COMINBANK

ANNUAL FINANCIAL STATEMENTS

JOINT STOCK COMPANY
“COMMERCIAL INDUSTRIAL BANK”

for the year ended on December 31, 2021

Translation from Ukrainian original

Kyiv – 2022

CONTENTS

Introduction. Annual financial statements for the year ended on 31.12.2021

These financial statements for the fiscal year of 2021 are prepared in accordance with International Financial Reporting Standards. 2021 annual financial statements of Joint Stock Company "Commercial Industrial Bank" (the Bank) are prepared as at the end of the day of 31.12.2021.

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

Statement of Financial Position as at December 31, 2021

(UAH'000)

Item	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents	6	374 348	199 942
Loans and due from banks	7	429 937	51 075
Loans and due from customers	8	2 076 997	1 315 934
Investments in securities	9	5 818 385	1 425 053
Deferred tax asset		7 654	1 302
Property, plant and equipment and intangible assets	10	77 720	61 684
Right-of-use assets		44 204	32 315
Other assets	11	116 899	26 364
Total assets		**8 946 144**	**3 113 669**
LIABILITIES			
Due to banks	12	3 581 607	291 791
Due to customers	13	4 698 596	2 455 954
Derivative financial assets	14	-	318
Liabilities under current income tax		12 040	4 402
Provisions for liabilities	15	6 469	4 404
Lease liabilities		43 321	33 696
Other liabilities	16	163 170	32 615
Total liabilities		8 505 203	2 823 180
EQUITY			
Authorized capital	17	215 748	215 748
Unregistered authorized capital		26 943	-
Other additional capital (shareholder transactions)		(117)	(117)
Reserve and other funds of the Bank		71 477	6 216
Revaluation reserves	18	(24 191)	3 381
Retained earnings		151 081	65 261
Total equity		440 941	290 489
TOTAL LIABILITIES AND EQUITY		**8 946 144**	**3 113 669**

Approved for issue and signed on 29.06.2022.

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

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

2021 Statement of Profit and Loss and Other Comprehensive Income

(UAH'000.)

Item	Note	2021	2020
Interest income	20	635 651	255 742
Interest expense	20	(337 010)	(128 685)
Net interest income/ (Net interest expense)		**298 641**	**127 057**
Commission income	21	918 788	211 920
Commission expense	21	(725 589)	(130 502)
Result of transactions with financial assets at fair value through profit or loss	24	310	(15 441)
Net profit/(loss) from transactions with debt financial instruments at fair value through other comprehensive income		1 938	44
Foreign currency transactions		38 025	31 157
Foreign currency revaluation		(1 399)	20 406
Net loss from impairment of financial assets	7, 8, 11	(34 906)	(3 440)
Net (increase) decrease of provisions for liabilities	15	(2 064)	(3 102)
Other operating income	22	16 708	10 314
Employee benefit expense	23	(181 264)	(117 208)
Depreciation and amortization expense	23	(12 928)	(8 373)
Depreciation of right-of-use assets	23	(21 398)	(18 174)
Administrative and other operating expenses	23	(110 355)	(53 073)
Profit/(loss) before taxes		**184 507**	**51 585**
Income tax expense	25	(33 426)	(9 298)
Profit/ (loss of the period		**151 081**	**42 287**
Profit for the period attributable to owners of the Bank		**151 081**	**42 287**
Net earnings per share, attributable to owners of the Bank, UAH	26	0.96	0.27
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified into profit or loss:			
Revaluation of debt financial instruments:	18	(27 572)	(2 750)
net change of fair value		(33 872)	(5 413)
net change of fair value transferred to profit or loss		248	2 133
Income tax related to the components of other comprehensive income to be reclassified to profit or loss		6 052	530
Total other comprehensive income after tax for the period		**(27 572)**	**(2 750)**
Total comprehensive income for the period		**123 509**	**39 537**
Total comprehensive income attributable to owners of the Bank		**123 509**	**39 537**

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Notes from page 8 to page 80 are an integral part of financial statements of JSC "CIB" for the year ended on December 31, 2021

2021 Statement of Cash Flows (indirect method)

(UAH'000)

Item	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxes		184 507	51 585
Adjustments:			
Amortization and depreciation	10, 23	34 326	26 547
Net increase/(decrease) in of allowances for impairment of assets	7, 8, 11	34 906	3 440
Amortization of discount / (premium)		(31 538)	42 591
Results of transaction with financial instruments at fair value through profit or loss	24	(310)	15 441
(Accrued income)		(7 414)	(3 016)
Adjustment of profit under securities related to investing activities		(275 308)	10 008
Accrued expenses		14 453	7 296
Net loss/(profit) from investing activities		1 570	(2 156)
Other non-cash flows		(23 764)	(45 159)
Net cash income / (loss) from operating activities before changes in operating assets and liabilities		**(68 572)**	**106 577**
Changes in operating assets and liabilities:			
Net (increase)/decrease of investments in securities	9	(179 393)	20 344
Net (increase)/decrease of loans and due from banks	7	(5 028)	(3 428)
Net (increase)/decrease of loans and due from customers	8	(788 856)	(464 065)
Net (increase)/decrease of right-of-use assets		(33 287)	(36 619)
Net (increase)/decrease of other assets	11	(94 600)	(5 330)
Net increase/(decrease) of due to banks	12	3 288 900	291 800
Net increase/(decrease) of due to customers	13	2 258 938	1 339 039
Net increase/(decrease) of other liabilities	16	123 745	14 520
Net cash received/(used) from operating activities before income tax		**4 719 555**	**1 282 541**
Income tax paid		(26 088)	(7 688)
NET CASH RECEIVED FROM OPERATING ACTIVITIES		**4 693 467**	**1 274 853**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of securities		(5 789 594)	(1 019 815)
Proceeds from the sale of investment securities		2 038 936	143 502
Proceeds from the sale of fixed assets		131	58
Acquisition of fixed assets	10	(21 396)	(23 505)
Acquisition of intangible assets	10	(8 175)	(3 690)
NET CASH FLOWS RECEIVED/(USED) IN INVESTING ACTIVITIES		**(3 780 098)**	**(903 450)**
CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES			
Input into unregistered stare capital		26 943	-
Payments under principal of lease liability		(19 027)	(16 915)
NET CASH RECEIVED/(USED) FROM FINANCING ACTIVITIES		**7 916**	**(16 915)**
Effect of exchange rate changes on cash and cash equivalents		**(12 690)**	**14 787**
Net increase in cash and cash equivalents		908 595	369 275
Cash and cash equivalents at the beginning of the year	6	**751 530**	**382 255**
Cash and cash equivalents at the end of the year	6	**1 660 125**	**751 530**

Approved for issue and signed on 29.06.2022.

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

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

Notes from page 8 to page 80 are an integral part of financial statements of JSC "CIB" for the year ended on December 31, 2021

2021 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, 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**
Total comprehensive income	-	-	-	-	**(27 572)**	**151 081**	**123 509**
Profit/(loss) of the period	-	-	-	-	-	151 081	**151 081**
Other comprehensive income	-	-	-	-	(27 572)	-	**(27 572)**
Allocation of profit to reserve and other funds	-	-	-	65 261	-	(65 261)	-
Unregistered share capital	-	26 943	-	-	-	-	26 943
Balance as at December 31, 2021	**215 748**	**26 943**	**(117)**	**71 477**	**(24 191)**	**151 081**	**440 941**

Approved for issue and signed on 29.06.2022.

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

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

Notes to Financial statements of JSC "CIB" for the year ended on 31.12.2021

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, 2021, the only shareholder of the Bank owning 100% of the Bank's shares is a citizen of the United Kingdom of Great Britain and Northern Ireland, 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. Controlling bodies of the Bank are Compliance control service, Risk management department and Internal audit service.

In 2021, the Bank was not a responsible entity or member of bank group.

As at 31.12.2021, the Bank has 43 branches, while as at 31.12.2020 the Bank had 38 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 2021, 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 develops microcrediting business for SMEs. The Bank signed a framework agreement with Business support fund under *5-7-9% Available Loans*, providing for compensation of certain part of credit load to entrepreneurs. The Bank also signed agreement on cooperation with Kyiv city state administration to jointly introduce transparent and efficient mechanism of financial and credit support of small and medium businesses in Kyiv in accordance with European experience. It makes it possible for the Bank to participate in city target program of 2019-2022 support of small and medium businesses and integrated city target program of support of business, industry and consumption market in 2019-2022.

In 2021, the Bank actively developed documentary transactions. In September 2021, the Bank signed a cooperation agreement Export-credit agency. Within this framework it would be much easier for export-oriented business to get bank financing. Besides, the customers were offered better terms for bank guarantees of return of advances and compliance with obligations in favour of beneficiaries – buyers of export products.

The Bank has a status of Member of Deposit guarantee fund (certificate №106 of 06.11.2012) and is accredited by the Fund, thus significantly increasing range of possibilities for customers and the Bank. In particular, it is authorized to guarantee obligations of customers to participate in Fund auctions on sale of assets of banks being liquidated. If a customer is declared a winner of open bidding, the Bank guarantees payment in favour of the Fund. Due to accreditation at *Services of provision of bank guarantee and documentary letter of credit* program, the Bank can issue an e-bank guarantee as a security under compliance with obligations by an open-bid participant.

In 2021, the Bank actively developed retail business. The Bank joined state *Affordable 7% mortgage program* making it possible for customers to purchase apartments under a loan with lowest yearly interest. In order to improve services to individuals and minimize need in physical presence of the customers in Bank branches during the period of measures used to prevent spread of coronavirus, the Bank encouraged to use *CIB-online* internet banking, e.g., the customers got additional bonuses to acting rates for placement of deposit through *CIB-online* internet banking system.

The Bank paid significant attention to development of its IT-infrastructure to introduce new products without significant financial investments and extend range of services for customers and improve and update existing services within a short period of time. E.g., the Bank started wide-scope cooperation with *Diya* state service. The Bank introduced service of confirmation of identity of a customer using e-documents in Diya application in transactions with existing current and deposit accounts, transactions under existing contracts on lease of individual bank boxes. As a result, the Bank customers have one more instrument improving their abilities to perform transactions and improving their access to bank services.

Implementation of scenario of validation of existing customers is just one of many lines of cooperation of the Bank with *Diya* state service. The Bank plans to implement scenarios of deeper integration to improve banking services to customers, including sharing of documents in future.

The Bank launched chat bot making it more comfortable to use it online services at Bank website and Viber and Telegram applications.

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.

The Bank was declared a winner of *BANK OF THE YEAR – 2021* of XIII Ukrainian contest in special nomination – *Best Bank in Individual Approach to Customers*.

Tetiana Putintseva, Chair of Management Board of the Bank, was awarded Highest public award of Ukraine – *Honour of Motherland* Queen Ann Order.

One of business strategy of components of the Bank is corporate social accountability. The Bank acted as financial sponsor of children's mini football championship in Kyiv in honor of 30 years of Ukrainian independence, organized by *Ridne Misto* children's sports club.

In August 2021, Tetiana Putintseva, Chair of Management Board of the Bank, took part in UNIAN conference staged by *Food Bank* charity organization on the occasion of 10 years of work. The Bank offered to stage several seminars for population on financial education that would be useful for people and assist in qualitative and safe development of financial market.

The Bank acted as information partner in *Anatomy of Hryvna* Ukrainian information campaign on safety of cash settlements staged by National Bank of Ukraine.

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.

The financial statements were approved for issue by Management Board of the Bank on 29.06.2022.

Note 2. Economic environment where the Bank operates

By the end of 2021, inflation went down due to record harvest and correction of certain world priced for food, effect of UAH strengthening in previous months, termination of low comparison base and strengthening of monetary policies. Inflation was contained also due to administrative decision on fixation of certain tariffs for utilities. As a result, growth of consumer prices slowed down from peak 11% in September to 10% in December. Rapid decrease of inflation was prevented by transfer of continuing growth of world prices on energy resources and pressure by business production cost, including labour remuneration, to cost of goods and services. Besides, it was affected by continuing impact of stable consumer demand, resulting, in particular, in further growth of basic inflation up to 7,9% by the end of fiscal year.

In 2021, growth of real GDP by estimate of National Bank of Ukraine reached close to 3%. Restoration of economy was supported by stable consumer demand, increase of investments by entities after crisis and record harvest of agricultural crops. Still, economic recovery was slower than expected.

