ANNUAL FINANCIAL STATEMENTS of JOINT STOCK COMPANY "COMMERCIAL INDUSTRIAL BANK"

for the year ended 31 December 2020

Translation from Ukrainian original

Kyiv – 2021

CONTENTS

Introduction. Annual financial statements for the year ended on 31.12.2020

These financial statements for the fiscal year of 2020 are prepared in accordance with International Financial Reporting Standards. 2020 annual financial statements of Joint Stock Company "Commercial Industrial Bank" (the Bank) are prepared as at the end of the day of 31.12.2020.

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

Statement of Financial Position as at December 31, 2020

(UAH'000)

Item	Note	December 31, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents	6	199 942	149 587
Loans and due from banks	7	51 075	32 365
Loans and due from customers	8	1 315 934	930 250
Investments in securities	9	1 425 053	255 892
Derivative financial assets	10	-	12 419
Deferred tax asset		1 302	61
Fixed assets and intangible assets	11	61 684	47 532
Right-of-use assets		32 315	13 870
Other assets	12	26 364	16 836
Total assets		**3 113 669**	**1 458 812**
LIABILITIES			
Due to banks	13	291 791	-
Due to customers	14	2 455 954	1 173 781
Derivative financial liabilities	15	318	-
Current income tax liabilities		4 402	2 156
Provisions for liabilities	16	4 404	1 301
Lease liabilities of the lessee (lease)		33 696	14 590
Other liabilities	17	32 615	16 032
Total liabilities		**2 823 180**	**1 207 860**
EQUITY			
Authorized capital	18	215 748	215 748
Other additional capital (shareholder transactions)		(117)	(117)
Reserve and other funds of the Bank		6 216	5 043
Revaluation reserves	19	3 381	6 131
Retained earnings (accumulated loss)		65 261	24 147
Total equity		**290 489**	**250 952**
Total liabilities and equity		**3 113 669**	**1 458 812**

Approved for issue and signed on 22.03.2021.

Chairman of the Management Board **Tetiana Putintseva**

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

Chief Accountant **Svitlana Denysenko**

Notes from page 8 to page 97 are an integral part of financial statements of JSC "CIB" for the year ended on December 31, 2020

2020 Statement of Profit and Loss and Other Comprehensive Income

(UAH'000)

Item	Note	2020	2019
Interest income	21	255 742	187 925
Interest expense	21	(128 685)	(93 929)
Net interest income/ (Net interest expense)		**127 057**	**93 996**
Commission income	22	211 920	140 074
Commission expense	22	(130 502)	(79 254)
Results of transactions with derivative financial instruments	25	(15 441)	10 211
Net profit/(loss) from transactions with debt financial instruments at fair value through other comprehensive income		2 103	601
Foreign currency transactions		31 157	20 659
Foreign currency revaluation		20 406	(13 015)
Net loss from impairment of financial assets	7,8,12	(3 440)	1 316
Net (increase) decrease of provisions for liabilities	16	(3 102)	(449)
Accumulated profit/ (loss from reclassification of financial assets at fair value through other comprehensive income into those at fair value through profit or loss		(2 059)	(608)
Other operating income	23	10 314	5 297
Employee benefit expense	24	(117 208)	(86 156)
Depreciation and amortization expense	24	(8 373)	(7 368)
Depreciation of right-of-use assets	24	(18 174)	(9 445)
Administrative and other operating expenses	24	(53 073)	(47 242)
Profit/(loss) before taxes		**51 585**	**28 617**
Income tax expense	26	(9 298)	(5 162)
Profit/ (loss of the period		**42 287**	**23 455**
Profit for the period attributable to owners of the Bank		**42 287**	23 455
Net earnings per share, attributable to owners of the Bank, UAH	27	0.27	0.15
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified into profit or loss:			
Revaluation of debt financial instruments:	19	(2 750)	(1 017)
net change of fair value		(5 413)	(1 848)
net change of fair value transferred to profit or loss		2 133	608
Income tax related to the components of other comprehensive income to be reclassified to profit or loss		530	223
Total other comprehensive income after tax for the period		**(2 750)**	**(1 017)**
Total comprehensive income for the period		**39 537**	**22 438**
Total comprehensive income attributable to owners of the Bank		**39 537**	**22 438**

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Chief Accountant **Svitlana Denysenko**

2020 Statement of Cash Flows (indirect method)

(UAH'000)

Item	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxes		51 585	28 617
Adjustments:			
Amortization and depreciation	11,24	26 547	16 813
Net increase/(decrease) in of allowances for impairment of assets	7,8,12	3 440	(1 316)
Amortization of discount / (premium)		42 591	(1 276)
Transactions with derivative financial instruments	25	(15 441)	10 211
Foreign currency transactions		31 157	20 659
(Accrued income)		(30 771)	(4 744)
Accrued expense		7 296	4 439
Net loss/(profit) from investing activities		(2 156)	(397)
Other non-cash flows		(23 038)	(27 671)
Net cash income / (loss) from operating activities before changes in operating assets and liabilities		**91 210**	**45 335**
Changes in operating assets and liabilities:			
Net (increase)/decrease of investments in securities	9	20 344	21 104
Net (increase)/decrease of loans and due from banks	7	(22 348)	(5 382)
Net (increase)/decrease of loans and due from customers	8	(464 065)	(377 067)
Net (increase)/decrease of right-of-use assets		(36 619)	(23 315)
Net (increase)/decrease of other assets	12	(5 330)	(411)
Net increase/(decrease) of due to banks	13	291 800	-
Net increase/(decrease) of due to customers	14	1 339 039	271 161
Net increase/ (decrease of lease liabilities		18 155	14 425
Net increase/(decrease) of other liabilities	17	14 520	3 773
Net cash received/(used) from operating activities before income tax		**1 246 706**	**(50 377)**
Income tax paid		(7 688)	(3 370)
NET CASH RECEIVED FROM OPERATING ACTIVITIES		**1 239 018**	**(53 747)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities		(1 519 815)	(258 687)
Proceeds from the sale of investment securities		343 502	431 106
Proceeds from the sale of fixed assets		58	253
Acquisition of fixed assets	11	(23 505)	(5 499)
Acquisition of intangible assets	11	(3 690)	(1 245)
NET CASH FLOWS RECEIVED/(USED) IN INVESTING ACTIVITIES		**(1 203 450)**	**165 928**
CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES			
Issue of ordinary shares		-	-
NET CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES		**-**	**-**
Effect of exchange rate changes on cash and cash equivalents		**14 787**	**(11 952)**
Net increase in cash and cash equivalents		50 355	100 229
Cash and cash equivalents at the beginning of the year	**6**	**149 587**	**49 358**
Cash and cash equivalents at the end of the year	**6**	199 942	**149 587**

Approved for issue and signed on 22.03.2021.

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

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

2020 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, 2018	**200 000**	-	-	**4 469**	**7 148**	**17 014**	**228 631**
Total comprehensive income	-	-	-	-	**(1 017)**	**23 455**	**22 438**
Profit/(loss) of the period	-	-	-	-	-	23 455	23 455
Other comprehensive income	-	-	-	-	(1 017)	-	(1 017)
Unregistered authorized capital	15 748	(15 748)	-	-	-	-	-
Transactions with shareholders	-	-	(117)	-	-	-	(117)
Allocation of profit to reserve and other funds	-	15 748	-	574	-	(16 322)	-
Balance as at December 31, 2019	**215 748**	-	**(117)**	**5 043**	**6 131**	**24 147**	**250 952**
Total comprehensive income	-	-	-	-	**(2 750)**	**42 287**	**39 537**
Profit/(loss) of the period	-	-	-	-	-	42 287	42 287
Other comprehensive income	-	-	-	-	(2 750)	-	(2 750)
Allocation of profit to reserve and other funds	-	-	-	1 173	-	(1 173)	-
Balance as at December 31, 2020	**215 748**	-	**(117)**	**6 216**	**3 381**	**65 261**	**290 489**

Approved for issue and signed on 22.03.2021.

Chairman of the Management Board **Tetiana Putintseva**

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

Notes to Financial statements of JSC "CIB" for the year ended on 31.12.2020

Note 1. Background information

Joint-Stock Company "Commercial Industrial Bank" (abbreviated name: JSC "CIB", hereinafter referred to as the Bank) is registered in Ukraine. Location of the Bank: Ukraine, Kyiv, 04053, street Bulvarno-Kudryavska, building 6. Certificate of registration of the Bank in the State Register of Banks No. 219 dated December 03, 1993.

As at December 31, 2020, 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, Stephen 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. The bank has no investments in associates and subsidiaries or institutions.

As at 31.12.2020, the Bank has 38 branches, while as at 31.12.2019 the Bank had 35 branches.

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 2020, the Bank pursued an active policy of attracting customers from different segments and sectors of the economy to serve in order to universalize activities and avoid dependence on one segment of customers or sector of the economy, diversify sources of funds raised and optimize the structure of assets. The Bank actively implements projects on crediting of legal entities.

The Bank actively cooperates with corporate business and provides full range of banking services both for big business and SMEs. When opening of bank account, each customer receives a corporate pay card free of charge, making it possible to draw cash or pay for goods/services both in Ukraine and abroad at minimal cost. Any customer of the Bank can get a *Personal Dealing* service – a personal consultation of Treasury during setting the rates for purchase, sale or translation of foreign currency, as well as *Personal Currency Advisor* service during preparation and follow-up of an international contract.

In 2020, the Bank actively developed documentary transactions. E.g., the Bank offers a service of quick issue of unsecured bank guarantee for participation at PROZORRO bidding at all accredited e-platforms. Besides, the Bank offers quality financial service for work with letters of credit, namely, import or export letters of credit, UAH letters of credit for settlements under contracts in Ukraine, financing by foreign banks within the framework of import letter of credit, letters of credit payable against the documents presented to the bank, letters of credit with delayed payment against the documents presented, transferrable letters of credit.

In 2020, the Bank actively developed retail business. The Bank has Loyalty program for new customers and for customers who work with the Bank for a long time. Within the framework of the program, the customers may get an additional income up to +1% annual to acting deposit rate. As stated by Prostobank, the Bank is top one in most popular categories of deposits.

In 2020, the Bank and Ministry of economic development, trade and agriculture signed Memorandum on general principles of cooperation for implementation of state program of support of agricultural producers. This Memorandum is a joint step of the Bank and the state to join efforts to create favourable conditions for financial and crediting support of agricultural producers.

The Bank signed an international agreement with EXI Consulting to support SMEs. This step is made to support private business in Ukraine and clear the access for many local entities to sources of medium-term and long-term financing by Polish banks – partners of EXI Consulting.

The Bank is one of 43 authorized banks having a right to pay pensions, financial aid and salaries to employees of budget institutions.

In 2020, the Bank introduced transactions with bank metals, making it possible for customers to channel their investments into gold and silver, thus saving money from inflation, devaluation and loss of purchasing power. It is possible to diversify investment portfolio due to this financial instrument.

The Bank paid significant attention to investments into IT infrastructure, making it possible to introduce new products without significant financial investments, extend a line of services for customers within minimal period of time and improve existing services.

The Bank extended capacities of modern internet *CIB Online* banking for individuals so that Bank customers have day-and-night access to their accounts to make any transactions from any smartphone or computer via Internet at any place of the globe. *CIB Online* app has a new *Online Currency Exchange* service making it possible to exchange currency at any time anywhere without commission. Besides, the customers can open deposits online.

The Bank implemented *3D Secure 2.0* technology to improve protection of payments by customers in Internet, using Bank pay cards.

The Bank actively cooperates with international money transfer systems Wallsend, MoneyGram, Western Union, INTELEXPRESS, Ria and MONEGO, which allows you to quickly, reliably and profitably make transfers on the territory of Ukraine and foreign payments and transfers. In 2020, the Bank introduced a service for individuals to send or receive currency transfers to and from abroad through *Western Union* international system.

In 2020, the Bank joined *LEO* international payment system that is one of TOP 5 systems at cash transaction market in Ukraine.

In November 2020, rating committee of *Standard Rating* rating agency renewed long-term credit rating of Joint-Stock Company "Commercial Industrial Bank", based on national scale, at uaAA level. A bank or a debt instrument with uaAA rating is characterized by very high credit standing compared to other Ukrainian creditors or debt instruments.

The Bank was declared a winner of *BANK OF THE YEAR – 2020* of XII Ukrainian contest in special nomination – *Best Bank in Individual Approach to Customers*. Besides, the Bank took third position in Peoples' rating of banks based on results of voting at FINANCE.UA *Servicing by banks: good and bad* forum and was one of TOP 13 of best crediting offers for business as per Prostobiz.ua portal.

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

As at 31.12.2020, the Bank has the status of a Participant of the Deposit Guarantee Fund (Certificate No. 106 of November 06, 2012).

The financial statements were approved for issue by Management Board of the Bank on 22.03.2021.

Note 2. Economic environment where the Bank operates

Economic reforms and development of legal, tax and administrative infrastructure complying with requirements of market economy are going on in Ukraine. Stability of Ukrainian economy greatly depends on these reforms and efficiency of measures taken by the government in economic, financial and monetary and credit areas.

In 2020, inflation stayed mostly below target range of 5% ± 1. Drop of world prices for energy sources and decrease of demand for non-top-priority goods and services-controlled growth of prices during pandemics. Still, by the end of the year the inflation went up as a result of dynamic rehabilitation of world economy, increase of internal consumers' demand, increase of prices for energy sources and certain foods. Prices of natural gas went up quicker due to effect of exhaustion of comparative base of previous year. Prices for most non-foods accelerated as a result of impact of UAH devaluation, pressure of cost of production and significant consumers' demand. At the same time, reduction of prices for dress and footwear increased as a result of consumers' behaviour and pricing policies of retailers, as well as drop of world for textiles due to decrease of demand. In December, industrial prices continue to increase (up to 14.5% p.a.) mostly through increase of prices for Ukrainian export goods (products of chemical industry, metallurgy, oil-and-fat industry), increase of prices for energy sources and electric power. As a result, in December inflation reached the target range and its central point.

Vaccination, carried in the world, reduces the risk of repetition of lockdowns. Still, taking into account gradualness of the process and appearance of new viral strains, there is still a probability of local types of quarantine, negatively affecting economic activities. At the same time, overly soft monetary conditions in the world and vaccination-related optimism increased interest of investors to developing markets, including Ukraine. Significant inflow of capital may reduce inflation pressure through exchange rates. Still, the following risks are still actual:

- Escalation of military conflict in eastern Ukraine or at its borders;
- Increase of inflation pressure by countries – trade partners;
- Increase of volatility of food prices based on global climatic changes and increase of protectionist policies in the world.

In December, state budget faced a significant deficit (UAH 97.1 billion) as a result of financing of expenses of all lines. Local budgets in December also faced a significant deficit (UAH 32 billion), resulting in significant deficit of consolidated budget.

Based on 2020 result, real GDP decreased by estimated 4.4%. Ukrainian economy gradually rehabilitated in the second half of the year. After termination of strict phase of quarantine reduction of reals GDP slowed to 3.5% p.a. in III quarter and continued to slow in IV quarter. Uncertainty, caused by pandemics, reduced investing activities of business. Stable international demand on foods resulted in much lower decrease of export compared to import. By the end of the year this dynamic decreased taking into account poorer harvest, while import drop was reduced by increase of internal demand. Still, net export was higher than net import by the results of the year.

Situation on labour market was gradually improving although slower that rehabilitation of economy. Unemployment level goes down (taking into account seasonal fluctuations) still being at maximal level as of 2014. Business is cautious in hiring employees, while people are cautious in search of jobs due to negative expectation of new pandemic waves and related limitations.

In 2020, NBU continues its stimulating monetary policies to support further rehabilitation of economy. Real key rate stayed below its natural level. Dynamics of cost of UAH resources continued to be multidirectional. Banks continued to decrease rates for most of credit and deposit transactions. At the same time profitability of government bonds went up by the end of the year as a result of government need of financing. Currency market faced the reversal of trend – surpass of currency offer over demand by the end of the year strengthened average monthly exchange rate in December. As at the end of the year, NBU kept discount rate at 6% level as a result of gradual increase of inflation pressure under high uncertainty as to further effect of pandemics and fiscal impetus over consumers' demand, business activities and expectations.

Increase of volatility of rates at Interbank lending market by the end of the year is reflection of low depth of market under insignificant narrowing of liquidity. Cost of resources at interbank market with UONIA as an indicator fluctuated close to lower limit of rate corridor of NBU for most of IV quarter of 2020. In spite of general structural surplus of liquidity of banking system the number of the banks, that needs additional funds in certain periods, increased. As a result, demand for refinancing loans went significantly up in IV quarter of 2020, while credit channel was major source of supply of liquidity for banking systems for the first time after crisis of 2014 – 2015. By the results of IV quarter of 2020, weighted average UAH rates under credit and deposit transactions of the banks continued to decrease. Additional pressure factors for rates, including interbank rates, was increase of profitability of state securities. Rates of inflow of funds to the banks continued to be high. In IV quarter of 2020 UAH deposits in banking system continued to increase. High rates of increase of deposits of nonfinancial entities were the result of improvement of financial performance of companies. Increase of deposits of individuals reflected increase of their income, including due to steps taken by government for social support. Crediting by banks gradually rehabilitated after drop in II quarter. In December, scope of new loans to individuals and nonfinancial companies surpassed level of respective month of previous year.

