equal for both contracts.

Interim lessor recognizes financial income from sublease and interest expense under major lease during term of sublease.

Transaction, where the Bank transfers an asset as a seller to a buyer with subsequent signing of a contract with the buyer-lessor on the lease of this asset, is classified a sale with lease-back. If a transaction corresponds to criteria of sale under IFRS 15 *Revenue from Contracts with Customers*, namely, control over the asset and, in general, all risks and benefits related to the title to the underlying asset are transferred, this noncurrent asset is written off by the Bank, while the Bank recognizes right-of-use asset and lease liabilities.

If the transaction of the Bank is not a sale, the Bank continues to recognize the transferred asset and recognizes financial liability in an amount of transferred funds, while the lessor-buyer does not recognize the transferred asset, recognizing instead a financial asset equal to transferred funds. This financial asset and financial liability are accounted for in accordance with IFRS 9 *Financial Instruments*.

Total outflow of funds under lease in 2022 was UAH 20 708 thousand (2021 – UAH 19 958 thousand). In 2022, inflow of right-of-use assets was UAH 46 875 thousand (2021 - UAH 29 031 thousand).

Note 4.13. Non-current assets held for sale

An asset is classified as held for sale if there is high probability that it carrying amount will be compensated by sale rather than its continuing use, an asset can be immediately sold in its current state, and there is high probability of sale during one year as of date of classification. Bank management must have a strict intention to execute sale transaction that is expected to comply with criteria of completed sale for one year as of date of classification of asset as held for sale.

The Bank measures carrying amount of assets before initial classification of them as held for sale. Assets held for sale are measured at lower of carrying amount or fair value less selling cost.

Noncurrent assets held for sale are not depreciated.

If fair value less selling cost of asset held for sale is lower than it carrying amount, impairment loss is recognized in statement of profit and loss as impairment loss of assets held for sale.

Any subsequent increase of fair value of asset less selling cost is recognized in an amount not higher than cumulative impairment loss recognized earlier for this asset.

Note 4.14. Borrowings

Due to banks and other financial institutions, term deposits of customers are initially recognized at fair value. Subsequently these liabilities are recognized at amortized cost, while any difference between net inflows and cost of repayment is recognized in statement of profit and loss during existence of respective borrowings using effective interest rate. Due to customers on demand are measured at fair value. Interest expense under due to customers on demand are recognized using nominal interest rate.

In 2022, the Bank did not issue debt securities.

Note 4.15. Provisions fort liabilities

Provisions for liabilities are recognized when the Bank has current legal or constructive obligations resulting from previous events, and it is possible that use of resources, reflecting some economic benefits, would be required to settle this obligation, and the scope of such liabilities may be reliably measured.

Provisions for contingent liabilities are measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* that requires to use management estimates and judgements.

An amount recognized as provision for liabilities should be the best estimate of expenses necessary to settle existing liability as at the end of reporting period, i.e., it is the amount that the Bank would reasonably pay to settle the liability or transfer it to a third party as at the end of reporting period. If effect of time value of money is significant, a provision should be equal to current value of expenses that are expected to be needed to settle liability. The discount rate used is the rate reflecting current market measurement of time value of money and inherent risks of liability.

Provision for liability is reviewed as at the end of each month and adjusted to reflect best current estimate. If there is no probability of outflow of resources, representing economic benefits, needed to settle the liability, the provisions are reversed. If discounting is used, carrying amount of provision is increased each month to reflect passage of time. This increase is recognized as interest expense.

Contingent liabilities are not recognized in statement of financial position, being disclosed in notes to financial statements, except for cases when probability of outflow of resources is low. Contingent assets are not recognized in statement of financial position, being disclosed in notes to financial statements when there is a probability of inflow of economic benefits.

Note 4.16. Income taxes

Income tax expenses are total expenses related to current and deferred taxes. Current income tax expense is based on taxable income of a year. Taxable income differs from net income disclosed in the statement of profit and loss, as it does not include income or expenses taxable or related to other years, as well as include non-taxable items and does not include related expenses. Bank income tax expense is calculated based on tax rates applicable during the reporting period.

Deferred tax is the tax that is expected to be paid or compensated for difference between carrying amount of assets and liabilities in financial reporting and respective tax bases, used for calculation of taxable income, it is accounted for by method of balance sheet liabilities. Deferred tax liabilities are, as a rule, recognized for all taxable temporary differences, while deferred tax assets are recognized taking into account probability of future taxable income to be used to realize temporary differences included into expenses for tax purposes. These assets and liabilities are not recognized in financial statements, if temporary differences originate within a transaction that does not affect amount of tax or accounting income.

Carrying amount of deferred tax assets is reviewed at each reporting date and decreased to the extent that there is no probability to get taxable income enough to compensate this asset in full or in part.

Deferred tax is calculated under tax rates that are expected to be applicable in the period of realization or settlement of respective assets. Deferred tax is disclosed in the statement of profit and loss, except for cases when it is related to items that are directly related to equity items, where this deferred tax is recognized as a component of equity.

Deferred tax assets and deferred tax liabilities under income tax are offset and presented as net amount in statement of financial position, when:

- The Bank has a legal right to record current income tax assets reduced by current tax liabilities; and
- Deferred tax assets and deferred tax liabilities related to income tax collectable by the same tax body for the same taxable object.

Deferred tax assets and deferred tax liabilities are netted by the Bank as the Bank has the legal right and intends to settle income tax based on net amount.

Deferred tax assets under temporary differences, decreasing tax base, and carried forward tax loss are recognized to the extent, where it is probable to generate taxable income to realize temporary differences.

In 2022 and 2021, the Bank did not recognize deferred tax asset in an amount of tax losses.

Income tax rate did not change in the reporting period compared to previous reporting period being 18%.

In 2022, there were no significant changes in tax laws affecting Bank operations and amounts of current and deferred tax assets or tax liabilities.

Note 4.17. Share capital and share premium

Share capital is the obligations to input funds under subscription for shares paid by shareholders, the amount of which is registered in accordance with current law.

Increase (decrease) of share capital of the Bank follows the procedures set by National commission on securities and stock exchange. In accordance with the Laws of Ukraine *On Banks and Banking Activities* and *On Joint Stock Companies* and Bank Statute, decision on issue of shares is taken by general meeting of Bank shareholders.

Share capital of the Bank is subdivided into regular registered shares. Shares are issued in non-documentary form and are paid for solely by cash.

Shares are disclosed in accounting at par value in national currency of Ukraine.

In case of sale of shares the difference between par value and selling price is recognized as share premium. Excess of amount of funds received at primary offering or sale of shares over their par value is recognized as issue income.

Note 4.18. Recognition of income and expenses

Interest income and expenses under all dent instruments are recognized by method of accrual using effective interest rate. This method includes and distributes for total period of life all commissions payable or receivable by parties under contract that are an integral part of effective interest rate, expenses under contract, as well as other premiums and discounts, into interest income and expenses.

Commission fees that are an integral part of effective interest rate include commission fee received or paid in connection with creation or acquisition of a financial liability (e.g., commission fee for assessment of solvency, evaluation or accounting of guarantees or collateral, regulation of terms of issuance of an instrument and processing of documents under the contract). Commission fee under loan commitment at market interest rates, received by the Bank, are integral part of effective interest rate, if it is probable that the Bank would enter into particular loan contract and does not plan to sell the loans soon after it was issued. The Bank does not include loan commitments into financial liabilities disclosed at fair value through profit or loss.

If financial assets are acquired at significant discount reflecting credit loss incurred, this credit loss incurred affects historical value of financial asset. These financial assets re considered impaired as at the date of initial recognition. Credit loss incurred is included into preliminarily estimated cash flows into calculation of effective interest rate. So, when effective interest rate is calculated, cash flows are respectively reduced and/or extended in time compared to initial contractual terms.

Interest income under loans at first and second stages of impairment are calculated by multiplication of gross carrying amount by effective interest rate. Interest income under loans at third stage of impairment are calculated by multiplication of amortized cost by effective interest rate.

Effective interest rate is not calculated for:

- Financial instruments where cash flows cannot be reliably measured (e.g., overdraft loans, revolving credit lines);
- Deposits on demand;
- Loans and overnight deposits.

Income and expenses recognized under transactions for disclosure in financial statements are subdivided into income and expenses generated by operating, investing and financial activities of the Bank.

As the result of operating activities of the Bank the following income and expenses are generated:

- Income and expenses;
- Commission income and expenses;
- Profit (loss) from trading transactions;
- Dividend income;
- Expenses on formation of special reserves of the Bank;
- Income from return of assets written off earlier;
- Other operating income and expenses;
- General operating expenses;
- Income tax.

Investing income (expenses) of the Bank are related to sale (acquisition) of fixed and intangible assets, investment property, inputs into associates and subsidiaries.

Financial income (expenses) is related to own debt securities, subordinated debt, dividends paid in the reporting period, issue of equity instruments, etc.

When recognizing incomes and expenses, the Bank uses the method of accrual – income and expenses are disclosed in accounting as at the moment of origination irrespective of the date of receipt or payment of funds. Income/expenses are to be accrued and disclosed in the financial statements of the Bank when the following is complied with:

- For assets and liabilities – actual debt exists;
- For services provided (received) – the result may be accurately measured, and there are the documents on provision (receipt) or services and/or documents confirming full (partial) provision of services.

If the above terms are not complied with, the Bank recognizes income/expenses at actual receipt/payment of funds.

Note 4.19. Revaluation of foreign currency
Monetary assets and liabilities, expressed in foreign currencies, are translated into UAH at official exchange rate as at the reporting date. Foreign currency transactions are recorded at official exchange rate as at the date of respective transaction. Profit and loss, generated by revaluation of foreign currency, are included into *Result of foreign currency revaluation* item of statement of profit and loss and other comprehensive income.

Nonmonetary items, measured at historical value, are not recalculated at exchange rates as at the end of the year. Nonmonetary items in foreign currency, measured at fair value, are translated as at the date of measurement of fair value. Effect of change of exchange rates on fair value of nonmonetary items measured at fair value in foreign currency, are disclosed in profit or loss from changes in fair value.

Income and expenses of subsequent periods in foreign currency under nonmonetary items, are also nonmonetary, are disclosed at the official exchange rate as at the date of settlement, i.e., actual receipt/payment, and are not remeasured at each change of official exchange rates until the moment of recognition at respective profit/loss accounts. Items of income and expenses of subsequent periods in foreign currency under monetary balance sheet items are monetary and disclosed at official exchange rate as at the reporting date and remeasured at each change of official exchange rate.

When preparing these financial statements, the Bank used the following currency exchange rates:

	December 31, 2022	December 31, 2021
UAH / USD 1	36,5686	28,2746
UAH / EUR 1	38,9510	34,7396

Note 4.20. Offsetting items of assets and liabilities
Offsetting financial assets and liabilities, when a net amount is disclosed in the statement of financial position, is done only when there is a legal right to offset the amounts recognized, and there is an intention to make settlement based on net amount or sell an asset and settle a liability at the same time. The Bank offset deferred tax assets and deferred tax liabilities related to income tax in the reporting year.

Note 4.21. Effect of inflation
The Bank does not have items in the financial statements to be recalculated due to effect of inflation.

Note 4.22. Employee benefits and related charges
Employee benefits include:
- Short-term payments, e.g., salaries, social insurance dues, paid annual vacations and temporary sick leaves, sharing income and bonuses (if they are payable during twelve months after end of the period), and non-cash benefits of current employees (health services, living premises, service cars, free or subsidized goods or services);
- Retirement allowance, pensions, other types of pension system, life insurance and health services after retirement;
- Other long-term employee benefits, including additional vacation for length of service, payments at jubilees or other benefits for length of service, payments in case of long disability, sharing income, bonuses and delayed compensation, if they are payable during twelve months after end of the period or later;
- Discharge allowance.

Liabilities under employee benefits are included into other liabilities in the statement of financial position and *Employee benefits* item in the statement of profit and loss (if other IAS and IFRS do not require to include these payments into cost of an asset).

Note 4.23. Operating segments
Operating segments of the Bank are strategic business lines oriented for different customers. Information by segments is analysed and kept in mind by Bank managements for efficient allocation of resources and measurement of components' performance – operating segments or

groups of segments, complying with respective criteria. The Bank recognizes segments based on internal organizational structure and internal reporting system. Information on operating segment is disclosed separately in reporting, if this information with any of the quantitative criteria:

- Income of a segment from sale of products or services to external buyers and under internal settlements is 10% or more of total income (including banking operations within the segment);
- Financial performance of a segment is not less than 10% of total financial performance of all segments of certain nature (i.e., not less than 10% of higher of total profit or total loss of all segments);
- Carrying amount of segment assets is 10% and more of total carrying amount of assets of all segments of certain type.

The Bank aggregates operating segments if the following criteria are met:

- Segment data have similar economic characteristics;
- Segments are alike by nature of products and services, types of consumers.

If income from transactions with one external customer reach 10% of total income of the Bank, the Bank recognizes respective segment and discloses this information in the financial statements.

Income of a reporting segment is the income directly attributable to the segment and a share of total income of the Bank from external operations or inter-segment transactions within the Bank that can be related to the segment.

Expenses of a reporting segment are expenses related directly attributable to the segment and a share of total expenses of the Bank from external operations or inter-segment transactions within the Bank that can be related to the segment. Expenses of a segment do not include income tax expenses.

Segment performance is segment income less segment expenses.

Assets of a reporting segment are the assets used for usual operations and directly related to the segment. If segment performance includes interest income or dividend income, segments assets include respective receivables, loans, investments or other income generating assets.

Segment liabilities are the liabilities arising during usual operations of the segment and/or directly related to the segment or can be allocated to the segment by pro rata allocation. If segment performance includes interest expenses, liabilities of the segment include interest bearing liabilities.

Bank transactions are subdivided into following segments:

Services to corporate customers - covers services to legal entities regarding servicing of current accounts, attraction of deposits, providing overdraft credit lines, crediting and other types of financing, as well as transactions with foreign currencies for corporate customers and private entrepreneurs. Corporate business segment is further subdivided into the following subsegments:

- *Large customers* – legal entities with net income of a customer/group of customers over equivalent of UAH 500 million, state/municipal entities, insurance companies, asset management companies and non-residents.
- *Medium customers* – legal entities and private entrepreneurs with net income of a customer/group of customers within the rage of equivalent of UAH 200-500 million, and non-banking financial institutions.
- *Small customers* – legal entities and private entrepreneurs with net income of a customer/group of customers within the rage of equivalent of UAH 60-200 million, and customers engaged in independent professional business.
- *Micro customers* – legal entities and private entrepreneurs with net income of a customer/group of customers below equivalent of UAH 60 million.

Retail business – opening, servicing of current, saving and card accounts, deposits, customer and mortgage loans, servicing of debit and credit cards, including those under payroll projects, foreign currency transactions of individuals.

Interbank and investing business – trade of financial instruments, transactions at interbank market, including refinancing by NBU, transactions with securities, including government bonds and NBU deposit certificates, transactions with foreign currencies and banknotes to generate profit.

E-business – servicing of pay services (PSP providers), internet acquiring based on MasterCard, provision of settlements under pay card, generation of respective commission income.

Non-allocated items – transactions to support Bank liquidity, fixed assets, receivables and payables, deferred tax assets, income tax, etc.

The Bank has no other segments with income from service over 10% of total Bank income.

Note 4.24. Related party transactions

Related parties include:

1. an individual or a close relative of an individual, if this individual:

1.1. controls the Bank or has a common control over it;

1.2. has a considerable influence over the Bank;

1.3. is a member of leading management of the Bank;

2. Legal entity if any of terms below is met:

2.1. a legal entity and the Bank are members of the same group (meaning that each parent company, subsidiary or subsidiary under common control are interconnected);

2.2. an entity is an associate or a joint venture of other entity (or an associate or joint venture of a group member where other entity is a member);

2.3. both entities are joint ventures of the same third party;

2.4. one entity is a joint venture of a third entity, while other entity is an associate of the same third party;

2.5. the Bank is under control or common control of individual, mentioned in p. 1;

2.6. individual or entity, mentioned in p.p. 1 and 2.1, has a significant influence over the entity or is a member of leading management of the Bank.

Related party transaction is the transfer of resources, services or liabilities between the Bank and a related party irrespective of whether a price was set.

Leading management includes persons who directly or indirectly have powers and are responsible for planning, management and control over Bank operations.

In 2022, the Bank was engaged in transaction on crediting leading management and their close relatives. The Bank was also engaged in attraction of term and on-demand funds from related individuals – leading management and their close relatives. Financial assets were issued and deposits attracted at market rates. Details of related party transactions is presented in Note 32 to these financial statements.

Note 4.25. Effect of changes in accounting policies, accounting estimates and correction of significant errors

The Bank did not change principles of accounting policies and methods of measurement of balance sheet items in the reporting year of 2022.

Accounting principles applied for preparation of 2022 financial statements correspond to the principles applied for preparation of financial statements for the year ended on December 31, 2021, except for effect of new standards and interpretations as of January 1, 2022:

Amendments to IAS 16 Property, Plant and Equipment - proceeds before the intended use (applicable as of 01.01.2022). The amendment relates proceeds from sale of products, produced at testing stage of fixed assets, i.e., before their commissioning. Previously the proceeds were used rather to decrease carrying amount of the asset than be disclosed as income. The amended standard does not allow to deduct the above proceeds, generated during preparation of an asset for its intended use, from the value of fixed assets. As a result, income and expenses will be recognized in a standard manner. Besides, the financial statements should disclose information on:

- Compensation to third parties in case of impairment, loss or transfer of an object of fixed assets, included inro income or expenses;
- Income and expenses included into profit or loss, related to products produced that do not result from usual operations of the entity, as well as information on what item(s) of the statement of comprehensive income discloses these income and expenses.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – onerous contracts – cost of fulfilling contract (applicable as of 01.01.2022). IASB added a provision that cost of fulfilling a contract includes costs directly related to the contract (p. 68 of IAS 37). Now the standard contains examples of costs directly related to contract:

- Direct labour costs (e.g., salaries of personnel directly engaged in production and supply of goods

or provide services directly to a customer);
- Direct material costs (e.g., cost of materials used to fulfil the contract);
- Allocated costs directly related to the contract (e.g., costs to manage and oversee the contracts; insurance; depreciation of tools, equipment and right-of-use assets, used to fulfil the contract);
- Costs evidently allocated to the counterpart under the contract;
- Other costs caused solely by fulfilment of the contract (e.g., payments to subcontractors).

General and administrative expenses do not relate directly to the contract, if they are not evidently allocated to the counterpart under the contract.

IFRS 3 Business Combinations - referral to conceptual framework (applicable as of 01.01.2022):

1. IFRS 3 describes how an entity must account for assets and liabilities acquired through combination. The standard requires to refer to *Conceptual Framework of Financial Reporting* to identify what is an asset or a liability.