The reasons include rapid growth of prices and deficit of energy resources, effect of poor harvest in 2020, slow restoration of service sector, limited capacities of some production sectors, significant losses through pandemics and accelerated fiscal consolidation.

During the year, rate of economy recovery was slow in spite of positive external situation. To large extent is was the result of difficult situation in power production through critically low reserves of power-generation coal and overtly high prices of natural gas. Deficit of cocking coal limited work of by-product coke plants and metallurgy. Record prices for natural gas affected not only the industries where it is used as a raw material (chemical industry), but power-consuming industries as well – metallurgy, production of construction materials (glass, tiles, fireproof products), agricultural products and food-processing industry.

Significant level of depreciation of key fixed assets resulting from underinvesting in previous years (confirmed by significantly lower growth of rate of investing in Ukraine compared to average rate in the region), increase of production costs, namely, raw materials and energy resources accompanied by international trend to increase measures against emissions were the reasons for repairs at many industrial facilities. The above reduced level of efficient capacities and possibility to increase production, followed by decrease of external demand for mining-and-smelting industry. Forced stoppage through emergency situations and their repairs were observed in oil processing.

Effect of underinvesting and depreciation of tangible assets was felt in other industries, e.g., transportation. Lack of vehicles, especially witnessed during harvesting and sale of crops, trend to decrease turnover of carriages in the second half of the year and increase of cost of transportation also affected rate of economic recovery. Recovery of service sectors was slow, too as a result of increase of production costs and continuing quarantine limitations.

Demand for and offer of labour force increased in 2021 due to recovery of economy. Still, hiring rate went up slowly due to long-term effect of quarantine limitations. The same reasons together with increase of professional and qualification disproportions were the reason for still high level of unemployment.

In 2021, current budget was consolidated with insignificant deficit (1,1% of GDP) due to high world prices for major Ukrainian export products – foodstuffs and mining-and-smelting industry products. Still, by the end of the year deficit of current budget quickly increased as a result of significant increase of prices for energy resources, decrease of international demand for mining-and-smelting industry products and record-breaking dividends paid.

Export of goods in 2021 grew quickly due mostly to high prices. High world prices for raw materials affected export more than import. It relates to higher volatility of prices for raw materials compared to goods with higher added value, significant external demand for raw materials during recovery of world economy and disruptions in global supply chains, as well as higher share of raw materials in Ukrainian export compared to import.

In 2021, import of goods was quickly recovering (34,5% p/p) both for energy and non-energy components. Increase of investing activity of entities stimulated rapid recovery of import of mechanical engineering products during the year. Stable consumers' demand supported high import of foodstuffs and industrial goods, domestic appliances during the year, although imports of consumer goods slowed down by the end of the year as a result of quarantine limitations. Due to recovery of economic activity, purchases of intermediate goods – certain foodstuffs, mechanical engineering and chemical industry goods. Additional factor of import of chemical goods was increase of prices for energy resources.

In spite of decrease of interest of investors to EM assets by the end of 2021, a significant inflow of capital was formed in IV quarter, thus providing for good indicators by the results of the year, since the government received official financing by international partners and attracted other credit resources. By the end of the year, the country received another tranche from IMF, EU macrofinancial aid and a loan from World bank. It compensated outflow of capital resulting from exit of non-residents from state securities in UAH during the second half of the year. Private sector floated Eurobonds and increased debt under trade loans. Besides, in 2021, reinvesting of profit was one of major sources of inflow of capital to private sector, although their scope went significantly down by the end of the year.

Deterioration of information situation due to increase of geopolitical tension by the end of 2021 caused drop in value of Ukrainian asset and devaluation pressure on UAH.

Official discount rate was increased by 0,5 p.p. up to 9.0% in December.

During 2021, cost of interbank resources grew up in close correlation to dynamics of key rate. Liquidity of banking system increased in IV quarter of 2021 – average daily balances at correspondent accounts and deposits were close to UAH 207 billion (UAH 199 billion in previous quarter), major factor for increase of liquidity being significant increase of state expenses.

Still, delay of budget payments to actually last days of the year, accompanied by traditional demand for cash, caused the need of some banks in refinancing as of early December.

Bank rates under transactions with customers gradually followed increase of discount rate. Still, due to high volume of liquidity in banking system and slow response of state banks, setting the policy at deposit market, rates under UAH deposits of individuals followed increase of discount rate with significant lag and moderately – they increased by 0,25 p.p. (0,6 p.p. for term deposits) from August to December 2021.

Rates under deposits in non-financial corporations (NFC) were somewhat higher, increasing by 0,9 p.p. in 2021, as a result of increase of competition for resources as their value is quite low, being significantly lower that cost of attraction of deposits of individuals. Cost of loans to NFC, especially short-term, was sensitive to changes of discount rate. Weighted average rate for UAH loans went up from 9% in March to 10,5% in December. Cost of loans to individuals depended mostly on current situation factors. Action offers of some large banks and active use of grace period during sales and holidays caused significant drop of weighted average rate in November-December.

As of September, profitability of government bonds for all periods of floatation was gradually increasing due to significant demand in financing by government. Major buyers of government bonds in UAH in IV quarter of 2021 were local investors.

The banks recovered their crediting activities. Balances under UAH loans to NFC for 11 months of 2021 increased by 21,2%. In October-November 2021, the highest increase was demonstrated by UAH loans to processing industry and wholesale and retail entities. Balances of UAH loans to individuals went up almost by one third as of the beginning of the year.

In autumn of 2021, UAH deposits of NFC rapidly increased, inflow of funds to individual deposits increased, although still being moderate. In 2021, major input into increase of individual deposits was deposits on demand, although relative input of term funds somewhat increased compared to previous year.

Effect of economic environment to financial position and performance of the Bank.

As at 31.12.2021, volume of cash and cash equivalents of the Bank increased almost twice compared to 31.12.2020.

In 2021, the Bank invested excessive liquidity into deposit certificates of National Bank of Ukraine and government bonds (GB), issued overnight loans to other banks and loans to customers. E.g., as at 31.12.2021 volume of loans to customers increased 1,6 times compared to 31.12.2020, balances at correspondent accounts at other banks increased by 8,4 times, while investments in securities increased by 4 times.

In 2021, interest income under GB transactions increased by 26 times compares to 2020, interest income under NBU deposit certificates increased almost by 1,5 times, while interest income under loans to customers increased by 1,3 times.

As at 31.12.2021, scope of loans to legal entities and private entrepreneurs increased by 1,7 times compared to 31.12.2020. Interest income under loans to legal entities and private in 2021 increased by 1,3 times compared to 2020.

Scope of Bank loans to individuals as at the end of 2021 went down almost by 15% compared to 31.12.2020. Most of the loans were consumer loans; still, portfolio of mortgage loans to individuals somewhat increased due to acquisition of loan portfolios of the banks being liquidated. Still, portfolio of loans to individuals is 5,7% of total loan portfolio. Interest income under loans to individuals in 2021 increased by 1,3 compared to 2020.

2021 commission income of the Bank increased by 4,3 times compared to 2020 mostly due to documentary transactions, cash settlement transactions and servicing of loans.

As at 31.12.2021, volume of term deposits of legal entities increased by 21% compared to 31.12.2020, while volume of funds on demand of legal entities increased by 2,7 times.

Volume of term deposits of individuals as at 31.12.2021 increase by 62% compared to 31.12.2020, while funds on demand of individuals increase twice. Volume of term currency deposits on individuals as at 31.12.2021 increased almost two times compared to 31.12.2020. A share of term currency deposits of individuals as at 31.12.2021 is 41,9%, while as at 31.12.2020 a share of such deposits was 38,8%. Volume of interest paid to deposits of legal entities and individuals in 2021 went up by almost 24% compared to 2020.

In 2020-2021, COVID-19 pandemics caused a significant impact on economic situation in Ukraine and worldwide mostly through introduction of strict limiting measures by the countries, including Ukraine.

In mid-December 2019, the outbreak of decease started in the city of Wuhan in central China where pneumonia of unknown origin was diagnosed. Later on, Chinese researchers 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 2020-2021, 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 2020-2021 Business plan, including increase of net assets, loan portfolio, net profit, attraction of deposits of individuals, etc... Strategy of development and 2022 Business plan provide for increase of registered capital by inputs of single shareholder and allocation of 2021 retained earnings to registered capital in order to increase Bank capital and improvement of the Bank ability to act as going concern.

On February 24, 2022, Russian Federation launched military aggression against Ukraine. As a result of aggression and introduction of martial law in Ukraine by Decree of President of Ukraine *On Introduction of Martial Law in Ukraine* № 64/2022 of February 24, 2022, approved by Law of Ukraine № 2102-IX of February 24, 2022, Chamber of Trade and Commerce of Ukraine recognized military aggression of Russian Federation against Ukraine as force-majeure, meaning that as of February 24, 2022, until their official termination force-majeure are affecting all entities without any exceptions. The banking system faced the need to provide for uninterrupted and reliable work of financial system of the country, stable functioning of critical infrastructure and provide maximal support to Ukrainian Armed Forces.

Hostilities and mass bombing and shelling spread over 10 oblasts of Ukraine including Kyiv. These territories produced over one half of total GDP. Some entities continued to run there, but many of them had to suspend their operations. Interrelations between regions are disturbed, infrastructure is significantly damaged, many people suffered the effects, over 5 million persons migrated to European countries. All above will have a long-term impact on Ukrainian economy.

War has different effect on economic sectors. Sector of services suffered most of all. Still, some sectors managed to reorient during war time to produce products needed for protection of the country, including mechanical engineering, food-processing and textile industries, production of construction materials, etc... It can reduce the effect of war to economy to a certain extent.

Market participant face increase of all types of risks, credit and operational risks being the highest, and the banks forecast that all types of risks would continue to grow.

Currency market continues to operate under limitations imposed under martial law. Official FX-rate of foreign currencies was fixed at the level of February 24, 2022, as of beginning of the war. What would be FX-rate s after termination of war depends on many parameters, therefore it impossible to predict FX-rate as at the end of the year. Significant volume of international aid helps to stabilize currency market situation.

Capital market is suspended for securities issued before the war, only limited issues of securities, issued during the war, are traded, being non-speculative instrument based on their target. NBU performs emission financing of budget deficit, and combined with other factors, it negatively affects macroeconomic indicators, namely, inflation level and UAH FX-rate. NBU tries to support macroeconomic stability through use of different measures and instruments, e.g., changes of discount rate.

Significant negative effect for banking sector would cause dramatic increase of discount rate by NBU, causing significant increase of bank expenses, potential losses and decrease of capital for many banks, the need to revise interest rates under deposits of legal entities and individuals, respective increase of interest rates under loans (the ability is limited under current state of economy and impossibility to service the debts under such rates), including 5-7-9 program. The Bank will have to incur additional cost to service NBU refinancing loans at first stage; still, they would gradually decrease in line with decrease of refinancing by NBU through repayment of portfolio of GB purchased by the Bank and coupons received under GB in accordance with their maturities. The Bank estimates that its financial performance would be positive even with additional interest expense under long-term NBU loans, although it would reduce possibility to create allowances for ELC.

Note 3. Basis for preparation of financial statements

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

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

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

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

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

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

Note 4. Accounting policies

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

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

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

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

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

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

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

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

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

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

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

Note 4.2. Financial instruments

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

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

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

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

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

There are three business models for financial assets:

1. 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 terms of a contract set unconditional right of the Bank refuse to further execute its obligations unilaterally without any preliminary note to a borrower, including case of deterioration of financial position of the borrower and/or untimely execution of its contractual obligation toward the Bank, as well as under avals of tax promissory notes.

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

The Bank uses 3 stages of impairment:

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

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

- Purchased or created financial asset(s) (PCA), that was impaired as at the moment of initial recognition. They stay in their category until derecognition (even if the quality improves);

- All other financial assets – within the framework of impairment model – general approach to logics of transfer between stages is applied. As a result, one of the three stages are selected for each financial instrument that is not classified as PCA.

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

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

Table 1

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

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

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

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

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

Definition of default reflects an assumption that default occurs when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As to financial assets at amortized cost, if 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 2021, were not intended for hedging. The Bank entered currency swap contracts and forward contracts on sale of securities (government bonds). These transactions were accounted for as derivative financial instruments in accordance with IFRS 9.

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

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

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

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

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

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

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

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

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

Note 4.8. Investment property

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

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

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

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

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

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

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

After initial recognition, investment property is measured for subsequent reporting date not less than once per year before preparation of annual financial statements. Revaluation of investment property is based on official appraisal by professional independent appraisers. In 2021, the Bank did not own investment property, so, the appraisal was not performed.