Effect of economic environment on financial position and performance of the Bank
As at December 31, 2020, cash and cash equivalents of the Bank went up by 1,3 times compared to data as at December 31, 2019.

In 2020, excessive liquidity of the Bank was used to buy NBU deposit certificates and government bonds, to issue overnight loans to other banks and loans to customers. As at December 31, 2020, total loans to customers increased by 1,4 times compared to data as at December 31, 2019, while balances as correspondent accounts at other banks went up by 1,6 times, and investments in securities increased by 5,6 times.

In 2020, interest income from transactions with government bods went up by 2,4 times compared to same period of 2019, while interest income under loans to customers went up by 1,4 times.

As at December 31, 2020, loans of the Bank to legal entities and private entrepreneurs went up by 1,4 times compared to data as at December 31, 2019. In 2020, interest income under loans of the Bank to legal entities and private entrepreneurs went up by 1,4 times compared to 2019.

Total loans to individuals by the end of 2020 went up by 1,6 times compared to data as at December 31, 2019. Most of loans were consumer loans, although portfolio of mortgage loans to individuals significantly increased due to purchase of loan portfolios of the banks under liquidation. Still, portfolio of loans to individuals is 10,6% of total loan portfolio. Interest income under Bank loans to individuals went up by 1,9 times compared to 2019.

2020 commission income of the Bank increased by 1,5 times compared to 2019, mostly due to documentary transactions, cash settlement transactions and servicing of loans.

As at December 31, 2020, term deposits of legal entities went up by 3,5 times compared to December 31 , 2019, while funds on demand of legal entities went up by 2,5 times.

As at December 31, 2020, term deposits of individuals went up by 47% compared to December 31 , 2019, while funds on demand of individuals went up by 42%. As at December 31, 2020, term currency deposits of individuals went up by 1,4 times compared to December 31, 2019. Share of term currency deposits of individuals as at December 31, 2020, was 38,8%, being 40,5% as at December 31, 2019. Interest expense under deposits of individuals and legal entities in 2020 increase almost by 30% compared to 2019.

In 2020, world and Ukrainian economies were significantly affected by COVID-19 pandemics mostly through strict limiting measures yales by different countries, including Ukraine.

In mid-December, 2019, the outbreak of decease started in the city of Uhan in central China where pneumonia of unknown origin was diagnosed. Later on, Chinese researches identified a new betacoronavirus - SARS-CoV-2, causing the decease. State bodies of many countries reacted to sickness and mortality rates by introduction of extraordinary measures to limit the pandemics. Pandemics resulted in annulment of mass and international events, reduction of trade and drop of economic indicators in the world.

Cabinet of Ministers of Ukraine by its Decree №211 (with changes) of 11.03.2020 introduced, as of March 12, 2020, quarantine in the country with certain limiting measures in order to prevent the spread of respiratory COVID-19 decease caused by SARS-CoV-2 coronavirus. The coronavirus pandemics negatively affected Ukrainian economy, namely, drop of GDP and unemployment, i.e. limitations imposed on business resulted in decrease of solvency of population and companies.

Bank management made an assessment of effect of COVID-19 pandemics on operations of the Bank as going concern. At the joint meeting of Management and Supervisory Boards of the Bank on 16.03.2020 (*On Coordination of Measures to Ensure Uninterrupted Operation of JSC "CIB" Caused by Possible Negative Effect of Current Epidemiological Situation in Ukraine*) the following decisions were approved:

1) introduce special work regime in the Bank with possibility of remote work of certain personnel as of 17.03.2020;

2) appoint coordinators for settlement of matters related to IT, supply of utilities, risk management and work of branches during special regime;

3) authorize respective officials and coordinators to provide for conditions for uninterrupted Bank operations in respective lies of business;

4) hold meetings of collegial bodies of Management Board in absentee mode;

5) other decisions regarding special regime of work and uninterrupted Bank operation.

Joint decision of Management and Supervisory Boards of the Bank as to introduction of special regime of work came into force as of 17.03.2020.

Besides, in 2020, the Bank implemented a set of preventive, counter-epidemics and sanitary measures to prevent spread of COVID-19 and introduced changes into work mode for the period of quarantine declared in the country. Bank staff was transferred to remote work as much as possible thus making it possible to minimize contacts in the Bank and prevent spread of the decease. Office premises were regularly disinfected, and the customers in Bank branches were serviced in compliance with necessary counter-epidemic measures.

In 2020, Bank situation was stable due to significant safety factor regarding economic ratios, set by National Bank of Ukraine (including liquidity ratio), no outflow of deposits, insignificant share of loans to individuals and currency loans in general loan portfolio of the Bank, absence of significant concentration in Bank assets/liabilities, proper reaction to current situation by Bank management and National Bank of Ukraine (introduction of changes into regulations, including Decrees of the NBU Board №№64, 95, 97, 351, 368, extension of term of presentation of annual and quarterly statements, measurement of banks' resilience, statistical reporting flies, etc.). Keeping in mind introduction of "loan holidays" by NBU, the Bank responds to customers' requests and restructures loans in line with current law, controlling the situation, and the transactions are performed after individual review under separate decisions of the collegial bodies of the Bank. Scope of loans to borrowers, that required restructuring due to deterioration of financial position caused by quarantine limitations of their business, was not significant (the borrowers services their debts under market rates in time after restructuring).

In spite of situation with COVID-19 in the country and in the world the Bank reached all major indicators of 2020 Business plan, including increase of net assets, loan portfolio, net profit, attraction of deposits of individuals, etc. Strategy of development and 2021 Business plan provide for increase of registered capital by inputs of single shareholder and allocation of 2019 and 2020 retained earnings to registered capital in order to increase Bank capital and improvement of the Bank ability to act as going concern.

At the moment, Bank management believes reasonably that the Bank would be able to continue as going concern, while financial statements of the Bank do not require any adjustments caused by limitations imposed to the Bank and its counterparts regarding compliance with their obligations in time and in full. Scenarios of further negative effect of pandemics on Bank analysed would not increase their negative effect in 2021 compared to previous year. Bank management continuously monitors the situation in Bank departments and regions of the country. In case of significant changes of current situation or introduction or state of emergency in the country or other events that might affect Bank activities, Bank management will assess the effect of the above events on the Bank and take decisions depending on the situation, including payment/non-payment of dividends, reduction of operating expenses, interest rate levels under active and passive Bank transactions.

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 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 instruments 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. 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. 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. Other model (amortized nature, business model №3) – 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, that for each asset.

Debt financial assets, held within the business model, when the sole purpose is to collect contractual cash flows (principal and interest), and debt financial liabilities (attracted/placed deposits, loans received) are recognized at amortized cost using effective interest rate.

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, that 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 a 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 is 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	Methos 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
Stage 2	Life-time ECL	Financial instruments with credit risk significantly increased after initial recognition
Stage 3	Life-time ECL	Impaired financial instruments (have indications of default).

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 paragraph.

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 subsequently impairment loss decreases, 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, that 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 a 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 2020, were not intended for hedging. The Bank entered into 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 2020, 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 revalues, 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 01.12.2020.

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 2020, no indications of impairment were identified based on results of stocktaking of fixed and intangible assets.

In 2020, 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.

The following criteria, separately or in combination, classify a lease as a financial lease, namely:

- 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 term.

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

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.

As a lessee, the Bank uses simplified method for a short-term lease (less or equal to 12 months) and lease of underlying assets of low value (not over UAH 100 thousand). In this case, right-of-use asset and lease liability are not recognized. Lease payments are recognized as expenses during lease term by straight-line method. Simplification regarding recognition of short-term lease is based on class of underlying right-of-use asset, i.e. on a group of underlying assets of similar nature and mode of use.

Contracts on lease of office furniture, computers and other equipment usually comply with requirements to simplified approach to recognition, as each new underlying asset is of low value.

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 lease commencement date include:

- Fixed payments (including fixed payments in essence) less incentives;
- Variable lease payments depending on index or rate;
- Guarantees of salvage value;
- Cost of purchase option (if there is a reasonable assurance that the lessee would execute the option);
- Penalty for lease termination, if lease term discloses execution of lease termination option by 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.
Transfer of the asset to a buyer by the Bank as a seller with subsequent signing of lease contract with buyer-lessor to lease this asset is classified as sales with lease-back. If the transaction complies with criteria of sale under IFRS 15 *Revenue from Contracts with Customer*, control over the asset and all risks and benefits of right of ownership for underlying asset are transferred, the Bank writes off this noncurrent asset and recognizes right-of-use asset and lease liabilities.

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

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 carries 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 2020, 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 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 2020 and 2019, the Bank did not recognize deferred tax asset for as an amount of tax losses.

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

In 2020, 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 reflection 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 incomes (expenses) of the Bank are related to sale (acquisition) of fixed and intangible assets, investment property, inputs into associates and subsidiaries.

Financial incomes (expenses) are 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, 2020	December 31, 2019
UAH / 1 USD	28,2746	23,6862
UAH / 1 EUR	34,7396	26,422

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 (in other IAS and IFRS do not require to include these payments into cost of an asset).

Note 4.23. Operating segments

Major format to disclose segment information of the Bank are business segments. Information on operating segment is disclosed separately in the financial statements, if it complies with any of qualitative criteria:

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

Bank segments are strategic business departments focused on different customers. They are managed separately, as each business department needs peculiar marketing strategies and level of servicing.

The Bank had the following segments in the reporting year:

- Services to corporate customers. This business segment 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;
- Services to individuals. This business segment covers services to individual customers on opening and servicing of current and deposit accounts, attraction of deposits, investment and saving products, servicing of credit and debit cards, consumer and mortgage crediting;
- Services to banks. This business segment covers servicing of correspondent accounts, attraction and issuance of interbank deposits and loans, and transactions with derivative financial instruments.

There are no intersegmental transactions in the Bank.

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 2020, the Bank was engaged in transaction on crediting leading management and their close relatives. The Bank was also engaged in attraction of funds with term and on demand, 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 35 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 2020.

Accounting principles applied for preparation of 2020 financial statements correspond to the principles applied for preparation of financial statements for the year ended on December 31, 2019, except for effect of new standards and interpretations as of January 1, 2020, as described below:

Amendments to IFRS 3 Business Combinations. The amendments change the definition of a business. As per the amendment, a business is an integrated set of activities and assets used to provide goods or services to buyers, generate investment income (dividends or interest) or other income for usual operation.

A business consists of inputs and processes applied to inputs to generate outputs:

- Input. Any economic resource, generating output or assisting in creation of output through application of one or more processes. Examples are noncurrent assets (including intangible assets or right to use intangible assets), intellectual property, ability to get an access to necessary materials and rights, as well as employees;
- Process. Any system, standard, protocol, agreement of a rule that, when applied to input(s), generates output or assist in creation of output. Examples are strategic management processes, operating processes and resource management processes. As a rule, the processes are documented, while intellectual potential of organized labour force, having necessary skills and experience and complying with rules and agreements, may provide for necessary processes applicable to inputs to generate outputs;
- Output. Result of inputs and processes, applied to inputs, providing goods or services to buyers, generate investment income (dividends or interest) or other income for usual operation.

As a result of amendments there is no need to assess whether market participants can replace missing elements or integrate acquired operations or assets. An entity may use 'concentration test' that, if complied with, excludes the need of subsequent measurement. In accordance with optional test, if most of fair value of acquired gross assets is concentrated in a single asset (or a group of similar assets), the acquired assets would not be a business.

It is important to differentiate acquisition of a business by an investor and acquisition of group of assets, as it defines the method of accounting of acquisition:

- If an entity acquires a business, it is necessary to apply method of full consolidation as per IFRS 3;
- If an entity acquires a group of assets, another method of accounting should be applied as per, e.g., IAS 16 *Property, Plant and Equipment* or IFRS 11 *Joint Arrangements* or other applicable standards.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments introduce changes into definition of materiality. The amendments:

- Standardize definition of materiality in IAS and Conceptual Framework for Financial Reporting;
- Introduce clarification of notion of materiality;
- Include guidance regarding immaterial information in IAS 1.

After introduction of amendments materiality is defined as follows: Information is material if its omission or misstatement is reasonably likely to impact the decision of major users of general-purpose financial statements taken based on these financial statements providing financial information on a reporting entity.

Materiality is assessed in the context of financial reporting in general.

Updated *Conceptual Framework for Financial Reporting* – clarifies requirements to financial reporting and details key definitions of assets and liabilities and criteria of their recognition.

IASB stated new purpose of preparation of financial statements – presentation of information on assets, liabilities, capital, income and expenses useful for users in measurement of future net economic inflows for an entity and ability of its management to use economic resources on an entity.

IASB introduced a new notion – a reporting entity as an entity engaged in economic activity with clearly set boundaries. A reporting entity is not necessarily a legal entity. It is stressed than a reporting entity may have different forms, e.g., a part of a legal entity. It is also stated that consolidated financial statements are more useful for users than unconsolidated.

Conceptual framework introduced notion of prudence during preparation of financial statements. Prudence is understood as caution used when making judgements in the situation of uncertainty, i.e., prudence calls for neutrality in presentation of data rather than asymmetry in reported data (in other words, overstating or understating of assets, liabilities, income or expenses).

New version of Conceptual framework officially states the priority of economic substance over the form, i.e., it is believed that fair presentation can be achieved only by disclosure of substance of an economic phenomenon. In most cases phenomenon and its legal form correspond to each other; still, if they do not fair presentation can be achieved only by disclosure of substance.

New definition of assets and liabilities are introduced. An asset is understood as an existing economic resource controlled by an entity as a result of part events. Economic resource is the right of an entity giving a potential to obtain economic benefits. Liability is understood as an existing obligation of an entity as a result of past events, settlement of which would result in decrease of economic resources.

New Conceptual framework sets new criteria for recognition of elements of financial statements. Assets, liabilities, capital, income and expenses are recognized if they provide users of financial statements with:

- Relevant information on assets and liabilities;

- Fair presentation of assets and liabilities.

So, when recognizing elements of financial statements, the entities would have to analyse new criteria of recognition and costs necessary to produce relevant (actual for users) and true information. Still, revised Conceptual framework includes considerations to be taken into account when taking decisions on recognition, based on clarification when a recognition should not be made. For relevant information it may happen in the situation of uncertainty or low probability of future economic benefit inflow. Besides, information recognized may be unfair in case of uncertainty of measurement and inconsistency of recognition.

The above amendments and adjustments in IAS/IFRS did not affect 2020 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, that 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:

Loan impairment 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.

Amount of allowance for ECL in the financial statements was measured based on current economic and political circumstances. The Bank cannot foresee what economic and political changes may happen in Ukraine and possible effect of these changes on adequacy of allowance for ECL in subsequent periods.

Deferred tax assets are recognized for all temporary differences related to tax expenses to the extent of existence of probability of generation of taxable income that can be used to realize these temporary differences related to taxable expenses. Assessment of probability is based on management forecasts on future taxable income supported by subjective judgements of Bank management.

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

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

Tax laws. Since Ukrainian business, 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 property – as stated in Notes 4.8, 4.9 and 4.13, this group of assets is regularly revalued. Revaluation is based on measurement by an independent appraiser, using professional judgement and assumptions to identify analogues of buildings, useful life of assets and rate of capitalization of income.

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.

Initial recognition of related party transactions. In its usual operations the Bank executes related party transactions. IFRS 9 requires accounting for financial instruments at fair value at initial recognition. If there is no active market for such transactions, it is necessary to apply professional judgement to identify whether these transactions were executed at market or non-market prices and rates. Basis for such judgements is pricing of similar financial instruments and related transactions, including analysis of effective interest rate and parameters of contracts signed.

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 2020 reporting and not applied by the Bank

IFRS 17 Insurance Contracts (valid as of January 1, 2023). This standard replaces IAS 4, that permits application of different options for accounting of insurance contracts. IFRS 17 significantly changes rules of accounting in all entities that enter into insurance contracts and investing contracts with the right of discreet participation. Under new standard income from insurance services should be recognized only when the services are provided, while unearned income (or margin provided for by service contract) should be disclosed as a liability rather than income of an insurer.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform - Stage 2 (valid as of January 1, 2021). IASB finalized interest rate benchmark reform and published resulting document *Interest Rate Benchmark Reform - Stage 2* in August 2020 that includes changes and amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16. The changes relate to modification of financial assets, financial liabilities, lease liabilities, specific requirements to hedge accounting and requirements to disclosure of information on modifications and hedge accounting. IASB proposes practical simplifications for accounting of modifications that are a direct result of IBOR reform. Accounting of modifications is done by reviewing effective interest rate without derecognition or adjustment of carrying amount of financial instrument.

As to hedge accounting, is should not be discontinued solely for IBOR reform. Hedging relationship should be adjusted to comply with all requirements for hedge accounting, including requirements of efficiency.

In order to make it possible for the users to understand nature and scope of risks, related to IBOR reform, an entity is required to disclose information on management of those risks and transition from IBOR to alternative rates, quantitative information on non-derivative financial assets and liabilities that were not transferred to an alternative rate with details of each significant IBOR, as well as scope of IBOR effect on risk management strategies, description of changes and management process.

Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract (applicable as of January 1, 2022). The IASB amendments apply directly related cost approach to costs of fulfilling a contract (p. 68). Besides, para 68A was added to the Standard, presenting examples of costs directly related to a contract on sale of goods or services:

- Direct labour-related expenses (e.g., salaries of employees producing and supplying goods or provide services directly to a counterpart);
- Direct material expenses (e.g., materials used to fulfil a contract);
- Allocated costs directly related to a contract (e.g., cost of contract management and oversight; insurance; depreciation of tools, equipment and right-of-use assets used to fulfil a contract);
- Expenses explicitly charged to a counterpart under the contract;
- Other expenses incurred by an entity solely for the contract (e.g., payments to subcontractors).

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable as of January 1, 2022). Amendments relate to proceeds from sale of products produced at the site of testing of fixed assets, i.e. before their commissioning. Previously the proceeds were used to reduce a carrying amount of an item of fixed asset rather than disclosed ad income. The standards prohibit to deduct proceeds from sale of products produced at testing stage from carrying amount of a fixed asset before commissioning. As a result, related income and expenses are recognizes as such.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current (applicable as of January 1, 2023). Amendments to IAS 1 clarify that classification of liabilities as current or non-current should be based on rights existing as at the end of the reporting period, i.e. non-current liability is a liability with the right to be deferred at least for twelve months. Amendments state that classification of liabilities does not depend on whether an entity would use its right to defer or not, the form of expected settlement (cash, equity instruments, other assets or services, etc.).

New version of IAS 1 sets the following requirements to classification of liabilities:

- Liability is treated as non-current if an entity has a right to defer it for at least twelve months as at the end of reporting period. New version of the standard excluded notion of 'unconditional right', as loans are seldom unconditional (for the reason that a loan agreement may contain specific terms);
- Classification is based on existence of the right rather than the issue whether an entity would exercise this right. So, management expectations do not affect classification;
- Deferral right exists only if am entity complies with contractual terms as at the reporting date. A liability shall be classified as current if any related term was violated, even if a creditor relieves the entity from obligation to comply with the above term after the end of the period. On other hand, a loan is classified as non-current if a specific term under the loan was violated only after the reporting date;
- Settlement is defines as repayment of a liability in cash, other resources representing economic benefits or own equity instruments of the entity. The standard provides for exclusion for convertible instruments that can be converted into equity only for those instruments where converting option is classified as equity instrument that is a separate component of complex financial instrument.

The amendments affect only the presentation of liabilities in the statement of financial position, rather than amount or term of recognition of any asset, income or expenses under liabilities or disclosure of information. Amendment clarify rather than change existing requirements and are expected to have a significant impact on financial statements of entities. Still, they may result in reclassification of certain current liabilities into non-current and vice versa by entities thus affecting their loan agreements.

Reference to Conceptual framework (amendments to IFRS 3) (applicable as of January 1, 2022). Since IFRS 3 *Business Combinations* contains a reference to previous version of Conceptual framework replaced by Conceptual framework for financial reporting, certain paragraphs and terms were adjusted for correspondence to new Conceptual framework.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable date is not set until the research project regarding shareholding is finalized, earlier application is possible). The amendments focus on regulation of contradictions between IFRS 10 and IAS 28. The amendments require that recognized profit or loss in an agreement with an associate or joint venture depends on whether asset sold or contributed are a business. IAS 28 requires that profit or loss under agreement of an entity and its associate or joint venture is recognized only within the scope of shares of non-related investors into associate or joint venture. At the same time IFRS 10 requires full recognition of profit or loss if parent entity loses control over its associate. Under new amendments profit or loss should be recognized in full in case of loss of control over business irrespective of whether business is separated into a separate company or not. At the same time, profit or loss generated by sale or contribution of an associate, that is not a business in accordance with definition of associate or joint venture in IFRS 3 should be recognized only within the scope of shares of non-related investors into associate or joint venture.

Amendments to IAS 28:
- Partial recognition of profit or loss under agreement of an entity with an associate or joint venture should be made regarding assets or asset groups rather than business;
- New requirement means that an investor should recognize profit or loss under 'top-to-down' related to transfer of business by investor into with an associate or joint venture;
- An entity should review whether assets sold or contributed under separate agreements represent business and should not be they treated as a single agreement.

Amendments to IFRS 10:
- An exclusion was introduced for recognition of profit or loss in full in case of transfer of subsidiary into an associate or joint venture, where accounting is based on equity accounting when a subsidiary is not a business;
- Profit or loss generated by such agreements are recognized as a component of profit or loss of parent company only within the scope of shares of non-related investors into associate or joint venture. Similar to this, profit or loss generated by remeasurement of investments into above subsidiary to their fair value which is now an associate or joint venture where accounting is based on equity accounting, are recognized in profit or loss of former parent only within the scope of shares of non-related investors into associate or joint venture.

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

Note 6. Cash and cash equivalents

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Cash	185 186	94 442
2	Cash in National Bank of Ukraine (except for mandatory reserves)	14 756	55 145
3	**Total cash and cash equivalents**	**199 942**	**149 587**

As at December 31, 2020, and December 31, 2019, no income under this item was accrued. In 2020 and 2019 the Bank did not perform noncash investing and financial transactions, related to acquisition (settlement) asset rather by exchange for other asset than in cash.

Note 7. Loans and due from Banks

Table 7.1. Loans and due from banks at amortized cost

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Cash at correspondent accounts in other banks with credit risk	51 588	32 668
2	Allowance for ECL with other banks	(513)	(303)
3	**Total cash in other banks**	**51 075**	**32 365**

As at December 31, 2020, and December 31, 2019, no income under this item was accrued. As at December 31, 2020, and December 31, 2019, maximal credit risk per one counterpart was UAH 50 071 thousand and UAH 32 360 thousand, respectively.

Table 7.2. Credit quality of loans and due from banks at amortized cost in 2020

(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	51 583	-	-	-	51 583
3	Low credit risk	5	-	-	-	5
4	Medium credit risk	-	-	-	-	-
5	High credit risk	-	-	-	-	-
6	Defaulted assets	-	-	-	-	-
7	**Total gross carrying amount of cash at correspondent accounts in other banks with credit risk**	**51 588**	**-**	**-**	**-**	**51 588**
8	Allowance for ECL with other banks	(513)	-	-	-	(513)
9	**Total cash at correspondent accounts in other banks with credit risk**	**51 075**	**-**	**-**	**-**	**51 075**

Table 7.3. Credit quality of loans and due from banks at amortized cost in 2019

(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	32 668	-	-	-	32 668
3	Low credit risk	-	-	-	-	-
4	Medium credit risk	-	-	-	-	-
5	High credit risk	-	-	-	-	-
6	Defaulted assets	-	-	-	-	-
7	**Total gross carrying amount of cash at correspondent accounts in other banks with credit risk**	**32 668**	**-**	**-**	**-**	**32 668**
8	Allowance for ECL with other banks	(303)	-	-	-	(303)
9	**Total cash at correspondent accounts in other banks with credit risk**	**32 365**	**-**	**-**	**-**	**32 365**

Table 7.4. Change of allowance for ECL under loans and due from banks at amortized cost in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Allowance for ECL as at December 31, 2019	**(303)**	**-**	**-**	**-**	**(303)**
2	Purchased/initiated assets	(202)	-	-	-	(202)
3	Financial assets derecognized or repaid (except for written off)	-	-	-	-	-
4	Total effect of transfer between stages	-	-	-	-	-
4.1	Transfer to stage 1	-	-	-	-	-
4.2	Transfer to stage 2	-	-	-	-	-
4.3	Transfer to stage 3	-	-	-	-	-
5	X-rate differences	(8)	-	-	-	(8)
6	**Allowance for ECL as at December 31, 2020**	**(513)**	**-**	**-**	**-**	**(513)**

Table 7.5. Change of allowance for ECL under loans and due from banks at amortized cost in 2019

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Allowance for ECL as at December 31, 2018	(1 369)	-	-	-	(1 369)
2	Purchased/initiated assets	1 049	-	-	-	1 049
3	Financial assets derecognized or repaid (except for written off)	-	-	-	-	-
4	Total effect of transfer between stages	-	-	-	-	-
4.1	Transfer to stage 1	-	-	-	-	-
4.2	Transfer to stage 2	-	-	-	-	-
4.3	Transfer to stage 3	-	-	-	-	-
5	X-rate differences	17	-	-	-	17
6	**Allowance for ECL as at December 31, 2019**	**(303)**	**-**	**-**	**-**	**(303)**

Table 7.6. Changes of gross carrying amount of loans and due from banks ay amortized cost in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Initially impaired assets	Total

1	Gross carrying amount as at December 31, 2019	**32 668**	**-**	**-**	**-**	**32 668**
2	Purchased/initiated financial assets	15 484	-	-	-	15 484
3	Financial assets derecognized or repaid (except for written off)	-	-	-	-	-
4	Transfer to stage 1	-	-	-	-	-
5	Transfer to stage 2	-	-	-	-	-
6	Transfer to stage 3	-	-	-	-	-
7	X-rate differences	3 436	-	-	-	3 436
8	**Gross carrying amount as at December 31, 2020**	**51 588**	**-**	**-**	**-**	**51 588**

Note 8. Loans and due from customers

Table 8.1. Loans and due from customers at amortized cost

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Corporate loans	1 122 287	809 848
2	Corporate loans under REPO transactions	11 300	-
3	Loans to private entrepreneurs	57 356	50 214
4	Mortgage loans to individuals	64 108	3 676
5	Consumer loans	76 388	81 391
6	Other loans to individuals	1 013	1 316
7	Allowance for ECL under loans to customers at amortized cost	(16 518)	(16 195)
8	**Total loans and due from customers at amortized cost**	**1 315 934**	**930 250**

As at December 31, 2020, accrued income disclosed in this note were UAH 16 428 thousand, and as at December 31, 2019 – UAH 13 761 thousand.
As at December 31, 2020, and December 31, 2019, maximal credit risk under loans to customers was UAH 71 246 thousand and UAH 50 947 thousand, respectively.

Table 8.2. Changes of allowance for ECL under loans and due from customers at amortized cost in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Allowance for ECL as at December 31, 2019**	**(8 147)**	**(227)**	**(7 821)**	-	**(16 195)**
2	Purchased/initiated financial assets	(3 584)	-	-	(66)	(3 650)
3	Total effect of transfer between stages	-	30	503	-	533
3.1	Transfer to stage 1	-	-	-	-	-

3.2	Transfer to stage 2	-	30	-	-	30
3.3	Transfer to stage 3	-	-	503	-	503
4	Write-off of financial assets through consumption of allowance	-	-	2 794	-	2 794
5	**Allowance for ECL as at December 31, 2020**	**(11 731)**	**(197)**	**(4 524)**	**(66)**	**(16 518)**

Table 8.3. Changes of allowance for ECL under loans and due from customers at amortized cost in 2019

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	**Allowance for ECL as at December 31, 2018**	**(8 271)**	**(198)**	**(7 520)**	**-**	**(15 989)**
2	Purchased/initiated financial assets	124	-	-	-	124
3	Total effect of transfer between stages	-	(29)	(342)	-	(371)
3.1	Transfer to stage 1	-	-	-	-	-
3.2	Transfer to stage 2	-	(29)	-	-	(29)
3.3	Transfer to stage 3	-	-	(342)	-	(342)
4	Write-off of financial assets through consumption of allowance	-	-	41	-	41
5	**Allowance for ECL as at December 31, 2019**	**(8 147)**	**(227)**	**(7 821)**	**-**	**(16 195)**

Table 8.4. Changes of gross carrying amount through impairment of loans and due from customers at amortized cost in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	POCI	Total
1	**Gross carrying amount – opening balance**	**935 869**	**394**	**10 182**	**-**	**946 445**
1.1	Individual basis	-	-	**8 316**	-	**8 316**
1.2	Group basis	**935 869**	**394**	**1 866**	-	**938 129**
2	Purchased/initiated financial assets	374 423	-	-	66	374 489
3	Transfer to stage 1	-	-	-	-	-
4	Transfer to stage 2	-	8 305	-	-	8 305
5	Transfer to stage 3	-	-	6 007	-	6 007
6	Write-off of financial assets through utilisation of allowance	-	-	(2 794)	-	(2 794)
7	**Gross carrying amount – closing balance**	**1 310 292**	**8 699**	**13 395**	**66**	**1 332 452**
7.1	Individual basis	-	-	**4 172**	**66**	**4 238**
7.2	Group basis	**1 310 292**	**8 699**	**9 223**	-	**1 328 214**

Table 8.5. Changes of gross carrying amount through impairment of loans and due from customers at amortized cost in 2019

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	POCI	Total
1	**Gross carrying amount – opening balance**	**538 662**	**254**	**7 813**	**-**	**546 729**
1.1	Individual basis	-	-	5 657	-	5 657
1.2	Group basis	538 662	254	2 156	-	541 072
2	Purchased/initiated financial assets	397 207	-	-	-	397 207
3	Transfer to stage 1	-	-	-	-	-
4	Transfer to stage 2	-	140	-	-	140
5	Transfer to stage 3	-	-	2 410	-	2 410
6	Write-off of financial assets through utilisation of allowance	-	-	(41)	-	(41)
7	**Gross carrying amount – closing balance**	**935 869**	**394**	**10 182**	**-**	**946 445**
7.1	Individual basis	-	-	**8 316**	-	**8 316**
7.2	Group basis	**935 869**	**394**	**1 866**	-	**938 129**

Table 8.6. Loans by economic sectors

(UAH'000)

Line	Sector	December 21, 2020		December 31, 2019	
		Amount	%	Amount	%
1	Agriculture, hunting, forestry	33 667	2,53	20 819	2,20
2	Mining industry, quarry development, processing industry, power, gas and water supply	22 108	1,66	81 464	8,61
3	Production of foods, textiles, leather, non-metal mineral products	282 873	21,23	224 652	23,73
4	Collection, processing and removal of wastes; restoration of materials	4 553	0,34	3 959	0,42
5	Trade, repair of vehicles, consumer products and personal use items	447 437	33,58	312 365	33,00
6	Road and pipeline transport	388	0,03	15 320	1,62
7	Financial services except for insurance and pension provision	110 748	8,31	43 571	4,60
8	Warehousing and auxiliary transport services	71 151	5,34	-	-
9	Insurance, reinsurance and auxiliary financial services	443	0,03	18 189	1,92
10	Construction of buildings and facilities	133 690	10,03	58 461	6,18
11	Real estate, leasing, engineering, and provision of services	83 885	6,30	81 262	8,59
12	Individuals	141 509	10,62	86 383	9,13
13	**Total loans and due from customers net of allowance**	**1 332 452**	**100**	**946 445**	**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 2020 results, priority line of credit policies of the Bank was financial of trade entities – 33,58%, entities engaged in production of foods, textiles, leather, nonmetal mineral products – 21,23% and individuals – 10,62%.

Table 8.7. Loans by types of collateral in 2020

(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	62 056	-	-	2 828	1 013	-	65 897
2	Loans secured by:	1 060 231	11 300	57 356	73 560	-	64 108	1 266 555
2.1	Cash	183 400	-	-	4 471	-	-	187 871
2.2	Property	400 547	-	57 248	68 620	-	64 108	590 523
2.3	Other assets	476 284	11 300	108	469	-	-	488 161
3	**Total loans and due from customers net of allowance**	**1 122 287**	**11 300**	**57 356**	**76 388**	**1 013**	**64 108**	**1 332 452**

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 2019

(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
1	Unsecured loans	52 981	-	4 105	1 316	-	58 402
2	Loans secured by:	756 867	50 214	77 286	-	3 676	888 043
2.1	Cash	85 835	-	-	-	-	85 835
2.2	Property	325 779	49 138	75 496	-	3 676	454 089
2.3	Other assets	345 253	1 076	1 790	-	-	348 119
3	**Total loans and due from customers net of allowance**	**809 848**	**50 214**	**81 391**	**1 316**	**3 676**	**946 445**

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

Tables 8.7 and 8.8 present information on all types of collateral, received by the Bank under the loans including those not included into calculation of allowance for ECL. Receipt of a collateral is treated by the Bank as an additional instrument to regulate credit risk based on liquidity of collateral.