Purpose of the amendment is to replace reference to 1989 *Framework for the Preparation and Presentation of Financial Statements* by reference to *Conceptual Framework of Financial Reporting* of March 2018 without significant changes in the standard requirements.

2. As of 01.01.2022, IASB added an exclusion from recognition of certain liabilities and contingent liabilities emption when the entities that apply IFRS 3, have to refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* rather than to Conceptual Framework. It is expected that this exclusion in IFRS 3 would stay as long as definition of liability in IAS 37 differs from definition in Conceptual Framework. IASB plans to deal with reconciliation of definitions within the project on amendments and improvements of IAS 37.

Annual improvements 2018-2020 cycle:
IFRS 1 First-time Adoption of International Financial Reporting Standards.
P. D16 (a) of IFRS 1 relieves a subsidiary, adopting IFRS later than its parent, from measurement of its assets and liabilities. Still, the exemption in p. D16 (a) of IFRS 1 is not applicable to components of equity. Before the amendment to IFRS 1, a subsidiary, adopting IFRS later than its parent, might have been required to have two separate accounts for accumulated for accumulated FX differences, based on different dates of adoption of IFRS. Amendments to IFRS 1 extend the relief in p. D16 (a) of IFRS 1 to accumulated FX differences to reduce expenses of a company adopting IFRS for the first time.

IFRS 9 Financial Instruments.
Amendments explain what commissions should be taken into account by an entity applying 10% test in accordance with p. B3.3.6 of IFRS 9 to identify whether a financial liability should be derecognized.

So, as of 01.01.2022 a borrower, when calculating commission payments to be made net of commission received, takes into account only commissions paid or received by the borrower and respective creditor, including commissions paid or received by the borrower or the creditor in the name of each other.

IAS 41 Agriculture.
Currently, in accordance with p. 22 of IAS 41 fair value measurement by discounting of cash flows excludes tax-related cash flows. As of 01.01.2022 requirement of exclusion of tax related cash flows from fair value measurement as per p. 22 of IAS 41 is annulled. These amendments make requirements to fair value measurement in IAS 41 correspond to requirements of other IFRSs.

The above changes and amendments to IAS/IFRS did not affect 2022 financial statements of the Bank.

Note 4.26. Significant accounting judgements and estimates, their impact on recognition of assets and liabilities

During preparation of financial statements in accordance with IFRS, Bank management is required to use estimates and assumptions, affecting amounts disclosed in the financial statements. Management makes the estimates and professional judgements on continuous basis. These estimates and judgements are based on information available to management as at the date of preparation of financial statements. As a result, factual results may differ from these estimates and assumptions. In addition to assumptions based on accounting estimates, Bank management uses professional judgements when applying accounting policies. Professional judgements, which have a significant effect on amounts disclosed in financial statement, and estimates that may result in significant adjustments of carrying amount of assets and liabilities in the next fiscal year, include:

- *Expected credit losses*. Measurement of allowance for ECL requires application of significant professional judgement. The Bank regularly reviews the loans for indications of impairment. The Bank analyses allowance for ECL to keep it at the level that, in opinion of management, would be adequate to cover losses related to credit portfolio of the Bank. Calculation of allowance for ECL is based on probability of write-off of an asset and expected loss through write-off. These estimates are made based on historical experience and use of statistical methodologies. The results obtained are adjusted based on professional judgement of management.

The Bank believes that accounting estimates related to calculation of allowance for ECL are the major source of uncertainty for measurement as: (i) they are very sensitive to changes in different periods as assumptions related to future level of noncompliance with obligations and estimation of potential losses, related to impairment of loans and funds issued, is based on latest data on Bank performance, and (ii) any significant difference between ECL of the Bank (disclosed in allowance) and actuarial losses would cause the Bank to establish allowance, which, in case of significant difference, may significantly affect if statement of profit and loss and statement of financial position in subsequent periods.

Bank management uses professional judgements when measuring any ECL in cases, when a borrower faces financial difficulties, and the number of sources of historical information on similar borrowers is limited. Similar to above, the Bank measures changes in future cash flows based on results of previous operations, past behaviour of the customer, observable information indicating negative changes in liquidity of a group of borrowers, general or local economic situation, related to noncompliance with obligations regarding assets in the group. Management uses estimates based on historical experience of losses for assets with credit risk characteristics and objective evidence of impairment, similar to a group of identical loans. Bank management uses professional judgements to adjust observable information for a group of loans to reflect current circumstances not covered by historical data.

Allowance for ECL through impairment of financial assets are disclosed in financial statements based on current economic and political conditions. The Bank cannot foresee what changes in economic and political situation may occur in Ukraine, and what would be the effect of these changes on adequacy allowance for ECL in future periods.

- *Going concern* – the financial statements were prepared based on assumption that the Bank would continue as going concern in the nearest future.

After commencement of military aggression of russian federation on February 24, 2022, the Bank works in normal mode, complying with NBU rules and regulations, decisions of Bank officials and collegial bodies in the situation of martial law in Ukraine. E.g., NBU mandatory ratios (including liquidity ratio and capital adequacy ratio), currency position limits and limit of mandatory reserving of funds at correspondent account in NBU are complied with, while regulatory capital in 2022 increased from UAH 472,7 million to UAH 567,5 million, obligations of the Bank to its creditors and depositors are met in time and in full (with deposit portfolio of individuals gradually increasing), and 2022 net income was UAH 192,0 million (more than in 2021).

The Bank continues to work on restructuring of loans, payment of overdue debts, accrued but unpaid interest (including debt of Entrepreneurial development fund under 5-7-9 state program), measurement of potential losses of the Bank at temporarily occupied territories, minimization of operating risks. The Bank has a liquid balance sheet and is profitable; it opens new branches, while expected losses under operating risks are within the approved range of risk appetite. As to going concern and information safety, the Bank arranged for provision of certain bank services/functions in Germany, using cloud technologies, established additional stand-by office in Uzhhorod, acquired additional equipment (power generators, UPSs, means of communication, etc.) for uninterrupted operation of the Bank in the situation of limitations of power supply caused by russian attacks on power-generating infrastructure of Ukraine.

- *Provisions for losses under financial guarantees and other contingent liabilities* are measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* that require application of management estimates and judgements.

- *Tax laws*. Since Ukrainian business laws, in particular tax laws, contain clauses that permit more than one interpretation, and practice, formed in mostly unstable economic environment by free interpretation of different aspects of business operations by tax authorities, the Bank might have to recognize additional tax liabilities, fines and penalties, if tax authorities express a doubt regarding certain interpretation that is based on Bank management judgement. Tax records are open for review of tax authorities for three years.

- *Fair value of mortgaged property*. When calculating allowance for ECL, mortgaged property is disclosed at fair value based on conclusions reached by expert valuators. Estimated value based on professional opinion of an appraiser is used to determine the value of mortgaged property. Measurement of fair value of mortgaged property requires application of judgements and assumptions regarding comparability of property items and other factors. As a result, allowance for ECL may be significantly affected by use of estimated value of property. Accounting estimates in appraisal of property are major source of uncertainty in measurement, as recognition of changes in measurement may have potentially significant impact.

- *Going concern assumption*. As at the date of preparation and approval of these financial statements, the ability of the Bank to continue as going concern was not significantly affected; still, aftereffects of military aggression of Russian Federation may have significant impact on financial position and performance of the Bank and its counterparts. Further development of events, term of their termination and aftereffects are indeterminable.

Bank management understands that the above events create material uncertainty that may cast a significant doubt on ability of banking system to operate as going concern of future. Hostilities and their further escalation may bring the losses to the Bank through complications in compensation of assets, non-payment of debts under loan and other active transactions with debtors, disappearance of active market for some types of assets. Losses may be generated by physical loss of assets, underlying transactions and Bank operations. Such losses may affect the ability of the Bank to continue as going concern.

Bank management understands that losses may affect ability of the Bank to continue as going concern, as its operations in 2023 would be significantly affected by military aggression of russian federation against Ukraine. There is a probability of negative scenarios of further development of military situation in the country that might result in loss of branches, property and assets of the Bank, continuing decrease of solvency of entities and population, decrease of trust to banking sector. All above causes some uncertainty in planning of macroeconomic indicators for the country and microeconomic indicators for entities.

As of commencement of military aggression, the Bank implemented measures to ensure its uninterrupted operation under martial law, support of liquidity, compliance with NBU economic ratios, and execution of obligations toward shareholder, customers and depositors. These measures reflect plans and procedures designed for force-majeure, operating decisions of Bank management and reasonable cooperation with customers and counterparts.

Bank management believes that the Bank would be able to continue as going concern, and financial statements do not require adjustments caused by limitations imposed by current situation over operations of the Bank and its counterparts and execution of their obligations in time and in full. Scenarios of negative impact on Bank operations analysed would not result in increase of negative effect. Bank management continuously monitors situation in Bank departments and in the country in general. The Bank operatively assesses effect of the events on Bank operations and takes decisions adequate to situation and its development, including payment/non-payment of dividends, decrease of operating expenses, level of interest rates under active and passive Bank transactions. At the same time, factors, described above, provide adequate assurance to Bank management regarding ability of the Bank to continue as going concern.

NOTE 5. THE STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ISSUED, BUT ARE NOT YET EFFECTIVE

New standards, amendments and interpretations not mandatory for application (earlier application is permitted) in 2022 reporting and not applied by the Bank:

IFRS 17 Insurance Contracts (applicable as of 01.01.2023) replaces interim standard IFRS 4 and requires providing for consistent accounting of all insurance contracts based on current measurement model and provides useful information on profitability of insurance contracts.

New provisions of IFRS 17 include:
- classification of insurance and investment programs;
- mandatory separation of non-insurance components;
- determination of profitability of insurance contracts at initial recognition (e.g., whether they are onerous);
- requirements to aggregate contracts: by risk level, profitability, date of issue, and other requirements of the standard;
- increase of requirements to disclosure of information in statement of financial position and statement of financial performance;
- actual calculations through different methods of measurement of liabilities.

IFRS 17 is applicable retrospectively.

In June 2020, new amendments were introduced into initial version of IFRS 17, providing for:

- delay of the date of application of IFRS 17 until 01.2023, and transfer of annulment of temporary exclusion regarding application of IFRS 9 provided by IFRS 4;
- additional exclusion of credit-card contracts, providing for insurance coverage, and exclusion (as an option) loan contracts, providing for transfer of insurance risk, from IFRS 17;
- permission to apply IFRS 17 to interim financial statements in accordance with accounting policies at the level of entity;
- requirement to entities, which recognize loss under onerous insurance contracts as at the date of initial recognition, to recognize income under reinsurance contracts held;
- simplified presentation of information on insurance contracts in the statement of financial position (assets and liabilities by portfolios of insurance contracts rather than groups);
- simplification regarding transfer to IFRS 17 in business combinations, date of use of option of risk reduction and application of fair value model.

Amendments to IAS 1 Presentation of Financial statements, Practical Recommendations № 2 on application of IFRS Forming of Judgements on Materiality (applicable as of 01.01.2023). These amendments replace requirement for entities to open significant accounting policies by requirement to open material accounting policies.

An information is material if its non-presentation, misstatement or masking is reasonably expected to affect decisions of major users of general-purpose financial statements based on these statements, presenting financial information of the reporting entity.

Besides, the above documents present guidance on application of concept of materiality when taking decisions on disclosure of accounting policies.

Amendments to IAS 8 Accounting Policies, Changes in accounting Estimated and Errors – Definition of accounting estimates (applicable as of 01.01.2023). The amendments clarify the difference between changes in accounting policies and accounting estimates and define accounting estimates as monetary amounts with the uncertainty in measurement in financial statements.

IASB explains that changes in accounting estimates due to new information or new developments are not correction of errors. Besides, change in input data or methods of measurement results in change in accounting estimates, if it is not based on correction of errors of previous periods. Changes in accounting estimates may affect only profit/loss of current period or current and subsequent periods.

Amendments to IAS 12 Income Taxes (applicable as of 01.01.2023) clarify how deferred taxes under lease and liabilities under disposal.

In certain situations, IAS 12 relieves an entity from recognition of deferred taxes if they relate to initial recognition of assets and liabilities. Still, there was an uncertainty whether this relief may be applied to lease transactions and liabilities under disposal, when an entity recognizes both assets and liabilities.

The amendments clarify that the above relief is not applicable for transactions where initial recognition results in similar deductible and taxable differences. An entity must recognize deferred taxes for such transactions.

Deferred tax liability should be recognized for all taxable temporary differenced except for cases when these differences result from:

a) initial recognition of goodwill, or
b) initial recognition of as asset or a liability under transaction that:
i) is not a business combination;
ii) does not have any impact on accounting or taxable income (tax loss);
iii) does not create similar deductible and taxable temporary differences.

Deferred tax asset should be recognized for all deductible temporary differences if there is a probability that an entity would generate taxable income, making it possible to utilize deductible temporary difference, except for situations when deferred tax asset arises at initial recognition of an asset or a liability in a transaction that:
a) is not a business combination;
b) does not have any impact on accounting or taxable income (tax loss);
c) does not create similar deductible and taxable temporary differences.

An entity shall apply the above amendments to transactions at commencement or after the earliest of comparable periods. At commencement of the earliest comparable period, an entity should:
a) recognize deferred tax asset to the extent that it is probable that there is a probability that an entity would generate taxable income, making it possible to utilize deductible temporary difference and deferred tax liability for all taxable and deductible temporary differences related to:
i) right-of-use assets and lease liabilities, and
ii) costs of decommissioning and restoration, and similar liabilities and respective amounts recognized as part of value of the underlying asset; and
b) recognize cumulative effect of first application of Amendments as adjustment of opening balance of retained earnings (or other equity component) as at this date.

Amendments to IFRS 17 Insurance Contracts – First Application of IFRS 17 and IFRS 9 (applicable as of 01.01.2023) may be applied as of the date of initial application of IFRS 17. When applying new requirements to classification of financial assets, an entity presents comparative information as if requirements to classification and measurement in IFRS 9 were applied in comparative period. Requirements to impairment (p. 5.5 of IFRS 9) may not be applied.

This approach is applicable for reporting period as of the date of transition to IFRS 17 to the date of first application of IFRS 17.

The amendments provide for individual application for each instrument and additional requirements to disclosure of qualitative information on sphere of application of requirements to classification and extend of application of requirements of IFRS 9 to impairment (p. 5.5 of IFRS 9).

The amendments clarify what entities may apply the approach, namely:

- entities applying IFRS 17 and IFRS 9 for the first time and decide to recalculate comparative information (on financial assets derecognized in comparative period (financial assets where requirements of IFRS 9 are not applicable));
- entities applying both IFRS 17 and IFRS 9 and do not recalculate comparative information (for any financial assets in comparative period);
- entities that applied IFRS 9 earlier than IFRS 17 (for financial assets derecognized in comparative period but would be reclassified as per p. C29 of IFRS 17).

Amendments to IAS 1 Presentation of Financial statements – classification of liabilities as current and non-current (applicable as of 01.01.2024). It is clarified that a liability is classified as non-current if an entity has a right to defer settlement of a liability for at least 12 months, and the right exists as at the closing date of a reporting period.

The above right to defer settlement of a liability for at least 12 months after termination of reporting period must be real and exist as at the closing date of a reporting period.

If the right to defer depends on certain covenants, the right would exist as at the closing date of a reporting period only if the entity complied with the covenants as at the closing date of period. The covenants must be complied with as at the closing date of the period even if creditor reviews compliance with them at a later date.

Classification of a liability is not affected by probability that an entity would use its right to defer settlement of a liability for at least 12 months after termination of reporting period. If a liability complies with criteria of p. 69 of IAS 1 – it is classified as non-current even if the entity intends or expects to settle the liability within 12 months after termination of reporting period, or even if the entity settles the liability during the period between the date of termination of reporting period and date of approval of financial statements for publication. Still, it may be necessary to disclose information on tern of settlement of the liability to enable users of the financial statements to understand effect of these circumstances on financial position of the entity.

Amendments to IAS 1 Presentation of Financial statements – Non-current Liabilities with Covenants (applicable as of 01.01.2024) state that if a right of an entity to defer settlement of a liability for 12 months after the reporting date is subject to covenants, the entity must disclose additional information in the Notes to make it possible for the users of financial statements to understand the risk that the liability might have to be settled during 12 months after the reporting date. The following should be disclosed:

- information on essence of covenants, when the entity should comply with covenants, carrying amount of respective liabilities;
- facts and circumstances indicating that the entity night face difficulties when meeting the covenants, including those that can be measured by the end of reporting period.

Amendments to IAS 1 *Presentation of Financial Statements - Classification of Liabilities as Current and Non-current* (2020) are applicable as of 01.01.2024. Earlier application is permitted. If an entity applies 2020 Amendments earlier than 01.01.2024 but after publication of Amendments *Non-current Liabilities with Covenants* (10.2022), the entity should apply all amendments at the same time. The fact of application of 2020 Amendments earlier than 01.01.2024 must be disclosed.

Amendments *Non-current Liabilities with Covenants* (10.2022) must be applied retrospectively as of 01.01.2024. Earlier application is permitted. If earlier application is used, all above amendments should be used simultaneously. The fact of earlier application must be disclosed.

Management believes that the above changes and amendments to IFRS/IAS shall not have a significant impact on financial reporting of the Bank.

NOTE 6. CASH AND CASH EQUIVALENTS

Table 6.1. Cash and cash equivalents

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Cash	234 482	320 924
2	Cash in NBU (except for mandatory reserves)	89 456	53 424
3	Allowance under cash and cash equivalents	(3 970)	-
4	**Total cash and cash equivalents**	**319 968**	**374 348**

As at December 31, 2022, and December 31, 2021, no income under this item was accrued. In 2022 and 2021 the Bank did not perform noncash investing and financial transactions, related to acquisition (settlement) asset rather by exchange for other asset than in cash.

The following data on cash and cash equivalents were used for preparation of statement of cash flows:

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Cash	230 512	320 924
2	Cash in National Bank of Ukraine (except for mandatory reserves)	89 456	53 424

3	Cash at correspondent accounts in other banks having credit risk	327 135	435 777
4	NBU deposit certificates	1 340 000	850 000
5	**Total cash and cash equivalents**	**1 987 103**	**1 660 125**

Table 6.2. Changes of allowance for cash and cash equivalents

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	**Allowance for impairment – opening balance**	-	-
2	Acquired/initiated financial assets	(3 939)	-
3	FX-rate differences	(35)	-
4	**Allowance for impairment – closing balance**	**(3 974)**	**-**

As a result of impossibility to confirm reliably existence of cash in the branches located at temporarily occupied territories and area of hostilities, the Bank formed allowance for above cash in 2022.