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

Note 4.9. Property, plant and equipment and intangible assets

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

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

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

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

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

Independent professional appraisers appraised Bank property as at 01.12.2021.

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 2021, no indications of impairment were identified based on results of stocktaking of fixed and intangible assets.

In 2021, 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.

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.

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.

Total outflow of funds under lease in 2021 was UAH 19 958 thousand (2020 – UAH 15 964 thousand). In 2021, inflow of right-of-use assets was UAH 29 031 thousand (2020 - UAH 60 234 thousand).

Note 4.13. Non-current assets held for sale

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

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

Noncurrent assets held for sale are not depreciated.

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

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

Note 4.14. Borrowings

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

In 2021, 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 2021 and 2020, 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 2021, 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 income (expenses) is related to own debt securities, subordinated debt, dividends paid in the reporting period, issue of equity instruments, etc.

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

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

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

Note 4.19. Revaluation of foreign currency

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

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

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

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

	December 31, 2021	December 31, 2020
UAH / 1 USD	27,2782	28,2746
UAH / 1 EUR	30,9226	34,7396

Note 4.20. Offsetting items of assets and liabilities

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

Note 4.21. Effect of inflation

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

Note 4.22. Employee benefits and related charges

Employee benefits include:

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

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

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

Bank transactions are subdivided into following segments:

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

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

- *Retail business* – opening, servicing of current, saving and card accounts, deposits, customer and mortgage loans, servicing of debit and credit cards, including those under payroll projects, foreign currency transactions of individuals.
- *Interbank and investing business* – trade of financial instruments, transactions at interbank market, including refinancing by NBU, transactions with securities, including government bonds and NBU deposit certificates, transactions with foreign currencies and banknotes to generate profit.
- *E-business* – servicing of pay services (PSP providers), internet acquiring based on MasterCard, provision of settlements under pay card, generation of respective commission income.
- *Non-allocated items* – transactions to support Bank liquidity, fixed assets, receivables and payables, deferred tax assets, income tax, etc...

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

Note 4.24. Related party transactions
Related parties include:

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

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

1.2. has a considerable influence over the Bank;

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

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

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

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

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

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

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

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

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

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

In 2021, 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 2021.

Accounting principles applied for preparation of 2021 financial statements correspond to the principles applied for preparation of financial statements for the year ended on December 31, 2020, except for effect of new standards and interpretations as of January 1, 2021:

1. Amendment to IFRS 16 Covid-19-Related Rent Concessions

Taking into account the scale of pandemics and measures taken by many countries to provide for social distancing, it can be expected that a lot of lessees would get rent concessions of some type, making it necessary for lessees to apply the above amendment proposed by IASB. Amendments provide for simplified accounting of rent concessions during quarantine only for lessees. The amendments to IFRS 16 permit the lessees to use practical approach and do not view rent concessions as lease modification. So, the lessees should not account rent concession as modification. This simplification is permitted to be applied solely to rent concessions that are a direct result of COVID-19. This approach is permitted if all three criteria are met:

1) The revised consideration for the lease is substantially the same as, or less than the original consideration immediately preceding the change;

2) Any reduction in payments only affects payments originally due on or before June 30, 2021, or earlier (e.g., rent concession would comply with the criteria, if it results in decrease of rent payments before June 30 or earlier, if it results in increase of rent payments continuing after 30.06.2021). In March 2021, new amendments to IFRS 16, extending this period for 1 year - by 30.06.2022, were approved;

3) There are no substantive changes to other terms and conditions of the lease. E.g., if term of rent is changed as a result of COVID-19 pandemics (a lessee plans to terminate the lease earlier than planned initially), simplification related to rent concession cannot be applied. In this case, it would be necessary to analyse whether conditions necessary to recognize lease modification are met.

A lessee is permitted (not required) to apply practical approach to COVID-19-related rent concessions. Still, if a lessee decided to apply practical approach, the lessee must apply it for all lease agreements with similar characteristics under similar conditions.

A lessee should apply practical approach retrospectively, recognizing cumulative effect of initial application of changes as adjustment of opening balance of retained earnings (or other equity component) of annual reporting period, when the lessee applied these changes for the first time. A lessee should not disclose information required by p. 28(e) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the reporting period, when changes were initially applied.

2. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Phase 1 of the Reform (2020) delt with the issues affecting financial reporting in the period prior to change current interest rate benchmark to RFR. Phase 2 major attention was paid to issues related to change of current basic interest rates to risk-free rates RFR. Phase 2 was completed in 2021. Phase 2 resulted in replacement of IBOR by to risk-free rates RFR in contracts on financial instruments until December 31, 2021. As of 2022, IBOR will not be published. Only US Libor with overnight, 1, 3, 6 and 12 months (until termination of contracts based on it) will be used.

The following Reform-related changes would be actual in:

- *changes to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement* – standards were added by provisions related to interest rate benchmark reform especially for hedging.

IFRS 9 received p.p. 5.4.5 - 5.4.9, including provision on change of base to determinate contractual cash flows as a result of interest rate benchmark reform containing simplification of practical nature. Change of IBOR by RFR for existing financial instruments is treated as replacement of floating interest rate applicable under p. B5.4.5 on revaluation of cash flows. Besides, the amendments provide for relief from termination of hedging relations, permitting instead to introduce respective changes under IBOR reform into determination of hedging and hedging documentation in accordance with IFRS 9 and IAS 39 without rumination of hedging relations;

- *IFRS 16 Leases*. Points 104 – 106, containing simplifications of practical nature, are added to standard as a result of interest rate benchmark reform. A lessee – entity measures these changes as modification of lease agreement in accordance with p. 42(b) of the Standard, when replacing IBOR by RFR. Lease liability should be remeasured, while new base of determination of lease payments should be economically equivalent to previous base (i.e., based used prior to modification). All other modifications, not related to interest rate benchmark reform, are measured as usual;

- *IFRS 7 Financial Instruments: Disclosures*. New requirements to disclosure were added to the standard on:

1) How an entity organizes transfer to RFR, its process and risks faced during IBOR reforms, related to financial instruments;
2) Quantitative information on financial instruments, not yet transferred to RFR, with details for each significant IBOR. If IBOR reform resulted in changes in risk management strategies, the changes are described.

- *IFRS 4 Insurance Contracts*. Points 20R-20S are added to the Standard, covering change of base for determination of contractual cash flows as a result of interest rate benchmark reform, for insurers, applying temporary relief from application of IFRS 9.

The above amendments did not affect 2021 financial statements of the Bank.

Note 4.26. Changes in presentation of financial statements

Taking into account the needs of users of financial statements, the Bank changes presentation of items in 2020 statement of cash flows as follows: cash at correspondent banks of UAH 51 588 thousand as at 31.12.2020 and UAH 32 668 thousand as at 01.01.2020, NBU deposit certificates of UAH 500 000 thousand as at 31.12.2020 and UAH 200 000 thousand as at 01.01.2020 are transferred to *Cash and cash equivalents* item.

Note 4.27. 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.

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

As of commencement of military aggression of Russian Federation on February 24, 2022, the Bank operates in normal mode in compliance with rules and regulations of National Bank of Ukraine, decisions of management and collegial bodies of the Bank related to introduction of martial law. All economic ratios of National Bank of Ukraine (in particular, liquidity ratio and capital adequacy ratio), currency position limits and mandatory reserving of funds At correspondent account in NBU, are complies with, regulatory capital increased from UAH 472,7 million to UAH 539,0 million within 4 months of 2022, the Bank meets in time and in full all its obligations to creditors and customers (portfolio of deposits of individuals did nor decrease practically), net profit as at 01.05.2022 was UAH 45,5 million.

The Bank continues its work with borrowers regarding restructuring of loans, repayment of overdue debts, accrued but unpaid interest, assessment of potential losses at temporarily occupied territories, minimization of operating risks, etc... The Bank continues to implement measures to optimize its expenses, including decrease of payments under lease of premises. The Bank has a liquid balance sheet and is profitable, estimated losses under operating risk are within the approved risk-appetite level. As to going concern and IR safety, the Bank provided for provision of certain services/functions based on cloud technologies.

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

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

- *Fair value of mortgaged property*. When calculating allowance for ECL, mortgaged property is disclosed at fair value based on conclusions reached by expert valuators. Estimated value based on professional opinion of an appraiser is used to determine the value of mortgaged property. Measurement of fair value of mortgaged property requires application of judgements and

assumptions regarding comparability of property items and other factors. As a result, allowance for ECL may be significantly affected by use of estimated value of property. Accounting estimates in appraisal of property are major source of uncertainty in measurement, as recognition of changes in measurement may have potentially significant impact.
- *Going concern assumption.* As at the date of preparation and approval of these financial statements, the ability of the Bank to continue as going concern was not significantly affected; still, aftereffects of military aggression of Russian Federation may have significant impact on financial position and performance of the Bank and its counterparts. Further development of events, term of their termination and aftereffects are indeterminable.

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

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

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

At the same time, factors, described above and separately disclosed in Note 35 *Subsequent Events*, provide adequate assurance to Bank management regarding ability of the Bank to continue as going concern.

Note 5. The Standards and Interpretations that have been issued, but are not yet effective

New standards, amendments and interpretations not mandatory for application (earlier application is permitted) in 2021 reporting and not applied by the Bank:

- *Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use* (valid as of 01.01.2022). Amendments relate to proceeds under sale of products produces during testing of fixed assets, i.e., before commissioning. Previously, the proceeds were used to decrease carrying amount of this item of property, plant and equipment. Now, the standard prohibits entities to deduct proceeds from the cost of an item of property, plant and equipment, while bringing that asset to the condition necessary for it to be capable of operating in the manner intended. As a result, income and related expenses would be recognized as usual. Besides, the following information should be disclosed in reporting:

1) Compensation by third parties in case of impairment, loss or transfer of an item of fixed assets, included into profit or loss;
2) Income and expenses included into profit or loss, related to products produced, that is not the result of usual operations of an entity, and information on what item(s) in the statement of comprehensive income disclose these proceeds and expenses.

- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Costs of Fulfilling a Contract* (valid as of 01.01.2022). IASB added a provision to IAS 37 stating that costs offulfilling a contract include costs directly related to contract (p. 68). P. 68A, containing examples of costs directly related to contract of supply of goods or services:

1) Direct labour costs (e.g., salary of employees producing and supplying of goods or delivering services directly to a counterpart);

2) Direct material expenses (e.g., materials used to fulfil a contract);

3) 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);

4) Expenses explicitly charged to a counterpart under the contract;

5) 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 IFRS 3 Business Combinations* (valid as of 01.01.2022):

1) IFRS 3 shows how an entity should recognize assets and liabilities acquired through combination. IFRS 3 requires the entities to refer to *Conceptual Framework for Financial Reporting* to determine what should be recognized as an asset or a liability.
These amendments replace *Conceptual Framework for Financial Reporting (Conceptual Framework*) of 1989 by *Conceptual Framework for Financial Reporting of March* 2018.

As of 01.01.2022, the buyers should refer to Conceptual Framework issued in 2018 to determine what is an asset or a liability.

2) As of 01.01.2022, exception is introduced regarding certain types of liabilities and contingent liabilities when entities, applying IFRS 3, should refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* rather than to Conceptual Framework. IASB thinks that this exception in IFRS 3 would be applicable as long as definition of liability in IAS 37 differs from definition in the latest version of Conceptual Framework. IASB plans to review possibility of reconciliation of definitions within the project of improvements of IAS 37.

- *Annual improvements – 2018–2020 cycle:*

1) IFRS 1 *First-time Adoption of International Financial Reporting Standards* – p. D16(a) of IFRS 1 provides for relief of a subsidiary from valuation of its assets and liabilities if it adopts IFRS later than its parent entity. Exception, stated in p. D16(a) of IFRS 1, is not applicable to equity components. Prior to this amendment to IFRS 1, a subsidiary, adopting IFRS for the first time later than its parent entity, might have been required to have to use two different accountings for accumulated FX-rate differences based on different date of transfer to IFRS. Amendments in IFRS 1 extend relief under p. D16(a) of IFRS 1 to accumulated FX-rate differences to reduce expenses for the entities adopting IFRS for the first time;

2) IFRS 9 *Financial Instruments* – the amendment explains what commission fee should be considered when an entity applies 10-percent test as per p. B3.3.6 of IFRS 9 to assess whether a financial liability should be derecognized.
So, as of 01.01.2022, a borrower, when determining amount of commission payment less commission received, takes into account only commission fee payable or receivable between the borrower and respective creditor, including commission paid or received by the borrower and respective creditor on behalf of each other;

3) IAS 41 *Agriculture* – currently, in accordance with p. 22 of IAS 41, the entities exclude tax cash flows from fair value measurement by discounting of cash flows.
As of 01.01.2022, requirement to exclude tax cash flows from fair value measurement by discounting of cash flows is annulled. This amendment reconciles requirement to fair value measurement in IAS 1 with requirements of other IFRS.