Table 8.9. Credit quality of loans and due from customers at amortized cost in 2020

(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	134 929	-	-	66	134 995
3	Low credit risk	603 413	6 120	-	-	609 533
4	Medium credit risk	205 164	56	-	-	205 220
5	High credit risk	229 655	10	-	-	229 665
6	Defaulted asset	137 131	2 513	13 395	-	153 039
7	Total gross carrying amount of loans and due from customers at amortized cost	**1 310 292**	**8 699**	**13 395**	**66**	**1 332 452**
8	Allowance for ECL of loans and due from customers at amortized cost	(11 731)	(197)	(4 524)	(66)	(16 518)
9	**Total loans and due from customers at amortized cost**	**1 298 561**	**8 502**	**8 871**	**-**	**1 315 934**

Table 8.10. Credit quality of loans and due from customers at amortized cost in 2019

(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	220 299	-	-	-	220 299
3	Low credit risk	376 549	-	-	-	376 549
4	Medium credit risk	40 598	283	-	-	40 881
5	High credit risk	152 168	36	-	-	152 204
6	Defaulted assets	146 255	75	10 182	-	156 512
7	Total gross carrying amount of loans and due from customers at amortized cost	**935 869**	**394**	**10 182**	**-**	**946 445**
8	Allowance for ECL of loans and due from customers at amortized cost	(8 147)	(227)	(7 821)	-	(16 195)
9	**Total loans and due from customers at amortized cost**	**927 722**	**167**	**2 361**	**-**	**930 250**

Table 8.11. Effect of collateral value to credit quality in 2020

(UAH'000)

Line	Item	Carrying amount of loans	Expected cash flows from sale of collateral	Effect of collateral
1	Corporate loans	1 122 287	1 011 870	110 417
2	Corporate loans under REPO transactions	11 300	11 300	-
3	Loans to private entrepreneurs	57 356	57 356	-
4	Mortgage loans to individuals	64 108	64 108	-
5	Consumer loans to individuals	76 388	73 132	3 256
6	Other loans to individuals	1 013	-	1 013
7	**Total loans**	**1 332 452**	**1 217 766**	**114 686**

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 has 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 2020, the Bank foreclosed mortgaged property used as collateral under loans (deposits) for total of UAH 2 191 thousand. In 2019, the Bank foreclosed mortgaged property used as collateral under loans (deposits) for total of UAH 9 000 thousand.

Table 8.12. Effect of collateral value to credit quality in 2019

(UAH'000)

Line	Item	Carrying amount of loans	Expected cash flows from sale of collateral	Effect of collateral
1	Corporate loans	809 848	635 281	174 567
2	Loans to private entrepreneurs	50 214	50 214	-
3	Mortgage loans to individuals	81 391	74 438	6 953
4	Consumer loans to individuals	3 676	2 844	832

5	Other loans to individuals	1 316	-	1 316
6	**Total loans**	**946 445**	**762 777**	**183 668**

Note 9. Investments in securities

Table 9.1. Investments in securities

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Debt securities at fair value through other comprehensive income	924 955	55 575
1.1	Government bonds	924 955	55 575
2	Debt securities at amortized cost	500 080	200 299
2.1	NBU deposit certificates	500 080	200 299
3	Equity instruments at fair value through other comprehensive income	18	18
3.1	Shares with fair value determined based on quotation at stock exchanges	-	-
3.2	Shares at cost (fair value cannot be reliably measured)	18	18
4	**Total investments in securities**	**1 425 053**	**255 892**

As at December 31, 2020, income accrued under this note was UAH 27 835 thousand, and as at December 31, 2019 – UAH 299 thousand.

There are no securities used as collateral under REPO transactions. The Bank did not establish allowance for ECL under investments in securities in 2020 and 2019.

Securities were not reclassified in 2020 and 2019.

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, 2020	December 31, 2019
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 2020

(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	500 080	-	-	-	500 080
3	Low credit risk	-	-	-	-	-
4	Medium credit risk	-	-	-	-	-
5	High credit risk	-	-	-	-	-

6	Defaulted assets	-	-	-	-	-
7	**Total gross carrying amount of debt securities at amortized cost**	**500 080**	**-**	**-**	**-**	**500 080**
8	Allowance for ECL under debt securities at amortized cost	-	-	-	-	-
9	**Total debt securities at amortized cost**	**500 080**	**-**	**-**	**-**	**500 080**

Table 9.4. Credit quality of investments in securities at amortized cost in 2019

(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	200 299	-	-	-	200 299
3	Low credit risk	-	-	-	-	-
4	Medium credit risk	-	-	-	-	-
5	High credit risk	-	-	-	-	-
6	Defaulted assets	-	-	-	-	-
7	**Total gross carrying amount of debt securities at amortized cost**	**200 299**	**-**	**-**	**-**	**200 299**
8	Allowance for ECL under debt securities at amortized cost	-	-	-	-	-
9	**Total debt securities at amortized cost**	**200 299**	**-**	**-**	**-**	**200 299**

Table 9.5. Credit quality of investments in securities at other comprehensive income in 2020

(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	924 955	-	-	-	924 955
3	Low credit risk	-	-	-	-	-
4	Medium credit risk	-	-	-	-	-
5	High credit risk	-	-	-	-	-
6	Defaulted assets	-	-	-	-	-

7	**Total gross carrying amount of debt securities at fair value though other comprehensive income**	**924 955**	**-**	**-**	**-**	**924 955**
8	Allowance for ECL under debt securities at fair value though other comprehensive income	-	-	-	-	-
9	**Total debt securities at fair value though other comprehensive income**	**924 955**	**-**	**-**	**-**	**924 955**

Table 9.6. Credit quality of investments in securities at other comprehensive income in 2019

(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	55 575	-	-	-	55 575
3	Low credit risk	-	-	-	-	-
4	Medium credit risk	-	-	-	-	-
5	High credit risk	-	-	-	-	-
6	Defaulted assets	-	-	-	-	-
7	**Total gross carrying amount of debt securities at fair value though other comprehensive income**	**55 575**	**-**	**-**	**-**	**55 575**
8	Allowance for ECL under debt securities at fair value though other comprehensive income	-	-	-	-	-
9	**Total debt securities at fair value though other comprehensive income**	**55 575**	**-**	**-**	**-**	**55 575**

Table 9.7. Changes of gross carrying amount of securities at amortized cost and fair value through other comprehensive income in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	POCI	Total
1	Gross carrying amount – opening balance	**255 874**	**-**	**-**	**-**	**255 874**
1.1	Debt securities at fair value through other	55 575	-	-	-	55 575

	comprehensive income (government bonds)					
1.2	Debt securities at amortized cost (NBU deposit certificates)	200 299	-	-	-	200 299
2	Purchased/created financial assets	1 156 808	-	-	-	1 156 808
3	X-rate differences	12 353	-	-	-	12 353
4	Other changes	-	-	-	-	-
5	**Gross carrying amount – closing balance**	**1 425 035**	**-**	**-**	**-**	**1 425 035**
5.1	Debt securities at fair value through other comprehensive income (government bonds)	924 955	-	-	-	924 955
5.2	Debt securities at amortized cost (NBU deposit certificates)	500 080	-	-	-	500 080

Table 9.8. Changes of gross carrying amount of securities at amortized cost and fair value through other comprehensive income in 2019

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	POCI	Total
1	Gross carrying amount – opening balance	**436 279**	**-**	**-**	**-**	**436 279**
1.1	Debt securities at fair value through other comprehensive income (government bonds)	133 802	-	-	-	133 802
1.2	Debt securities at amortized cost (NBU deposit certificates)	302 477	-	-	-	302 477
2	Purchased/created financial assets	(168 960)	-	-	-	(168 960)
3	X-rate differences	(11 445)	-	-	-	(11 445)
4	Other changes	-	-	-	-	-
5	**Gross carrying amount – closing balance**	**255 874**	**-**	**-**	**-**	**255 874**
5.1	Debt securities at fair value through other comprehensive income (government bonds)	55 575	-	-	-	55 575
5.2	Debt securities at amortized cost (NBU deposit certificates)	200 299	-	-	-	200 299

Note 10. Derivative financial assets

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Derivative financial assets	-	12 419
1.1	Forex swaps	-	-
1.2	Forward contracts on sale of securities	-	12 419
2	**Total derivative financial assets**	**-**	**12 419**

Note 11. 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 December 31, 2018**	**8 913**	**13 266**	**810**	**3 133**	**1 082**	**1 661**	**309**	**19 110**	**48 284**
1.1	Historical/revalued value	12 905	17 624	895	5 537	1 860	4 294	309	23 385	66 809
1.2	Depreciation and amortization	(3 992)	(4 358)	(85)	(2 404)	(778)	(2 633)	-	(4 275)	(18 525)
2	Purchases	-	630	-	789	254	688	2 933	1 838	7 132
3	Transfer from capital investments in progress to fixed and intangible assets	-	20	1 689	415	107	792	(3 023)	-	-
4	Disposals	-	(1)	-	(72)	(94)	(349)	-	-	(516)
5	Depreciation and amortization	(319)	(1 724)	(248)	(543)	(278)	(1 894)	-	(2 362)	(7 368)
6	Other changes	-	-	-	-	-	(6)	6	-	-
7	**Carrying amount as at December 31, 2019**	**8 594**	**12 191**	**2 251**	**3 722**	**1 071**	**892**	**225**	**18 586**	**47 532**
7.1	Historical/revalued value	12 905	18 037	2 584	6 588	1 838	4 861	225	25 048	72 086
7.2	Depreciation and	(4 311)	(5 846)	(333)	(2 866)	(767)	(3 969)	-	(6 462)	(24 554)

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
	amortization									
8	Purchases	-	1 714	-	1 080	650	1 385	15 332	2 438	22 599
9	Transfer from capital investments in progress to fixed and intangible assets	2 311	-	5 853	242	38	181	(10 300)	1 675	-
10	Disposals	-	-	-	(5)	-	-	(73)	-	(78)
11	Depreciation and amortization	(319)	(1 849)	(369)	(712)	(460)	(1 862)	-	(2 802)	(8 373)
12	Other changes	-	-	4	(4)	-	4	-	-	4
13	**Carrying amount as at December 31, 2020**	**10 586**	**12 056**	**7 739**	**4 323**	**1 299**	**600**	**5 184**	**19 897**	**61 684**
13.1	Historical/revalued value	15 216	19 460	8 442	7 557	2 268	6 307	5 184	29 102	93 536
13.2	Depreciation and amortization	(4 630)	(7 404)	(703)	(3 234)	(969)	(5 707)	-	(9 205)	(31 852)

As at December 31, 2020, and 2019:

- 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 8 814 thousand and UAH 1 795 thousand, and UAH 7 439 thousand and UAH 1 135 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 2020. In 2019, the Bank received compensation from insurance company for a damage of a car of UAH 15 thousand.

As at 01.12.2020, 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, result of revaluation were not reflected in accounting.

Were the building disclosed as historical value less accumulated depreciation and impairment losses, it carries amount would have been UAH 6 861 thousand as at 31.12.2020, or UAH 4 726 thousand as at 31.12.2019.

Note 12. Other assets

Table 12.1. Other assets

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
OTHER FINANCIAL ASSETS			
1	Receivables under pay card transactions	472	689
2	Receivables under settlements under cash transfers	379	261
3	Cash limited in use (guarantee)	11 141	10 957
4	Accrued income	960	392
5	Other financial assets	346	94
6	Allowance for ECL of other financial assets	(334)	(176)
7	**Total other financial assets net of allowance**	**12 964**	**12 217**
OTHER NON-FINANCIAL ASSETS			
8	Receivables under purchase of assets	5 106	298
9	Prepayment for services	1 658	519
10	Precious metals	3 560	-
11	Deferred expenses	2 988	4 045
12	Other nonfinancial assets	149	58
13	Allowance for ECL of other nonfinancial assets	(61)	(301)
14	**Total other financial assets net of allowance**	**13 400**	**4 619**
15	**Total other assets net of allowance**	**26 364**	**16 836**

As at 31.12.2020, accrued income included into this Note was UAH 960 thousand, and as at 31.12.2019 – UAH 392 thousand.
As at 31.12.2020 and 31.12.2019 maximal credit risk under other assets was UAH 11 131 thousand and UAH 10 947 thousand respectively.

As at 31.12.2020, the Bank discloses cash with limited use of UAH 11 141 thousand representing cash coverage for transactions with Visa and Mastercard international pay systems (UAH 11 131 thousand) and settlements under Prostir national pay system (UAH 10 thousand). As at 31.12.2019, the above amounts were UAH 10 947 thousand and UAH 10 thousand respectively.

Table 12.2. Allowance for ECL of other assets in 2020

(UAH'000)

Line	Allowances	Receivables under purchase of assets	Prepaymen t for services	Accrued income	Cash limited in use	Total
1	**Balance as at December 31, 2019**	**(197)**	**(104)**	**(82)**	**(94)**	**(477)**

2	(Increase)/decrease of allowance	197	(3)	(152)	(5)	**37**
3	Bad debt written off	-	46	-	-	**46**
4	X-rate differences	-	-	-	(1)	**(1)**
5	**Balance as at December 31, 2020**	**-**	**(61)**	**(234)**	**(100)**	**(395)**

In 2020, a debt under other assets (accrued income) of UAH 1 thousand was settled. In 2019, a debt under other assets (accrued income) of UAH 1 thousand was settled.

Table 12.3. Allowance for ECL of other assets in 2019

(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, 2018**	**(158)**	**(258)**	**(19)**	**(669)**	**(1 104)**
2	(Increase)/decrease of allowance	(39)	154	(63)	574	**626**
3	Bad debt written off	-	-	-	-	**-**
4	X-rate differences	-	-	-	1	**1**
5	**Balance as at December 31, 2019**	**(197)**	**(104)**	**(82)**	**(94)**	**(477)**

Table 12.4. Changes of gross carrying amount of other assets in 2020

(UAH'000)

Line	Item	Receivables under pay card transactions	Cash limited in use	Other financial assets	Total
1	**Balance as at December 31, 2019**	**689**	**10 957**	**747**	**12 393**
2	Receivables initially recognized in the reporting period	-	-	732	732
3	Receivables derecognized or settled	(216)	-	-	(216)
4	Write-off by utilisation of allowance	-	-	-	-
5	X-rate differences	(1)	184	206	389
6	**Balance as at December 31, 2020**	**472**	**11 141**	**1 685**	**13 298**

Table 12.5. Changes of gross carrying amount of other assets in 2019

(UAH'000)

Line	Item	Receivables under pay card transactions	Cash limited in use	Other financial assets	Total
1	**Balance as at December 31, 2018**	**690**	**11 118**	**692**	**12 500**
2	Receivables initially recognized in the reporting period	-	-	321	321
3	Receivables derecognized or settled	(1)	-	-	(1)
4	Write-off by utilisation of allowance	-	-	-	-
5	X-rate differences	-	(161)	(266)	(427)
6	**Balance as at December 31, 2019**	**689**	**10 957**	**747**	**12 393**

Table 12.6. Credit quality of other assets in 2020

(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	378	-	-	-	94	472
2	Receivables under settlements under transfer transactions	379	-	-	-	-	379
3	Cash limited in use (guarantee)	11 141	-	-	-	-	11 141
4	Accrued income	903	-	-	-	57	960
5	Other financial assets	346	-	-	-	-	346
6	**Total other financial assets**	**13 147**	**-**	**-**	**-**	**151**	**13 298**

Table 12.6. Credit quality of other assets in 2019

(UAH'000)

Line	Item	Minimal credit risk	Low credit risk	Medium credit risk	High credit risk	Defaulte d assets	Total
1	Receivables under pay card transactions	689	-	-	-	-	689
2	Receivables under settlements under transfer transactions	261	-	-	-	-	261
3	Cash limited in use (guarantee)	10 957	-	-	-	-	10 957
4	Accrued income	364	-	-	-	28	392
5	Other financial assets	94	-	-	-	-	94
6	**Total other financial assets**	**12 365**	**-**	**-**	**-**	**28**	**12 393**

Note 13. Due to banks

Table 13.1. Due to banks

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Funds received from National Bank of Ukraine	291 791	-
2	**Total due to banks**	**291 791**	**-**

As at 31.12.2020, there are no accrued interest expense, included into due to banks.

In 2020, all liabilities under principal debt and related interest were paid in time. Carrying amount of assets (government bonds), filed in National Bank of Ukraine s collateral of the Bank under refinancing loan received, is UAH 336 061 thousand.

Note 14. Due to customers

Table 14.1. Due to customers

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Other legal entities	1 526 681	538 685
1.1	Current accounts	923 789	366 949
1.2	Term deposits	602 892	171 736
2	Individuals:	929 273	635 096
2.1	Current accounts	59 693	42 072
2.2	Term deposits	869 580	593 024
3	**Total due to customers**	**2 455 954**	**1 173 781**

As at 31.12.2020, accrued interest expense, included into due to customers were UAH 15 682 thousand, while as at 31.12.2019 – UAH 11 368 thousand.

As at 31.12.2020 and 31.12.2019, maximal funds as customers' account were UAH 73 408 thousand and UAH 105 344 thousand, respectively.

Table 14.2. Due to customers by economic sectors

(UAH'000)

Line	Sector	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
1	Electric power, gas and water supply	40 724	1,66	2 550	0,22
2	Transactions with real estate, lease, engineering, and provision of services	47 214	1,92	6 052	0,52
3	Production of foods, dress and textiles	41 277	1,68	35 019	2,98
4	Trade, repair of vehicles, household appliances and personal utilisation items	392 888	16,00	165 057	14,06
5	Agriculture, hunting, forestry	133 949	5,45	9 988	0,85
6	Provision of financial services, except for insurance and pension provision	192 123	7,82	112 719	9,60
7	IT business	3 349	0,14	8 114	0,69
8	Individuals	929 273	37,84	635 096	54,11
9	Management consulting	37 696	1,53	19 197	1,64
10	Insurance, reinsurance and non-state pension plans	217 847	8,87	50 731	4,32
11	Construction of buildings and facilities, specialized construction works	228 273	9,30	39 639	3,38
12	Other types of production	111 967	4,56	70 626	6,01
13	Other	79 374	3,23	18 993	1,62
14	**Total due to customers**	**2 455 954**	**100**	**1 173 781**	**100**

As at 31.12.2020, due to customers, used as a collateral under loan transactions, guarantees and security are total of UAH 273 481 thousand. Total amount of customers' liabilities to the Bank secured by their funds is UAH 683 690 thousand.