NOTE 7. LOANS AND DUE FROM BANKS

Table 7.1. Loans and due from banks at amortized cost

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Cash at correspondent accounts in other banks with credit risk	327 157	435 777
2	Allowance for ECL with other banks	(54 059)	(5 840)
3	**Total cash in other banks**	**273 098**	**429 937**

As at December 31, 2022, accrued income under this Note is UAH 23 thousand, while as at December 31, 2021, no income under this item was accrued.

As at December 31, 2022, and December 31, 2021, maximal credit risk per one counterpart was UAH 167 313 thousand and UAH 331 218 thousand, respectively.

Table 7.2. Credit quality of loans and due from banks at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created . .	Total
1	Cash at correspondent accounts in other banks with credit risk:					
2	- average credit risk	327 157	-	-	-	327 157
3	**Total gross carrying amount of cash at correspondent accounts in other banks with credit risk**	**327 157**	**-**	**-**	**-**	**327 157**
4	Allowance for ECL with other banks	(54 059)	-	-	-	(54 059)
5	**Total cash at correspondent accounts in other banks with credit risk**	**273 098**	**-**	**-**	**-**	**273 098**

Table 7.3. Credit quality of loans and due from banks at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Cash at correspondent accounts in other banks with credit risk					

2	- Minimal credit risk	409 165	-	-	-	409 165
3	- Low credit risk	26 612	-	-	-	26 612
4	**Total gross carrying amount of cash at correspondent accounts in other banks with credit risk**	**435 777**	**-**	**-**	**-**	**435 777**
5	Allowance for ECL with other banks	(5 840)	-	-	-	(5 840)
6	**Total cash at correspondent accounts in other banks with credit risk**	**429 937**	**-**	**-**	**-**	**429 937**

Table 7.4. Change of allowance for ECL under loans and due from banks at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Allowance for ECL as at December 31, 2021**	**(5 840)**	**-**	**-**	**-**	**(5 840)**
2	Purchased/initiated assets	(46 270)	-	-	-	(46 270)
3	FX differences	(1 949)	-	-	-	(1 949)
4	**Allowance for ECL as at December 31, 2022**	**(54 059)**	**-**	**-**	**-**	**(54 059)**

Table 7.5. Change of allowance for ECL under loans and due from banks at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Allowance for ECL as at December 31, 2020**	**(513)**	**-**	**-**	**-**	**(513)**
2	Purchased/initiated assets	(5 268)	-	-	-	(5 268)
3	FX-rate differences	(59)	-	-	-	(59)
4	**Allowance for ECL as at December 31, 2021**	**(5 840)**	**-**	**-**	**-**	**(5 840)**

Table 7.6. Changes of gross carrying amount of loans and due from banks at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired	Total
1	**Gross carrying amount as at December 31, 2021**	**435 777**	**-**	**-**	**-**	**435 777**
2	Financial assets derecognized or settled (except for those written off)	(161 495)	-	-	-	(161 495)
3	FX differences	52 875	-	-	-	52 875
4	**Gross carrying amount as at December 31, 2022**	**327 157**	**-**	**-**	**-**	**327 157**

NOTE 8. LOANS AND DUE FROM CUSTOMERS

Table 8.1. Loans and due from customers at amortized cost in 2022

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Corporate loans	2 685 751	1 924 621
2	Corporate loans under REPO transactions	-	20 535
3	Loans to private entrepreneurs	41 875	55 005
4	Mortgage loans to individuals	61 334	67 907

5	Consumer loans	56 838	51 952
6	Other loans to individuals	503	778
7	Allowance for ECL under loans to customers at amortized cost	(225 549)	(43 801)
8	**Total loans and due from customers at amortized cost**	**2 620 752**	**2 076 997**

As at December 31, 2022, accrued income disclosed in this Note were UAH 71 109 thousand, and as at December 31, 2021 – UAH 23 614 thousand.

As at December 31, 2022, and December 31, 2021, maximal credit risk under loans to customers was UAH 113 296 thousand and UAH 87 745 thousand, respectively.

Table 8.2. Changes of allowance for ECL under loans and due from customers at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Allowance for ECL as at December 31, 2021**	**(17 387)**	**(4 993)**	**(21 201)**	**(220)**	**(43 801)**
2	Purchased/initiated financial assets	(7 112)	-	-	-	(7 112)
3	Total effect of transfer between stages	9 460	(25 307)	(977)	-	(16 824)
3.1	Transfer to stage 2	9 460	(25 307)	-	-	(15 847)
3.2	Transfer to stage 3	-	-	(977)	-	(977)
4	Write-off of financial assets through utilization of allowance	-	-	266	-	266
5	Changes in allowance	-	(71 268)	(86 372)		(157 640)
6	FX differences	-	(438)	-	-	(438)
7	**Allowance for ECL as at December 31, 2022**	**(15 039)**	**(102 006)**	**(108 284)**	**(220)**	**(225 549)**

Table 8.3. Changes of allowance for ECL under loans and due from customers at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Allowance for ECL as at December 31, 2020**	**(11 731)**	**(197)**	**(4 524)**	**(66)**	**(16 518)**
2	Purchased/initiated financial assets	(5 656)	-	-	(220)	(5 876)
3	Total effect of transfer between stages	-	(4 796)	(18 851)	(2)	(23 649)
3.1	Transfer to stage 2	-	(4 796)	-	-	(4 796)
3.2	Transfer to stage 3	-	-	(18 851)	(2)	(18 853)
4	Write-off of financial assets through utilization of allowance	-	-	2 174	68	2 242
5	**Allowance for ECL as at December 31, 2021**	**(17 387)**	**(4 993)**	**(21 201)**	**(220)**	**(43 801)**

Table 8.3. Changes of allowance for ECL under loans and due from customers at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total

1	**Opening gross carrying amount**	**1 809 913**	**13 234**	**297 431**	**220**	**2 120 798**
1.1	Individual basis	-	-	2 325	220	2 545
1.2	Group basis	1 809 913	13 234	295 106	-	2 118 253
2	Acquired/initiated financial assets	15 321	573 604	17 795	-	606 720
3	Financial assets derecognized or settled (except for those written off)	(62 062)	-	-	-	(62 062)
4	Transfer to stage 1	-	-	-	-	-
5	Transfer to stage 2	(1 092 041)	1 092 041	-	-	-
6	Transfer to stage 3	-	-	150 876	-	150 876
7	Write-off of financial assets through utilization of allowance	-	-	(266)	-	(266)
8	FX differences	19 401	6 613	4 221	-	30 235
9	**Closing gross carrying amount**	**690 532**	**1 685 492**	**470 057**	**220**	**2 846 301**
9.1	Individual basis	-	-	2 325	220	2 545
9.2	Group basis	690 532	1 685 492	467 732	-	2 843 756

Table 8.5. Changes of gross carrying amount through impairment of loans and due from customers at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Opening gross carrying amount**	**1 310 292**	**8 699**	**13 395**	**66**	**1 332 452**
1.1	Individual basis	-	-	**4 172**	**66**	**4 238**
1.2	Group basis	**1 310 292**	**8 699**	**9 223**	-	**1 328 214**
2	Acquired/initiated financial assets	499 621	47 133	118 146	220	665 120
3	Transfer to stage 1	-	-	-	-	-
4	Transfer to stage 2	-	(42 598)	-	-	(42 598)
5	Transfer to stage 3	-	-	168 064	2	168 066
6	Write-off of financial assets through utilization of allowance for ECL	-	-	(2 174)	(68)	(2 242)
7	**Closing gross carrying amount**	**1 809 913**	**13 234**	**297 431**	**220**	**2 120 798**
7.1	Individual basis	-	-	2 325	220	2 545
7.2	Group basis	1 809 913	13 234	295 106	-	2 118 253

Table 8.6. Loans by economic sectors

(UAH'000)

Line	Sector	December 21, 2022		December 31, 2021	
		Amount	%	Amount	%
1	Agriculture, hunting, forestry	103 345	3,63	6 390	0,30
2	Mining industry, quarry development	51 940	1,83	51 447	2,42
3	Processing industry	513 450	18,04	412 604	19,46
4	Power, gas and water supply, sewage, processing of wastes	8 989	0,32	3 474	0,16
5	Wholesale and retail trade, repair of vehicles and motorcycles	1 154 240	40,55	739 657	34,88
6	Transport, warehousing, mailing and courier services	56 159	1,97	7 789	0,37
7	Finances and insurance	598 766	21,04	543 993	25,65

8	Information and telecommunications, temporary accommodation	1 145	0,04	1 446	0,07
9	Professional, R&D activities	36 512	1,28	14 049	0,66
10	Construction	191 351	6,72	213 151	10,05
11	Other businesses	11 729	0,41	6 161	0,29
12	Individuals	118 675	4,17	120 637	5,69
13	**Total loans and due from customers net of allowance for ECL**	**2 846 301**	**100**	**2 120 798**	**100**

Policy of sector diversification is aimed at placement of credit resources in most prospective, high-technology and profitable industries of Ukraine. The Bank offers loans and credit lines in local and foreign currencies to corporate customers for acquisition and modernization of fixed assets, financing of trade, purchase of raw materials.

Based on 2022 results, priority line of credit policies of the Bank was financing of trade entities – 40,55%, entities of financial and insurance sector – 21,04%, and processing industry entities – 18,04%.

Table 8.7. Loans by types of collateral in 2022

(UAH'000)

Line	Item	Corporate loans	Corporate loans under REPO transactions	Loans to private entrepreneurs	Consumer loans to individuals	Other loans to individuals	Mortgage loans to individuals	Total
1	Unsecured loans	181 286	-	-	2 707	503	-	184 496
2	Loans secured by:	2 504 465	-	41 875	54 131	-	61 334	2 661 805
2.1	Cash	285 245	-	8 838	494	-		294 577
2.2	Property	1 275 144	-	29 225	46 814	-	61 334	1 412 517
2.3	Other assets	944 076	-	3 812	6 823	-	-	954 711
3	**Total loans and due from customers net of allowance for ECL**	**2 685 751**	**-**	**41 875**	**56 838**	**503**	**61 334**	**2 846 301**

P. 2.3 discloses debt under loans secured by other types of collateral: agricultural equipment, cars and other vehicles, production equipment and machinery.

Table 8.8. Loans by types of collateral in 2021

(UAH'000)

Line	Item	Corporate loans	Corporate loans under REPO transactions	Loans to private entrepreneurs	Consumer loans to individuals	Other loans to individuals	Mortgage loans to individuals	Total
1	Unsecured loans	176 155	-	-	2 995	778	-	179 928
2	Loans secured by:	1 748 466	20 535	55 005	48 957	-	67 907	1 940 870
2.1	Cash	205 431	-	-	6 320	-	-	211 751
2.2	Property	842 416	-	55 005	40 336	-	67 907	1 005 664
2.3	Other assets	700 619	20 535	-	2 301	-	-	723 455
3	**Total loans and due from customers net of allowance for ECL**	**1 924 621**	**20 535**	**55 005**	**51 952**	**778**	**67 907**	**2 120 798**

P. 2.3 discloses debt under loans secured by other types of collateral: agricultural equipment, cars and other vehicles, production equipment and machinery.

Table 8.9. Credit quality of loans and due from customers at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired	Total
1	Loans and due from customers at amortized cost:					
2	- Minimal credit risk	78 372	15 396	-	-	93 768
3	- Low credit risk	308 661	608 784	-	-	917 445
4	- Medium credit risk	293 658	156 334	-	-	449 992
5	- High credit risk	9 841	904 978	-	-	914 819
6	- Defaulted assets	-	-	470 057	220	470 277
7	Total gross carrying amount of loans and due from customers at amortized cost	**690 532**	**1 685 492**	**470 057**	**220**	**2 846 301**
8	Allowance for ECL of loans and due from customers at amortized cost	(15 039)	(102 006)	(108 284)	(220)	(225 549)
9	**Total loans and due from customers at amortized cost**	**675 493**	**1 583 486**	**361 773**	**-**	**2 620 752**

Table 8.10. Credit quality of loans and due from customers at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Loans and due from customers at amortized cost:					
2	Minimal credit risk	189 268	-	-	-	189 268
3	Low credit risk	1 071 462	353	-	-	1 071 815
4	Medium credit risk	216 179	99	-	-	216 278
5	High credit risk	333 004	12 782	-	-	345 786
6	Defaulted assets	-	-	297 431	220	297 651
7	Total gross carrying amount of loans and due from customers at amortized cost	**1 809 913**	**13 234**	**297 431**	**220**	**2 120 798**
8	Allowance for ECL of loans and due from customers at amortized cost	(17 387)	(4 993)	(21 201)	(220)	(43 801)
9	**Total loans and due from customers at amortized cost**	**1 792 526**	**8 241**	**276 230**	**-**	**2 076 997**

Table 8.11. Effect of collateral value on credit quality in 2022

(UAH'000)

Line	Item	Carrying amount of loans	Expected cash flows from sale of collateral	Effect of collateral
1	Corporate loans	2 685 751	2 095 619	590 132
2	Corporate loans under REPO transactions	-	-	-
3	Loans to private entrepreneurs	41 875	41 875	-
4	Mortgage loans to individuals	61 334	61 334	-
5	Consumer loans to individuals	56 838	53 366	3 472
6	Other loans to individuals	503	-	503
7	**Total loans**	**2 846 301**	**2 252 194**	**594 107**

Value or property appraised and received as collateral/mortgage, is calculated based on its collateral value measured as its market (fair) value less VAT. This value is stated in collateral;/mortgage agreements. Market value is measured using methodological approaches: cost, profit and comparative. Preference is given to the results of approach that closely discloses mechanism of pricing at local market, where a mortgaged item circulates. In other worlds – the most objective result of measurement is produced by the approach that reflects model of decision-making regarding ownership, purchase and sale of mortgaged item at a particular market.

Market value of property is measured based on:

- Report on appraisal or property/property right by appraiser entity (AE) cooperating with the Bank;
- Report on appraisal or property/property right by appraiser entity (AE) accredited by state executive body, in case of forced sale of mortgaged property;
- Report on appraisal or property/property right by appraiser entity (AE) based on concord of collegial bodies of the Bank, if the Bank does not cooperate with this AE;
- Expert evaluation of Department of work with mortgaged property (independently), where the personnel have respective qualification certificates and work experience.

Table 8.12. Effect of collateral value on credit quality in 2021

(UAH'000)

Line	Item	Carrying amount of loans	Expected cash flows from sale of collateral	Effect of collateral
1	Corporate loans	1 924 621	1 680 986	243 635
2	Corporate loans under REPO transactions	20 535	20 533	2
3	Loans to private entrepreneurs	55 005	54 985	20
4	Mortgage loans to individuals	67 907	67 907	-
5	Consumer loans to individuals	51 952	49 661	2 291
6	Other loans to individuals	778	-	778
7	**Total loans**	**2 120 798**	**1 874 072**	**246 726**

Value or property appraised and received as collateral/mortgage, is calculated based on its collateral value measured as its market (fair) value less VAT. This value is stated in collateral;/mortgage agreements. Market value is measured using methodological approaches: cost, profit and comparative. Preference is given to the results of approach that closely discloses mechanism of pricing at local market, where a mortgaged item circulates. In other worlds – the most objective result of measurement is produced by the approach that reflects model of decision-making regarding ownership, purchase and sale of mortgaged item at a particular market.

Market value of property is measured based on:

- Report on appraisal or property/property right by appraiser entity (AE) cooperating with the Bank;
- Report on appraisal or property/property right by appraiser entity (AE)accredited by state executive body, in case of forced sale of mortgaged property;
- Report on appraisal or property/property right by appraiser entity (AE) based on concord of collegial bodies of the Bank, if the Bank does not cooperate with this AE;
- Expert evaluation of Department of work with mortgaged property (independently), where the personnel have respective qualification certificates and work experience.

Value of mortgaged items is reviewer taking into account market changes and their state. Periodically value of mortgaged items is reviewed on regular basis, namely:

- property, integral property complex, land plots, vehicle and equipment – not less than once every twelve months;
- goods in circulation or processing and biological assets – not less than once per month;
- other property/property rights – not less than once every six months.

In 2021, the Bank foreclosed mortgaged property used as collateral under loans (deposits) for total of UAH 3 461 thousand.

Table 8.13. Modified financial assets

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Amortized cost of financial assets before modification	203 399	32 444
2	Net loss through modification	(3 551)	(2 383)
3	**Amortized cost of modified financial assets**	**199 848**	**30 061**

NOTE 9. INVESTMENTS IN SECURITIES

Table 9.1. Investments in securities

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Debt securities at fair value through other comprehensive income	1 577 115	4 968 180
1.1	Government bonds	1 577 115	4 968 180
2	Debt securities at amortized cost	1 341 689	850 187
2.1	NBU deposit certificates	1 341 689	850 187
3	Equity instruments at fair value through other comprehensive income	18	18
3.1	Shares at cost (fair value cannot be reliably measured)	18	18
4	**Total investments in securities**	**2 918 822**	**5 818 385**

As at December 31, 2022, income accrued under this note was UAH 38 338 thousand, and as at December 31, 2021 – UAH 141 403 thousand.

There were no securities provided by the Bank as a security under REPO transactions as at 31.12.2022. Carrying amount of government bonds provided by the Bank as a security under REPO transactions as at 31.12.2022 was UAH 235 789 thousand. as at 31.12.2021. Allowance for ECL for investments in securities on 2022 and 2021 was not formed.

Securities were not reclassified in 2022 and 2021.