- *IFRS 17 Insurance Contracts (with changes and amendments issued in 2020-2021)* (applicable as of 01.01.2023).
IFRS 17, replacing interim standard - IFRS 4, requires providing for consistent accounting of all insurance contracts based on current measurement model and provides useful information on profitability of insurance contracts. IFRS 17 applies to: insurance contracts (including reinsurance contracts), issued by an entity, reinsurance contracts held by an entity, investing contracts under discrete participation issued by an entity, if an entity issues insurance contract, too.

Major amendments in IFRS 17 relate to:

1) Classification of insurance and investment contracts;

2) Mandatory separation of non-insurance components;

3) Determination of profitability of insurance contracts at initial recognition (e.g., whether insurance contracts are onerous);

4) Requirements to aggregate contracts by risk level, profitability, date of issue and other requirements of the standard;

5) Extension of requirements to disclosure of information in financial statements, balance sheet structure and statement of financial performance;

6) Actuarial calculations by different methods of measurement of liabilities.

IFRS 17 is applicable retrospectively.

- *Amendments to IAS 8 Accounting Policies, Changes in accounting Estimates and Errors* (applicable as of 01.01.2023).

Amendments to IAS 8 clarify difference between changes in accounting policies and accounting estimates and define accounting estimates as monetary amounts in financial statements with certain uncertainty in measurement.

Amendments emphasize that:

1) Changes in accounting estimates resulting from new information or developments are not adjustment of errors;

2) Results of changes in input data or methods of measurement are changes in accounting estimates, if they are not the result of adjustment of errors of previous periods;

3) Changes in accounting estimates may affect only profit/loss of current period or current and subsequent periods.

- *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:

1) 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);

2) 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;

3) 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;

4) Settlement is defined 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.

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, 2021	December 31, 2020
1	Cash	320 924	185 186
2	Cash in National Bank of Ukraine (except for mandatory reserves)	53 424	14 756
3	**Total cash and cash equivalents**	**374 348**	**199 942**

As at December 31, 2021, and December 31, 2020, no income under this item was accrued. In 2021 and 2020 the Bank did not perform noncash investing and financial transactions, related to acquisition (settlement) asset rather by exchange for other asset than in cash.

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

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Cash	320 924	185 186
2	Cash in National Bank of Ukraine (except for mandatory reserves)	53 424	14 756
3	Cash at correspondent accounts in other banks having credit risk	435 777	51 588
4	NBU deposit certificates	850 000	500 000
5	**Total cash and cash equivalents**	**1 660 125**	**751 530**

Note 7. Loans and due from Banks

Table 7.1. Loans and due from banks at amortized cost

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Cash at correspondent accounts in other banks with credit risk	435 777	51 588
2	Allowance for ECL with other banks	(5 840)	(513)
3	**Total cash in other banks**	**429 937**	**51 075**

As at December 31, 2021, and December 31, 2020, no income under this item was accrued. As at December 31, 2021, and December 31, 2020, maximal credit risk per one counterpart was UAH 331 218 thousand and UAH 50 071 thousand, respectively.

Table 7.2. Credit quality of loans and due from banks at amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Purchased or created impaired assets	Total
1	Cash at correspondent accounts in other banks with credit risk					
2	- Minimal credit risk	409 165	-	-	-	409 165
3	- Low credit risk	26 612	-	-	-	26 612
4	**Total gross carrying amount of cash at correspondent accounts in other banks with credit risk**	**435 777**	**-**	**-**	**-**	**435 777**
5	Allowance for ECL with other banks	(5 840)	-	-	-	(5 840)
6	**Total cash at correspondent accounts in other banks with credit risk**	429 937	-	-	-	429 937

Table 7.3. 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	**Total gross carrying amount of cash at correspondent accounts in other banks with credit risk**	**51 588**	**-**	**-**	**-**	**51 588**
5	Allowance for ECL with other banks	(513)	-	-	-	(513)
6	**Total cash at correspondent accounts in other banks with credit risk**	**51 075**	**-**	**-**	**-**	**51 075**

Table 7.4. Change of allowance for ECL under loans and due from banks at amortized cost in 2021

(UAH'000)

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

Table 7.5. 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	FX-rate differences	(8)	-	-	-	(8)
4	**Allowance for ECL as at December 31, 2020**	**(513)**	**-**	**-**	**-**	**(513)**

Table 7.6. Changes of gross carrying amount of loans and due from banks ay amortized cost in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	POCI	Total:
1	**Gross carrying amount as at December 31, 2020**	**51 588**	**-**	**-**	**-**	**51 588**
2	Purchased/initiated assets	386 453	-	-	-	386 453
3	FX-rate differences	(2 264)	-	-	-	(2 264)
4	**Gross carrying amount as at December 31, 2021**	**435 777**	**-**	**-**	**-**	**435 777**

Note 8. Loans and due from customers

Table 8.1. Loans and due from customers at amortized cost

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Corporate loans	1 924 621	1 122 287
2	Corporate loans under REPO transactions	20 535	11 300
3	Loans to private entrepreneurs	55 005	57 356
4	Mortgage loans to individuals	67 907	64 108
5	Consumer loans	51 952	76 388
6	Other loans to individuals	778	1 013
7	Allowance for ECL under loans to customers at amortized cost	(43 801)	(16 518)
8	**Total loans and due from customers at amortized cost**	**2 076 997**	**1 315 934**

As at December 31, 2021, accrued income disclosed in this note were UAH 23 614 thousand, and as at December 31, 2020 – UAH 16428 thousand.

As at December 31, 2021, and December 31, 2020, maximal credit risk under loans to customers was UAH 87 745 thousand and UAH 71 246 thousand, respectively.

Table 8.2. Changes of allowance for ECL under loans and due from customers at amortized cost in 2021

(UAH'000)

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

Table 8.3. Changes of allowance for ECL under loans and due from customers at amortized cost in 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 2	-	30	-	-	30
3.2	Transfer to stage 3	-	-	503	-	503
4	Write-off of financial assets through utilization of allowance	-	-	2 794	-	2 794
5	**Allowance for ECL as at December 31, 2020**	**(11 731)**	**(197)**	**(4 524)**	**(66)**	**(16 518)**

Table 8.4. Changes of gross carrying amount through impairment of loans and due from customers at amortized cost in 2021

(UAH'000)

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

Table 8.5. 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 8.6. Loans by economic sectors

(UAH'000)

Line	Sector	December 21, 2021		December 31, 2020	
		Amount	%	Amount	%
1	Agriculture, hunting, forestry	6 390	0,30	33 667	2,53
2	Mining industry, quarry development	51 447	2,42	22 108	1,66
3	Processing industry	412 604	19,46	282 873	21,23
4	Power, gas and water supply, sewage, processing of wastes	3 474	0,16	4 553	0,34
5	Wholesale and retail trade, repair of vehicles and motorcycles	739 657	34,88	447 437	33,58
6	Transport, warehousing, mailing and courier services	7 789	0,37	388	0,03
7	Finances and insurance	543 993	25,65	187 510	14,07
8	Information and telecommunications, temporary accommodation	1 446	0,07	71 151	5,34

9	Professional, R&D activities	14 049	0,66	7 554	0,57
10	Construction	213 151	10,05	133 690	10,03
11	Other businesses	6 161	0,29	12	-
12	Individuals	120 637	5,69	141 509	10,62
13	**Total loans and due from customers net of allowance**	**2 120 798**	**100**	**1 332 452**	**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 2021 results, priority line of credit policies of the Bank was financing of trade entities – 34,88%, entities of financial and insurance sector – 25,65%, and processing industry entities – 19,46%.

Table 8.7. Loans by types of collateral in 2021

(UAH'000)

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

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

Table 8.8. 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, machinery and securities.

Table 8.9. Credit quality of loans and due from customers at amortized cost in 2021

(UAH'000)

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

Table 8.10. 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 8.11. Effect of collateral value to credit quality in 2021

(UAH'000)

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

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

Market value of property is measured based on:

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

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

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

In 2021, the Bank foreclosed mortgaged property used as collateral under loans (deposits) for total of UAH 3 461 thousand. In 2020, the Bank foreclosed mortgaged property used as collateral under loans (deposits) for total of UAH 2 191 thousand.

Table 8.12. 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 have respective qualification certificates and work experience.

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

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

In 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.

Note 9. Investments in securities

Table 9.1. Investments in securities

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Debt securities at fair value through other comprehensive income	4 968 180	924 955
1.1	Government bonds	4 968 180	924 955
2	Debt securities at amortized cost	850 187	500 080
2.1	NBU deposit certificates	850 187	500 080
3	Equity instruments at fair value through other comprehensive income	18	18
3.1	Shares at cost (fair value cannot be reliably measured)	18	18
4	**Total investments in securities**	**5 818 385**	**1 425 053**

As at December 31, 2021, income accrued under this note was UAH 141 403 thousand, and as at December 31, 2020 – UAH 27 835 thousand.

Carrying amount of government bonds provided by the Bank as a security under REPO transactions as at 31.12.2021 was UAH 235 789 thousand. There were no securities provided by the Bank as a security under REPO transactions as at 31.12.2020. Allowance for ECL for investments in securities on 2021 and 2020 was not formed.

Securities were not reclassified in 2021 and 2020.

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, 2021	December 31, 2020
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 2021

(UAH'000)

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

Table 9.4. 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	**Total gross carrying amount of debt securities at amortized cost**	**500 080**	**-**	**-**	**-**	**500 080**

4	**Total debt securities at amortized cost**	**500 080**	**-**	**-**	**-**	**500 080**

Table 9.5. Credit quality of investments in securities at other comprehensive income in 2021

(UAH'000)

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

Table 9.6. 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	**Total gross carrying amount of debt securities at fair value though other comprehensive income**	**924 955**	**-**	**-**	**-**	**924 955**
4	**Total debt securities at fair value though other comprehensive income**	**924 955**	**-**	**-**	**-**	**924 955**

Table 9.7. Changes of gross carrying amount of securities at amortized cost and fair value through other comprehensive income in 2021

(UAH'000)

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

Table 9.8. 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 comprehensive income (government bonds)	55 575	-	-	-	55 575
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	FX-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

Note 10. Property, plant and equipment and intangible assets

(UAH'000)

Line	Item	Buildings, facilities and transmitters	Machinery and equipment	Vehicles	Instruments, devices, tools (furniture)	Other fixed assets	Other noncurrent tangible assets	Capital investments in progress into fixed and intangible assets	Intangible assets	Total
1	**Carrying amount as at 31.12.2019**	**8 594**	**12 191**	**2 251**	**3 722**	**1 071**	**892**	**225**	**18 586**	**47 532**
1.1	Historical/revalued value	12 905	18 037	2 584	6 588	1 838	4 861	225	25 048	72 086
1.2	Depreciation and amortization	(4 311)	(5 846)	(333)	(2 866)	(767)	(3 969)	-	(6 462)	(24 554)
2	Purchases	-	1 714	-	1 080	650	1 385	15 332	2 438	22 599
3	Transfer from capital investments in progress to fixed and intangible assets	2 311	-	5 853	242	38	181	(10 300)	1 675	-
4	Disposals	-	-	-	(5)	-	-	(73)	-	(78)
5	Depreciation and amortization	(319)	(1 849)	(369)	(712)	(460)	(1 862)	-	(2 802)	(8 373)
6	Other changes	-	-	4	(4)	-	4	-	-	4
7	**Carrying amount as at 31.12.2020**	**10 586**	**12 056**	**7 739**	**4 323**	**1 299**	**600**	**5 184**	**19 897**	**61 684**
7.1	Historical/revalued value	15 216	19 460	8 442	7 557	2 268	6 307	5 184	29 102	93 536
7.2	Depreciation and amortization	(4 630)	(7 404)	(703)	(3 234)	(969)	(5 707)	-	(9 205)	(31 852)
8	Purchases	-	956	-	3 840	1 316	2 996	16 896	8 174	34 178

9	Transfer from capital investments in progress to fixed and intangible assets	-	-	15 247	962	293	602	(17 104)	-	-
10	Disposals	-	-	-	(418)	(79)	-	(4 717)	-	(5 214)
11	Depreciation and amortization	(408)	(1 987)	(1 398)	(891)	(639)	(3 519)	-	(4 086)	(12 928)
12	Other changes	-	-	-	-	-	-	-	-	-
13	**Carrying amount as at 31.12.2021**	**10 178**	**11 025**	**21 588**	**7 816**	**2 190**	**679**	**259**	**23 985**	**77 720**
13.1	Historical/revalued value	15 216	19 940	23 689	11 758	3 707	9 127	259	37 230	120 926
13.2	Depreciation and amortization	(5 038)	(8 915)	(2 101)	(3 942)	(1 517)	(8 448)	-	(13 245)	(43 206)

As at December 31, 2021 and 2020:

- 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 11 237 thousand and UAH 1 4 586 thousand, and UAH 8 814 thousand and UAH 1 795 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 2021 and 2020.