As at 31.12.2019, due to customers, used as a collateral under loan transactions, guarantees and security are total of UAH 108 036 thousand. Total amount of customers' liabilities to the Bank secured by their funds is UAH 136 448 thousand.

Note 15. Derivative financial liabilities

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Derivative financial liabilities	318	-
1.1	Forex swaps	-	-
1.2	Forward contracts on sale of securities	318	-
2	**Total derivative financial liabilities**	**318**	-

Note 16. Provisions for liabilities

Table 16.1. Changes of provisions for liabilities in 2020

(UAH'000)

Line	Changes	Loan commitments
1	**Balance as at December 31, 2019**	**1 301**
2	Formation and/or increase (decrease) of provision	3 102
3	X-rate difference	1
4	**Balance as at December 31, 2020**	**4 404**

Table 16.2. Changes of provisions for liabilities in 2019

(UAH'000)

Line	Changes	Loan commitments
1	**Balance as at December 31, 2018**	**851**
2	Formation and/or increase (decrease) of provision	449
3	X-rate difference	1
4	**Balance as at December 31, 2019**	**1 301**

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 31.12.2020 and 31.12.2019, provisions under liabilities were not consumed, while assets in an amount of expected compensation were not recognized.

Note 17. Other liabilities

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
OTHER FINANCIAL LIABILITIES			
1	Payables under pay card transactions	565	41
2	Collateral value of keys for individual bank boxes	344	215
3	Accrued expense under settlements and business transactions	3 014	983
4	Payables under payments received	625	46
5	Payables to be clarified	35	226
6	Other financial liabilities	154	17
7	**Total other financial liabilities**	**4 737**	**1 528**

OTHER NONFINANCIAL LIABILITIES			
8	Payables under taxes and dues, except for income tax	2 960	2 269
9	Payables under settlements with Bank personnel	79	44
10	Payables under acquisition of assets	19	4
11	Deferred income	5 976	4 806
12	Provision for vacations	5 640	3 913
13	Payables for services	849	697
14	Payables for financial services received	12 355	2 771
15	**Total other nonfinancial liabilities**	**27 878**	**14 504**
16	**Total other liabilities**	**32 615**	**16 032**

As at 31.12.2020, accrued expense, included in the Note, were UAH 3 014 thousand, as at 31.12.2019 – UAH 983 thousand.

Analysis of maturities of lease liabilities and description of liquidity risk management by the Bank are presented in Note 29.

Note 18. Share capital and share premium

(UAH'000)

Line	Item	Shares in circulation (000 pcs)	Ordinary shares	Total
1	**Balance as at December 31, 2018**	**157 480**	**200 000**	**200 000**
2	Increase of par value through allocation of profit to share capital	-	15 748	15 748
3	**Balance as at December 31, 2019**	**157 480**	**215 748**	**215 748**
4	**Balance as at December 31, 2020**	**157 480**	**215 748**	**215 748**

The Bank issues registered ordinary shares.
Sole shareholder of Joint Stock Company "Commercial Industrial Bank" took decision on 18.12.2020 to increase share capital of the Bank by UAH 29 481 965 (twenty nine million four hundred eighty one thousand nine hundred sixty five) and 71 kopecks to UAH 245 230 000 (two hundred forty five million two hundred thirty thousand) 00 kopecks by floatation of additional 21 519 683 (twenty one million five hundred nineteen six hundred and eighty three) shares of current par value of UAH 1,37 by additional inputs.

As at 31.12.2020, 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 2020 and 2019:

- the Bank did not issue bearer shares and preference shares;
- the Bank did not issue shares under option and sle 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 19. Revaluation reserves (components of other comprehensive income)

(UAH'000)

Line	Item	Note	December 31, 2020	December 31, 2019
1	**Opening balance**		**6 131**	**7 148**
2	Revaluation of securities at fair value through other comprehensive income	9	(3 280)	(1 240)
2.1	Changes in revaluation to fair price	9	(5 413)	(1 848)
2.2.	Income (expense) through sale, reclassified into profit or loss of the reporting period		2 133	608
3	Income tax related to change of reserve of revaluation of securities at fair value through other comprehensive income		530	223
4	Total changes in revaluation reserves (other comprehensive income)		(2 750)	(1 017)
5	**Closing balance**		**3 381**	**6 131**

Note 20. Assets and liabilities by maturities

(UAH'000)

Line	Item	Note	December 31, 2020			December 31, 2019		
			> 12 months	< 12 months	Total	> 12 months	< 12 months	Total
ASSETS								
1	Cash and cash equivalents	6	199 942	-	199 942	149 587	-	149 587
2	Loans and due from banks	7	51 075	-	51 075	32 365	-	32 365
3	Loans and due from customers	8	988 014	327 920	1 315 934	672 004	258 246	930 250
4	Investments in securities	9	1 361 509	63 544	1 425 053	255 892	-	255 892
5	Derivative financial assets	10	-	-	-	12 419	-	12 419
6	Deferred tax asset		-	1 302	1 302	-	61	61
7	Fixed and intangible assets	11	1 112	60 572	61 684	18 811	28 721	47 532
8	Right-of-use assets		-	32 315	32 315	10 342	3 528	13 870
9	Other assets	12	26 290	74	26 364	16 677	159	16 836
10	**Total assets**		**2 627 942**	**485 727**	**3 113 669**	**1 168 097**	**290 715**	**1 458 812**
LIABILITIES								
11	Due to banks	13	109 791	182 000	291 791	-	-	-

12	Due to customers	14	2 359 577	96 377	2 455 954	1 106 576	67 205	1 173 781
13	Derivative financial liabilities	15	318	-	318	-	-	-
14	Liabilities under current income tax		4 402	-	4 402	2 156	-	2 156
15	Provisions for liabilities	16	4 044	360	4 404	1 187	114	1 301
16	Lease liabilities		17 857	15 839	33 696	8 511	6 079	14 590
17	Other liabilities	17	26 716	5 899	32 615	13 699	2 333	16 032
18	**Total liabilities**		**2 522 705**	**300 475**	**2 823 180**	**1 132 129**	**75 731**	**1 207 860**

Note 21. Interest income and expense

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
INTEREST INCOME:			
Interest income under financial assets at amortized cost			
1	Loans and due from customers	197 036	140 031
2	Debt securities	12 689	15 011
3	Loans and due from banks	642	-
4	Correspondent accounts in other banks	11	74
5	Deposits (loans) overnight in other banks	795	7 943
6	Interest income under impaired financial assets	32 283	19 667
7	**Total interest income under financial assets at amortized cost**	**243 456**	**182 726**
Interest income under financial assets at fair value through other comprehensive income			
8	Debt securities	12 286	5 199
9	**Total interest income under financial assets at fair value through other comprehensive income**	**12 286**	**5 199**
10	**Total interest income**	**255 742**	**187 925**
	INTEREST EXPENSE:		
Interest expense under financial liabilities at amortized cost			
11	Corporate term deposits	(15 196)	(20 457)
12	Other term deposits (NBU loans)	(5 092)	-
13	Term deposits of individuals	(88 531)	(59 409)
14	Term deposits of other banks	(248)	(392)
15	Current accounts	(16 111)	(10 910)
16	Lease liabilities	(3 507)	(2 761)
17	**Total interest expense under financial liabilities at amortized cost**	**(128 685)**	**(93 929)**
18	**Total interest expense**	**(128 685)**	**(93 929)**
19	**Net interest income/(expense)**	**(127 057)**	**93 996**

Note 22. Commission income and expense

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
	COMMISSION INCOME:		
1	Cash settlement transactions	184 543	124 311
2	Income under currency market transactions	6 025	4 345
3	Guarantees issued	13 025	6 365
4	Loan servicing of customers	6 531	3 888
5	Other	1 796	1 165
6	**Total commission income**	**211 920**	**140 074**
	COMMISSION EXPENSE:		
7	Cash settlement transactions	(126 933)	(76 457)
8	Transactions with securities	(4)	(3)
9	Settlements with IPS	(3 565)	(2 794)
10	**Total commission expense**	**(130 502)**	**(79 254)**
11	**Net commission income/expense**	**81 418**	**60 820**

Note 23. Other operating income

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Income under sublease of right-of-use assets	47	54
2	Income from disposal of fixed and intangible assets	53	144
3	Income from modification of financial assets	556	55
4	Income from derecognition of financial assets	776	99
5	Income from lease modification	221	-
6	Income from fines and penalties	117	582
7	Income from derecognition of financial liabilities	4 258	1 480
8	Agent fee from financial and insurance companies	1 542	1 247
9	Allocation of funds at inactive accounts into income	-	169
10	Income from checking and recalculation of cash	2 004	1 049
11	Other	740	418
12	**Total operating income**	**10 314**	**5 297**

Note 24. Administrative and other operating expenses

Table 24.1. Expense under employee benefits

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Salaries and bonuses	(97 378)	(71 507)
2	Payroll charges	(19 195)	(14 328)
3	Other employee benefits	(635)	(321)
4	**Total expense under employee benefits**	**(117 208)**	**(86 156)**

Table 24.2. Depreciation and amortization

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Depreciation of fixed assets	(5 571)	(5 006)

2	Amortization of software and intangible assets	(2 802)	(2 362)
3	Depreciation of right-of-use assets	(18 174)	(9 445)
4	**Total depreciation and amortization**	**(26 547)**	**(16 813)**

Table 24.3. Other administrative and operating expenses

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Maintenance of fixed and intangible assets	(5 835)	(4 795)
2	Maintenance of fixed assets received under lease	(435)	(282)
3	Expense under short-term lease	(383)	(2 241)
4	Expense under lease of low-value assets	(518)	(553)
5	Expense related to variable lease payments	(1 331)	(1 243)
6	Professional services	(812)	(1 232)
7	Marketing and promotion	(518)	(1 090)
8	Insurance expense	(9 636)	(7 095)
9	Other taxes and dues paid, except for income tax	(6 048)	(4 524)
10	Expense from modification of financial assets	(2 170)	(321)
11	Loss from derecognition of financial assets	(339)	-
12	Telecommunication	(4 436)	(3 465)
13	Audit	(530)	(460)
14	Security	(1 218)	(768)
15	Household expense	(5 633)	(4 001)
16	Fee for attraction of customers	(4 565)	(4 336)
17	Loss from disposal of assets	-	(348)
18	Expense under payments with use of hardware-software systems	(1 838)	(2 121)
19	Utilities	(370)	(824)
20	Cost of processing services and personalization of PC	(1 899)	(1 621)
21	Cost of cash collection	(1 903)	(1 985)
22	Net profit (loss) from impairment of nonfinancial assets	194	114
23	Other administrative and operating expenses	(2 850)	(4 051)
24	**Total administrative and other operating expenses**	**(53 073)**	**(47 242)**

Note 25. Net profit/(loss) from transactions with financial instruments at fair value through profit or loss

Table 25.1. Net profit/(loss) from transactions with financial instruments at fair value through profit or loss

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Income less expense under transactions with derivative financial instruments (forex swaps) at fair value through profit or loss	(2 704)	56
2	Income less expense under transactions with derivative financial instruments (forward securities sale contracts) at fair value through profit or loss	(12 737)	10 155
3	**Total result from transactions with financial instruments at fair value through profit or loss**	**(15 441)**	**10 211**

Note 26. Income tax expense

Table 26.1. Income tax expense paid

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Current income tax	(9 935)	(5 278)
2	Change in deferred income tax related to origination or write-off of temporary difference	637	116
3	**Total income tax expense**	**(9 298)**	**(5 162)**

Table 26.2. Reconciliation of financial profit (loss) and tax profit (loss)

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	Earnings before taxes	51 585	28 617
2	Theoretical tax charge at respective tax rate	(9 285)	(5 151)
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)	(1 911)	(1 368)
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)	1 261	1 241
5	Non-taxable income recognized in financial accounting (income from sale of securities as per p. 141.2 of Tax Code of Ukraine)	(379)	(108)
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	379	108
7	Changes of net deferred tax asset	637	116
8	**Income tax (expense)**	**(9 298)**	**(5 162)**

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

Table 26.3. Tax effect of recognition of deferred tax assets and deferred tax liabilities in 2020

(UAH'000)

Line	Item	Balance as at December 31, 2019	Recognized in profit/loss	Recognized in other comprehensive income	Balance as at December 31, 2020
1	Tax effect of temporary differences, decreasing (increasing) taxable amount and tax loss carry-forward	61	637	604	1 302
1.1	Fixed assets	(99)	78	-	(21)
1.2	Securities at fair value through other comprehensive income	(74)	-	604	530
1.3	Provisions for liabilities	234	559	-	793
2	**Net deferred tax asset (liability)**	**61**	**637**	**604**	**1 302**
3	Recognized deferred tax asset	61	637	604	1 302
4	Recognized deferred tax liability	-	-	-	-

Table 26.4. Tax effect of recognition of deferred tax assets and deferred tax liabilities in 2019

(UAH'000)

Line	Item	Balance as at December 31, 2018	Recognized in profit/loss	Recognized in other comprehensive income	Balance as at December 31, 2019
1	Tax effect of temporary differences, decreasing (increasing) taxable amount and tax loss carry-forward	(279)	117	223	61
1.1	Fixed assets	(135)	36	-	(99)
1.2	Securities at fair value through other comprehensive income	(297)	-	223	(74)
1.3	Provisions for liabilities	153	81	-	234
2	**Net deferred tax asset (liability)**	**(279)**	**117**	**223**	**61**
3	Recognized deferred tax asset	-	61	-	61
4	Recognized deferred tax liability	(279)	56	223	-

Note 27. Earnings (loss) per ordinary share

(UAH'000)

Line	Item	Note	December 31, 2020	December 31, 2019
1	Earnings/(loss) to owners of Bank ordinary shares		42 287	23 455
2	Earnings of the period		42 287	23 455
3	Average number of circulating ordinary shares (thousand)	18	157 480	157 480

4	Net and adjusted earnings per ordinary share		0.27	0.15

Note 28. Operating segments

Bank segments are strategic business departments oriented at different customers. They are managed separately as each business segment requires own market strategies and level of servicing.

Cash in hand, cash at correspondent account in NBU, income tax are not distributed by segments.

Table 28.1. Income, expense and performance of reporting segments in 2020

(UAH'000)

Line	Item	Reporting segments			Other segments and transactions	Total
		Services to corporate customers	Services to individuals	Services to banks		
	Income from external customers	**381 241**	**62 974**	**20 454**	**13 307**	**477 976**
1	Interest income	203 787	25 520	14 137	12 298	255 742
2	Commission income	171 159	34 444	6 317	-	211 920
3	Other operating income	6 295	3 010	-	1 009	10 314
4	**Total segment income**	**381 241**	**62 974**	**20 454**	**13 307**	**477 976**
5	Interest expense	(33 270)	(90 075)	(5 340)	-	(128 685)
6	Commission expense	(111 061)	(5 720)	(13 717)	(4)	(130 502)
7	Net loss from impairment of financial assets	(4 281)	1 048	(207)	-	(3 440)
8	Net profit/(loss) from transactions with derivative financial instruments	-	-	(2 704)	(12 737)	(15 441)
9	Net profit/(loss) from transactions with debt financial instruments at fair value through other comprehensive income	-	-	-	2 103	2 103
10	Currency transactions	-	28 805	2 352	-	31 157
11	Revaluation of foreign currency	-	5 073	4 642	10 691	20 406
12	Net loss/(profit) from (increase)/decrease of provisions for liabilities	(3 114)	12	-	-	(3 102)
13	Accumulated profit/(loss) from reclassification of	-	-	-	(2 059)	(2 059)

	financial assets at fair value through other comprehensive income into those at fair value through profit or loss					
14	Employee benefits	-	-	-	(117 208)	(117 208)
15	Depreciation and amortization	-	-	-	(26 547)	(26 547)
16	Administrative and other operating expenses	-	-	-	(53 073)	(53 073)
17	**Segment results Profit (loss)**	**229 515**	**2 117**	**5 480**	**(185 527)**	**51 585**

Table 28.2. Income, expense and performance of reporting segments in 2019

(UAH'000)