Table 9.2. Major investments into shares and other securities with floating income at fair value through other comprehensive income

(UAH'000)

Line	Company	Business	Country of registration	Fair value	
				December 31, 2022	December 31, 2021
1	PFTS Stock Exchange PJSC	Financial market management	Ukraine	18	18
2	**Total**			**18**	**18**

Table 9.3. Credit quality of investments in securities at amortized cost in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Debt securities at amortized cost:					
2	- minimal credit risk	1 341 689	-	-	-	1 341 689
3	**Total gross carrying amount of debt securities at amortized cost**	**1 341 689**	**-**	**-**	**-**	**1 341 689**
4	**Total debt securities at amortized cost**	**1 341 689**	**-**	**-**	**-**	**1 341 689**

Table 9.4. Credit quality of investments in securities at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Debt securities at amortized cost:					
2	- minimal credit risk	850 187	-	-	-	850 187
3	**Total gross carrying amount of debt securities at amortized cost**	**850 187**	**-**	**-**	**-**	**850 187**
4	**Total debt securities at amortized cost**	**850 187**	**-**	**-**	**-**	**850 187**

Table 9.5. Credit quality of investments in securities at other comprehensive income in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Debt securities at fair value though other comprehensive income					
2	- minimal credit risk	1 577 115	-	-	-	1 577 115
3	**Total gross carrying amount of debt securities at fair value though other comprehensive income**	**1 577 115**	**-**	**-**	**-**	**1 577 115**
4	**Total debt securities at fair value though other comprehensive income**	**1 577 115**	**-**	**-**	**-**	**1 577 115**

Table 9.6. Credit quality of investments in securities at other comprehensive income in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Debt securities at fair value though other comprehensive income					
2	- minimal credit risk	4 968 180	-	-	-	4 968 180
3	**Total gross carrying amount of debt securities at fair value though other comprehensive income**	**4 968 180**	**-**	**-**	**-**	**4 968 180**
4	**Total debt securities at fair value though other comprehensive income**	**4 968 180**	**-**	**-**	**-**	**4 968 180**

Table 9.7. Changes of gross carrying amount of securities at amortized cost and fair value through other comprehensive income in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Gross carrying amount – opening balance	**5 818 367**	**-**	**-**	**-**	**5 818 367**
1.1	Debt securities at fair value through other comprehensive income (government bonds)	4 968 180	-	-	-	4 968 180
1.2	Debt securities at amortized cost (NBU deposit certificates)	850 187	-	-	-	850 187
2	Financial assets derecognized or settled (except for those written off)	(2 911 775)	-	-	-	(2 911 775)
3	FX differences	12 212	-	-	-	12 212
4	Other changes	-	-	-	-	-
5	**Gross carrying amount – closing balance**	**2 918 804**	**-**	**-**	**-**	**2 918 804**
5.1	Debt securities at fair value through other comprehensive income (government bonds)	1 577 115	-	-	-	1 577 115
5.2	Debt securities at amortized cost (NBU deposit certificates)	1 341 689	-	-	-	1 341 689

Table 9.8. Changes of gross carrying amount of securities at amortized cost and fair value through other comprehensive income in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Gross carrying amount – opening balance	**1 425 035**	**-**	**-**	**-**	**1 425 035**
1.1	Debt securities at fair value through other comprehensive income (government bonds)	924 955	-	-	-	924 955
1.2	Debt securities at amortized cost (NBU deposit certificates)	500 080	-	-	-	500 080
2	Purchased/created financial assets	4 390 726	-	-	-	4 390 726
3	X-rate differences	2 606	-	-	-	2 606
4	Other changes	-	-	-	-	-
5	**Gross carrying amount – closing balance**	**5 818 367**	**-**	**-**	**-**	**5 818 367**
5.1	Debt securities at fair value through other comprehensive income (government bonds)	4 968 180	-	-	-	4 968 180
5.2	Debt securities at amortized cost (NBU deposit certificates)	850 187	-	-	-	850 187

NOTE 10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(UAH'000)

Line	Item	Buildings, facilities and transmitters	Machinery and equipment	Vehicles	Instruments, devices, tools (furniture)	Other fixed assets	Other noncurrent tangible assets	Capital investments in progress into fixed and intangible assets	Intangible assets	Total
1	**Carrying amount as at 31.12.2020**	**10 586**	**12 056**	**7 739**	**4 323**	**1 299**	**600**	**5 184**	**19 897**	**61 684**
1.1	Historical/revalued value	15 216	19 460	8 442	7 557	2 268	6 307	5 184	29 102	93 536
1.2	Depreciation and amortization	(4 630)	(7 404)	(703)	(3 234)	(969)	(5 707)	-	(9 205)	(31 852)
2	Acquisitions	-	956	-	3 840	1 316	2 996	16 896	8 174	34 178
3	Transfer from capital investments in progress to fixed and intangible assets	-	-	15 247	962	293	602	(17 104)	-	-
4	Disposals	-	-	-	(418)	(79)	-	(4 717)	-	(5 214)
5	Depreciation and amortization	(408)	(1 987)	(1 398)	(891)	(639)	(3 519)	-	(4 086)	(12 928)
6	Other changes	-	-	-	-	-	-	-	-	-
7	**Carrying amount as at 31.12.2021**	**10 178**	**11 025**	**21 588**	**7 816**	**2 190**	**679**	**259**	**23 985**	**77 720**
7.1	Historical/revalued value	15 216	19 940	23 689	11 758	3 707	9 127	259	37 230	120 926
7.2	Depreciation and amortization	(5 038)	(8 915)	(2 101)	(3 942)	(1 517)	(8 448)	-	(13 245)	(43 206)
8	Acquisitions	-	10 503	1 360	2 644	981	2 460	2 840	3 539	24 327

9	Transfer from capital investments in progress to fixed and intangible assets	-	-	1 365	427	262	704	(2 758)	-	-
10	Disposals	-	(29)	-	(130)	(3)	-	(48)	-	(210)
11	Depreciation and amortization	(409)	(2 358)	(3 448)	(1 384)	(1 077)	(3 359)	-	(4 427)	(16 462)
12	Other changes	-	-	-	-	-	3	-	-	3
13	**Carrying amount as at 31.12.2022**	**9 769**	**19 141**	**20 865**	**9 373**	**2 353**	**487**	**293**	**23 097**	**85 378**
13.1	Historical/revalued value	15 216	30 271	26 414	14 488	4 913	12 097	293	40 701	144 393
13.2	Depreciation and amortization	(5 447)	(11 130)	(5 549)	(5 115)	(2 560)	(11 610)	-	(17 604)	(59 015)

As at December 31, 2022 and 2021:

- there are no fixed and intangible assets limited in ownership, use and management under the law;
- there are no fixed and intangible assets used as mortgage;
- historical value of fully depreciated and amortized fixed and intangible assets was UAH 14 995 thousand and UAH 9 062 thousand, and UAH 11 237 thousand and UAH 4 586 thousand respectively;
- there was no construction of fixed assets, creating of intangible assets, while R & D were not performed;
- there are no fixed assets temporarily out of use or retired from use for sale;
- there was no impairment of fixed assets. The Bank did not receive compensation from third parties for impairment of fixed assets in 2022 and 2021.

As at December 31, 2022, depreciated value of fixed assets located in the territories of hostilities is UAH 518,7 thousand. As at December 31, 2021, there were no fixed assets temporarily out of use or taken out service for sale.

As at 01.12.2022, property owned by the Bank was revalued at market value based on report of independent appraiser. Comparative method (method of similar sales) and profit method (second level of hierarchy) were used to get fair value of buildings and office facilities. In order to get ultimate value, the results, derived through use of different approaches, were allocated different levers depending on correspondence of an approach to the following characteristics: reliability and completeness of information, specifics of property revalued, etc. Since fair value of property remeasured did not significantly differ from depreciated value, results of revaluation were not reflected in accounting.

Were the building disclosed as historical value less accumulated depreciation and impairment losses, it carrying amount would have been UAH 6 331 thousand as at 31.12.2022, or UAH 6 596 thousand as at 31.12.2021.

NOTE 11. OTHER ASSETS

Table 11.1. Other assets

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
OTHER FINANCIAL ASSETS			
1	Receivables under pay card transactions	9 102	92 608
2	Receivables under settlements under cash transfers	852	451
3	Cash limited in use (guarantee)	31 711	11 440
4	Accrued income	17 111	1 081
5	Other financial assets	605	42
6	Allowance for ECL of other financial assets	(14 743)	(508)

Line	Item	December 31, 2022	December 31, 2021
7	**Total other financial assets net of allowance**	**44 638**	**105 114**
	OTHER NON-FINANCIAL ASSETS		
8	Receivables under purchase of assets	3 386	313
9	Prepayment for services	9 624	2 285
10	Precious metals	2 638	3 792
11	Deferred expenses	9 112	5 858
12	Other nonfinancial assets	1 098	1 039
13	Allowance for ECL of other nonfinancial assets	(5 034)	(1 502)
14	**Total other non-financial assets net of allowance**	**20 824**	**11 785**
15	**Total other assets net of allowance**	**65 462**	**116 899**

As at 31.12.2022, accrued income included into this Note was UAH 17 111 thousand, and as at 31.12.2021 – UAH 1 081 thousand.

As at 31.12.2022 and 31.12.2021, maximal credit risk under other assets (cash limited in use, representing cash coverage for provision of settlements under Visa and Mastercard international payment systems) was UAH 31 463 thousand and UAH 11 091 thousand respectively.

Receivables under pay card transactions item includes mostly debt under payments using soft- and hardware complexes. Payables under these transactions are disclosed in *Payables under pay card transactions* item of Note 15 *Other Liabilities*. Were these items netted, payables under pay card transactions would have been UAH 15 382 thousand as at December 31, 2021

Table 11.2. Allowance for ECL of other assets in 2022

(UAH'000)

Line	Changes	Receivables under acquisition of assets	Advance for services	Other assets	Accrued income	Cash limited in use	Other financial assets	Total
1	**Balance as at December 31, 2021**	**-**	**(1 502)**	**-**	**(483)**	**(25)**	**-**	**(2 010)**
2	(Increase)/decrease of allowance	(214)	(3 294)	(24)	(9 634)	(4 503)	(80)	**(17 749)**
3	FX differences	-	-	-	-	(18)	-	**(18)**
4	**Balance as at December 31, 2022**	**(214)**	**(4 796)**	**(24)**	**(10 117)**	**(4 546)**	**(80)**	**(19 777)**

In 2022, there were no settlements of written-off receivables under other assets.

Table 11.3. Allowance for ECL of other assets in 2021

(UAH'000)

Line	Allowances	Receivables under purchase of assets	Prepayment for services	Accrued income	Cash limited in use	Total
1	**Balance as at December 31, 2020**	**-**	**(61)**	**(234)**	**(100)**	**(395)**
2	(Increase)/decrease of allowance	-	(1 441)	(253)	75	**(1 619)**
3	Bad debt written off	-	-	4	-	**4**
4	FX-rate differences	-	-	-	-	**-**
5	**Balance as at December 31, 2021**	**-**	**(1 502)**	**(483)**	**(25)**	**(2 010)**

In 2021, there were no settlements of written-off receivables under other assets.

Table 11.4. Changes of gross carrying amount of other assets in 2022

(UAH'000)

Line	Item	Receivables under pay card transactions	Cash limited in use	Other financial assets	Total
1	**Balance as at December 31, 2021**	**92 608**	**11 440**	**1 574**	**105 622**
2	Receivables initially recognized in the reporting period	-	19 899	16 835	36 734
3	Receivables derecognized or settled	(83 676)	-	-	(83 676)
4	Write-off by utilisation of allowance	-	-	-	-
5	FX-rate differences	170	372	159	701
6	**Balance as at December 31, 2022**	**9 102**	**31 711**	**18 568**	**59 381**

Table 11.5. Changes of gross carrying amount of other assets in 2021

(UAH'000)

Line	Item	Receivables under pay card transactions	Cash limited in use	Other financial assets	Total
1	**Balance as at December 31, 2020**	**472**	**11 141**	**1 685**	**13 298**
2	Receivables initially recognized in the reporting period	91 098	339	42	91 479
3	Receivables derecognized or settled	-	-	-	-
4	Write-off by utilisation of allowance	-	-	(4)	(4)
5	FX-rate differences	1 038	(40)	(149)	849
6	**Balance as at December 31, 2021**	**92 608**	**11 440**	**1 574**	**105 622**

Table 11.6. Credit quality of other assets in 2022

(UAH'000)

Line	Item	Minimal credit risk	Low credit risk	Medium credit risk	High credit risk	Defaulted assets	Total
1	Receivables under pay card transactions	9 102	-	-	-	-	9 102
2	Receivables under settlements under transfer transactions	852	-	-	-	-	852
3	Cash limited in use (guarantee)	10	-	31 701	-	-	31 711
4	Accrued income	6 716	550	281	1 375	8 189	17 111
5	Other financial assets	596	-	-	-	9	605
6	**Total other financial assets**	**17 276**	**550**	**31 982**	**1 375**	**8 198**	**59 381**

Table 11.7. Credit quality of other assets in 2021

(UAH'000)

Line	Item	Minimal credit risk	Low credit risk	Medium credit risk	High credit risk	Defaulted assets	Total
1	Receivables under pay card transactions	92 608	-	-	-	-	92 608
2	Receivables under settlements under transfer transactions	451	-	-	-	-	451
3	Cash limited in use (guarantee)	11 440	-	-	-	-	11 440
4	Accrued income	752	-	-	-	329	1 081
5	Other financial assets	37	-	-	-	5	42
6	**Total other financial assets**	**105 288**	**-**	**-**	**-**	**334**	**105 622**

NOTE 12. DUE TO BANKS

Table 12.1. Due to banks

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Funds received from National Bank of Ukraine	788 996	3 349 994
2	Sale and REPO contracts with other banks	-	231 613
3	**Total due to banks**	**788 996**	**3 581 607**

As at 31.12.2022, there are no accrued interest expense, included into due to banks.

As at 31.12.2021, accrued interest expense, included into due to banks, was UAH 914 thousand.

Carrying amount of assets (government bonds), filed in National Bank of Ukraine s collateral of the Bank under refinancing loan received, is UAH 815 775 thousand as at 31.12.2022, and UAH 3 960 310 thousand as at 31.12.2021.

As at 31.12.2022, no assets were transferred as security under REPO transactions.

As at 31.12.2021, carrying amount of assets (government bonds), used by the Bank as security under REPO transactions, was 235 789 thousand.

In 2022 and 2021, all liabilities under principal debt and related interest were paid in time.

NOTE 13. DUE TO CUSTOMERS

Table 13.1. Due to customers

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Other legal entities	2 406 367	3 167 995
1.1	Current accounts	1 841 915	2 441 146
1.2	Term deposits	564 452	726 849
2	Individuals:	2 413 767	1 530 601
2.1	Current accounts	276 478	125 125
2.2	Term deposits	2 137 289	1 405 476
3	**Total due to customers**	**4 820 134**	**4 698 596**

As at 31.12.2022, accrued interest expense, included into due to customers were UAH 44 627 thousand, while as at 31.12.2021 – UAH 23 018 thousand.

As at 31.12.2022 and 31.12.2021, maximal funds as customers' account were UAH 113 992 thousand and UAH 606 306 thousand, respectively.

Table 13.2. Due to customers by economic sectors

(UAH'000)

Line	Sector	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
1	Agriculture, forestry and fishery	23 324	0,48	33 798	0,72
2	Mining industry and quarry development	59 862	1,24	645 450	13,74
3	Processing industry	286 582	5,94	117 425	2,50
4	Power, gas and water supply, sewage, treatment of wastes	31 985	0,66	73 653	1,57
5	Wholesale and retail trade; repair of vehicles and motorcycles	827 571	17,17	605 039	12,88
6	Transport, warehousing, mail and courier services	71 830	1,49	41 330	0,88
7	Finances and insurance	544 083	11,29	888 063	18,90
8	Information and telecommunications, temporary quartering and catering	86 268	1,79	13 986	0,30
9	Professional, R&D activities	115 984	2,41	98 469	2,09
10	Construction	147 812	3,07	489 097	10,41
11	Other sectors	210 932	4,38	109 057	2,32

Line	Sector	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
12	Individuals	2 413 767	50,08	1 530 601	32,57
13	Other (independent professional activities and non-residents)	134	0,00	52 628	1,12
14	**Total due to customers:**	**4 820 134**	**100**	**4 698 596**	**100**

As at 31.12.2022, due to customers, used as a collateral under loan transactions, guarantees and security are total of UAH 419 742 thousand. Total amount of customers' liabilities to the Bank secured by their funds is UAH 902 012 thousand.

As at 31.12.2021, due to customers, used as a collateral under loan transactions, guarantees and security are total of UAH 399 488 thousand. Total amount of customers' liabilities to the Bank secured by their funds is UAH 1 155 696 thousand.

NOTE 14. PROVISIONS FOR LIABILITIES

Table 14.1. Changes of provisions for liabilities in 2022

(UAH'000)

Line	Changes	Loan commitments
1	**Balance as at December 31, 2021**	**6 469**
2	Formation and/or increase (decrease) of provision	20 316
3	FX-rate difference	2
4	**Balance as at December 31, 2022**	**26 787**

Table 14.2. Changes of provisions for liabilities in 2021

(UAH'000)

Line	Changes	Loan commitments
1	**Balance as at December 31, 2020**	**4 404**
2	Formation and/or increase (decrease) of provision	2 064
3	FX-rate difference	1
4	**Balance as at December 31, 2021**	**6 469**

Provisions under loan commitments issued are a guarantee of their performance in future, as recognized by the Bank as a liability, confirming possible future outflow of resources through settlement of these financial commitments by the Bank.

Provision under commitments includes provision under guarantees issued and provision for unconditional off-balance sheet loan commitments.
As at 31.12.2022 and 31.12.2021, provisions under liabilities were not consumed, while assets in an amount of expected compensation were not recognized.

NOTE 15. OTHER LIABILITIES

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
OTHER FINANCIAL LIABILITIES			
1	Payables under pay card transactions	2 522	107 990
2	Collateral value of keys for individual bank boxes	645	476
3	Accrued expense under settlements and business transactions	1 133	10 149
4	Payables under payments received	600	28
5	Payables to be clarified	19 586	1 810
6	Other financial liabilities	395	600
7	**Total other financial liabilities**	**24 881**	**121 053**
OTHER NON-FINANCIAL LIABILITIES			
8	Payables under taxes and dues, except for income tax	7 693	4 367
9	Payables under settlements with Bank personnel	343	210
10	Payables under acquisition of assets	110	37

Line	Item	December 31, 2022	December 31, 2021
11	Deferred income	16 139	8 050
12	Provision for vacations	9 651	9 890
13	Payables for services	2 145	1 382
14	Payables for financial services received	9 591	18 181
15	**Total other nonfinancial liabilities**	**45 672**	**42 117**
16	**Total other liabilities**	**70 553**	**163 170**

As at 31.12.2022, accrued expense, included in the Note, were UAH 1 133 thousand, as at 31.12.20121 – UAH 10 149 thousand.

Analysis of maturities of lease liabilities and description of liquidity risk management by the Bank are presented in Note 27.

As at December 31, 2021, payables under pay card transactions include mostly payables for payment made with use of soft- and hardware complexes. Receivables under these transactions are disclosed as Receivables under pay card transactions of Table 11.1 Other assets of Note 11.

If these items are netted, payables under pay card transactions would have been UAH 15 382 thousand as at December 31, 2021.

NOTE 16. SHARE CAPITAL AND SHARE PREMIUM

(UAH'000)

Line	Item	Shares in circulation (000 pcs)	Ordinary shares	Total
1	Balance as at December 31, 2020	157 480	215 748	215 748
2	Balance as at December 31, 2021	157 480	215 748	215 748
3	Balance as at December 31, 2022	157 480	215 748	215 748

The Bank issues registered ordinary shares.

In May 2022, Supervisory Board of the Bank decided not to issue ordinary registered shares in an amount of 19 666 483 (nineteen million six hundred sixty-six thousand and four hundred eighty-three) shares initiated by decision pf the Sole shareholder of the Bank on 18.12.2020.

In June 2022, the funds in an amount of UAH 26 943 081,71, inputted earlier as payment for 19 666 483 shares of the Bank, were returned to the Sole shareholder of the Bank – Mr. Stefan Paul Pinter.