As at 01.12.2021, 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 carrying amount would have been UAH 6 596 thousand as at 31.12.2021, or UAH 6 861 thousand as at 31.12.2020.

Note 11. Other assets

Table 11.1. Other assets

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
	OTHER FINANCIAL ASSETS		
1	Receivables under pay card transactions	92 608	472
2	Receivables under settlements under cash transfers	451	379
3	Cash limited in use (guarantee)	11 440	11 141
4	Accrued income	1 081	960
5	Other financial assets	42	346
6	Allowance for ECL of other financial assets	(508)	(334)
7	**Total other financial assets net of allowance**	**105 114**	**12 964**
	OTHER NON-FINANCIAL ASSETS		
8	Receivables under purchase of assets	313	5 106
9	Prepayment for services	2 285	1 658
10	Precious metals	3 792	3 560

11	Deferred expenses	5 858	2 988
12	Other nonfinancial assets	1 039	149
13	Allowance for ECL of other nonfinancial assets	(1 502)	(61)
14	**Total other financial assets net of allowance**	**11 785**	**13 400**
15	**Total other assets net of allowance**	**116 899**	**26 364**

As at 31.12.2021, accrued income included into this Note was UAH 1 081 thousand, and as at 31.12.2020 – UAH 960 thousand.

As at 31.12.2021 and 31.12.2020 maximal credit risk under other assets (cash limited in use, representing cash coverage for provision of settlements under Visa and Mastercard international payment systems) was UAH 11 091 thousand and UAH 11 131 thousand respectively.

Receivables under pay card transactions item includes mostly debt under payments using soft- and hardware complexes. Payables under these transactions are disclosed in *Payables under pay card transactions* item of Note 16 *Other Liabilities*. Were these items netted, payables under [ay card transactions would have been UAH 15 382 thousand as at December 31, 2021, and UAH 93 thousand as at December 31, 2020.

Table 11.2. Allowance for ECL of other assets in 2021

(UAH'000)

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

In 2021, there were no settlements of written-off receivables under other assets. In 2020, a debt under other assets (accrued income) of UAH 1 thousand was settled.

Table 11.3. Allowance for ECL of other assets in 2020

(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, 2019**	**(197)**	**(104)**	**(82)**	**(94)**	**(477)**
2	(Increase)/decrease of allowance	197	(3)	(152)	(5)	**37**
3	Bad debt written off	-	46	-	-	**46**
4	FX-rate differences	-	-	-	(1)	**(1)**
5	**Balance as at December 31, 2020**	**-**	**(61)**	**(234)**	**(100)**	**(395)**

Table 11.4. Changes of gross carrying amount of other assets in 2021

(UAH'000)

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

Table 11.5. 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	FX-rate differences	(1)	184	206	389
6	**Balance as at December 31, 2020**	**472**	**11 141**	**1 685**	**13 298**

Table 11.6. Credit quality of other assets in 2021

(UAH'000)

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

Table 11.7. 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**

Note 12. Due to banks

Table 12.1. Due to banks

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Funds received from National Bank of Ukraine	3 349 994	291 791
2	Sale and REPO contracts with other banks	231 613	-
3	**Total due to banks**	**3 581 607**	**291 791**

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

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

Carrying amount of assets (government bonds), filed in National Bank of Ukraine s collateral of the Bank under refinancing loan received, is UAH 3 960 thousand as at 31.12.2021, and UAH 310 thousand as at 31.12.2020.

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

In 2021 and 2020, all liabilities under principal debt and related interest were paid in time.

Note 13. Due to customers

Table 13.1. Due to customers

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Other legal entities	3 167 995	1 526 681
1.1	Current accounts	2 441 146	923 789
1.2	Term deposits	726 849	602 892
2	Individuals:	1 530 601	929 273
2.1	Current accounts	125 125	59 693
2.2	Term deposits	1 405 476	869 580
3	**Total due to customers**	**4 698 596**	**2 455 954**

As at 31.12.2021, accrued interest expense, included into due to customers were UAH 23 018 thousand, while as at 31.12.2020 – UAH 15 682 thousand.

As at 31.12.2021 and 31.12.2020, maximal funds as customers' account were UAH 606 306 thousand and UAH 73 408 thousand, respectively.

Table 13.2. Due to customers by economic sectors

(UAH'000)

Line	Sector	December 31, 2021		December 31, 20209	
		Amount	%	Amount	%
1	Agriculture, forestry and fishery	33 798	0,72	133 949	5,45
2	Mining industry and quarry development	645 450	13,74	73 490	2,99
3	Processing industry	117 425	2,50	96 728	3,94
4	Power, gas and water supply, sewage, treatment of wastes	73 653	1,57	40 724	1,66
5	Wholesale and retail trade; repair of vehicles and motorcycles	605 039	12,88	367 557	14,96
6	Transport, warehousing, mail and courier services	41 330	0,88	31 938	1,30
7	Finances and insurance	888 063	18,90	447 657	18,23
8	Information and telecommunications, temporary quartering and catering	13 986	0,30	5 780	0,24
9	Professional, R&D activities	98 469	2,09	41 791	1,70
10	Construction	489 097	10,41	228 273	9,29
11	Other sectors	109 057	2,32	51 055	2,08
12	Individuals	1 530 601	32,57	929 273	37,84
13	Other (independent professional activities and non-residents)	52 628	1,12	7 739	0,32
14	**Total due to customers:**	**4 698 596**	**100**	**2 455 954**	**100**

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

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.

Note 14. Derivative financial liabilities

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
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 15. Provisions for liabilities

Table 15.1. Changes of provisions for liabilities in 2021

(UAH'000)

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

Table 15.2. 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	FX-rate difference	1
4	**Balance as at December 31, 2020**	**4 404**

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 31.12.2021 and 31.12.2020, provisions under liabilities were not consumed, while assets in an amount of expected compensation were not recognized.

Note 16. Other liabilities

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
OTHER FINANCIAL LIABILITIES			
1	Payables under pay card transactions	107 990	565
2	Collateral value of keys for individual bank boxes	476	344
3	Accrued expense under settlements and business transactions	10 149	3 014
4	Payables under payments received	28	625
5	Payables to be clarified	1 810	35
6	Other financial liabilities	600	154
7	**Total other financial liabilities**	**121 053**	**4 737**
OTHER NON-FINANCIAL LIABILITIES			
8	Payables under taxes and dues, except for income tax	4 367	2 960
9	Payables under settlements with Bank personnel	210	79
10	Payables under acquisition of assets	37	19
11	Deferred income	8 050	5 976
12	Provision for vacations	9 890	5 640
13	Payables for services	1 382	849
14	Payables for financial services received	18 181	12 355
15	**Total other nonfinancial liabilities**	**42 117**	**27 878**
16	**Total other liabilities**	**163 170**	**32 615**

As at 31.12.2021, accrued expense, included in the Note, were UAH 10 149 thousand, as at 31.12.2020 – UAH 3 014 thousand.

Analysis of maturities of lease liabilities and description of liquidity risk management by the Bank are presented in Note 28.

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

If these items are netted, payables under pay card transactions would have been UAH 15 382 thousand as at December 31, 2021, and UAH 93 thousand as at December 31, 2020.

Note 17. Share capital and share premium

(UAH'000)

Item	Shares in circulation (000 pcs)	Ordinary shares	Total	Item
1	Balance as at December 31, 2019	157 480	215 748	215 748
2	Balance as at December 31, 2020	157 480	215 748	215 748
3	Balance as at December 31, 2021	157 480	215 748	215 748

The Bank issues registered ordinary shares.

In March 2021, the sole shareholder of the Bank inputted UAH 26 943 081,71 to increase share capital, equivalent to 19 666 483 shares of the Bank under new issue. In accordance with Ukrainian law, the above funds are disclosed as input into unregistered share capital until state registration of share capital.

As at 31.12.2021, 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 2021 and 2020:

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

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

Note 18. Revaluation reserves (components of other comprehensive income)

(UAH'000.)

Line	Item	Note	December 31, 2021	December 31, 2020
1	**Opening balance**		**3 381**	**6 131**
2	Revaluation of securities at fair value through other comprehensive income	9	(33 624)	(3 280)
2.1	Changes in revaluation to fair price	9	(33 872)	(5 413)
2.2.	Income (expense) through sale, reclassified into profit or loss of the reporting period		248	2 133
3	Income tax related to change of reserve of revaluation of securities at fair value through other comprehensive income		6 052	530
4	Total changes in revaluation reserves (other comprehensive income)		(27 572)	(2 750)
5	**Closing balance**		**(24 191)**	**3 381**

Note 19. Assets and liabilities by maturities

(UAH'000)

Line	Item	Note	December 31, 2021 > 12 months	December 31, 2021 < 12 months	December 31, 2021 Total	December 31, 2020 > 12 months	December 31, 2020 < 12 months	December 31, 2020 Total
ASSETS								
1	Cash and cash equivalents	6	374 348	-	374 348	199 942	-	199 942
2	Loans and due from banks	7	429 937	-	429 937	51 075	-	51 075
3	Loans and due from customers	8	1 379 924	697 073	2 076 997	988 014	327 920	1 315 934
4	Investments in securities	9	3 207 842	2 610 543	5 818 385	1 361 509	63 544	1 425 053
5	Deferred tax asset		-	7 654	7 654	-	1 302	1 302
6	Fixed and intangible assets	10	1 948	75 772	77 720	1 112	60 572	61 684
7	Right-of-use assets		2 945	41 259	44 204	4 145	28 170	32 315
8	Other assets	11	116 392	507	116 899	26 290	74	26 364
9	**Total assets**		**5 513 336**	**3 432 808**	**8 946 144**	**2 632 087**	**481 582**	**3 113 669**
LIABILITIES								
10	Due to banks	12	582 613	2 998 994	3 581 607	109 791	182 000	291 791
11	Due to customers	13	4 548 187	150 409	4 698 596	2 359 577	96 377	2 455 954
12	Derivative financial liabilities	14	-	-	-	318	-	318
13	Liabilities under current income tax		12 040	-	12 040	4 402	-	4 402
14	Provisions for liabilities	15	6 376	93	6 469	4 044	360	4 404
15	Lease liabilities		36 222	7 099	43 321	17 857	15 839	33 696
16	Other liabilities	16	157 779	5 391	163 170	26 716	5 899	32 615
17	**Total liabilities**		**5 343 217**	**3 161 986**	**8 505 203**	**2 522 705**	**300 475**	**2 823 180**

Note 20. Interest income and expense

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
INTEREST INCOME:			
Interest income under financial assets at amortized cost			
1	Loans and due from customers	266 089	197 036
2	Debt securities	18 621	12 689
3	Loans and due from banks	-	642
4	Correspondent accounts in other banks	11	11
5	Deposits (loans) overnight in other banks	374	795
6	Interest income under impaired financial assets	30 192	32 283
7	**Total interest income under financial assets at amortized cost**	**315 287**	**243 456**
Interest income under financial assets at fair value through other comprehensive income			
8	Debt securities	320 364	12 286
9	**Total interest income under financial assets at fair value through other comprehensive income**	**320 364**	**12 286**
10	**Total interest income**	**635 651**	**255 742**
INTEREST EXPENSE:			
Interest expense under financial liabilities at amortized cost			
11	Corporate term deposits	(37 518)	(15 196)