Line	Item	Reporting segments			Other segments and transactions	Total
		Services to corporate customers	Services to individuals	Services to banks		
	Income from external customers	**260 708**	**35 476**	**30 470**	**6 642**	**333 296**
1	Interest income	146 295	13 403	23 028	5 199	187 925
2	Commission income	111 037	21 595	7 442	-	140 074
3	Other operating income	3 376	478	-	1 443	5 297
4	**Total segment income**	**260 708**	**35 476**	**30 470**	**6 642**	**333 296**
5	Interest expense	(33 649)	(59 888)	(392)	-	(93 929)
6	Commission expense	(70 202)	(5 019)	(4 030)	(3)	(79 254)
7	Net loss from impairment of financial assets	(372)	681	1 007	-	1 316
8	Net profit/(loss) from transactions with derivative financial instruments	-	-	56	10 155	10 211
9	Net profit/(loss) from transactions with debt financial instruments at fair value through other comprehensive income	-	-	-	601	601
10	Currency transactions	-	16 734	3 925	-	20 659
11	Revaluation of foreign currency	-	226	(3 325)	(9 916)	(13 015)
12	Net loss/(profit) from (increase)/decrease of	(753)	304	-	-	(449)

	provisions for liabilities					
13	Accumulated profit/ (loss) from reclassification of financial assets at fair value through other comprehensive income into those at fair value through profit or loss	-	-	-	(608)	(608)
14	Employee benefits	-	-	-	(86 156)	(86 156)
15	Depreciation and amortization	-	-	-	(16 813)	(16 813)
16	Administrative and other operating expenses	-	-	-	(47 242)	(47 242)
17	**Segment results Profit (loss)**	**155 732**	**(11 486)**	**27 711**	**(143 340)**	**28 617**

Table 28.3. Assets and liabilities of reporting segments in 2020

(UAH'000)

Line	Item	Reporting segments			Other segments and transactions	Total
		Services to corporate customers	Services to individuals	Services to banks		
	SEGMENT ASSETS					
1	Segment assets	1 177 692	139 904	562 395	1 033 736	2 913 727
2	**Total segment assets**	**1 177 692**	**139 904**	**562 395**	**1 033 736**	**2 913 727**
3	Non-allocated assets	-	-	-	199 942	199 942
4	**Total assets**	**1 177 692**	**139 904**	**562 395**	**1 233 678**	**3 113 669**
	SEGMENT LIABILITIES					
5	Segment liabilities	1 550 526	930 635	294 373	47 646	2 823 180
6	**Total segment liabilities**	**1 550 526**	**930 635**	**294 373**	**47 646**	**2 823 180**
7	No-allocated liabilities	-	-	-	-	-
8	**Total liabilities**	**1 550 526**	**930 635**	**294 373**	**47 646**	**2 823 180**
	OTHER SEGMENT ITEMS					
9	Capital investments	-	-	-	15 332	15 332
10	Depreciation	-	-	-	(26 547)	(26 547)

Table 28.4. Assets and liabilities of reporting segments in 2019

(UAH'000)

Line	Item	Reporting segments			Other segments and transactions	Total
		Services to corporate customers	Services to individuals	Services to banks		
	SEGMENT ASSETS					
1	Segment assets	848 637	82 969	256 027	121 531	1 309 164
2	**Total segment assets**	**848 637**	**82 969**	**256 027**	**121 531**	**1 309 164**

3	Non-allocated assets	-	-	-	149 648	149 648
4	**Total assets**	**848 637**	**82 969**	**256 027**	**271 179**	**1 458 812**
	SEGMENT LIABILITIES					
5	Segment liabilities	548 032	636 155	-	23 673	1 207 860
6	**Total segment liabilities**	**548 032**	**636 155**	**-**	**23 673**	**1 207 860**
7	No-allocated liabilities	**-**	**-**	-	**-**	-
8	**Total liabilities**	**548 032**	**636 155**	**-**	**23 673**	**1 207 860**
	OTHER SEGMENT ITEMS					
9	Capital investments	-	-	-	2 933	2 933
10	Depreciation	-	-	-	(16 813)	(16 813)

Note 29. Financial risk management

In 2020, the Bank managed financial risks based on requirements of current Ukrainian law, 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 2020 being: credit risk, operating risk, interest rate risk and liquidity risk. The Bank developed internal documents covering this 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

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

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-an-investing portfolio of the Bank, is Credit committee.

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 2020, 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 2020, 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 21,56% (with required value not more than 25%); credit risk concentration with large borrowers (H8) was 269,48% (with required value not more than 800%); total credit risk for relayed parties (H9) was 2,27% (with required value not more than 25%).

Market risk

Market risks are the risks threatening Bank income and capital as a result of unfavorable changes of financial market indicators (e.g., interest rate, X-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

Currency risk is the risk threatening income and capital, resulting from unfavorable 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 29.1, 29.2, 29.3 below. Calculation was performed for cash balances in currencies other than national currency.

Table 29.1. Currency risk

(UAH'000)

Line	Currency	December 31, 2020	December 31, 2019

		monetary assets	monetary liabilities	derivative financial instruments	Net position	monetary assets	monetary liabilities	derivative financial instruments	Net position
1	USD	389 757	321 714	-	68 043	281 617	235 329	-	46 288
2	EUR	108 433	109 351	-	(918)	57 357	50 101	-	7 256
3	GBP	29	-	-	29	168	-	-	168
4	Other	5 901	1 416	-	4 485	751	5	-	746
5	**Total**	**504 120**	**432 481**	**-**	**71 639**	**339 893**	**285 435**	**-**	**54 458**

Table 29.2. Changes in profit or loss and equity at possible changes of UAH official X-rates as at the reporting date, if all other characteristics stay fixed

(UAH'000)

Line	Currency	December 31, 2020		December 31, 2019	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	USD strengthening by 50 %	34 022	34 022	23 144	23 144
2	USD weakening by 50 %	(34 022)	(34 022)	(23 144)	(23 144)
3	EUR strengthening by 50 %	(459)	(459)	3 628	3 628
4	EUR weakening by 50 %	459	459	(3 628)	(3 628)
5	GBP strengthening by 50 %	15	15	84	84
6	GBP weakening by 50%	(15)	(15)	(84)	(84)
7	Other currencies strengthening by 50%	2 243	2 243	373	373
8	Other currencies weakening by 50%	(2 243)	(2 243)	(373)	(373)

Table 29.3. Changes in profit or loss and equity at possible changes of UAH official X-rates set as weighted average rate, if all other characteristics stay fixed

(UAH'000)

Line	Currency	December 31, 2020		December 31, 2019	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	USD strengthening by 50 %	32 440	32 440	25 254	25 254
2	USD weakening by 50 %	(32 440)	(32 440)	(25 254)	(25 254)
3	EUR strengthening by 50 %	(407)	(407)	3 975	3 975
4	EUR weakening by 50 %	407	407	(3 975)	(3 975)
5	GBP strengthening by 50 %	13	13	89	89
6	GBP weakening by 50%	(13)	(13)	(89)	(89)
7	Other currencies strengthening by 50%	2 232	2 232	390	390
8	Other currencies weakening by 50%	(2 232)	(2 232)	(390)	(390)

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

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 29.4 and 29.5 below.

Table 29.4. 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
	2020						
1	Total financial assets	833 195	775 821	791 564	391 464	212 924	**3 004 968**
2	Total financial liabilities	1 418 316	695 844	373 065	294 216	5 055	**2 786 496**
3	**Net interest rate gap as at December 31, 2020**	**(585 121)**	**79 977**	**418 499**	**97 248**	**207 869**	**218 472**
	2019						
4	Total financial assets	340 241	414 896	205 106	258 246	174 241	**1 392 730**
5	Total financial liabilities	581 209	340 155	193 723	73 284	1 528	**1 189 899**
6	**Net interest rate gap as at December 31, 2019**	**(240 968)**	**74 741**	**11 383**	**184 962**	**172 713**	**202 831**

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

The Table below presents effect of change of profitability curve by 1 interest point. Possibility of simultaneous change of interest rates for attracted and placed resources is taken into account. Active management of assets and liabilities by the Bank is not taken into account.

(UAH'000)

Line	Item	On demand and less than 1 month	1 - 6 months	6 – 12 months	Over a year	Total
December 31, 2020						
1	Parallel adjustment by 1 % up	**(5 851)**	**800**	**4 185**	**972**	**106**
2	Parallel adjustment by 1 % down	**5 851**	**(800)**	**(4 185)**	**(972)**	**(106)**
December 31, 2019						
3	Parallel adjustment by 1 % up	**(2 410)**	**747**	**114**	**1 850**	**301**
4	Parallel adjustment by 1 % down	**2 410**	**(747)**	**(114)**	**(1 850)**	**(301)**

Table 29.5. Monitoring of interest rates under financial instruments

(%)

Line	Item	2020				2019			
		UAH	USD	EUR	other	UAH	USD	EUR	other
	ASSETS								
1	Loans and due from banks	0,1	-	-	-	0,1	-	-	-
2	Loans and due from customers	16,2	9,9	8,7	-	21,7	10,2	8,9	-
3	Investments in securities	8,5	3,7	-	-	12,3	-	-	-
	LIABILITIES								
4	Due to banks	6,0	-	-	-	-	-	-	-
5	Due to customers:								
5.1	Current accounts	1,5	0,5	0,6	-	5,4	1,2	0,2	-
5.2	Term deposits	10,0	4,7	3,2	-	15,5	6,7	4,0	-

Interest is accrued at fixed rate.

Geographical risk

Below is the analysis of geographical concentration of financial assets and liabilities.

Table 29.6. Geographical concentration of financial assets and liabilities in 2020

(UAH'000)

Line	Item	Ukraine	OECD	Other	Total
	Assets				
1	Cash and cash equivalents	199 942	-	-	199 942
2	Loans and due from banks	51 075	-	-	51 075
3	Loans and due from customers	1 315 934	-	-	1 315 934
4	Investments in securities	1 425 053	-	-	1 425 053
5	Other financial assets	12 963	-	1	12 964
6	**Total financial assets**	**3 004 967**	**-**	**1**	**3 004 968**
	Liabilities				

7	Due to banks	291 791	-	-	291 791
8	Due to customers	2 446 868	8 825	261	2 455 954
9	Derivative financial liabilities	318	-	-	318
10	Lease liabilities	33 696	-	-	33 696
11	Other financial liabilities	4 731	6	-	4 737
12	**Total financial liabilities**	**2 777 404**	**8 831**	**261**	**2 786 496**
13	Net position under financial instruments	227 563	(8831)	(260)	218 472
14	Loan commitments	1 391 184	-	-	1 391 184

Table 29.7. Geographical concentration of financial assets and liabilities in 2019

(UAH'000)

Line	Item	Ukraine	OECD	Other	Total
	Assets				
1	Cash and cash equivalents	149 587	-	-	149 587
2	Loans and due from banks	32 365	-	-	32 365
3	Loans and due from customers	930 250	-	-	930 250
4	Investments in securities	255 892	-	-	255 892
5	Derivative financial assets	12 419	-	-	12 419
6	Other financial assets	12 215	1	1	12 217
7	**Total financial assets**	**1 392 728**	**1**	**1**	**1 392 730**
	Liabilities				
8	Due to customers	1 170 241	761	2 779	1 173 781
9	Lease liabilities	14 590	-	-	14 590
10	Other financial liabilities	1 526	-	2	1 528
11	**Total financial liabilities**	**1 186 357**	**761**	**2 781**	**1 189 899**
12	Net position under financial instruments	206 371	(760)	(2 780)	202 831
13	Loan commitments	471 904	-	-	471 904

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.

Collegial Bank bodies (ALMC, Management Board, Supervisory Board) are responsible for organization of control over regulatory liquidity ratios and compliance with them, establishing maximal limits to scope of loans issued s percentage of total assets pro rata to equity.

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 unfavorable 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 id 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.

Periods of settlements of assets and liabilities and possibility of change of interest-bearing liabilities at acceptable price within the term of their maturities are the important factors for measurement of Bank liquidity and risk, arising from changes on interest rates and currency X-rates.

In 2020, 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 29.8, 29.9, 29.10, 29.11 below.

Table 29.8. Financial liabilities by maturities in 2020

(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	-	100 000	9 800	182 000	-	291 800
2	Derivative financial liabilities	318	-	-	-	-	318
3	Due to customers:	1 409 464	387 358	547 253	92 916	3 507	2 440 498
3.1	Due to individuals	172 128	224 514	467 782	49 009	3 507	916 940

3.2	Other	1 237 336	162 844	79 471	43 907	-	1 523 558
4	Other financial liabilities	3 864	691	171	11	-	4 737
5	Financial guarantees	15 525	158 109	497 524	242 574	-	913 732
6	Other liabilities of loan nature	67 119	55 393	185 342	167 182	2 416	477 452
7	**Total potential future payments under financial liabilities**	**1 496 290**	**701 551**	**1 240 090**	**684 683**	**5 923**	**4 128 537**

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

Table 29.9. Financial liabilities by maturities in 2019

(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	573 800	211 332	310 247	63 825	3 412	1 162 616
1.1	Due to individuals	99 192	182 700	279 105	62 189	3 412	626 598
1.2	Other	474 608	28 632	31 142	1 636	-	536 018
2	Other financial liabilities	1 166	252	103	7	-	1 528
3	Financial guarantees	20 881	32 531	101 631	15 944	-	170 987
4	Other liabilities of loan nature	28 177	36 525	211 009	25 206	-	300 917
5	**Total potential future payments under financial liabilities**	**624 024**	**280 640**	**622 990**	**104 982**	**3 412**	**1 636 048**

In its practice, the Bank does not use analysis based on non-discounted 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 29.10 and 29.11.

Table 29.10. Financial assets and liabilities by maturities based on expected term of settlement in 2020

(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	199 942	-	-	-	-	199 942
2	Loans and due from banks	51 075	-	-	-	-	51 075

3	Loans and due from customers	125 316	384 445	478 253	251 361	76 559	1 315 934
4	Investments in securities	656 822	204 703	499 984	63 544	-	1 425 053
5	Other financial assets	11 861	1 085	18	-	-	12 964
6	**Total financial assets**	**1 045 016**	**590 233**	**978 255**	**314 905**	**76 559**	**3 004 968**
	Liabilities						
7	Due to banks	-	100 000	9 791	182 000	-	291 791
8	Due to customers	1 418 148	389 960	551 469	93 065	3 312	2 455 954
9	Derivative financial liabilities	318	-	-	-	-	318
10	Lease liabilities	169	5 006	12 682	15 839	-	33 696
11	Other financial liabilities	3 864	691	171	11	-	4 737
12	**Total financial liabilities**	**1 422 499**	**495 657**	**574 113**	**290 915**	**3 312**	**2 786 496**
13	**Net liquidity gap as at December 31, 2020**	**(377 483)**	**94 576**	**404 142**	**23 990**	**73 247**	**218 472**
14	**Cumulative liquidity gap as at December 31, 2020**	**(377 483)**	**(282 907)**	**121 235**	**145 225**	**218 472**	

Table 29.11. Financial assets and liabilities by maturities based on expected term of settlement in 2019

(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	149 587	-	-	-	-	149 587
2	Loans and due from banks	32 365	-	-	-	-	32 365
3	Loans and due from customers	119 996	206 937	345 071	210 000	48 246	930 250
4	Investments in securities	200 317	55 575	-	-	-	255 892
5	Derivative financial assets	-	-	12 419	-	-	12 419
6	Other financial assets	11 216	1 001	-	-	-	12 217
7	**Total financial assets**	**513 481**	**263 513**	**357 490**	**210 000**	**48 246**	**1 392 730**
	Liabilities						

8	Due to customers	580 696	213 295	312 585	63 949	3 256	1 173 781
9	Lease liabilities	512	1 496	6 503	6 079	-	14 590
10	Other financial liabilities	1 166	252	103	7	-	1 528
11	**Total financial liabilities**	**582 374**	**215 043**	**319 191**	**70 035**	**3 256**	**1 189 899**
12	**Net liquidity gap as at December 31, 2019**	**(68 893)**	**48 470**	**38 299**	**139 965**	**44 990**	**202 831**
13	**Cumulative liquidity gap as at December 31, 2019**	**(68 893)**	**(20 423)**	**17 876**	**157 841**	**202 831**	

Note 30. Capital management

One of major indicators of Bank performance is its regulatory capital. The Bank implemented a process of equity management, based on priority or equality of such management goals as increase of profitability and preservation of liquidity, in accordance with understanding of Bank equity 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.

Actual issue for the Bank is additional capitalization as set by 2021 – 2023 Strategy of development.

Management believes that total amount of capital managed by the Bank is equal to amount of regulatory capital (H1). As at December 31, 2020, total capital managed by the Bank is UAH 270 194 thousand.

During the reporting year, the Bank complied with established 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 in 2020, adequacy of regulatory capital of the Bank was 13,15% or significantly higher than minimal prescribed ratio.

Table 30.1. Structure of regulatory capital

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	**Main capital (MC)**		
1.1	Actually paid registered share capital	215 748	215 748
1.2	General reserves and reserve funds	6 099	4 926

1.3	Decrease of MC	(19 897)	(18 810)
1.3.1	Intangible assets less amortization	(19 897)	(18 585)
1.3.2	Capital investments into intangible assets	-	(225)
	Main capital (MC) – capital of 1st level	**201 950**	**201 864**
	% of amount of main and additional capital	**74,74%**	**87,35%**
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	40 063	23 324
2.4.	Income of previous years	22 974	692
	AC before calculation – capital of 2nd level	**68 244**	**29 223**
	% of amount of main and additional capital	**25,26%**	**12,65%**
3	**Total regulatory capital**	**270 194**	**231 087**
4	Risk weighted assets	2 040 550	1 127 494
5	Total open currency position	14 861	9 848
6	**Regulatory capital adequacy ratio (H2, not less than 10%)**	**13,15%**	**20,32%**

Figures in Table 30.1 are calculated taking into account adjusting postings of events, adjusting data after balance sheet date.