As at 31.12.2022, share capital is represented by 157 480 317 (one hundred and fifty-seven million four hundred eighty thousand three hundred seventeen) registered ordinary shares of par value of UAH 1,37 each distributed between shareholders. Shares are paid for in full.

In 2022 and 2021:

- the Bank did not issue bearer shares and preference shares;
- the Bank did not issue shares under option and sale contract terms;
- dividends were not paid;
- shares were not limited in ownership;
- there were no decisions to decrease share capital.

Owners of ordinary shares have a right to participate in governance of the Bank, participate in allocation of Bank profit, receive dividends if the respective decision is taken by general meeting of shareholders, receive a share of Bank property or value in case of liquidation of the Bank, receive information on financial activities of the Bank, preferential right to purchase Bank shares issues in the process of private floatation of the Bank, be free in management of own shares in accordance with current Ukrainian law. Bank shares confirm equal rights set by current Ukrainian law. No preferences or limitations regarding shares issues do not exist.

NOTE 17. REVALUATION RESERVES (COMPONENTS OF OTHER COMPREHENSIVE INCOME)

(UAH'000)

Line	Item	Note	December 31, 2022	December 31, 2021
1	**Opening balance**		**(24 191)**	**3 381**
2	Revaluation of securities at fair value through other comprehensive income	9	(45 213)	(33 624)
2.1	Changes in revaluation to fair price	9	(74 032)	(33 872)
2.2.	Income (expense) through sale, reclassified into profit or loss of the reporting period		28 819	248
3	Income tax related to change of reserve of revaluation of securities at fair value through other comprehensive income		8 138	6 052
4	Total changes in revaluation reserves (other comprehensive income)		(37 075)	(27 572)
5	**Closing balance**		**(61 266)**	**(24 191)**

NOTE 18. ASSETS AND LIABILITIES BY MATURITIES

(UAH'000)

			December 31, 2022			December 31, 2021		
Line	**Item**	**Note**	**> 12 months**	**< 12 months**	**Total**	**> 12 months**	**< 12 months**	**Total**
ASSETS								
1	Cash and cash equivalents	6	319 968	-	319 968	374 348	-	374 348
2	Loans and due from banks	7	273 098	-	273 098	429 937	-	429 937
3	Loans and due from customers	8	1 659 658	961 094	2 620 752	1 379 924	697 073	2 076 997
4	Investments in securities	9	2 852 331	66 491	2 918 822	3 207 842	2 610 543	5 818 385
5	Deferred tax asset		-	24 538	24 538	-	7 654	7 654
6	Fixed and intangible assets	10	1 109	84 269	85 378	1 948	75 772	77 720
7	Right-of-use assets		1 993	44 623	46 616	2 945	41 259	44 204
8	Other assets	11	36 037	29 425	65 462	116 392	507	116 899
9	**Total assets**		**5 144 194**	**1 210 440**	**6 354 634**	**5 513 336**	**3 432 808**	**8 946 144**
LIABILITIES								
10	Due to banks	12	-	788 996	788 996	582 613	2 998 994	3 581 607
11	Due to customers	13	4 460 790	359 344	4 820 134	4 548 187	150 409	4 698 596
12	Liabilities under current income tax		21 942	-	21 942	12 040	-	12 040
13	Provisions for liabilities	15	25 843	944	26 787	6 376	93	6 469
14	Lease liabilities		31 526	25 814	57 340	36 222	7 099	43 321
15	Other liabilities	16	56 358	14 195	70 553	157 779	5 391	163 170
16	**Total liabilities**		**4 596 459**	**1 189 293**	**5 785 752**	**5 343 217**	**3 161 986**	**8 505 203**

NOTE 19. INTEREST INCOME AND EXPENSE

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
INTEREST INCOME:			

Interest income under financial assets at amortized cost			
1	Loans and due from customers	320 849	266 089
2	Debt securities	70 415	18 621
3	Correspondent accounts in other banks	68	11
4	Deposits (loans) overnight in other banks	16	374
5	Interest income under impaired financial assets	49 844	30 192
6	**Total interest income under financial assets at amortized cost**	**441 192**	**315 287**
Interest income under financial assets at fair value through other comprehensive income			
7	Debt securities	427 966	320 364
8	**Total interest income under financial assets at fair value through other comprehensive income**	**427 966**	**320 364**
9	**Total interest income**	**869 158**	**635 651**
INTEREST EXPENSE:			
Interest expense under financial liabilities at amortized cost			
10	Corporate term deposits	(53 143)	(37 518)
11	Other term deposits (NBU loans)	(444 399)	(173 935)
12	Term deposits of individuals	(161 645)	(90 958)
13	Term deposits of other banks	(7 219)	(4 396)
14	Current accounts	(55 211)	(25 958)
15	Lease liabilities	(6 388)	(4 245)
16	**Total interest expense under financial liabilities at amortized cost**	**(728 005)**	**(337 010)**
17	**Total interest expense**	**(728 005)**	**(337 010)**
18	**Net interest income/(expense)**	**141 153**	**298 641**

NOTE 20. COMMISSION INCOME AND EXPENSE

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
COMMISSION INCOME:			
1	Cash settlement transactions	1 584 346	861 385
2	Income under currency market transactions	13 847	12 253
3	Guarantees issued	36 593	30 682
4	Loan servicing of customers	47 407	12 298
5	Other	2 646	2 170
6	**Total commission income**	**1 684 839**	**918 788**
7	Cash settlement transactions	(800 367)	(709 672)
8	Transactions with securities	(22)	(18)
9	Settlements with IPS	(95 234)	(15 853)
10	Guarantees received	(44)	(46)
11	**Total commission expense**	**(895 667)**	**(725 589)**
12	**Net commission income/expense**	**789 172**	**193 199**

NOTE 21. OTHER OPERATING INCOME

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Income under sublease of right-of-use assets	20	80
2	Income from disposal of fixed and intangible assets	39	45
3	Income from modification of financial assets	640	1 898
4	Income from derecognition of financial assets	257	957
5	Income from lease modification	516	4 421
6	Income from fines and penalties	488	599
7	Income from derecognition of financial liabilities	9 944	4 181
8	Agent fee from financial and insurance companies	1 559	2 364
9	Income from checking and recalculation of cash	877	1 482
10	Other	812	681
11	**Total operating income**	**15 152**	**16 708**

NOTE 22. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Table 22.1. Expense under employee benefits

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Salaries and bonuses	(167 761)	(150 881)
2	Payroll charges	(33 176)	(29 449)
3	Other employee benefits	(2 796)	(934)
4	**Total expense under employee benefits**	**(203 733)**	**(181 264)**

Table 22.2. Depreciation and amortization

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Depreciation of fixed assets	(12 035)	(8 842)
2	Amortization of software and intangible assets	(4 427)	(4 086)
3	Depreciation of right-of-use assets	(27 586)	(21 398)
4	**Total depreciation and amortization**	**(44 048)**	**(34 326)**

Table 22.3. Other administrative and operating expenses

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Loss through disposal of assets	(54)	(3 906)
2	Maintenance of fixed and intangible assets	(9 059)	(7 150)
3	Maintenance of fixed assets received under lease	(5 031)	(2 666)
4	Expense under short-term lease	(3 945)	(164)
5	Expense under lease of low-value assets	(1 368)	(375)
6	Expense related to variable lease payments	(4 676)	(2 295)
7	Professional services	(178)	(498)
8	Marketing and promotion	(1 803)	(727)
9	Insurance expense	(12 520)	(11 618)
10	Other taxes and dues paid, except for income tax	(17 709)	(9 336)
11	Expense from modification of financial assets	(3 551)	(2 383)
12	Loss from derecognition of financial assets	(826)	(248)
13	Losses from modification of lease	(3)	(45)
14	Telecommunication	(4 651)	(6 626)
15	Audit	(545)	(1 046)
16	Security	(1 440)	(1 472)
17	Household expense	(10 759)	(8 900)
18	Fee for attraction of customers	(11 469)	(11 636)
19	Expense under payments with use of hardware-software systems	(57 511)	(23 072)
20	Utilities	(1 122)	(431)
21	Cost of processing services and personalization of PC	(42 452)	(5 493)
22	Fines and penalties paid	(6 947)	(89)
23	Sponsorship and charity	(12 292)	(63)
24	Cost of cash collection	(1 768)	(2 346)
25	Net profit (loss) from impairment of nonfinancial assets	(3 532)	(1 441)
26	Other administrative and operating expenses	(11 320)	(6 329)
27	**Total administrative and other operating expenses**	**(226 531)**	**(110 355)**

NOTE 23. NET PROFIT/(LOSS) FROM TRANSACTIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Income less expense under transactions with derivative financial instruments (forex swaps) at fair value through profit or loss	(1 560)	(113)
2	Income less expense under transactions with derivative financial instruments (forward securities sale contracts) at fair value through profit or loss	-	318
3	Income less expense under transactions with debt securities (government bonds) at fair value through profit or loss	22	105
4	**Total result from transactions with derivative financial instruments at fair value through profit or loss**	**(1 538)**	**310**

NOTE 24. INCOME TAX EXPENSE

Table 24.1. Income tax expense paid

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Current income tax	(54 375)	(33 725)
2	Changes of deferred tax related relating to the origination and reversal of temporary differences	8 746	299
3	**Total income tax expense**	**(45 629)**	**(33 426)**

Table 24.2. Reconciliation of financial profit (loss) and tax profit (loss)

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	Income before taxes	237 588	184 507
2	Theoretical tax charge at respective tax rate	(42 766)	(33 211)
	ADJUSTMENT OF FINANCIAL ACCOUNTING PROFIT:		
3	Non-deductible costs recognized in financial accounting (depreciation of fixed and intangible assets, results of disposal of fixed and intangible assets, transfer of funds to non-profit organizations, write-off of debt not recognized as bad in tax accounting)	(9 005)	(2 226)
4	Deductible expense, not recognized in financial accounting (depreciation of fixed and intangible assets, results of disposal of fixed and intangible assets, expense under formation of provisions)	2 507	1 909
5	Non-taxable income recognized in financial accounting (income from sale of securities as per p. 141.2 of Tax Code of Ukraine)	(5 111)	(412)
6	Taxable income, not recognized in accounting profit (loss) (amount of total positive financial performance under securities sale transactions taking into account negative financial result of such transactions not disclosed in previous tax periods	-	412
7	Other adjustments	-	(197)
8	Changes of net deferred tax asset	8 746	299
9	**Income tax expense**	**(45 629)**	**(33 426)**

There were no changes in income tax rate during the reporting period in accordance with current Ukrainian tax laws.

Table 24.3. Tax effect of recognition of deferred tax assets and deferred tax liabilities in 2022

(UAH'000)

Line	Item	Balance as at December 31, 2021	Recognized in profit/loss	Recognized in other comprehensive income	Balance as at December 31, 2022
1	Item	7 654	8 746	8 138	24 538
1.1	Tax effect of temporary differences, decreasing (increasing) taxable amount and tax loss carry-forward	(93)	(22)	-	(115)

1.2	Fixed assets	6 583	-	8 138	14 720
1.3	Loss from sale of securities	-	5 111	-	5 111
1.4	Provisions for liabilities	1 164	3 657	-	4 822
2	**Net deferred tax asset (liability)**	**7 654**	**8 746**	**8 138**	**24 538**
3	Recognized deferred tax asset	7 654	8 746	8 138	24 538
4	Recognized deferred tax liability	-	-	-	

Table 24.4. Tax effect of recognition of deferred tax assets and deferred tax liabilities in 2021

(UAH'000)

Line	Item	Balance as at December 31, 2020	Recognized in profit/loss	Recognized in other comprehensive income	Balance as at December 31, 2021
1	Tax effect of temporary differences, decreasing (increasing) taxable amount and tax loss carry-forward	1 302	299	6 053	7 654
1.1	Fixed assets	(21)	(72)	-	(93)
1.2	Securities at fair value through other comprehensive income	530	-	6 053	6 583
1.3	Provisions for liabilities	793	371	-	1 164
2	**Net deferred tax asset (liability)**	**1 302**	**299**	**6 053**	**7 654**
3	Recognized deferred tax asset	1 302	299	6 053	7 654
4	Recognized deferred tax liability	-	-	-	-

NOTE 25. EARNINGS (LOSS) PER ORDINARY SHARE

(UAH'000)

Line	Item	Note	December 31, 2022	December 31, 2021
1	Earnings/(loss) to owners of Bank ordinary shares		191 959	151 081
2	Earnings of the period		191 959	151 081
3	Average number of circulating ordinary shares (thousand)	16	157 480	157 480
4	Net and adjusted earnings per ordinary share		1.22	0.96

NOTE 26. OPERATING SEGMENTS

Information on major segments of the Bank as at December 31, 2022, and December 31, 2021, is presented below.

Table 26.1. Performance of major segments of the Bank as at December 31, 2022

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	**Segment assets, including:**	**2 509 977**	**110 775**	**2 864 763**	**-**	**869 119**	**6 354 634**
2	Loans, gross	2 727 626	118 675	-	-	-	2 846 301
3	Allowance	(217 649)	(7 900)	(54 059)	-	(19 777)	(299 385)
4	Other items, gross	-	-	2 918 822	-	888 896	3 807 718
5	**Segment liabilities, including**	**2 400 687**	**2 413 767**	**788 996**	**5 680**	**176 622**	**5 785 752**
6	Due to customers	2 400 687	2 413 767	-	-	-	4 814 454
7	Other items	-	-	788 996	5 680	176 622	971 298

Table 26.2. Profit and loss of reporting segments in 2022

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	Interest income	341 425	29 268	498 465	-	-	869 158
2	Interest expense	(111 937)	(164 449)	(451 619)	-	-	(728 005)
3	Transfer	(105 183)	188 423	(99 553)	2 464	13 849	-
4	**Net interest income**	**124 305**	**53 242**	**(52 707)**	**2 464**	**13 849**	**141 153**
5	Commission income	130 068	63 435	4 924	1 486 412	-	1 684 839
6	Commission expense	(1 506)	(10 150)	(16 209)	(867 802)	-	(895 667)
7	**Net commission income**	**128 562**	**53 285**	**(11 285)**	**618 610**	**-**	**789 172**
8	**Trade income**	**-**	**52 874**	**20 661**	**16 703**	**-**	**90 238**
9	**Depreciation and amortization**	**(12 224)**	**(24 793)**	**(601)**	**-**	**(6 430)**	**(44 048)**
10	**Operating and other income (expenses)**	**(139 986)**	**(101 479)**	**(85 453)**	**(116 042)**	**(30 943)**	**(473 903)**
11	**Financial performance before allowance**	**100 657**	**33 129**	**(129 385)**	**521 735**	**(23 524)**	**502 612**
12	**Allowances**	**(196 401)**	**(4 370)**	**(50 601)**	**-**	**(13 652)**	**(265 024)**
13	**Segment performance**	**(95 744)**	**28 759**	**(179 986)**	**521 735**	**(37 176)**	**237 588**
14	**Income tax expense**	**18 387**	**(5 523)**	**34 567**	**(100 199)**	**7 139**	**(45 629)**
15	**Net profit of the period**	**(77 357)**	**23 236**	**(145 419)**	**421 536**	**(30 037)**	**191 959**

Negative financial performance of certain business segments is the result of military aggression of russia against Ukraine.

As to Corporate business segment, in 2022 the Bank allocated over UAH 196 million into allowances (potentially nonperforming assets, impairment of collateral, collaterals located at temporarily occupied areas, delayed debt servicing, etc.). Were the increase allowances not necessary as a result of war, Corporate business segment results would have been positive.

As to a Interbank and investing business segment, negative financial performance resulted from increase of NBU discount rate -liabilities were revalued (the rate at NBU refinancing loan went up by 2,5 times), while profitability of assets did not change (GB have fixed interest rate).

High profit of E-business can be explained by increase of remote settlements during the war, prior efforts of the Bank to develop own acquiring and offer of temporary discounts under MasterCard and Visa interchange (0% in March – April, 0,3% in May - August, 0,7% in September – November and 1,0% in December compared to 1,2% in pre-war period).

Table 26.3. Performance of major segments of the Bank as at December 31, 2021

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	**Segment assets, including:**	**1 960 130**	**116 867**	**5 818 385**	**-**	**1 050 762**	**8 946 144**
2	Loans, gross	2 000 161	120 637	-	-	-	2 120 798
3	Allowance	(40 031)	(3 770)	-	-	(7 850)	(51 651)
4	Other items, gross	-	-	5 818 385	-	1 058 612	6 876 997

5	**Segment liabilities, including**	**3 167 995**	**1 530 601**	**3 581 607**	**16 723**	**208 277**	**8 505 203**
6	Due to customers	3 167 995	1 530 601	-	-	-	4 698 596
7	Other items	-	-	3 581 607	16 723	208 277	3 806 607

Table 26.4. Profit and loss of reporting segments in 2021

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	Interest income	263 116	33 166	339 370	-	-	635 651
2	Interest expense	(65 863)	(92 815)	(178 332)	-	-	(337 010)
3	Transfer	(63 002)	125 696	(100 955)	259	38 002	-
4	**Net interest income**	**134 250**	**66 047**	**60 083**	**259**	**38 002**	**298 641**
5	Commission income	87 732	49 166	7 260	774 630	-	918 788
6	Commission expense	(1 113)	(730)	(21 295)	(702 451)	-	(725 589)
7	**Net commission income**	**86 619**	**48 436**	**(14 035)**	**72 179**	**-**	**193 199**
8	**Trade income**	**-**	**24 059**	**16 761**	**(2 776)**	**(1 418)**	**36 626**
9	**Depreciation and amortization**	**(5 526)**	**(23 321)**	**(468)**	**-**	**(5 011)**	**(34 326)**
10	**Operating and other income (expenses)**	**(97 055)**	**(85 840)**	**(26 923)**	**(31 626)**	**(31 219)**	**(272 663)**
11	**Financial performance before allowance**	**118 288**	**29 381**	**35 418**	**38 036**	**354**	**221 477**
12	**Allowances**	**(30 265)**	**(1 512)**	**(5 193)**	**-**	**-**	**(36 970)**
13	**Segment performance**	**88 023**	**27 869**	**30 225**	**38 036**	**354**	**184 507**
14	**Income tax expense**	**(15 950)**	**(5 050)**	**(5 477)**	**(6 892)**	**(57)**	**(33 426)**
15	**Net profit of the period**	**72 073**	**22 819**	**24 748**	**31 144**	**297**	**151 081**

NOTE 27. FINANCIAL RISK MANAGEMENT

In 2022, the Bank managed financial risks based on requirements of current Ukrainian law (taking into account ,atrial law introduced in Ukraine as of 24.02.2022) , rules and regulations of National Bank of Ukraine (first of all, *Regulation on Organization of Risk management System in Ukrainian Banks and Bank Groups* approved by Decision of NBU Board №64 of 11.06.2018), internal Bank documents, international standards and recommendations on risk management taking into account general bank practice. Major purpose of risk management system, used by the Bank, is quantitative measurement of probability of non-correspondence of bulk, dimensional and timely parameters of financial flows of the Bank to expected flows, formed as a result of purposeful action or inaction of interested parties in economic relations, reflected in the change of Bank financial position of dynamics of development.