12	Other term deposits (NBU loans)	(173 935)	(5 092)
13	Term deposits of individuals	(90 958)	(88 531)
14	Term deposits of other banks	(4 396)	(248)
15	Current accounts	(25 958)	(16 111)
16	Lease liabilities	(4 245)	(3 507)
17	**Total interest expense under financial liabilities at amortized cost**	**(337 010)**	**(128 685)**
18	**Total interest expense**	**(337 010)**	**(128 685)**
19	**Net interest income/(expense)**	**298 641**	**127 057**

Note 21. Commission income and expense

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
COMMISSION INCOME:			
1	Cash settlement transactions	861 385	184 543
2	Income under currency market transactions	12 253	6 025
3	Guarantees issued	30 682	13 025
4	Loan servicing of customers	12 298	6 531
5	Other	2 170	1 796
6	**Total commission income**	**918 788**	**211 920**
COMMISSION EXPENSE:			
7	Cash settlement transactions	(709 672)	(126 933)
8	Transactions with securities	(18)	(4)
9	Settlements with IPS	(15 853)	(3 565)
10	Guarantees received	(46)	-
11	**Total commission expense**	**(725 589)**	**(130 502)**
12	**Net commission income/expense**	**193 199**	**81 418**

Note 22. Other operating income

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Income under sublease of right-of-use assets	80	47
2	Income from disposal of fixed and intangible assets	45	53
3	Income from modification of financial assets	1 898	556
4	Income from derecognition of financial assets	957	776
5	Income from lease modification	4 421	221
6	Income from fines and penalties	599	117
7	Income from derecognition of financial liabilities	4 181	4 258
8	Agent fee from financial and insurance companies	2 364	1 542
9	Income from checking and recalculation of cash	1 482	2 004
10	Other	681	740
11	**Total operating income**	**16 708**	**10 314**

Note 23. Administrative and other operating expenses

Table 23.1. Expense under employee benefits

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Salaries and bonuses	(150 881)	(97 378)
2	Payroll charges	(29 449)	(19 195)
3	Other employee benefits	(934)	(635)
4	**Total expense under employee benefits**	**(181 264)**	**(117 208)**

Table 23.2. Depreciation and amortization

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Depreciation of fixed assets	(8 842)	(5 571)
2	Amortization of software and intangible assets	(4 086)	(2 802)
3	Depreciation of right-of-use assets	(21 398)	(18 174)
4	**Total depreciation and amortization**	**(34 326)**	**(26 547)**

Table 23.3. Other administrative and operating expenses

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Loss through disposal of assets	(3 906)	-
2	Maintenance of fixed and intangible assets	(7 150)	(5 835)
3	Maintenance of fixed assets received under lease	(2 666)	(435)
4	Expense under short-term lease	(164)	(383)
5	Expense under lease of low-value assets	(375)	(518)
6	Expense related to variable lease payments	(2 295)	(1 331)
7	Professional services	(498)	(812)
8	Marketing and promotion	(727)	(518)
9	Insurance expense	(11 618)	(9 636)
10	Other taxes and dues paid, except for income tax	(9 336)	(6 048)
11	Expense from modification of financial assets	(2 383)	(2 170)
12	Loss from derecognition of financial assets	(248)	(339)
13	Telecommunication	(45)	-
14	Audit	(6 626)	(4 436)
15	Security	(1 046)	(530)
16	Household expense	(1 472)	(1 218)
17	Fee for attraction of customers	(8 900)	(5 633)
18	Loss from disposal of assets	(11 636)	(4 565)
19	Expense under payments with use of hardware-software systems	(23 072)	(1 838)
20	Utilities	(431)	(370)
21	Cost of processing services and personalization of PC	(5 493)	(1 899)
22	Cost of cash collection	(2 346)	(1 903)
23	Net profit (loss) from impairment of nonfinancial assets	(1 441)	194
24	Other administrative and operating expenses	(6 481)	(2 850)
25	**Total administrative and other operating expenses**	**(110 355)**	**(53 073)**

Note 24. Net profit/(loss) from transactions with financial instruments at fair value through profit or loss

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Income less expense under transactions with derivative financial instruments (forex swaps) at fair value through profit or loss	(113)	(2 704)
2	Income less expense under transactions with derivative financial instruments (forward securities sale contracts) at fair value through profit or loss	318	(12 737)
3	Income less expense under transactions with debt securities (government bonds) at fair value through profit or loss	105	-
4	**Total result from transactions with financial instruments at fair value through profit or loss**	**310**	**(15 441)**

Note 25. Income tax expense

Table 25.1. Income tax expense paid

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Current income tax	(33 725)	(9 935)
2	Change in deferred income tax related to origination or write-off of temporary difference	299	637
3	**Total income tax expense**	**(33 426)**	**(9 298)**

Table 25.2. Reconciliation of financial profit (loss) and tax profit (loss)

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	Earnings before taxes	184 507	51 585
2	Theoretical tax charge at respective tax rate	(33 211)	(9 285)
	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)	(2 226)	(1 911)
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)	1 909	1 261
5	Non-taxable income recognized in financial accounting (income from sale of securities as per p. 141.2 of Tax Code of Ukraine)	(412)	(379)
6	Taxable income, not recognized in accounting profit (loss) (amount of total positive financial performance under securities sale transactions taking into account negative financial result of such transactions not disclosed in previous tax periods	412	379
7	Other adjustments	(197)	-
8	Changes of net deferred tax asset	299	637
9	**Income tax (expense)**	**(33 426)**	**(9 298)**

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

Table 25.3. Tax effect of recognition of deferred tax assets and deferred tax liabilities in 2021

(UAH'000)

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

Table 25.4. 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	-	-	-	-

Note 26. Earnings (loss) per ordinary share

(UAH'000)

Line	Item	Note	December 31, 2021	December 31, 2020
1	Earnings/(loss) to owners of Bank ordinary shares		151 081	42 287
2	Earnings of the period		151 081	42 287
3	Average number of circulating ordinary shares (thousand)	17	157 480	157 480
4	Net and adjusted earnings per ordinary share		0.96	0.27

Note 27. Operating segments

Information on major segments of the Bank as at December 31, 2021, and December 31, 2020, is presented below.

Table 27.1. Performance of major segments of the Bank as at December 31, 2021

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	**Segment assets, including:**	**1 960 130**	**116 867**	**5 818 385**	**-**	**1 050 762**	**8 946 144**
2	Loans, gross	2 000 161	120 637	-	-	-	2 120 798
3	Allowance	(40 031)	(3 770)	-	-	(7 850)	(51 651)
4	Other items, gross	-	-	5 818 385	-	1 058 612	6 876 997
5	**Segment liabilities, including**	**3 167 995**	**1 530 601**	**3 581 607**	**16 723**	**208 277**	**8 505 203**
6	Due to customers	3 167 995	1 530 601	-	-	-	4 715 319
7	Other items	-	-	3 581 607	16 723	208 277	3 789 884

Table 27.2. Profit and loss of reporting segments in 2021

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	Interest income	263 116	33 166	339 370	-	-	635 651
2	Interest expense	(65 863)	(92 815)	(178 332)	-	-	(337 010)
3	Transfer	(63 002)	125 696	(100 956)	259	38 002	-
4	**Net interest income**	**134 250**	**66 047**	**60 083**	**259**	**38 002**	**298 641**
5	Commission income	87 732	49 166	7 260	774 630	-	918 788

6	Commission expense	(1 113)	(730)	(21 295)	(702 451)	-	(725 589)
7	**Net commission income**	**86 619**	**48 436**	**(14 034)**	**72 179**	**-**	**193 199**
8	**Trade income**	-	24 059	16 761	(2 776)	(1 418)	36 626
9	**Depreciation and amortization**	(5 526)	(23 321)	(468)	-	(5 011)	(34 326)
10	**Operating and other income (expenses)**	(97 056)	(85 840)	(26 923)	(31 626)	(31 219)	(272 664)
11	**Allowances**	(30 265)	(1 512)	(5 193)	-	-	(36 970)
12	**Segment performance**	**88 023**	**27 869**	**30 225**	**38 036**	**354**	**184 507**
13	**Income tax expense**	(15 950)	(5 050)	(5 477)	(6 892)	(57)	(33 426)
14	**Net profit of the period**	**72 073**	**22 819**	**24 748**	**31 144**	**297**	**151 081**

Table 27.3. Performance of major segments of the Bank as at December 31, 2020

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	**Segment assets, including:**	**1 176 963**	**138 971**	**1 425 053**	**-**	**372 682**	**3 113 669**
2	Loans, gross	1 190 943	141 509	-	-	-	1 332 452
3	Allowance	(13 980)	(2 538)	-	-	(908)	(17 426)
4	Other items, gross	-	-	1 425 053	-	373 590	1 798 643
5	**Segment liabilities, including**	**1 526 681**	**929 273**	**291 791**	**549**	**74 886**	**2 823 180**
6	Due to customers	1 526 681	929 273	-	-	-	2 456 503
7	Other items	-	-	291 791	549	74 886	366 677

Table 27.4. Profit and loss of reporting segments in 2020

(UAH'000)

Line	Item	Corporate business	Retail business	Interbank and investing business	E-business	Unallocated items	Total
1	Interest income	203 787	25 520	26 435	-	-	255 742
2	Interest expense	(33 270)	(90 075)	(5 340)	-	-	(128 685)
3	Transfer	(89 588)	84 371	(18 879)	11	24 084	-
4	**Net interest income**	**80 929**	**19 816**	**2 216**	**11**	**24 084**	**127 057**
5	Commission income	48 221	34 444	6 317	122 938	-	211 920
6	Commission expense	(778)	(5 720)	(13 717)	(110 283)	(4)	(130 502)
7	**Net commission income**	**47 443**	**28 724**	**(7 400)**	**12 655**	**(4)**	**81 418**
8	**Trade income**	**-**	**33 878**	**17 303**	**-**	**382**	**51 563**
9	**Depreciation and amortization**	**(5 965)**	**(12 619)**	**(2 655)**	**-**	**(5 310)**	**(26 548)**
10	**Operating and other income (expenses)**	**(86 182)**	**(62 189)**	**(2 017)**	**(5 991)**	**(18 983)**	**(175 362)**
11	**Allowances**	**(7 395)**	**1 059**	**(207)**	**-**	**-**	**(6 543)**
12	**Segment performance**	**28 831**	**8 669**	**7 240**	**6 675**	**169**	**51 585**
13	**Income tax expense**	**(5 195)**	**(1 562)**	**(1 305)**	**(1 203)**	**(33)**	**(9 298)**
14	**Net profit of the period**	**23 636**	**7 107**	**5 935**	**5 473**	**137**	**42 287**

Note 28. Financial risk management

In 2021, 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 2021 being: credit risk, operating risk, interest rate risk and liquidity risk. The Bank developed internal documents covering these risks believed to be significant (Risk management strategy, policies, methodologies, rules, regulations) regulating procedures of risk assessment and control, setting objectives and tasks in the process of risk management, and regulating application of procedures to minimize effect of bank risks on Bank performance and its capital.

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

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

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

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

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

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 2021, 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 2021, 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 19,26% (with required value not more than 25%); credit risk concentration with large borrowers (H8) was 264,73%

(with required value not more than 800%); total credit risk for relayed parties (H9) was 1,85% (with required value not more than 25%).

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

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

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

Currency risk - is the risk threatening income and capital, resulting from unfavourable FX-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) FX-rate losses that depends on value of open position and change of FX-rate for UAH, calculated based on statistical and mathematical models of currency risk measurement.

Analysis of currency risk is presented in the Tables 28.1, 28.2, 28.3 below. Calculation was performed for cash balances in currencies other than national currency.