Note 31. Contingent liabilities

a) litigations. In the process of usual business, the Bank sometimes receives claims. As at December 31, 2020, 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 31.12.2020, 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 31.12.2020, contractual obligation under acquisition of fixed and intangible assets are UAH 15,2 thousand. As at 31.12.2019, the Bank had no contractual obligations under acquisition of fixed and intangible assets.

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, 2020, and December 31, 2019, the Bank has no unforeseen loan commitments.

Table 31.1. Structure of loan commitments

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	**Loans commitments issued**	**476 121**	**300 917**
1.1	Unused credit lines and overdrafts	476 121	300 917
2	Import letters of credit	1 331	-

3	Guarantees issued	913 732	170 987
4	Provision for loan commitments	(4 404)	(1 301)
5	**Total liabilities under loan commitments less provision**	**1 386 780**	**470 603**

Table 31.2. Credit quality of loan commitments in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	Loan commitments				
1.1	**Unused credit lines and overdrafts**	**476 121**	**-**	**-**	**476 121**
1.1.1	Minimal credit risk	476 121	-	-	476 121
1.1.2	Low credit risk	-	-	-	-
1.1.3	Medium credit risk	-	-	-	-
1.1.4	High credit risk	-	-	-	-
1.1.5	Defaulted assets	-	-	-	-
1.2	**Import letters of credit**	**1 331**	**-**	**-**	**1 331**
1.2.1	Minimal credit risk	1 331	-	-	1 331
1.2.2	Low credit risk	-	-	-	-
1.2.3	Medium credit risk	-	-	-	-
1.2.4	High credit risk	-	-	-	-
1.2.5	Defaulted assets	-	-	-	-
1.3	**Guarantees issued**	**913 732**	**-**	**-**	**913 732**
1.3.1	Minimal credit risk	489 468	-	-	489 468
1.3.2	Low credit risk	112 418	-	-	112 418
1.3.3	Medium credit risk	-	-	-	-
1.3.4	High credit risk	311 783	-	-	311 783
1.3.5	Defaulted assets	63	-	-	63
4	**Total loan commitments**	**1 391 184**	**-**	**-**	**1 391 184**
5	Provision for impairment of loan commitments	(4 404)	-	-	(4 404)
6	**Total liabilities under loan commitments less provision**	**1 386 780**	**-**	**-**	**1 386 780**

Table 31.3. Changes in provisions for impairment of loan commitments in 2020

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	Provision for impairments – opening balance	**1 301**	**-**	**-**	**1 301**
2	Loan commitments issued	7 495 719	-	-	7 495 719
2.1	Unused credit lines and overdrafts	6 275 899	-	-	6 275 899
2.2	Import letters of credit	2 887	-	-	2 887
2.3	Guarantees issued	1 216 933	-	-	1 216 933
3	Loan commitments derecognized or terminated (except for write-off)	6 576 439	-	-	6 576 439

3.1	Unused credit lines and overdrafts	6 100 695	-	-	6 100 695
3.2	Import letters of credit	1 556	-	-	1 556
3.3	Guarantees issued	474 188	-	-	474 188
4	Effect of transfer between stages	3 103	-	-	3 103
4.1	Transfer to stage 1	3 103	-	-	3 103
4.2	Transfer to stage 2	-	-	-	-
4.3	Transfer to stage 3	-	-	-	-
5	**Provision for impairments – closing balance**	**4 404**	-	**-**	**4 404**

Table 31.4. Changes of gross carrying/nominal value through impairment of loan commitments in 2020

(UAH')

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	Gross carrying amount – opening balance	**471 809**		**95**	**471 904**
2	Loan commitments issued	7 495 719	-	-	7 495 719
2.1	Unused credit lines and overdrafts	6 275 899	-	-	6 275 899
2.2	Import letters of credit	2 887	-	-	2 887
2.3	Guarantees issued	1 216 933	-	-	1 216 933
3	Loan commitments derecognized or terminated (except for write-off)	6 576 439	-	-	6 576 439
3.1	Unused credit lines and overdrafts	6 100 695	-	-	6 100 695
3.2	Import letters of credit	1 556			1 556
3.3	Guarantees issued	474 188	-	-	474 188
4	Transfer to stage 1	919 375	-	-	919 375
5	Transfer to stage 2	-	-	-	-
6	Transfer to stage 3	-	-	(95)	(95)
7	**Gross carrying amount – closing balance**	**1 391 184**		**-**	**1 391 184**

Table 31.5. Loan commitments by currencies

(UAH'000)

Line	Item	December 31, 2020	December 31, 2019
1	UAH	1 349 293	412 480
2	USD	30 995	53 780
3	EUR	6 492	4 343
4	**Total**	**1 386 780**	**470 603**

As at December 31, 2020, collateral value of government bonds, presented to NBU as collateral; under refinancing loan received was UAH 299 834 thousand.

As at December 31, 2019, the Bank had no pledged assets and assets limited in use, ownership and management.

Note 32. Derivative financial instruments

Currency derivative financial instruments, used by the Bank in its transactions, are usually an object of trade at off-stock exchange market with professional participants at contractual terms. Derivative financial instruments have either potentially beneficial terms (being assets) or potentially unprofitable terms (being liabilities) as a result of fluctuations of market interest rate, currency X-rates or other variable factors related to the instruments. Total fair value of derivative financial assets and liabilities may significantly differ from time to time.

The Table below presents information on fair value of liability under currency swap contracts of the Bank by currencies as at the reporting date. The Table includes contracts with settlement date after respective reporting period and discloses gross amounts under the contracts before offsetting of positions (and payments) for each counterpart. The contracts are of short-time nature. Besides, the Table discloses information on fair value of forward contracts on sale of securities (government bonds).

Table 32.1. Fair value of derivative financial instruments through profit or loss

(UAH'000)

Line	Item	Note	December 31, 2020		December 31, 2019	
			Positive fair value	Negative fair value	Positive fair value	Negative fair value
1	Swap contracts	10,15	-	-	-	-
2	Forward contracts on sale of securities	10,15	-	(318)	12 419	-
3	**Net fair value**		**-**	**(318)**	**12 419**	**-**

In 2020 and 2019, the Bank did not perform hedging transactions.

Note 33. 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 date is 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 33.1. Fair value of levels of hierarchy of input data used to measure assets and liabilities in 2020

(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:	199 942	-	-	199 942	199 942
1.1	Cash in hand	185 186	-	-	185 186	185 186
1.2	Cash in NBU (except for mandatory reserves)	14 756	-	-	14 756	14 756
2	Loans and due from Banks:	-	-	51 075	51 075	51 075
2.1	Cash at correspondent accounts in other banks with credit risk	-	-	51 075	51 075	51 075
3	Loans and due from customers:	-	-	1 338 567	1 338 567	1 315 934
3.1	Corporate loans	-	-	1 108 978	1 108 978	1 108 307

3.2	Loans to entities under repo transactions			11 243	11 243	11 300
3.3	Loans to private entrepreneurs	-	-	56 533	56 533	57 356
3.4	Mortgage loans to individuals	-	-	79 844	79 844	63 977
3.5	Consumer loans to individuals	-	-	80 965	80 965	74 405
3.6	Other loans to individuals	-	-	1 004	1 004	589
4	Investments in securities	924 955	-	500 098	1 425 053	1 425 053
4.1	Shares of entities and other securities with non-fixed profit	-	-	18	18	18
4.2	Government bonds	924 955	-	-	924 955	924 955
4.3	Deposit certificates of National Bank of Ukraine	-	-	500 080	500 080	500 080
5	Other financial assets:	-	-	12 964	12 964	12 964
5.1	Receivables under pay card transactions	-	-	472	472	472
5.2	Cash limited in use (guarantee coverage)	-	-	11 041	11 041	11 041
5.3	Receivables under settlements of cash transfers	-	-	379	379	379
5.4	Accrued income	-	-	726	726	726
5.5	Other financial assets	-	-	346	346	346
6	Fixed and intangible assets	-	10 586	51 098	61 684	61 684
6.1	Buildings, facilities and transmitters	-	10 586	-	10 586	10 586
6.2.	Other fixed assets	-	-	31 201	31 201	31 201
6.3	Intangible assets	-	-	19 897	19 897	19 897
7	Right-of-use assets	-	-	32 315	32 315	32 315
8	**Total assets**	**1 124 897**	**10 586**	**1 986 117**	**3 121 600**	**3 098 967**
	LIABILITIES					
9	Due to banks			291 791	291 791	291 791
9.1	Funds received from National Bank of Ukraine			291 791	291 791	291 791
10	Due to customers:	-	-	2 438 630	2 438 630	2 455 954
10.1	Other legal entities	-	-	1 533 917	1 533 917	1 526 681
10.2	Individuals	-	-	904 713	904 713	929 273
11	Derivative financial liabilities	318	-	-	318	318
11.1	Forward contracts on sale of securities	318	-	-	318	318
12	Lease liabilities	-	-	33 696	33 696	33 696
13	Other financial liabilities:	-	-	4 737	4 737	4 737
13.1	Payables under pay card transactions	-	-	565	565	565
13.2	Security payments for keys for individual bank boxes	-	-	344	344	344

13.3	Accrued expense under cash settlements and business transactions	-	-	3 014	3 014	3 014
13.4	Payables under payments received	-	-	625	625	625
13.5	Credit amounts in question	-	-	35	35	35
13.6	Other financial liabilities	-	-	154	154	154
14	**Total liabilities**	**318**	**-**	**2 768 854**	**2 769 172**	**2 786 496**

Table 33.2. Fair value of levels of hierarchy of input data used to measure assets and liabilities in 2019

(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:	149 587	-	-	149 587	149 587
1.1	Cash in hand	94 442	-	-	94 442	94 442
1.2	Cash in NBU (except for mandatory reserves)	55 145	-	-	55 145	55 145
2	Loans and due from Banks:	-	-	32 365	32 365	32 365
2.1	Cash at correspondent accounts in other banks with credit risk	-	-	32 365	32 365	32 365
3	Loans and due from customers:	-	-	938 863	938 863	930 250
3.1	Corporate loans	-	-	811 508	811 508	798 039
3.2	Loans to private entrepreneurs	-	-	50 200	50 200	50 214
3.3	Mortgage loans to individuals	-	-	3 763	3 763	3 502
3.4	Consumer loans to individuals	-	-	72 116	72 116	77 741
3.5	Other loans to individuals	-	-	1 276	1 276	754
4	Investments in securities	55 575	-	200 317	255 892	255 892
4.1	Shares of entities and other securities with no-fixed profit	-	-	18	18	18
4.2	Government bonds	55 575	-	-	55 575	55 575
4.3	Deposit certificates of National Bank of Ukraine	-	-	200 299	200 299	200 299
5	Derivative financial assets	12 419	-	-	12 419	12 419

5.1	Forward contracts on sale of securities	12 419	-	-	12 419	12 419
6	Other financial assets:	-	-	12 217	12 217	12 217
6.1	Receivables under pay card transactions	-	-	689	689	689
6.2	Cash limited in use (guarantee coverage)	-	-	10 863	10 863	10 863
6.3	Receivables under settlements of cash transfers	-	-	261	261	261
6.4	Accrued income	-	-	310	310	310
6.5	Other financial assets	-	-	94	94	94
7	Fixed and intangible assets	-	8 594	38 938	47 532	47 532
7.1	Buildings, facilities and transmitters	-	8 594	-	8 594	8 594
7.2.	Other fixed assets	-	-	38 938	38 938	38 938
7.3	Intangible assets	-	-	19 110	19 110	19 110
8	Right-of-use assets	-	-	13 870	13 870	13 870
9	**Total assets**	**217 581**	**8 594**	**1 236 570**	**1 462 745**	**1 454 132**
	LIABILITIES					
10	Due to customers:	-	-	1 235 327	1 235 327	1 173 781
10.1	Other legal entities	-	-	605 598	605 598	538 685
10.2	Individuals	-	-	629 729	629 729	635 096
11	Lease liabilities	-	-	14 590	14 590	14 590
12	Other financial liabilities:	-	-	1 528	1 528	1 528
12.1	Payables under pay card transactions	-	-	41	41	41
12.2	Security payments for keys for individual bank boxes	-	-	215	215	215
12.3	Accrued expense under cash settlements and business transactions	-	-	983	983	983
12.4	Payables under payments received	-	-	46	46	46
12.5	Credit amounts in question	-	-	226	226	226
12.6	Other financial liabilities	-	-	17	17	17
13	**Total liabilities**	**-**	**-**	**1 251 445**	**1 251 445**	**1 189 899**

For assets and liabilities, recognized in financial reporting on periodic basis, the Bank recognizes the fact of transfer between levels of hierarchy, reanalysing classification (based on output data of the lowest level, meaningful for fair value measurement in general) as at the end of each reporting period.

In 2020, there were no transfers between levels of hierarchy for assets and liabilities measured at fair value on periodic basis. In 2019, due to absence of market quotes for shares of PTFS Stock exchange Public joint stock company, the shares were transferred to the measurement model based on non-confirmed market data (level III). The Bank does not hold any collateral permissible for sale or remortgage.

Note 34. Financial instruments by categories of measurement

Table 34.1. Financial assets by categories of measurement in 2020

(UAH'000)

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		Total
			Debt financial assets at fair value through other comprehensive income	Equity instruments	Financial assets initially recognized at fair value through profit or loss	Financial assets mandatorily measured at fair value through profit or loss	
	ASSETS						
1	Cash and cash equivalents:	199 942	-	-	-	-	199 942
1.1	Cash in hand	185 186	-	-	-	-	185 186
1.2	Cash in NBU (except for mandatory reserves)	14 756	-	-	-	-	14 756
2	Loans and due from Banks:	51 075	-	-	-	-	51 075
2.1	Cash at correspondent accounts in other banks with credit risk	51 075	-	-	-	-	51 075
3	Loans and due from customers:	1 315 934	-	-	-	-	1 315 934
3.1	Corporate loans	1 108 307	-	-	-	-	1 108 307
3.2	Loans to entities under repo transactions	11 300	-	-	-	-	11 300
3.3	Loans to private entrepreneurs	57 356	-	-	-	-	57 356
3.4	Mortgage loans to individuals	63 977	-	-	-	-	63 977
3.5	Consumer loans to individuals	74 405	-	-	-	-	74 405
3.6.	Other loans to individuals	589	-	-	-	-	589
4	Investments in securities	500 080	924 955	18	-	-	1 425 053
5	Other financial assets	12 964	-	-	-	-	12 964
5.1	Receivables under pay card transactions	472	-	-	-	-	472
5.2	Cash limited in use (guarantee coverage)	11 041	-	-	-	-	11 041

5.3	Receivables under settlements of cash transfers	379	-	-	-	-	379
5.4	Accrued income	726	-	-	-	-	726
5.5	Other financial assets	346	-	-	-	-	346
6	**Total financial assets**	**2 079 995**	**924 955**	**18**	**-**	**-**	**3 004 968**

Table 34.2. Financial assets by categories of measurement in 2019

(UAH'000)

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income		Financial assets at fair value through profit or loss		Total
			Debt financial assets at fair value through other comprehensive income	Equity instruments	Financial assets initially recognized at fair value through profit or loss	Financial assets mandatorily measured at fair value through profit or loss	
	ASSETS						
1	Cash and cash equivalents:	149 587	-	-	-	-	149 587
1.1	Cash in hand	94 442	-	-	-	-	94 442
1.2	Cash in NBU (except for mandatory reserves)	55 145	-	-	-	-	55 145
2	Loans and due from Banks:	32 365	-	-	-	-	32 365
2.1	Cash at correspondent accounts in other banks with credit risk	32 365	-	-	-	-	32 365
3	Loans and due from customers:	930 250	-	-	-	-	930 250
3.1	Corporate loans	798 039	-	-	-	-	798 039
3.2	Loans to entities under repo transactions	50 214	-	-	-	-	50 214
3.3	Loans to private entrepreneurs	3 502	-	-	-	-	3 502
3.4	Mortgage loans to individuals	77 741	-	-	-	-	77 741
3.5	Consumer loans to individuals	754	-	-	-	-	754
4	Other loans to individuals	200 299	55 575	18	-	-	255 892
5	Investments in securities	-	-	-	-	12 419	12 419
6	Other financial assets	12 217	-	-	-	-	12 217

6.1	Receivables under pay card transactions	689	-	-	-	-	689
6.2	Cash limited in use (guarantee coverage)	10 863	-	-	-	-	10 863
6.3	Receivables under settlements of cash transfers	261	-	-	-	-	261
6.4	Accrued income	310	-	-	-	-	310
6.5	Other financial assets	94	-	-	-	-	94
7	**Total financial assets**	**1 324 718**	**55 575**	**18**	**-**	**12 419**	**1 392 730**

Table 34.3. Financial liabilities by categories of measurement in 2020

(UAH'000)