The Bank, when designing its risk management system, complies with the following principle: forecasted income can be gained only if the risk is taken into account at decision-making stage, while measures designed to prevent and minimize the risk are in place.

In its financial activities the Bank faces the following risks, major of them in 2022 being: credit risk, operating risk, interest rate risk and liquidity risk. The Bank developed internal documents covering these risks believed to be significant (Risk management strategy, policies, methodologies, rules, regulations) regulating procedures of risk assessment and control, setting objectives and tasks in the process of risk management, and regulating application of procedures to minimize effect of bank risks on Bank performance and its capital.

Credit risk is the risk threatening income and capital of the Bank through possible non-compliance of a counterpart or a group of counterparts with their obligations toward the Bank.

Credit risk is managed by implementation of crediting policy, diversification of loan portfolio, control over concentration by businesses, related and systemic customers, industries and regions, establishment of allowances, credit analysis and monitoring, application of system of limits.

Credit risk is assessed in accordance with internal rules and regulations on credit risk assessment to limit or evade excessive risk.

At initial recognition, f financial instrument is placed at Stage 1 (low credit risk), i.e., the Bank provides loans (tranches) within Stage 1, while at remeasurement as at subsequent reporting dates they it can migrate to Stage 2 (significant increase of credit risk compared to initial recognition of an asset) and Stage 3 (default/impairment of asset), if there are respective indications (first of all – number of days overdue). When preparing annual statements, a notion of 'low credit rating' is used for financial instruments at Stage 1, while preparation of tables with scaling of financial position of a borrower ('minimal credit risk', 'low credit risk', 'medium credit risk', 'high credit risk', 'defaulted assets') is based on Annex 4 to Regulation on measurement of credit risk under active transactions by Ukrainian banks, approved by Decree of the Board of National Bank of Ukraine №351 of 30.06.2016, i.e., the table compares classes of borrowers by their types (legal entity, individual, private entrepreneur), for which credit risk is measured.

Collegial body, providing for minimization of credit risk and effective risk management, efficient placement of credit resources, setting rules and methods of their use to achieve optimal level of income, as well as assessment of quality of loan-and-investing portfolio of the Bank, is Credit committee (within the powers delegated by Supervisory Board).

The Bank applies different methods of protection from potential risks, including insurance, allowances, hedging, diversification, introduction of limits at transaction and portfolio levels, evasion (decline of transaction), monitoring of asset quality and collateral received, etc.

Maximal amount of permissible credit risk is stated in respective notes on financial instruments to Statement of financial position.

In 2022, the Bank continues to measure allowances for ECL in accordance with IFRS 9. Internal regulations of the Bank provide approach to impairment in accordance with 3 stages as per IFRS 9, measurement of ECL for financial instruments, factors of significant increase of credit risk, principles of individual and portfolio impairment.

In 2022, the Bank complied with ratios, introduced by National Bank of Ukraine, including credit risk ratio. As at the reporting date, maximal level of credit risk per one borrower (H7) was 20,59% (with required value not more than 25%); credit risk concentration with large borrowers (H8) was 241,37% (with required value not more than 800%); total credit risk for relayed parties (H9) was 0,77% (with required value not more than 25%).

Market risks are the risks threatening Bank income and capital as a result of unfavourable changes of financial market indicators (e.g., interest rate, FX-rate, quotation of securities, et.). The Bank controls market risks based on their type: currency risk and interest rate risk – using measurement of volatility of financial indexes and instruments, based on forecasts of development of economic and political situation on Ukraine and abroad, as well as approved macroeconomic parameters of budget and forecast of economic development of the country.

Purpose of market risk management is management and control over market risk within the range of approved parameters for optimization of profitability under the risk.

Functions of market risk management rest with Asset-and-liabilities management committee (ALMC). Regulation on ALMC sets legal grounds for its operations and powers of the collegial body, its major purpose and functions, rules and methods of its operation, rules of cooperation with structural departments and other Bank bodies, rules of decision making, system of reporting and accountability for compliance with the above rules.

Currency risk - is the risk threatening income and capital, resulting from unfavourable X-rate changes at the market.

The Bank has assets and liabilities nominated in several currencies. Currency risk is managed by control over open currency positions for each currency during execution of currency transactions, including trade. Limits used to regulate level of Bank currency risk, correspond to limits and limitations set by National Bank of Ukraine. ALMC continuously monitors currency positions in compliance of regulatory requirements, measures possible (future) X-rate losses that depends on value of open position and change of X-rate for UAH, calculated based on statistical and mathematical models of currency risk measurement.

Analysis of currency risk is presented in the Tables 27.1, 27.2, 27.3 below. Calculation was performed for cash balances in currencies other than functional currency.

Table 27.1. Currency risk

(UAH'000)

Line	Currency	December 31, 2022				December 31, 2021			
		monetary assets	monetary liabilities	derivative financial instruments	Net position	monetary assets	monetary liabilities	derivative financial instruments	Net position
1	USD	751 956	759 837	-	(7 881)	1 032 621	1 031 799	-	822
2	EUR	208 828	232 165	-	(23 337)	304 354	308 601	-	(4 247)
3	GBP	618	185	-	433	489	147	-	342
4	Other	4 803	313	-	4 490	7 709	4 203	-	3 506
5	**Total**	**966 205**	**992 500**	**-**	**26 295**	**1 345 173**	**1 344 750**	**-**	**423**

Table 27.2. Changes in profit or loss and equity at possible changes of UAH official FX-rates as at the reporting date, if all other characteristics stay fixed

(UAH'000)

Line	Currency	December 31, 2022		December 31, 2021	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	USD strengthening by 50 %	(3 941)	(3 941)	411	411
2	USD weakening by 50 %	3 941	3 941	(411)	(411)
3	EUR strengthening by 50 %	(11 669)	(11 669)	(2 124)	(2 124)
4	EUR weakening by 50 %	11 669	11 669	2 124	2 124
5	GBP strengthening by 50 %	217	217	171	171
6	GBP weakening by 50%	(217)	(217)	(171)	(171)
7	Other currencies strengthening by 50%	2 245	2 245	1 753	1 753
8	Other currencies weakening by 50%	(2 245)	(2 245)	(1 753)	(1 753)

Table 27.3. Changes in profit or loss and equity at possible changes of UAH official FX-rates set as weighted average rate, if all other characteristics stay fixed

(UAH'000)

Line	Currency	December 31, 2022		December 31, 2021	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	USD strengthening by 50 %	(3 485)	(3 485)	411	411
2	USD weakening by 50 %	3 485	3 485	(411)	(411)
3	EUR strengthening by 50 %	(10 179)	(10 179)	(2 219)	(2 219)
4	EUR weakening by 50 %	10 179	10 179	2 219	2 219
5	GBP strengthening by 50 %	196	196	174	174
6	GBP weakening by 50%	(196)	(196)	(174)	(174)
7	Other currencies strengthening by 50%	2 169	2 169	1 770	1 770
8	Other currencies weakening by 50%	(2 169)	(2 169)	(1 770)	(1 770)

Sensitivity level used in preparation of currency risk reports for top management of the Bank is measurement of effect of possible X-rate changes on profitability and equity by management based open currency positions. Sensitivity analysis includes only balances of monetary items, expressed in foreign currencies, adjusted by translation into presentation currency as at the end of the period, keeping in mind respective X-rate changes.

Limitations of sensitivity analysis. The tables above disclose effect of changes based on major assumption while all other assumptions stay fixed. In reality, there is a correlation between assumptions and other factors. It should be noted that sensitivity is of non-linear nature, so, the results should interpolate or extrapolate.

Sensitivity analysis does not take into account that the Bank actively manages its assets and liabilities. Besides, financial position of the Bank may changes depending on actual events in future. In this situation different methods of measurement of assets and liabilities may result in significant fluctuations of equity.

Interest rate risk is the result of occurrence on any of the following non-correspondences between assets and liabilities:

- gaps in maturities between assets and liabilities;
- application of fixed and variable interest rates to financial instruments;
- different periods of revision of interest rates for assets and liabilities.

Interest rate management is based on implementation of optimal placement of paid liabilities into profitable assets - structural balancing, i.e., process of balancing of assets and liabilities of balance sheet and off-balance sheet positions of the Bank by amounts, currencies and maturities, keeping in mind different aspects of interest rate risk.

To manage interest rate risk, the Bank continuously evaluates gaps of interest income and expense positions, dynamics of market interest rates for different types of interest-bearing assets and liabilities. In practice, the Bank changes interest rates for assets and liabilities in accordance with current market terms and calculates necessary margin level to support profitability of transactions.

ALMC is responsible to maintain minimal difference between interest-rate sensitive assets and liabilities and controls effect of significant changes in general crediting and investing policies in level of credit risk. Besides, ALMC analyses current and prospective financial market situation to develop resource management strategy, and effect of interest rate changes and changes in structure of assets and liabilities on income, equity and value of assets, reporting the results to Bank Management Board.

Analysis on interest rate risk is presented in Tables 27.4 and 27.5 below.

Table 27.4. General analysis of interest rate risk

(UAH’000)

Line	Item	On demand and less than 1 month	1 - 6 months	6 – 12 months	Over a year	Financial instruments not affected by interest rate risk	Total
2022							
1	Total financial assets	1 925 859	1 881 059	995 873	1 054 501	319 986	**6 177 278**
2	Total financial liabilities	3 497 146	1 039 229	744 937	385 158	24 881	**5 691 351**
3	**Net interest rate gap as at December 31, 2022**	**(1 571 287)**	**841 830**	**250 936**	**669 343**	**295 105**	**485 927**
2021							
4	Total financial assets	1 621 211	1 528 356	1 868 119	3 307 615	479 480	**8 804 781**
5	Total financial liabilities	6 730 768	685 332	749 917	157 507	121 053	**8 444 577**
6	**Net interest rate gap as at December 31, 2021**	**(5 109 557)**	**843 024**	**1 118 202**	**3 150 107**	**358 427**	**360 204**

Assets and liabilities are allocated to groups depending on term of earlier of revision of interest rate or maturities.

Assets and liabilities are allocated to groups depending on term of earlier of revision of interest rate or maturities.

(UAH'000)

Line	Item	On demand and less than 1 month	1 - 6 months	6 – 12 months	Over 1 year	Total
December 31, 2022						
1	Parallel adjustment by 1 % up	**(7 823)**	**8 418**	**2 509**	**(1 197)**	**1 907**
2	Parallel adjustment by 1 % down	**7 823**	**(8 418)**	**(2 509)**	**1 197**	**(1 907)**
December 31, 2021						
3	Parallel adjustment by 1 % up	**(51 096)**	**8 430**	**11 182**	**31 501**	**17**
4	Parallel adjustment by 1 % down	**51 096**	**(8 430)**	**(11 182)**	**(31 501)**	**(17)**

Table 27.5. Monitoring of interest rates under financial instruments

(%)

Line	Item	2022				2021			
		UAH	USD	EUR	other	UAH	USD	EUR	other
ASSETS									
1	Loans and due from banks	-	-	-	-	-	-	-	-
2	Loans and due from customers	18,0	7,8	8,2	-	14,5	7,8	5,1	-
3	Investments in securities	18,1	-	-	-	12,0	3,9	2,5	-
LIABILITIES									
4	Due to banks	25,0	-	-	-	9,3	-	-	-
5	Due to customers:								
5.1	Current accounts	7,6	1,2	0,6	-	3,4	0,7	0,4	-
5.2	Term deposits	14,7	3,0	2,6	-	9,2	3,3	3,1	-

Interest is accrued at fixed rate.

Interest rate under NBU refinancing loans is floating (NBU discount rate plus margin; the Table used acting interest rate under NBU loans as at the end of 2022.

Geographical risk - below is the analysis of geographical concentration of financial assets and liabilities:

Table 27.6. Geographical concentration of financial assets and liabilities in 2022

(UAH'000)

Line	Item	Ukraine	OECD	Other	Total
Assets					
1	Cash and cash equivalents	319 968	-	-	319 968
2	Loans and due from banks	273 098	-	-	273 098
3	Loans and due from customers	2 620 752	-	-	2 620 752
4	Investments in securities	2 918 822	-	-	2 918 822
5	Other financial assets	44 620	-	18	44 638
6	**Total financial assets**	**6 177 260**	**-**	**18**	**6 177 278**
Liabilities					
7	Due to banks	788 996	-	-	788 996
8	Due to customers	4 809 419	8 825	1 890	4 820 134
9	Lease liabilities	57 340	-	-	57 340
10	Other financial liabilities	24 850	8	23	24 881
11	**Total financial liabilities**	**5 680 605**	**8 833**	**1 913**	**5 691 351**
12	Net position under financial instruments	496 655	(8 833)	(1 895)	485 927
13	Loan commitments	2 464 334	4 865	-	2 469 199

Table 27.7. Geographical concentration of financial assets and liabilities in 2021

(UAH'000)

Line	Item	Ukraine	OECD	Other	Total
Assets					
1	Cash and cash equivalents	374 348	-	-	374 348
2	Loans and due from banks	429 937	-	-	429 937

3	Loans and due from customers	2 076 997	-	-	2 076 997
4	Investments in securities	5 818 385	-	-	5 818 385
5	Other financial assets	105 113	-	1	105 114
6	**Total financial assets**	**8 804 780**	**-**	**1**	**8 804 781**
Liabilities					
7	Due to banks	3 581 607	-	-	3 581 607
8	Due to customers	4 666 334	4 532	27 730	4 698 596
9	Derivative financial liabilities	-	-	-	-
10	Lease liabilities	43 321	-	-	43 321
11	Other financial liabilities	121 047	3	3	121 053
12	**Total financial liabilities**	**8 412 309**	**4 535**	**27 733**	**8 444 577**
13	Net position under financial instruments	392 471	(4 535)	(27 732)	360 204
14	Loan commitments	2 942 798	-	-	2 942 798

Liquidity risk

Liquidity risk is the risk threatening income and equity as a result of inability of the Bank to cover its need in cash in time, in full and with minimal losses to meet its cash liabilities. Liquidity risk is subdivided into market liquidity risk and insolvency risk. The first risk relates to losses occurring for the Bank due to inability to attract funds from market. The second risk relates to inability of the Bank to meet its liabilities toward counterparts as a result of shortage of high-liquid assets.

Level of Bank liquidity risk appetite is set by regulations of National Bank of Ukraine and internal limitations, set by the Bank for its structure of assets and liabilities. Internal liquidity management requirements comply with requirements of National Bank of Ukraine.

The Bank uses three-level system to manage liquidity risk:

- strategic management at the stage of business plan development as planned scope and structure of assets and liabilities;
- tactical management through establishment of requirements and limitations by ALMC;
- operational management through reconciliation of cash inflows and outflows performed by Treasury department daily.

Development of cash flows forecast makes it possible to control changes in Bank liquidity, if potential events that may negatively affect structure of active-and-passive transactions, occur, creating the register of such events and their quantitative impact to balance sheet, describing management decisions necessary to adjust liquidity position in unfavourable business situation and efficiency of such decisions for Bank liquidity.

Basic instruments for measurement of cash position of the Bank, created by cash inflows and outflows, is report on gaps between maturities of assets and liabilities and report on forecast of cash flows. Collegial Bank bodies (ALMC, Management Board, Supervisory Board) take their decisions regarding liquidity of the Bank based on these reports.

The most difficult element in management of Bank liquidity is maintenance of optimal ratio between liquidity and profitability, requiring maintenance of optimal structure of Bank balance sheet.

Bank approach to liquidity management is through provision of constant adequate level of liquidity to be able to settle its liabilities at proper time in usual situations and in crisis situations without any undue losses and no risk for Bank reputation.

The Bank actively tries to get diversified and stable sources of financing, including funds attracted by increase of share capital, loans of National Bank of Ukraine, deposits of legal entities and individuals.

In order to provide for short-term liquidity, the Bank attracts short-term deposits and cash at current accounts, enters into repo agreements, buys and sells foreign currency and securities. In order to provide for long-term liquidity, the Bank attracts mid- and long-term deposits, reviews possibility to issue long-term debt securities, sells assets, e.g., securities, regulates its policies on interest rates and tries to decrease its expenses.

In 2022, the Bank complied with liquidity ratio and did not violate rate of mandatory reservation of funds at correspondent account as National Bank of Ukraine.

The Bank analyses liquidity by maturities based on discounted cash flows. The Bank did not violate terms of agreements on attraction of funds, settling its liabilities in proper time.

Analysis of liquidity risk is presented in Tables 27.8, 27.9, 27.10 and 27.11 below.

Table 27.8. Financial liabilities by maturities in 2022

(UAH'000)

Line	Item	On demand and less than 1 month	1 – 3 months	3 – 12 months	12 months – 5 years	Over 5 years	Total
1	Due to banks	-	-	329 651	1 081 621	-	1 411 272
2	Due to customers:	2 456 609	635 805	1 503 659	376 488	10 047	4 975 437
2.1	Individuals	531 666	470 017	1 171 587	352 768	10 047	2 528 914
2.2	Other	1 924 943	165 788	332 071	23 720	-	2 446 523
3	Other financial liabilities	21 913	187	2 773	8	-	24 881
4	Financial guarantees	208 487	103 401	268 576	192 210	-	772 674
5	Other loan commitments	64 219	147 140	310 386	1 161 219	13 562	1 696 526
6	**Total potential future payments under financial liabilities**	**2 751 228**	**886 533**	**2 415 044**	**2 811 546**	**23 609**	**8 880 790**

Table 27.9. Financial liabilities by maturities in 2021

(UAH'000)

Line	Item	On demand and less than 1 month	1 – 3 months	3 – 12 months	12 months – 5 years	Over 5 years	Total
1	Due to banks	585 541	-	-	4 106 729	-	4 692 270
2	Due to customers:	3 147 042	477 646	993 447	181 261	-	4 799 396
2.1	Individuals	349 145	326 516	817 499	129 991	-	1 623 151
2.2	Other	2 797 897	151 130	175 948	51 269	-	3 176 244
3	Other financial liabilities	120 724	201	128	-	-	121 053
4	Financial guarantees	494 312	263 509	981 693	67 454	-	1 806 968
5	Other loan commitments	77 200	23 263	344 181	691 186	-	1 135 830
6	**Total potential future payments under financial liabilities**	**4 424 818**	**764 619**	**2 319 449**	**5 046 630**	-	**12 555 516**

The Table discloses liabilities of the Bank as at the reporting date by their remaining contractual maturities. Amounts presented are undiscounted contractual cash flows, including total amount of liabilities of loan nature. These undiscounted cash flows differ from amounts disclosed in the statement of financial position, as figures there are based on discounted cash flows.