Table 28.1. Currency risk

(UAH'000)

Line	Currency	December 31, 2021				December 31, 2020			
		monetary assets	monetary liabilities	derivative financial instruments	Net position	monetary assets	monetary liabilities	derivative financial instruments	Net position
1	USD	1 032 621	1 031 799	-	822	389 757	321 714	-	68 043
2	EUR	304 354	308 601	-	(4 247)	108 433	109 351	-	(918)
3	GBP	489	147	-	342	29	-	-	29
4	Other	7 709	4 203	-	3 506	5 901	1 416	-	4 485
5	**Total**	**1 345 173**	**1 344 750**	**-**	**423**	**504 120**	**432 481**	**-**	**71 639**

Table 28.2. Changes in profit or loss and equity at possible changes of UAH official FX-rate s as at the reporting date, if all other characteristics stay fixed

(UAH'000)

Line	Currency	December 31, 2021		December 31, 2020	
		effect on profit/(loss)	effect on equity	effect on profit/(loss)	effect on equity
1	USD strengthening by 50 %	411	411	34 022	34 022
2	USD weakening by 50 %	(411)	(411)	(34 022)	(34 022)
3	EUR strengthening by 50 %	(2 124)	(2 124)	(459)	(459)
4	EUR weakening by 50 %	2 124	2 124	459	459
5	GBP strengthening by 50 %	171	171	15	15
6	GBP weakening by 50%	(171)	(171)	(15)	(15)
7	Other currencies strengthening by 50%	1 753	1 753	2 243	2 243
8	Other currencies weakening by 50%	(1 753)	(1 753)	(2 243)	(2 243)

Table 28.3. Changes in profit or loss and equity at possible changes of UAH official FX-rate s set as weighted average rate, if all other characteristics stay fixed

(UAH'000)

Line	Currency	December 31, 2021 effect on profit/(loss)	December 31, 2021 effect on equity	December 31, 2020 effect on profit/(loss)	December 31, 2020 effect on equity
1	USD strengthening by 50 %	411	411	32 440	32 440
2	USD weakening by 50 %	(411)	(411)	(32 440)	(32 440)
3	EUR strengthening by 50 %	(2 219)	(2 219)	(407)	(407)
4	EUR weakening by 50 %	2 219	2 219	407	407
5	GBP strengthening by 50 %	174	174	13	13
6	GBP weakening by 50%	(174)	(174)	(13)	(13)
7	Other currencies strengthening by 50%	1 770	1 770	2 232	2 232
8	Other currencies weakening by 50%	(1 770)	(1 770)	(2 232)	(2 232)

Sensitivity level used in preparation of currency risk reports for top management of the Bank is measurement of effect of possible FX-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 FX-rate changes.

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

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

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

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

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

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

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

Analysis on interest rate risk is presented in Tables 29.4 and 29.5 below.

Table 28.4. 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
2021							
1	Total financial assets	1 621 211	1 528 356	1 868 119	3 307 615	479 480	**8 804 781**
2	Total financial liabilities	6 730 768	685 332	749 917	157 507	121 053	**8 444 577**
3	**Net interest rate gap as at December 31, 2021**	**(5 109 557)**	**843 024**	**1 118 202**	**3 150 107**	**358 427**	**360 204**
2020							
4	Total financial assets	833 195	775 821	791 564	391 464	212 924	**3 004 968**
5	Total financial liabilities	1 418 316	695 844	373 065	294 216	5 055	**2 786 496**
6	**Net interest rate gap as at December 31, 2020**	**(585 121)**	**79 977**	**418 499**	**97 248**	**207 869**	**218 472**

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

Interest rate indices directly correlate with scope of refinancing loans received from NBU and used mostly to acquire government bonds, predominantly nominated in local currency. The above risk is minimized by diversification of investments into government bonds by maturities significantly lower that maturity of NBU loans, as well as accumulated difference between interest rates under refinancing loans from NBU and profit under government bonds.

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, 2021						
1	Parallel adjustment by 1 % up	**(51 096)**	**8 430**	**11 182**	**31 501**	**17**
2	Parallel adjustment by 1 % down	**51 096**	**(8 430)**	**(11 182)**	**(31 501)**	**(17)**
December 31, 2020						
3	Parallel adjustment by 1 % up	**(5 851)**	**800**	**4 185**	**972**	**106**
4	Parallel adjustment by 1 % down	**5 851**	**(800)**	**(4 185)**	**(972)**	**(106)**

Table 28.5. Monitoring of interest rates under financial instruments

(%)

Line	Item	2021				2020			
		UAH	USD	EUR	other	UAH	USD	EUR	other
ASSETS									
1	Loans and due from banks	-	-	-	-	0,1	-	-	-
2	Loans and due from customers	14,5	7,8	5,1	-	16,2	9,9	8,7	-
3	Investments in securities	12,0	3,9	2,5	-	8,5	3,7	-	-
LIABILITIES									
4	Due to banks	9,3	-	-	-	6,0	-	-	-
5	Due to customers:								
5.1	Current accounts	3,4	0,7	0,4	-	1,5	0,5	0,6	-
5.2	Term deposits	9,2	3,3	3,1	-	10,0	4,7	3,2	-

Interest is accrued at fixed rate.

Interest rate under NBU refinancing loans is floating (NBU discount rate plus margin; the Table used acting interest rate under NBU loans as at the end of 2021.

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

Table 28.6. Geographical concentration of financial assets and liabilities in 2021

(UAH'000)

Line	Item	Ukraine	OECD	Other	Total
Assets					
1	Cash and cash equivalents	374 348	-	-	374 348
2	Loans and due from banks	429 937	-	-	429 937
3	Loans and due from customers	2 076 997	-	-	2 076 997
4	Investments in securities	5 818 385	-	-	5 818 385
5	Other financial assets	105 113	-	1	105 114
6	**Total financial assets**	**8 804 780**	**-**	**1**	**8 804 781**
Liabilities					
7	Due to banks	3 581 607	-	-	3 581 607
8	Due to customers	4 666 334	4 532	27 730	4 698 596
9	Derivative financial liabilities	-	-	-	-
10	Lease liabilities	43 321	-	-	43 321
11	Other financial liabilities	121 047	3	3	121 053
12	**Total financial liabilities**	**8 412 309**	**4 535**	**27 733**	**8 444 577**
13	Net position under financial instruments	392 471	(4 535)	(27 732)	360 204
14	Loan commitments	2 942 798	-	-	2 942 798

Table 28.7. 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	(8 831)	(260)	218 472
14	Loan commitments	1 391 184	-	-	1 391 184

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 unfavourable business situation and efficiency of such decisions for Bank liquidity.

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

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

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

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

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

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 FX-rate s.

In 2021, 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 28.8, 28.9, 28.10 and 28.1 below.

Table 28.8. Financial liabilities by maturities in 2021

(UAH'000)

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

6	**Total potential future payments under financial liabilities**	**4 424 818**	**764 619**	**2 319 449**	**5 046 630**	**-**	**12 555 516**

Table 28.8. 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	-	100 500	9 947	267 650	-	378 097
2	Derivative financial liabilities	1 406 755	397 183	605 471	106 862	11 584	2 527 855
3	Due to customers:	164 013	225 633	511 716	55 556	11 584	968 503
3.1	Due to individuals	1 242 741	171 550	93 755	51 306	-	1 559 352
3.2	Other	318	-	-	-	-	318
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**	**1 493 581**	**711 876**	**1 298 455**	**784 279**	**14 000**	**4 302 191**

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.

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 28.10 and 28.11.

Table 28.10. Financial assets and liabilities by maturities based on expected term of settlement in 2021

(UAH'000)

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

13	**Net liquidity gap as at December 31, 2021**	**(1 751 030)**	**215 589**	**1 763 174**	**75 716**	**56 754**	**360 202**
14	**Cumulative liquidity gap as at December 31, 2021**	**(1 751 030)**	**(1 535 441)**	**227 733**	**303 448**	**360 202**	

Table 28.11. 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**	

Note 29. 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 2022 – 2024 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, 2021, total capital managed by the Bank is UAH 445 696 thousand.

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

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In accordance with NBU requirements, the banks have to comply with ratio of adequacy of regulatory capital (H2) at the level not less than 10% of total assets weighted for risk and calculated in accordance with NBU requirements. Based on Bank performance as at 01.01.2022, adequacy of regulatory capital of the Bank was 16,15% or significantly higher than minimal prescribed ratio.

Table 29.1. Structure of regulatory capital

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	**Main capital (MC)**		
1.1	Actually paid registered share capital	215 748	215 748
1.2	Unregistered share capital	26 943	-
1.3	General reserves and reserve funds	71 359	6 099
1.4	Decrease of MC	(23 985)	(19 897)
1.4.1	Intangible assets less amortization	(23 985)	(19 897)
1.4.2	Capital investments into intangible assets	-	-
	Main capital (MC) – capital of 1st level	**290 065**	**201 950**
	% of amount of main and additional capital	**65,08%**	**74,74%**
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	150 424	40 063
2.4.	Income of previous years	-	22 974
	AC before calculation – capital of 2nd level	**155 631**	**68 244**
	% of amount of main and additional capital	**34,92%**	**25,26%**
3	**Total regulatory capital**	**445 696**	**270 194**
4	Risk weighted assets	2 553 293	2 040 550
5	Total open currency position	6 048	14 861
6	**Regulatory capital adequacy ratio (H2, not less than 10%)**	200 710	-
7	**AC before calculation – capital of 2nd level**	**2 760 051**	**2 055 411**
8	**% of amount of main and additional capital**	**16,15**	**13,15**

Figures in Table 29.1 are calculated taking into account adjusting postings of events, adjusting data after balance sheet date.

In December 2021, the Bank established General fund to protect customers' funds, ensure financial resilience, stable commercial and business operations and compensate possible losses. The Bank used retained earnings of previous years of UAH 63 146 350,34 for establishment of General fund including:

- 2018 retained earnings – UAH 692 064,85;
- 2019 retained earnings – UAH 22 281 900,67;
- 2020 retained earnings – UAH 40 172 384,82.

Funds under General fund are included into main capital (1st level capital).

Note 30. Contingent liabilities

a) litigations. In the process of usual business, the Bank sometimes receives claims. As at December 31, 2021, 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 31.12.2021, 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 31.12.2021, contractual obligation under acquisition of fixed and intangible assets are UAH 26,6 thousand, as at 31.12.2020 - UAH 15,2 thousand.

d) operating lease liabilities. The Bank did not enter into any uncancellable lease or sublease in the reporting and previous years.

e) loan commitments. As at December 31, 2021, and December 31, 2020, the Bank has no unforeseen loan commitments.

Table 30.1. Structure of loan commitments

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	**Loans commitments issued**	**1 135 830**	**476 121**
1.1	Unused credit lines and overdrafts	1 135 830	476 121
2	Import letters of credit	-	1 331
3	Guarantees issued	1 806 968	913 732
4	Provision for loan commitments	(6 469)	(4 404)
5	**Total liabilities under loan commitments less provision**	**2 936 329**	**1 386 780**

Table 30.2. Credit quality of loan commitments in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Loan commitments**				
1.1	**Unused credit lines and overdrafts**	**1 135 830**	**-**	**-**	**1 135 830**
1.1.1	- Minimal credit risk	1 135 830	-	-	1 135 830
1.2	**Import letters of credit**	**-**	**-**	**-**	**-**
1.3	**Guarantees issued**	**1 740 422**	**63 910**	**2 636**	**1 806 968**
1.3.1	Minimal credit risk	1 030 324	-	-	1 030 324
1.3.2	Low credit risk	176 565	-	-	176 565
1.3.3	Medium credit risk	3 158	-	-	3 158
1.3.4	High credit risk	530 375	63 910	-	594 285
1.3.5	Defaulted assets	-	-	2 636	2 636
3	**Total loan commitments**	**2 876 252**	**63 910**	**2 636**	**2 942 798**
4	Provision for impairment of loan commitments	(6 370)	(60)	(39)	(6 469)
5	**Total liabilities under loan commitments less provision**	**2 869 882**	**63 850**	**2 597**	**2 936 329**

Table 30.3. Changes in provisions for impairment of loan commitments in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	Provision for impairments – opening balance	**4 404**	-	**-**	**4 404**
2	Loan commitments issued, including	4 780	60	29	4 869
2.1	- guarantees issued	4 780	60	29	4 869
3	Loan commitments derecognized or terminated (except for write-off), including:	2 814	-	-	2 814
3.1	- guarantees issued	2 814	-	-	2 814
4	Effect of transfer between stages, including:	-	-	10	10
4.1	- transfer to stage 3	-	-	10	10
5	**Provision for impairments – closing balance**	**6 370**	**60**	**39**	**6 469**

Table 30.4. Changes of gross carrying/nominal value through impairment of loan commitments in 2021

(UAH'000)

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	Gross carrying amount – opening balance	**1 391 184**	**-**	**-**	**1 391 184**
2	Loan commitments issued, including	2 258 581	63 910	2 622	2 325 113
2.1	- Unused credit lines and overdrafts	1 028 429	-	-	1 028 429
2.2	- guarantees issued	1 230 152	63 910	2 622	1 296 684

3	Loan commitments derecognized or terminated (except for write-off), including:	773 513	-	-	773 513
3.1	- unused credit lines and overdrafts	368 734	-	-	368 734
3.2	- import letters of credit	1 331	-	-	1 331
3.3	- guarantees issued	403 448	-	-	403 448
4	Transfer to stage 3	-	-	14	14
5	**Gross carrying amount – closing balance**	**2 876 252**	**63 910**	**2 636**	**2 942 798**

Table 30.5. Loan commitments by currencies

(UAH'000)

Line	Item	December 31, 2021	December 31, 2020
1	UAH	2 847 277	1 349 293
2	USD	88 678	30 995
3	EUR	374	6 492
4	**Total**	**2 936 329**	**1 386 780**

As at December 31, 202, collateral value of government bonds, presented to NBU as collateral under refinancing loan received was UAH 3 478 495 thousand, while collateral value of government bonds, presented under REPO transactions with other banks is UAH 237 799.