Line	Item	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss		Total
			Financial liabilities initially recognized at fair value through profit or loss	Financial liabilities held for sale	
	LIABILITIES				
1	Due to banks	291 791	-	-	291 791
2	Due to customers	2 455 954	-	-	2 455 954
3	Derivative financial liabilities	-	-	318	318
4	Lease liabilities	33 696	-	-	33 696
5	Other financial liabilities	4 737	-	-	4 737
6	**Total financial liabilities**	**2 786 178**	**-**	**318**	**2 786 496**

Table 34.4. Financial liabilities by categories of measurement in 2019

(UAH'000)

Line	Item	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss		Total
			Financial liabilities initially recognized at fair value through profit or loss	Financial liabilities held for sale	
	LIABILITIES				
1	Due to customers	1 173 781	-	-	1 173 781
2	Lease liabilities	14 590	-	-	14 590
3	Other financial liabilities	1 528	-	-	1 528
4	**Total financial liabilities**	**1 189 899**	**-**	**-**	**1 189 899**

Note 35. Related party transactions

Table 35.1. Balances under related party transactions as at December 31, 2020

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Companies under common control	Other related parties
1	Loans and due from customers (contractual interest rate in UAH - 12,5%)	-	6 065	-	50
2	Due to customers (contractual interest rate in UAH - 0,5%-11,5%)	-	2 672	2	981
3	Provision for liabilities	-	-	-	-

Table 35.2. income and expense under related party transactions in 2020

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Companies under common control	Other related parties
1	Interest income	-	1 007	27	14
2	Interest expense	-	(145)	(28)	(61)
3	Commission income	12	45	9	4
4	Other operating income	-	-	38	-
5	Administrative and other operating expenses	-	(34 726)	-	(649)

Table 35.3. Other rights and obligations under related party transactions as at December 31, 2020

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Other related parties
1	Guarantees received	-	4 100	9 280
2	Other obligations	-	3 264	-

Table 35.4. Total loans issued to and repaid by related parties in 2020

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Other related parties
1	Loans issued to related parties during the year	-	989	-
2	Loans repaid by related parties during the year	-	1 913	20

Table 35.5. Balances under related party transactions as at December 31, 2019

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Companies under common control	Other related parties
1	Loans and due from customers (contractual interest rate in UAH - 18%-19%)	-	8 253	-	93
2	Due to customers (contractual interest rate in UAH - 0,5%-18%)	4	2 924	4 418	541
3	Provision for liabilities	-	863	-	23

Table 35.6. Income and expense under related party transactions in 2019

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Companies under common control	Other related parties
1	Interest income	-	867	-	8
2	Interest expense	-	(92)	(81)	(122)
3	Commission income	6	36	14	8
4	Other operating income	-	-	5	12
5	Administrative and other operating expenses	-	(24 945)		(536)

Table 35.7. Other rights and obligations under related party transactions as at December 31, 2019

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Other related parties
1	Guarantees received		4 100	10 500
2	Other obligations	-	2 434	-

Table 35.8. Total loans issued to and repaid by related parties in 2019

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Other related parties
1	Loans issued to related parties during the year	-	17 946	100
2	Loans repaid by related parties during the year	-	10 457	7

Table 35.9. Payments to leading management

(UAH'000)

Line	Item	2020		2019	
		Expense	Accrued liability	Expense	Accrued liability
1	Current payments	(30 059)	4 844	(21 507)	3 568
2	Retirement allowance	(49)	11	(229)	36
3	**Total**	**(30 108)**	**4 855**	**(21 736)**	**3 604**

In 2020, management of the Bank was not paid bonuses for sale of bank products and services. In 2019, management of the Bank was paid bonuses of UAH 0.5 thousand for sale of bank products and services.

Note 36. Subsequent events

In accordance with the agreement on sale and purchase of securities, the Sole shareholder of Bank on March 16, 2021 inputted funds of UAH 20 367 105,00 (twenty million three hundred sixty-seven thousand one hundred and five) as payment for package of 19 666 483 (nineteen million six hundred sixty-six thousand four hundred and eighty-three) ordinary registered shares. The funds received are posted at account 5004 *Unregistered share capital.*

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

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INDEPENDENT AUDITORS' REPORT

of

Inter-audit CROWE Limited Liability Company

on the annual financial statements of

Joint-Stock Company

Commercial Industrial Bank

for the year ended 31 December 2020

Contents

#1115

16 April 2021 Kyiv, Ukraine

This report is addressed to:

- Shareholders and management of JOINT-STOCK COMPANY COMMERCIAL INDUSTRIAL BANK
- The National Bank of Ukraine
- The National Commission on Securities and Stock Market

I. Report on audit of financial statements

Opinion

We have audited the financial statements of JOINT-STOCK COMPANY COMMERCIAL INDUSTRIAL BANK (the “Bank”), which comprise the statement of financial position (balance sheet) as at 31 December 2020 and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of JOINT-STOCK COMPANY COMMERCIAL INDUSTRIAL BANK as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of Ukrainian legislation on financial reporting.

Basis for Opinion

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

Emphasis of Matter

We draw your attention to Note 2, Ukrainian business environment to the financial statements that describe the impact on its operations of additional risks arisen in connection with the outbreak of global coronavirus pandemic (COVID-19) and the introduction of quarantine and restrictive measures by the Cabinet of Ministers of Ukraine to prevent its further spreading in Ukraine. Currently, the time frame of those measures and their impact on the banking system is hardly predictable. The ability to overcome the negative trends will largely depend on the effectiveness of the measures taken by the Cabinet of Ministers of Ukraine and the National Bank of Ukraine to main stability of the monetary and financial situation in the country.

Our opinion is not modified in respect of this matter.

Key Audit Matters incorporating the most significant risks of material misstatements, including risk of material misstatements due to fraud:

Key audit matters are those matters that, in our professional judgment, were of significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of loans and assessment of credit quality

We focused on this matter as management makes significant professional assumptions on the possibility of recognition of impairment and evaluation of expected credit losses. Such professional assumption is applied before occurrence of the default event, involving evaluation of the amount of expected credit losses that result from default events that are possible during the loan period.

Identification of credit risk and impairment and assessment of the recoverable amount involves certain assumptions and analysis of various factors, including borrower creditworthiness, expected cash flows, observable market prices and fair value of collateral.

Loss provisions reflect the management's reasonable judgement on expected losses on loan portfolios and clients' indebtedness to the Bank.

Detailed information on the loan loss provision is provided in Note 4 Significant accounting policies and Note 8 Loans and advances to customers.

Our audit approach. We checked a representative sample of loans from the Bank's total portfolio. Our check encompassed the following matters:

- Assessing approaches to evaluation of expected credit losses and distribution of the loans by impairment stage depending on the changes in the exposure to credit risks;
- Assessing internal controls applied by management in calculating the provisions and determining the amount of the expected credit losses;
- Assessing completeness of evidence of impairment analysed by management, correctness of present value of expected cash flows, including those related to sale of collateral;
- Assessing of completeness and correctness of disclosures in the Bank's financial statements with regard to provisions for expected credit losses on loans and advances to customers.

Other information

Management is responsible for the other information included in the Management Report prepared in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" and the Law of Ukraine "On Securities and Stock Market", but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information in the Management Report and we 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 included in the Management Report and the Report on Corporate Governance contained therein 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 that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 supervision of the Bank's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 reporting period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Compliance with the requirements of Law of Ukraine "On Audit of Financial Statements and Auditing Activity" No. 2258-VIII dated 21 December 2017

In accordance with Article 14 of the Law of Ukraine "On Audit of Financial Statements and Auditing Activity", our auditors' report includes additional information related to the audit of the financial statements of JOINT-STOCK COMPANY COMMERCIAL INDUSTRIAL BANK for 2020

The body that appointed the auditor	Supervisory Board of JOINT-STOCK COMPANY COMMERCIAL INDUSTRIAL BANK
Auditor appointment date	Resolution #24/09-1 of the Supervisory Board of the Bank dated 24 September 2019
Total uninterrupted period of audit engagements, taking into account any extensions and re-appointments	2 years
Description and assessment of risk of material misstatement, particularly due to fraud	*Risk of material misstatement* is the risk that the financial statements are materially misstated prior to audit. For the detailed description and assessment of the risk of material misstatement, particularly due to fraud, see the Key Audit Matters section above.
Reference to relevant item or other disclosure in the financial statements for each description and assessment of the risk of material misstatement in the audited financial statements	Areas of increased risk of material misstatement or significant risks identified by us are related to Loans and advances to customers in the statement of financial position, as well as to Net impairment loss in the income statement relevant to net impairment gains/losses on financial assets
Summary of measures taken by the auditor to mitigate such risks Key reservations with regard to such risks	Summary of measures taken by the auditor to mitigate such risks, and key reservations with regard to such risks are set out in the Key Audit Matters section above.
Explanations on the audit findings in respect of inconsistencies, particularly due to fraud	During our audit, no inconsistencies, particularly due to fraud, have come to our attention in excess of the level of materiality acceptable for this audit engagement that would require adjustment to the financial statements issued by the Bank.
Confirmation of consistency of the auditors' report with the additional report to the Audit Committee of the Company.	This auditors' report is consistent with the additional report to the Supervisory Board of

Representation on non-provision of prohibited services and independence of the lead engagement partner and audit firm of the audited entity	We declare that no prohibited services were provided by Inter-Audit Crowe LLC, and our employees engaged in the audit are independent of the Bank and have not provided any services to the Bank.
Information on non-audit services provided by the auditor to the Bank or entities under the Bank's control that have not been disclosed in the Management Report or in the financial statements	In 2020, Inter-Audit Crowe LLC has not provided any services to the Bank or entities under the Bank's control in addition to the statutory audit
Explanations on the scope of the audit and inherent limitations	The scope of our audit procedures in accordance with ISAs is designed to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and obtain appropriate audit evidence to express an opinion on the financial statements of the Bank. 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.
Information on the check of the Report on Corporate Governance	Under Article 40^1 of Law of Ukraine "On Securities and Stock Market" # 3480-IV dated 23 February 2006, we are required to check the information included in the Report on Corporate Governance included in the Management Report and express an opinion on the information contained therein. During our check of the information contained in the Report on Corporate Governance, we concluded that the Report on Corporate Governance contained sufficient and appropriate information to be disclosed in accordance with requirements of Article 40^1 Of Law of Ukraine # 3480-IV.

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In accordance with the Law of Ukraine "On Banks and Banking", Regulation of the National Bank of Ukraine on submittal of an auditors' report on the annual financial statements adopted by Resolution No 90 of the National Bank of Ukraine Management Board dated 2 August 2018, additional information on the auditors' opinion on compliance (fair presentation) of the data on the Bank's assets and liabilities structure by maturity in the statistical report prepared by the Bank for submission to the National Bank of Ukraine as at 1 January 2021, and on compliance with the National Bank' s regulations on: internal control; internal audit; assessment of exposure to credit risk on asset-side transactions; recognition of transactions and balances with the related parties; capital adequacy, taking into account quality of the Bank's assets; and maintenance of accounting records is set forth in the Report on the compliance with other regulations of the National Bank of Ukraine section of this report.

The lead engagement partner on the audit resulting in this independent auditors' report is Yevgen Baran.

II. Report on the compliance with other regulations of the National Bank of Ukraine

We prepared Auditors' report #1115 dated 16 April 2021.

In accordance with Article 69 of the Law of Ukraine "On Banks and Banking" and paragraph 27 Regulation of the National Bank of Ukraine on submittal of an auditors' report on the annual financial statements adopted by Resolution No 90 of the National Bank of Ukraine Management Board dated 2 August 2018, we have provided additional information (assessment) related to the annual financial statements for 2020.

The Report on the compliance with other regulations of the National Bank of Ukraine contains information on compliance (fair presentation) of the data on the Bank's assets and liabilities structure by maturity in the statistical report prepared by the Bank for submission to the National Bank of Ukraine as at 1 January 2021, and on compliance with the National Bank' s regulations on:

- internal control;
- internal audit;
- assessment of exposure to credit risk on asset-side transactions;
- recognition of transactions and balances with the related parties;
- capital adequacy, taking into account quality of the Bank's assets;
- maintenance of accounting records.

The matters set out below were considered solely within the scope of our audit of the Bank's financial statements for 2020 based on a sample testing and materiality principle, as well as our analysis of the subsequent events in accordance with International Standards on Auditing.

Our procedures did not seek to identify all the weaknesses or other irregularities that may exist and, therefore, they should not be construed as an assurance of absence of any weaknesses and/or irregularities in the operations of JOINT-STOCK COMPANY COMMERCIAL INDUSTRIAL BANK.

Our approach to compliance with regulatory requirements on disclosure of information

Our findings mainly concern the matters outlined in paragraph 27 of Regulation No 90 above. In case of any inconsistencies identified in the Bank's administrative data and internal procedures, we assess the impact of such matter or the risks of weaknesses in the Bank's internal controls.

Compliance (fair presentation) of the data on the Bank's assets and liabilities structure by maturity in the statistical report

In the preparation of the A7X "Data on the structure of assets and liabilities by maturity" statistical reporting file as at 1 January 2021 used for calculation of liquidity ratios in accordance with the procedure set forth in "Instruction on the procedure for regulation of banking activities in Ukraine", approved by Resolution of the National Bank of Ukraine Management Board No.368 dated 28 August 2001, as amended, the Bank complied with regulatory requirements of the National Bank of Ukraine.

During our audit, nothing has come to our attention that caused us to believe that the A7X "Data on the structure of assets and liabilities by maturity" statistical reporting data as at 1 January 2021 that do not form a part of the set of the annual financial statements are invalid.

Compliance of the Bank with the National Bank' s regulations on:

Internal control

As a result of audit procedures performed as a part of our audit of the annual financial statements, nothing has come to our attention that caused us to believe that the Bank's internal control structure and tools were not in line with regulatory requirements of the NBU, in particular, NBU Resolution No. 88 dated 2 July 2019 "On approval of Regulation on organising internal control in Ukrainian banks and banking groups";

Internal audit

The Bank's internal regulations on internal audit are in line with the requirements of the NBU regulations, in particular, Resolution No. 311 "On adoption of Regulation on organising the internal audit function in Ukrainian banks" dated 10 May 2016. The Bank's internal audit procedures are in line with the requirements of its internal regulations;

Assessment of exposure to credit risk on asset-side transactions

The procedure of assessing the exposure to credit risk as at the reporting date calculated by the Bank subject to regulations of the National Bank, including the "Regulation on the assessment of the credit risk from asset-side banking operations by banks of Ukraine" approved by NBU Board Resolution No. 351 dated 30 June 2016 (as amended) (hereinafter "NBU Resolution No. 351) is generally in line, in all material aspects, with the requirements in effect.

During our audit, we did not identify any violation of the procedure for determining credit risk on debtors/counterparties by the Bank that could affect the exposure to credit risk.

Subject to Terms of Reference regarding sustainability assessment of Ukrainian banks and banking system in 2021 approved by NBU Management Board Resolution № 39-рш dated 8 February 2021, we will prepare and submit to the National Bank of Ukraine the Report on credit quality assessment of the Bank's assets and appropriateness of security on lending transactions with additional information on the results of evaluation of the Bank's assets and credit risk.

Recognition of transactions and balances with the related parties

In conducting our audit, we studied relevant information and assessed the Bank's processes to identify the related parties in accordance with the requirements of the National Bank of Ukraine and IFRS, obtained necessary explanations from management on related party transactions, and analysed the Bank's contracts with the related parties and minutes of the meetings of the Bank's collegial bodies.

We did not identify any transactions of the Bank with the related parties on the terms other than the terms of transactions with other borrowers or creditors. We evaluated the risk related to the Bank's lending transactions with the related parties as moderate.

We did not identify any material inconsistencies with IFRS in respect of related party transactions disclosed in Related party transactions note to the Bank's financial statements.

Capital adequacy, taking into account quality of the Bank's assets

The information on the Bank's authorised capital, equity and movements in reserves and other funds is disclosed in the respective financial statements and notes to the annual financial statements.

The Bank's regulatory capital calculated in accordance with "Instruction on the procedure for regulation of banking activities in Ukraine", approved by Resolution of the National Bank of Ukraine Management Board No.368 dated 28 August 2001, as amended, and subject to requirements of the National Bank of Ukraine on the preparation of statistical report 6DX "Data on compliance with economic ratios and open currency position limits" submitted to the National Bank of Ukraine as at 31 December 2020 amounted to UAH 269,669 thousand. (31 December 2019: UAH 229,869 thousand).

The regulatory capital adequacy ratio under statutory requirements should be at least 10%. As at 31/12/2020, the Bank's actual regulatory capital adequacy ratio was 13.12%.

The amount of the regulatory capital is sufficient to perform the Bank's licensed activities.

Maintenance of accounting records

The Bank generally maintains its accounting records in accordance with the International Financial Reporting Standards, NBU regulations and the Bank's accounting policy.

General Director

Audit Firm "Inter-Audit LLC" **O.V. Denisiuk**

Registration No. in the Register of Auditors and Audit Organisations: 100530.

Lead Engagement Partner **Y.M. Baran**

Registration No. in the Register of Auditors and Audit Organisations: 101721.

General information on the auditor

AUDIT FIRM INTER-AUDIT CROW LIMITED LIABILITY COMPANY

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Registration No. in the Register of Auditors and Audit Organisations: 2248.

16 April 2021 Kyiv, Ukraine