In its practice, the Bank does not use analysis based on undiscounted cash flows to manage its liquidity. The Bank controls its liquidity by terms of maturities in relation to expected cash flows at amortized cost, as presented in Tables 27.10 and 27.11.

Table 27.10. Financial assets and liabilities by maturities based on expected term of settlement in 2022

(UAH'000)

Line	Item	On demand and less than 1 month	1 – 3 months	3 – 12 months	12 months – 5 years	Over 5 years	Total
Assets							
1	Cash and cash equivalents	319 968	-	-	-	-	319 968
2	Loans and due from banks	273 098	-	-	-	-	273 098
3	Loans and due from customers	303 894	497 383	858 381	904 470	56 624	2 620 752
4	Investments in securities	1 341 707	3 240	1 507 384	66 491	-	2 918 822
5	Other financial assets	7 177	201	10 343	26 917	-	44 638
6	**Total financial assets**	**2 245 844**	**500 824**	**2 376 108**	**997 878**	**56 624**	**6 177 278**
Liabilities							
7	Due to banks	-	-	-	788 996	-	788 996
8	Due to customers	2 706 288	601 762	1 152 740	355 455	3 889	4 820 134
9	Lease liabilities	1 861	7 353	22 312	25 814	-	57 340
10	Other financial liabilities	21 913	187	2 773	8	-	24 881
11	**Total financial liabilities**	**2 730 062**	**609 302**	**1 177 825**	**1 170 273**	**3 889**	**5 691 351**
12	**Net liquidity gap as at December 31, 2022**	**(484 218)**	**(108 478)**	**1 198 283**	**(172 395)**	**52 735**	**485 927**
13	**Cumulative liquidity gap as at December 31, 2022**	**(484 218)**	**(592 696)**	**605 587**	**433 192**	**485 927**	

Table 27.11. Financial assets and liabilities by maturities based on expected term of settlement in 2021

(UAH'000)

Line	Item	On demand and less than 1 month	1 – 3 months	3 – 12 months	12 months – 5 years	Over 5 years	Total
Assets							
1	Cash and cash equivalents	374 348	-	-	-	-	374 348
2	Loans and due from banks	429 937	-	-	-	-	429 937
3	Loans and due from customers	278 272	418 744	682 908	640 323	56 750	2 076 997
4	Investments in securities	913 019	251 720	2 043 103	2 610 543	-	5 818 385
5	Other financial assets	93 284	601	11 205	20	4	105 114
6	**Total financial assets**	**2 099 941**	**671 065**	**2 737 215**	**3 250 886**	**56 754**	**8 804 781**
Liabilities							
7	Due to banks	582 613	-	-	2 998 994	-	3 581 607
8	Due to customers	3 146 714	452 001	949 472	150 409	-	4 698 596
9	Derivative financial liabilities	-	-	-	-	-	-
10	Lease liabilities	921	3 274	13 360	25 766	-	43 321
11	Other financial liabilities	120 724	201	128	-	-	121 053
12	**Total financial liabilities**	**3 850 971**	**455 476**	**962 960**	**3 175 169**	**-**	**8 444 577**
13	**Net liquidity gap as at December 31, 2021**	**(1 751 030)**	**215 589**	**1 763 174**	**75 716**	**56 754**	**360 202**

14	**Cumulative liquidity gap as at December 31, 2021**	**(1 751 030)**	**(1 535 441)**	**227 733**	**303 448**	**360 202**

NOTE 28. CAPITAL MANAGEMENT

One of major indicators of Bank performance is its regulatory capital. The Bank implemented a process of capital management, based on priority or equality of such management goals as increase of profitability and preservation of liquidity, in accordance with understanding of Bank capital management process as an aggregate to measures and instruments, prescribed by Bank development strategy.

Adequacy of Bank capital is controlled in accordance with ratios of National Bank of Ukraine and stress testing of risks faced by the Bank in its operations, as well as their effect on profitability and capital, taking into account different scenarios of events (moderate, medium, significant/critical changes).

Therefore, when managing capital, the Bank aims at both compliance with NBU requirements to minimal capital and attraction and maintenance of adequate amount of capital to widen its operations, establish protection from risks, support high level of solvency and maximization of profitability of capital.

Management believes that total amount of capital managed by the Bank is equal to amount of regulatory capital (H1). As at December 31, 2022, total capital managed by the Bank is UAH 575 145 thousand (as at December 21, 2021 – UAH 445 696 thousand).

During the reporting year, the Bank complied with imposed capital requirements.

In accordance with NBU requirements, the banks have to comply with ratio of adequacy of regulatory capital (H2) at the level not less than 10% of total assets weighted for risk and calculated in accordance with NBU requirements. Based on Bank performance as at 01.01.2023, adequacy of regulatory capital of the Bank was 20,02% or significantly higher than minimal prescribed ratio.

Table 28.1. Structure of regulatory capital

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	**Main capital (MC)**		
1.1	Actually, paid registered share capital	215 748	215 748
1.2	Unregistered share capital	-	26 943
1.3	General reserves and reserve funds	222 441	71 359
1.4	Decrease of MC	(23 110)	(23 985)
1.4.1	Intangible assets less amortization	(23 110)	(23 985)
1.4.2	Capital investments into intangible assets		-
	Main capital - Tier 1 capital	**415 079**	**290 065**
	% of amount of main and additional capital	**72,17**	**65,08%**
2	**Additional capital (AC)**		
2.1.	Allowance for standard ECL	-	-
2.2.	Revaluation of fixed assets	5 207	5 207
2.3.	Estimated current year income taking into account income not received yet	154 859	150 424
2.4.	Income of previous years	-	-
	Additional capital – Tier 2 capital	**160 066**	**155 631**
	% of amount of main and additional capital	**27,83%**	**34,92%**
3	**Total regulatory capital**	**575 145**	**445 696**
4	Risk weighted assets	2 638 352	2 553 293
5	Total open currency position	33 712	6 048
6	Operating risk	200 710	200 710
7	**Assets for calculation**	**2 872 774**	**2 760 051**
8	**Regulatory capital adequacy ratio (H2, not less than 10%)**	**20,02**	**16,15**

Figures in Table 28.1 are calculated taking into account adjusting postings of events, adjusting data after balance sheet date.

NOTE 29. CONTINGENT LIABILITIES

a) litigations. In the process of usual business, the Bank sometimes receives claims. As at December 31, 2022, the Bank has no contingent liabilities that might arise from court actions.

b) contingent tax liabilities. Since Ukrainian tax laws have provisions, allowing for more than one interpretation and the practice existing in generally unstable economic environment due to free interpretation of different business aspects by tax authorities, the Bank night have to recognize additional tax liabilities, fines and penalties, if tax bodies attack certain interpretation based on management judgement.

As at 31.12.2022, Bank management believes that its interpretations are substantiated, and Bank position regarding tax issues would not change. Thus, these financial statements of the Bank do not disclose contingent tax liabilities.

c) liabilities under capital investments. As at 31.12.2022, contractual obligation under acquisition of fixed and intangible assets are UAH 110,0 thousand, as at 31.12.2021 - UAH 26,6 thousand.
d) operating lease liabilities. The Bank did not enter into any uncancellable lease or sublease in the reporting and previous years.
e) loan commitments. As at December 31, 2022, and December 31, 2021, the Bank has no unforeseen loan commitments.

Table 29.1. Structure of loan commitments

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	**Loans commitments issued**	**1 696 525**	**1 135 830**
1.1	Unused credit lines and overdrafts	1 696 525	1 135 830
2	Guarantees issued	772 674	1 806 968
3	Provision for loan commitments	(26 787)	(6 469)
4	**Total liabilities under loan commitments less provision**	**2 442 412**	**2 936 329**

Table 29.2. Credit quality of loan commitments in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Loan commitments**				
1.1	**Unused credit lines and overdrafts**	**1 696 525**	**-**	**-**	**1 696 525**
1.1.1	- Minimal credit risk	1 696 525	-	-	1 696 525
1.2	**Import letters of credit**	**-**	**-**	**-**	**-**
1.3	**Guarantees issued**	**772 674**	**-**	**-**	**772 674**
1.3.1	Minimal credit risk	355 611	-	-	355 611
1.3.2	Low credit risk	21 460	-	-	21 460
1.3.3	Medium credit risk	2 832	-	-	2 832
1.3.4	High credit risk	360 707	-	-	360 707
1.3.5	Defaulted assets	32 064	-	-	32 064
3	**Total loan commitments**	**2 469 199**	**-**	**-**	**2 469 199**
4	Provision for impairment of loan commitments	(26 787)	-	-	(26 787)
5	**Total liabilities under loan commitments less provision**	**2 442 412**	**-**	**-**	**2 442 412**

Table 29.3. Changes in provisions for impairment of loan commitments in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Provision for impairments – opening balance**	**6 469**	-	**-**	**6 469**
2	Loan commitments issued, including	8 283 164	-	-	8 283 164
2.1	- unused credit lines and overdrafts	7 224 765	-	-	7 224 765
2.2	- guarantees issues	1 058 399	-	-	1 058 399
3	Loan commitments derecognized or terminated (except for write-off), including:	8 756 762	-	-	8 756 762

3.1	- unused credit lines and overdrafts	6 664 069	-	-	6 664 069
3.2	- guarantees issues	2 092 693	-	-	2 092 693
4	Effect of transfer between stages, including:	20 318	-	-	20 318
4.1	- transfer to stage 1	20 318	-	-	20 318
5	**Provision for impairments – closing balance**	**26 787**	**-**	**-**	**26 787**

Table 29.4. Changes of gross carrying/nominal value of loan commitments in 2022

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Gross carrying amount – opening balance**	**2 942 798**	**-**	**-**	**2 942 798**
2	Loan commitments issued, including	8 283 164	-	-	8 283 164
2.1	- Unused credit lines and overdrafts	7 224 765	-	-	7 224 765
2.2	- guarantees issued	1 058 399	-	-	1 058 399
3	Loan commitments derecognized or terminated (except for write-off), including:	8 756 762	-	-	8 756 762
3.1	- unused credit lines and overdrafts	6 664 069	-	-	6 664 069
3.2	- guarantees issued	2 092 693	-	-	2 092 693
4	Transfer to stage 1	(473 599)	-	-	(473 599)
5	**Gross carrying amount – closing balance**	**2 469 199**	**-**	**-**	**2 469 199**

Table 29.5. Loan commitments by currencies

(UAH'000)

Line	Item	December 31, 2022	December 31, 2021
1	UAH	2 317 720	2 847 277
2	USD	108 124	88 678
3	EUR	16 568	374
4	**Total**	**2 442 412**	**2 936 329**

As at December 31, 2022, collateral value of government bonds, presented to NBU as collateral under refinancing loan received was UAH 828 544 thousand.

As at December 31, 2021, collateral value of government bonds, presented to NBU as collateral under refinancing loan received was UAH 3 478 495 thousand, while collateral value of government bonds, presented under REPO transactions with other banks is UAH 237 799.

NOTE 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price receivable under sale of an asset or payable for transfer of liability under a standard contract between market participants as at the date of measurement. Fair value measurement foresees that sale of an asset or transfer of a liability occurs:

- either at basic market for this asset or liability;
- or, if there is no basic market, at the most favourable market for this asset or liability.

Fair value of an asset or a liability is measured based on assumptions that might be used by market participants in determination of price of this asset or liability, and it is expected the market participants act in their best interests. Measurement of fair value of a non-financial asset takes into account the ability of market participant to generate economic benefits through use of the asset in the best and most efficient manner or through its sale to other market participant who would use the asset in the best and most efficient manner.

Financial instruments at fair value

Value of cash and cash equivalents, securities at fair value through other comprehensive income and short-term receivables and payables approximately equals their fair value.

Financial instruments at amortized cost

Fair value of financial instruments with floating interest rate is usually equal to their carrying amount. Estimated fair value of instruments with fixed interest rate is based on estimated future cash flows to be received after discounting as market interest rate for new instruments of similar credit risk and remaining period until maturity. Discount rates depend on currency, term of settlement of an instrument and credit risk of counterpart.

Liabilities at amortized cost

Estimated fair value of instruments with fixed interest rates and fixed term of settlement, where market price cannot be determined, is measured based on estimated future cash flows to be received after discounting as market interest rate for new instruments of similar credit risk and remaining period until maturity. Fair value of liabilities that must be settled on demand or after prior note is calculated as amount of payable on demand discounted as of the first date when this amount may be demanded for settlement.

Value of short-term receivables and payables approximately equals their fair value.

Financial instruments at fair value are subdivided into three levels of hierarchy of fair value based on its observability for the purpose of disclosure.

Known prices at active market (level 1) – measurement is based on known prices at active markets for similar assets or liabilities that can be accessed by the Bank. Adjustment of value and discounts are not applicable for these instruments. Since measurement is based on known prices, existing and accessible at active market, measurement of these products does not include use of significant professional judgment.

Measurement based on observable information (level 2) – measurement is based on information where all significant data are directly or indirectly observable, and measurement uses one or several known observable prices for usual transactions at markets that are not considered active.

Measurement based on information other than observable market data (level 3) – measurement is based on observable information that is important for fair value measurement.

Table 30.1. Fair value of levels of hierarchy of input data used to periodically measure assets and liabilities in 2022

(UAH'000)

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
ASSETS						
1	Investments in securities (government bonds)	1 577 115	-	-	1 577 115	1 577 115
2	Fixed assets (buildings)	-	-	9 769	9 769	9 769
3	**Total assets**	**1 577 115**	**-**	**9 769**	**1 586 884**	**1 586 884**

Table 30.2. Fair value of levels of hierarchy of input data used to non-periodically measure assets and liabilities in 2022

(UAH'000)

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
ASSETS						
1	Cash and cash equivalents	319 968	-	-	319 968	319 968
2	Loans and due from banks	-	-	273 098	273 098	273 098
3	Loans and due from customers	-	-	2 752 066	2 752 066	2 620 752

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
4	Investments in securities (except for government bonds)	-	-	1 341 707	1 341 707	1 341 707
5	Other financial assets	-	-	44 638	44 638	44 638
6	Right-of-use assets	-	-	46 616	46 616	46 616
7	**Total assets**	**319 968**	**-**	**4 458 125**	**4 778 093**	**4 646 779**
LIABILITIES						
8	Due to banks	-	-	788 996	788 996	788 996
9	Due to customers	-	-	4 776 795	4 776 795	4 820 134
10	Lease liabilities	-	-	57 340	57 340	57 340
11	Other financial liabilities	-	-	24 881	24 881	24 881
12	**Total liabilities**	**-**	**-**	**5 648 012**	**5 648 012**	**5 691 351**

Table 30.3. Fair value of levels of hierarchy of input data used to periodically measure assets and liabilities in 2021

(UAH'000)

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
ASSETS						
1	Investments in securities (government bonds)	4 968 180	-	-	4 968 180	4 968 180
2	Fixed assets (buildings)	-	-	10 178	10 178	10 178
3	**Total assets**	**4 968 180**	**-**	**10 178**	**4 978 358**	**4 978 358**

Table 30.4. Fair value of levels of hierarchy of input data used to non-periodically measure assets and liabilities in 2021

(UAH'000)

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
ASSETS						
1	Cash and cash equivalents	374 348	-	-	374 348	374 348
2	Loans and due from banks	-	-	429 937	429 937	429 937
3	Loans and due from customers	-	-	2 107 545	2 107 545	2 076 997
4	Investments in securities (except for government bonds)	-	-	850 205	850 205	850 205
5	Other financial assets	-	-	105 114	105 114	105 114
6	Right-of-use assets	-	-	44 204	44 204	44 204

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
7	**Total assets**	**374 348**	**-**	**3 537 005**	**3 911 353**	**3 880 805**
LIABILITIES						
8	Due to banks	-	-	3 581 607	3 581 607	3 581 607
9	Due to customers	-	-	4 686 281	4 686 281	4 698 596
10	Lease liabilities	-	-	43 321	43 321	43 321
11	Other financial liabilities	-	-	121 053	121 053	121 053
12	**Total liabilities**	**-**	**-**	**8 432 262**	**8 432 262**	**8 444 577**

NOTE 31. FINANCIAL INSTRUMENTS BY CATEGORIES OF MEASUREMENT

Table 31.1. Financial assets by categories of measurement in 2022

(UAH'000)

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		Total
			Debt financial assets at fair value through other comprehensive income	Equity instruments	
	ASSETS				
1	Cash and cash equivalents:	319 968	-	-	319 968
1.1	Cash in hand	234 482	-	-	234 482
1.2	Cash in NBU (except for mandatory reserves)	89 456	-	-	89 456
1.3	Allowance for cash and cash equivalents	(3 970)	-	-	(3 970)
2	Loans and due from Banks:	273 098	-	-	273 098
2.1	Cash at correspondent accounts in other banks with credit risk	273 098	-	-	273 098
3	Loans and due from customers:	2 620 752	-	-	2 620 752
3.1	Corporate loans	2 468 102	-	-	2 468 102
3.2	Loans to private entrepreneurs	41 875	-	-	41 875
3.3	Mortgage loans to individuals	58 605	-	-	58 605
3.4	Consumer loans to individuals	52 153	-	-	52 153
3.5.	Other loans to individuals	17	-	-	17
4	Investments in securities	1 341 689	1 577 115	18	2 918 822
5	Other financial assets	44 638	-	-	44 638
5.1	Receivables under pay card transactions	9 102	-	-	9 102
5.2	Cash limited in use (guarantee coverage)	27 165	-	-	27 165
5.3	Receivables under settlements of cash transfers	852	-	-	852
5.4	Accrued income	6 994	-	-	6 994
5.5	Other financial assets	525	-	-	525
6	**Total financial assets**	**4 600 145**	**1 577 115**	**18**	**6 177 278**

Table 31.2. Financial assets by categories of measurement in 2021

(UAH'000)

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		Total
			Debt financial assets at fair value through other comprehensive income	Equity instruments	
	ASSETS				
1	Cash and cash equivalents:	374 348	-	-	374 348
1.1	Cash in hand	320 924	-	-	320 924
1.2	Cash in NBU (except for mandatory reserves)	53 424	-	-	53 424
2	Loans and due from Banks:	429 937	-	-	429 937
2.1	Cash at correspondent accounts in other banks with credit risk	429 937	-	-	429 937
3	Loans and due from customers:	2 076 997	-	-	2 076 997
3.1	Corporate loans	1 884 628	-	-	1 884 628
3.2	Loans to entities under repo transactions	20 535	-	-	20 535
3.3	Loans to private entrepreneurs	54 967	-	-	54 967
3.4	Mortgage loans to individuals	66 497	-	-	66 497
3.5	Consumer loans to individuals	50 040	-	-	50 040
3.6.	Other loans to individuals	330	-	-	330
4	Investments in securities	850 187	4 968 180	18	5 818 385
5	Other financial assets	105 114	-	-	105 114
5.1	Receivables under pay card transactions	92 608	-	-	92 608
5.2	Cash limited in use (guarantee coverage)	11 415	-	-	11 415
5.3	Receivables under settlements of cash transfers	451	-	-	451
5.4	Accrued income	598	-	-	598
5.5	Other financial assets	42	-	-	42
6	**Total financial assets**	**3 836 583**	**4 968 180**	**18**	**8 804 781**

Table 31.3. Financial liabilities by categories of measurement in 2022

(UAH'000)

Line	Item	Financial liabilities at amortized cost	Total
	LIABILITIES		
1	Due to banks	788 996	788 996
2	Due to customers	4 820 134	4 820 134
3	Lease liabilities	57 340	57 340
4	Other financial liabilities	24 881	24 881
5	**Total financial liabilities**	**5 691 351**	**5 691 351**

Table 31.4. Financial liabilities by categories of measurement in 2021

(UAH'000)

Line	Item	Financial liabilities at amortized cost	Total
	LIABILITIES		
1	Due to banks	3 581 607	3 581 607
2	Due to customers	4 698 596	4 698 596
3	Lease liabilities	43 321	43 321
4	Other financial liabilities	121 053	121 053
5	**Total financial liabilities**	**8 444 577**	**8 444 577**

NOTE 32. RELATED PARTY TRANSACTIONS

Table 32.1. Balances under related party transactions as at December 31, 2022

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control	Other related parties
1	Loans and due from customers (contractual interest rate in UAH 1%)	-	4 366	-	34
2	Due to customers (contractual interest rate in UAH 0,1%-18,25%)	5	10 126	1	2 095
3	Allowance for impairment of loans and due from customers	-	(3)	-	(19)

Table 32.2. Income and expense under related party transactions in 2022

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control	Other related parties
1	Interest income	-	286	-	118
2	Interest expense	(3)	(276)	-	(116)
3	Commission income	14	93	3	16
4	Other operating income	-	3	20	2
5	Administrative and other operating expenses	-	(55 357)	-	(653)
6	Allowance for ECL	-	(4)	-	(6)

Table 32.3. Other rights and obligations under related party transactions as at December 31, 2022

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control
1	Guarantees received	-	5 600	11 028
2	Other obligations	-	4 908	-

Table 32.4. Total loans issued to and repaid by related parties in 2022

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control
1	Loans issued to related parties during the year	-	-	-
2	Loans repaid by related parties during the year	-	1 490	458

Table 32.5. Balances under related party transactions as at December 31, 2021

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control	Other related parties
1	Loans and due from customers (contractual interest rate in UAH 1%)	-	6 712	-	2 046
2	Due to customers (contractual interest rate in UAH 0,1%-18,25%)	-	6 052	206	895
3	Allowance for impairment of loans and due from customers	-	(4)	-	(16)

Table 32.6. income and expense under related party transactions in 2021

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control	Other related parties
1	Interest income	-	753	-	78
2	Interest expense	-	(163)	-	(74)
3	Commission income	12	75	16	12
4	Other operating income	-	-	20	-
5	Administrative and other operating expenses	-	(54 071)	-	(897)
6	Allowance for ECL	-	(152)	-	(2)

Table 32.7. Other rights and obligations under related party transactions as at December 31, 2021

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control
1	Guarantees received	-	6 100	11 220
2	Other obligations	-	4 859	-

Table 32.8. Total loans issued to and repaid by related parties in 2021

(UAH'000)

Line	Item	Bank`s shareholder	Key management personnel	Companies under common control
1	Loans issued to related parties during the year	-	2 767	2 000
2	Loans repaid by related parties during the year	-	2 667	45

Table 32.9. Payments to key management personnel

(UAH'000)

Line	Item	2022		2021	
		Expense	Accrued liability	Expense	Accrued liability
1	Current employee benefits	(54 730)	2 550	(54 336)	2 571
2	Retirement allowance	(36)	-	(353)	-
3	**Total**	**(54 766)**	**2 550**	**(54 689)**	**2 571**

In 2022, management of the Bank was paid bonuses of UAH 1.1 thousand for sale of bank products and services. In 2021, management of the Bank was paid bonuses of UAH 2.7 thousand for sale of bank products and services.

NOTE 33. SUBSEQUENT EVENTS

On March 8, 2023, Chairman of Management Board of the Bank Tetiana Putintseva acquired, based on the contract on sale and purchase of securities, 8 093 710 (eight million ninety-three thousand seven hundred and ten) shares of the Bank for nominal value of UAH 11 088 382,70 (eleven million eighty-eight thousand three hundred eighty-two UAH and 70 kopecks), or 5,1395% share of stated capital of the Bank.

The Bank expects that in March 2023 the IMF Executive Board would approve Extended Fund Facility of USD 15,6 billion (SDR – USD 11,6 billion) to assist to stabilize budget policies of Ukraine. It is expected that the above facility would unblock full-scale financing of Ukraine by international donors and partners, including World Bank and other creditors.

Chairman of the Management Board **Tetiana Putintseva**

Акціонерне товариство «КОМІНБАНК» ідентифікаційний код 21580639 м. Київ * Україна

Chief Accountant **Svitlana Denysenko**

INDEPENDENT AUDITOR'S REPORT

To the:

Shareholders and Supervisory Board of Joint Stock Company "COMINBANK"

National Bank of Ukraine
National Securities and Stock Market Commission

Report on audit of financial statements

Opinion

We have audited the financial statements of Joint Stock Company "COMINBANK" (the Bank), which comprise the statement of financial position as at December 31, 2022, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the preparation requirements established by Ukrainian laws

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent to the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (hereinafter referred to as the IESBA Code) and ethical requirements applicable to our audit of financial statements in accordance with the Law of Ukraine *On Audit of Financial Statements and Audit Activities* and other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that as of February 24, 2022, operations of the Bank and its counterparts are significantly affected by continuing full-scale military invasion of Ukraine by Russian Federation, while subsequent developments, time of termination of invasion and its impact are uncertain.

As stated in Note 4, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
Judgements and estimates of loans and advances to customers	
The recognition and measurement of expected credit losses ('ECL') is highly complex and involves the use of significant judgment and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objectives of IFRS 9 *Financial Instruments*. Accordingly, this matter required significant In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The accuracy of the assumptions used in the models, including the macroeconomic scenarios, impacts the level of impairment allowances. Management exercises judgment in making estimations that require the use of assumptions, which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions. We identified the issue of impairment of loans and advances to customers as key audit matter due to the materiality of the loan balances, the high complexity and subjective nature of the ECL calculation. We refer to Note 4, disclosing information on significant accounting policies, while Note 7 for disclosures and detailed information on the methods and models used and the level of the impairment allowances.	The controls management established to support their ECL calculations were reviewed during our audit procedures. We also assessed whether the impairment methodology used by the Bank is in line with requirements of IFRS 9 *Financial Instruments*. Particularly we assessed the approach of the Bank regarding application of Significant increase in credit risk ('SICR') criteria, definition of default, The Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') and incorporation of forward-looking information in the calculation of ECL. We have focused on assessing the Bank's assumptions and the expert adjustments applied in the model taking into account the empirical data and the existing credit and monitoring processes. For significant loans and advances assessed for impairment on an individual basis we applied our professional judgement for selection the sample taking into account different risk criteria. For selected loans and advances we checked the stage classification with assessing factors that affect the credit risk, while for selected impaired loans and advances (Stage 3) we tested the assumptions used in the ECL calculation, particularly expected scenarios and probabilities assigned to them and the timing and amount of expected cash flows, including cash flows from repayments and realization of collaterals. For individually insignificant loans and advances which are assessed for impairment on a portfolio basis we performed such procedures as testing the reliability of key data inputs and related management controls, examination of key management's judgements and assumptions, including the macro-economic scenarios and the associated probability weights, analysing of impairment coverage of credit portfolio and its changes.

Information that is not financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Issuer report with the Management report for 2022 but does not include the financial statements and our auditor's report thereon.

We obtained Management report prior to the date of this auditor's report. It is expected that Bank's Issuer report, with exception of Management report, will be available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's 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 Bank's Issuer report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Supervisory Board.

Responsibilities of Management and the Supervisory Board for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 controls;

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banks's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Supervisory Board 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, related safeguards.

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

REPORT ON OTHER LEGISLATIVE AND REGULATORY REQUIREMENTS

Report on the requirements of the National Commission on Securities and Stock Exchange

(This section of the independent auditor's report is included in accordance with Requirements to information related to audit or review of financial statements of participants at capital and organized commodities markets, overseen by National commission on securities and stock exchange, approved by Decision of National commission on securities and stock exchange N 555 of 22.07.2021, hereinafter – Requirements 555).

Information in line with p. 10 of section I of Requirements 555 is presented in Information on subject of audit activities that audited financial statements of the Bank *section of independent auditor's report.*

Additional information in line with Chapter 1 of section II of Requirements 555

1) Full name (in the meaning of Civil Code of Ukraine) of legal entity (applicant or participants at capital and organized commodities markets):

   JOINT STOCK COMPANY "COMINBANK";

2) In our opinion, the Bank complies with requirements, set forward by Regulation on form and content of ownership structure, approved by Order of Ministry of finances of Ukraine N 163 of March 19, 2021, registered by Ministry of Justice of Ukraine on June 8, 2021, registration number 768/36390, regarding completeness of disclosure on information on ultimate beneficiary owner and structure of ownership;

3) a) the Bank is not a controller/participant of non-banking financial group;

   b) the Bank is Public Interest Entity;

4) The Bank has no parent/subsidiary companies;

5) NCSSE rules and regulations does not state prudential indicators for the industry where the Bank operates, therefore auditor's opinion on correctness of calculation of respective prudential was not expressed.

Additional information in line with Chapter 8 of section II of Requirements 555

Report on corporate governance report

We reviewed information presented in Corporate governance report of the Bank as a component of Management report (hereinafter – Corporate governance report).

The Management Board of the Bank is responsible for Corporate governance report and its preparation in accordance with part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets* and Art. 12^2 of Law of Ukraine *On Financial Services and State Regulation of Financial Services Market*.

Our review of Corporate governance report, including information, stated in p.p. 1 – 4 of part three of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets*, included examination whether the information, presented in the Report, contradicts to the financial statements, and whether the Corporate governance report is prepared in compliance with current laws and regulations. Our review pf Corporate governance report is not an audit, performed in accordance with International standards on auditing, being of much lesser scope. We believe that, as a result of our review, have a basis for our opinion.

Opinion

Corporate governance report is prepared, and the information there is disclosed in accordance with requirements of part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets* and Art. 12^2 of Law of Ukraine *On Financial Services and State Regulation of Financial Services Market*. Information, stated in p.p. 5 – 9 of part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets*, namely, description of major characteristics of internal-control and risk-management systems of the Bank; list of persons, who directly or indirectly own a significant share in the Bank; information on any limitations of right to participate and vote at general meeting of the Bank; rules and procedures of appointment and dismissal, and powers of Bank officials, presented in Corporate governance report, does not contradict to information gained during our audit of financial statements and complies with requirements of Law of Ukraine *On Capital and Organized Commodities Markets*.

Report on the requirements of the National Bank of Ukraine regarding the audit report on the audit of financial statements

According to requirements of article 69 of Law of Ukraine *On Banks and Banking* and paragraph 27 of *Regulations on the procedure for submitting an audit report to the National Bank of Ukraine based on the results of the annual audit of the financial statements of the bank, banking group and on the audit of the financial statements of a member of the banking group* (approved by NBU Board Resolution No. 90 of August 2, 2018, with amendments. Hereinafter – Regulations 90) we are providing additional information (estimate) concerning annual financial statements of the Bank for the year ended December 31, 2022, on:

- correspondence (reliable disclosure) of distribution of bank's assets and liabilities by maturity buckets in the statistical data file A7X "Data structure of assets and liabilities by time buckets", prepared by the Bank for filing to National Bank of Ukraine as at January 1 of the year following the reporting one;
- compliance of the Bank with requirements determined by regulations of the National Bank on:
  - internal control;
  - internal audit;
  - measurement of credit risk on active banking operations;
  - identification of bank's related parties and conducting operations with them;
  - adequacy of banks' capital based on asset's quality;
  - accounting.

Issues, described in this report, were considered only within context of the audit of 2022 annual financial statements of the Bank based on sample testing and in the amounts, required for planning and performance of audit procedures according to the requirements of International Standards on Auditing.

This report is intended for shareholders, management of the Bank and for National Bank of Ukraine. When examining this report, as it was stated above, limited scope of procedures, related to operations of the Bank and organization of accounting system and internal control, should be taken into account.

Besides, it should be remembered that the criteria of estimation of issues, related to the operations of the Bank and organization of accounting system and internal control, used by us, can differ from the criteria, used by National Bank of Ukraine.

In compliance with the requirements of paragraph 27 of Regulations about filing of auditor's report by banks to National bank of Ukraine based on results of annual audit of financial statements, that concern assessment of correspondence (reliable disclosure) of distribution of bank's assets and liabilities by maturity buckets in the statistical data file A7X "Data structure of assets and liabilities by time buckets", prepared by the Bank for filing to National Bank of Ukraine as at January 1 of the year following the reporting one, which is not an integral part of annual financial statements, the following conclusions can be reached.

We did not identify any facts of significant inconsistency (unfair disclosure) in allocation of assets and liabilities by maturities in the statistical data file A7X *Data structure of assets and liabilities by time buckets*, for filing to National Bank of Ukraine as at January 1 of the year following the reporting one.

With regard to compliance of the Bank with requirements determined by regulations of the National bank of Ukraine on:

- internal control

In our opinion, internal control system corresponds in general to scope of Bank transactions, risks, faced by the Bank, and complies with regulatory requirements.

- internal audit

In our opinion, Banks' internal audit complies with regulatory requirements.

- measurement of credit risk for active banking operations

Based on our estimates, credit risk for active banking operations was assessed by the Bank in accordance with requirements of the regulations issued by National bank of Ukraine.

- identification of Bank's related parties and conducting operations with them

During our audit, we have not found infringements of legal requirements that are prescribed for related party transactions and identification process.

- adequacy of Banks' capital based on asset's quality

As at December 31, 2022 (end of the day), regulatory capital of the Bank, as calculated in accordance with requirements of Instruction about the order of regulation of banks activity in Ukraine (approved by NBU Board Resolution No 368 of August 28, 2001, No. 368), calculated on the basis of daily balance, is UAH 575 145 thousand

The amount of capital as at the end of the reporting period is sufficient to perform operations that are specified in the banking license; the absolute amount of the capital corresponds to legal requirements for its size.

- accounting

Nothing has come to our attention that causes us to believe that the accounting of the Bank does not comply with legal requirements of National bank of Ukraine.

Information on audit entity performing audit of financial statements

Full name of legal entity in accordance with constituent documents:

- "PKF UKRAINE" LIMITED LIABILITY COMPANY (ID code of legal entity 34619277);

Information on inclusion into Register of auditors and subjects of audit activities:

- The audit firm is registered in *Auditing Entities, Having the Right to Perform Statutory Audits of Financial Statements of Public-Interest Entities* section of Register of auditors and Auditing Entities. Registration number 38866;

Address of the legal entity and factual place of business:

- 4th floor, 52 B. Khmelnytskoho str., Kyiv, Ukraine

Webpage/website of the audit entity:

- www.pkf.kiev.ua

Date and number of the audit agreement:

- Agreement № 21 of 28.10.2022

Beginning and closing dates of the audit:

- Date of beginning: 28.10.2022
- Date of closing: 27.04.2023

Additional information in accordance with the Law of Ukraine On Audit of Financial Statements

We have been appointed for statutory audit of the annual financial statements of the Bank by decision of the Supervisory Board № 28/09-01 of 29.09.2021. The total duration of our audit engagements with the Bank is 2 years, including the reporting year.

During our audit of the financial statements, resulting in issuance of this Independent auditor's report, we performed audit procedures regarding assessment of risk of material misstatement of information in the financial statements, being audited, in particular, due to fraud.

Significant risks that required our attention but did not modify our opinion are disclosed in *Key Audit Matters* and *Material uncertainty related to going concern* sections of our report.

We have designed and performed risk-assessment procedures to obtain audit evidence as a proper basis for identification and assessment of risk of material misstatements, whether due to fraud or error, at the level of financial statements of the Bank and assertions therein. We have designed further audit procedures to identify irregularities, including fraud, and get reasonable assurance to express our opinion on the financial statements in general.

As the Bank operates in a strictly controlled environment, our assessment of risk of material misstatements covered the control environment, including procedures applied by the Bank to comply with regulatory requirements. Our assessment included review of key structures, policies and standards, understanding and evaluation of supervisory function and internal control in their design and implementation, as well as monitoring of compliance and testing or related controls.

We obtained an understanding of laws and regulations applicable to the Bank and determined the most significant requirements directly related to specific assertions in the financial statements. In particular, these requirements relate to compliance of economic ratios and other laws and regulations.

ISAs limit necessary audit procedures for identification of non-compliance with laws and regulations by enquiries to management, those charged with governance, if necessary, and review of correspondence, if any, with respective licensing bodies and regulators. If non-compliance is not disclosed to us or is not evident from respective correspondence, audit may not identify this non-compliance.

According with the results of our audit, we did not identify any material misstatements that may materially affect the financial statements.

Our report is agreed to additional report for Supervisory Board of the Bank.

We did not provide any services to the Bank, prohibited by article 6 of the Law of Ukraine *On Audit of Financial Statements and Audit Activities*.

"PKF UKRAINE" LLC audit firm and the engagement partner on the audit (key audit partner) of the financial statements of the Bank as at December 31, 2022, are independent from the Bank.

We and other members of PKF International network, as well as other entities controlled by our firm, did not provide any other than statutory audit, services, information on which is not disclosed in management report and/or financial statements.

Purpose of our audit is to increase degree of confidence of intended users to the financial statements of the Bank. It is achieved by expressing our opinion whether the financial statements are prepared in all material aspects in accordance with International Financial Reporting Standards (IFRSs). We conducted our audit in accordance with ISAs and respective ethic requirements; it gives us the possibility to formulate our opinion. Inherent limitations of an audit result in most audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive, so, audit is not an absolute guarantee that the financial statements are free of misstatements, and our audit does not guarantee future sustainability of the Bank, efficiency or effectiveness of Bank management.

The engagement partner on the audit (key audit partner) resulting in this independent auditor's report is Sviatoslav BILOBLOVSKYI.

Engagement partner on the audit — Sviatoslav BILOBLOVSKYI

(Registration Number in the Register of Auditors and Auditing Entities 100190)

On behalf of "PKF UKRAINE" LLC

Director — Iryna KASHTANOVA

Kyiv, Ukraine

April 27, 2023