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

Note 31. 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 FX-rate s 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 31.1. Fair value of derivative financial instruments through profit or loss

(UAH'000)

Line	Item	Note	December 31, 2021		December 31, 2020	
			Positive fair value	Negative fair value	Positive fair value	Negative fair value
1	Swap contracts	9,14	-	-	-	-
2	Forward contracts on sale of securities	9,14	-	-	-	(318)
3	**Net fair value**		**-**	**-**	**-**	**(318)**

In 2021 and 2020, the Bank did not perform hedging transactions.

Note 32. Fair value of financial instruments

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

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

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

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

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

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

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

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

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

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

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

Table 32.1. Fair value of levels of hierarchy of input data used to periodically measure assets and liabilities in 2021

(UAH'000)

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

Table 32.2. Fair value of levels of hierarchy of input data used to non-periodically measure assets and liabilities in 2021

(UAH'000)

Line	Item	Fair value by different models of measurement			Total fair value	Total carrying amount
		market quotes (level I)	model, based on observable data (level II)	model based on non-confirmed market data (level III)		
ASSETS						
1	Cash and cash equivalents	374 348	-	-	374 348	374 348
2	Loans and due from banks	-	-	429 937	429 937	429 937
3	Loans and due from customers	-	-	2 107 545	2 107 545	2 076 997
4	Investments in securities (except for government bonds)	-	-	850 205	850 205	850 205
5	Other financial assets	-	-	105 114	105 114	105 114
6	Right-of-use assets	-	-	44 204	44 204	44 204
7	**Total assets**	**374 348**	**-**	**3 537 005**	**3 911 353**	**3 880 805**
LIABILITIES						
8	Due to banks	-	-	3 581 607	3 581 607	3 581 607
9	Due to customers	-	-	4 686 281	4 686 281	4 698 596
10	Lease liabilities	-	-	43 321	43 321	43 321
11	Other financial liabilities	-	-	121 053	121 053	121 053
12	**Total liabilities**	**-**	**-**	**8 432 262**	**8 432 262**	**8 444 577**

Table 32.3. Fair value of levels of hierarchy of input data used to periodically 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	Investments in securities (government bonds)	924 955	-	-	924 955	924 955
2	Fixed assets (buildings)	-	-	10 586	10 586	10 586
3	**Total assets**	**924 955**	**-**	**10 586**	**935 541**	**935 541**
LIABILITIES						
4	Derivative financial liabilities (forward contracts on sale of securities)	318	-	-	318	318
5	**Total liabilities**	**318**	**-**	**-**	**318**	**318**

Table 32.2. Fair value of levels of hierarchy of input data used to non-periodically 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
2	Loans and due from banks	-	-	51 075	51 075	51 075
3	Loans and due from customers	-	-	1 338 567	1 338 567	1 315 934
4	Investments in securities (except for government bonds)	-	-	500 098	500 098	500 098
5	Other financial assets	-	-	12 964	12 964	12 964
6	Right-of-use assets	-	-	32 315	32 315	32 315
7	**Total assets**	**199 942**	**-**	**1 935 019**	**2 134 961**	**2 112 328**
LIABILITIES						
8	Due to banks	-	-	291 791	291 791	291 791
9	Due to customers	-	-	2 438 630	2 438 630	2 455 954
10	Lease liabilities	-	-	33 696	33 696	33 696
11	Other financial liabilities	-	-	4 737	4 737	4 737
12	**Total liabilities**	**-**	**-**	**2 768 854**	**2 768 854**	**2 786 178**

Note 33. Financial instruments by categories of measurement

Table 33.1. Financial assets by categories of measurement in 2021

(UAH'000)

Item		Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	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:	374 348	-	-	-	-		374 348
1.1	Cash in hand	320 924	-	-	-	-		320 924
1.2	Cash in NBU (except for mandatory reserves)	53 424	-	-	-	-		53 424
2	Loans and due from Banks:	429 937	-	-	-	-		429 937
2.1	Cash at correspondent accounts in other banks with credit risk	429 937	-	-	-	-		429 937
3	Loans and due from customers:	2 076 997	-	-	-	-		2 076 997
3.1	Corporate loans	1 884 628	-	-	-	-		1 884 628

3.2	Loans to entities under repo transactions	20 535	-	-	-	-	20 535
3.3	Loans to private entrepreneurs	54 967	-	-	-	-	54 967
3.4	Mortgage loans to individuals	66 497	-	-	-	-	66 497
3.5	Consumer loans to individuals	50 040	-	-	-	-	50 040
3.6.	Other loans to individuals	330	-	-	-	-	330
4	Investments in securities	850 187	4 968 180	18	-	-	5 818 385
5	Other financial assets	105 114	-	-	-	-	105 114
5.1	Receivables under pay card transactions	92 608	-	-	-	-	92 608
5.2	Cash limited in use (guarantee coverage)	11 415	-	-	-	-	11 415
5.3	Receivables under settlements of cash transfers	451	-	-	-	-	451
5.4	Accrued income	598	-	-	-	-	598
5.5	Other financial assets	42	-	-	-	-	42
6	**Total financial assets**	**3 836 583**	**4 968 180**	**18**	**-**	**-**	**8 804 781**

Table 33.2. Financial assets by categories of measurement in 2020

(UAH'000)

Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	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 33.3. Financial liabilities by categories of measurement in 2021

(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	3 581 607	-	-	3 581 607
2	Due to customers	4 698 596	-	-	4 698 596
3	Lease liabilities	43 321	-	-	43 321
4	Other financial liabilities	121 053	-	-	121 053
5	**Total financial liabilities**	**8 444 577**	-	**-**	**8 444 577**

Table 33.4. 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**

Note 34. Related party transactions

Table 34.1. Balances under related party transactions as at December 31, 2021

(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 10,5-12,5%)	-	6 712	-	2 046
2	Due to customers (contractual interest rate in UAH - 0,5%-12,75%)	-	6 052	206	895
3	Provision for liabilities	-	4	-	16

Table 34.2. Income and expense under related party transactions in 2021

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Companies under common control	Other related parties
1	Interest income	-	753	-	78
2	Interest expense	-	(163)	-	(74)
3	Commission income	12	75	16	12
4	Other operating income	-	-	20	-
5	Administrative and other operating expenses	-	(54 071)	-	(897)
6	Expenses under provision for liabilities	-	(152)	-	(2)

Table 34.3. Other rights and obligations under related party transactions as at December 31, 2021

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Other related parties
1	Guarantees received	-	6 100	11 220
2	Other obligations	-	4 859	-

Table 34.4. Total loans issued to and repaid by related parties in 2021

(UAH'000)

Line	Item	Largest Bank shareholders	Leading management	Other related parties
1	Loans issued to related parties during the year	-	2 767	2 000
2	Loans repaid by related parties during the year	-	2 667	45

Table 34.5. 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	-	56	-	17

Table 34.6. 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)
6	Expenses under provision for liabilities		707		5

Table 34.7. 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 34.8. 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 34.9. Payments to leading management

(UAH'000)

Line	Item	2021		2020	
		Expense	Accrued liability	Expense	Accrued liability
1	Current payments	(54 336)	2 571	(34 903)	1 511
2	Retirement allowance	(353)	-	(60)	-
3	**Total**	**(54 689)**	**2 571**	**(34 963)**	**1 511**

In 2021, management of the Bank was paid bonuses of UAH 2,7 thousand for sale of bank products and services. In 2020, management of the Bank was not paid bonuses for sale of bank products and services.

Note 35. Subsequent events

On February 24, 2022, Russian Federation launched military aggression against Ukraine. President of Ukraine by his Decree № 64/2022 of February 24, 2022, *On Introduction of Martial Law in Ukraine*, approved by Law of Ukraine № 2102-IX of February 24, 2022, declared a martial law extended till now.

The banking system faced the need to provide for uninterrupted and reliable work of financial system of the country, stable functioning of critical infrastructure and provide maximal support to Ukrainian Armed Forces. Details of the effect of martial law are disclosed in Note 2 *Economic environment where the Bank operates* to the financial statements.

As a result of hostilities and their further escalation, the Bank may suffer losses through difficulties in compensation of assets, non-payments by debtors under loan and other active transactions, disappearance of active markets for certain types of assets. Besides, the losses may occur through physical loss of assets used to support Bank transactions and operation.

As to credit risk during martial law, the Bank continuously measures quality of loan portfolio, woks individually with borrowers, reviews terms of loan contracts (restructuring, loan holidays) that are not reviewed automatically (in accordance with temporary relief approved by National Bank of Ukraine for the period of martial law + 3 months) as significant increase of credit risk as of the date of initial recognition. As a result of introduction of martial law as of February 24, 2022, and continuing hostilities in Ukraine, new significant uncertainties arose regarding repayment of loans, including those issued in 2021. Details of understanding of effect of crisis events by Bank management are presented in Note 4.27 *Significant accounting estimates and judgments, their effect on recognition of assets and liabilities* to these financial statements.

NBU changed requirements to calculation of credit risk and made it possible for the banks to implement loan holidays for borrowers with temporary difficulties; irrespective of it, the Bank actively works on adequate classification of borrowers, review of collateral value and formation of allowances for ECL, adequate to situation (as of beginning of the war till June 1, 2022, share of allowances in loan portfolio increased from below 3% to above 10%). At the same time, the Bank actively works on repayment of loans and payment of interest under loans by borrowers; the Bank believes that current situation with servicing of debts by borrowers is controllable.

As to operating risks, the Bank measures potential losses for branches located at temporarily occupied territories and minimization of operating risks. The Bank implements measures to optimize its expenses, including decrease of lease payments for premises. As to IT safety, the Bank transferred some services/functions to cloud technologies. Currently, even after commencement of military aggression of Russian Federation on February 24, 2022, the Bank operates in standard mode, complying with NBU rules and regulation, decisions of management and collegial bodies of the Bank related to martial law in Ukraine. E.g., NBU ratios (including liquidity ratio and capital adequacy ratio) and limit of mandatory reserving of funds at correspondent account in NBU are not violated, regulatory capital was increased from UAH 472,7 million to UAH 539,0 million in 4 months of 2022, the Bank settles its liabilities to creditors and depositors in time and in full (deposit portfolio of individuals did not practically change), net profit as at May 1, 2022 , was UAH 45,5 million.

The Bank recognizes increase of additional expenses on servicing NBU refinancing loans, caused by increase of discount rate from 10% to 25%, still they would decrease each month through decrease of scope of NBU refinancing by settlement under Bank portfolio of government bonds and government bonds' coupons in line with their maturities. The Bank estimates that its financial performance would be positive even with additional interest expense under long-term NBU loans, although it would reduce possibility to create allowances for ELC.

In accordance with the principle of prudence and in order to ensure financial stability the Bank took important decisions on attraction of funds of the sole shareholder and National Bank of Ukraine. Namely:

- Joint meeting of Supervisory and Management Boards of the Bank of 06.06.2022 approved decision to repay refinancing by NBU with floating interest rate at the expense government bonds portfolio and coupons received. Based on this decision, the Bank repaid close to UAH 0,52 billion as at the moment of approval of these financial statements;

- On 16.05.2022, Supervisory Board of the Bank decided to cancel issue of registered ordinary shares, with the decision on the issue of the above shares taken by sole shareholder 18.12.2020. Funds of UAH 26,9 million received from the shareholder were returned on 10.06.2022.

Still, the above factors disclosed separately in Note 2 *Economic environment where the Bank operates* and Note 4.27 *Significant accounting estimates and judgments, their effect on recognition of assets and liabilities*, and financial performance of the Bank during martial law (compliance with NBU ratios and limits, profitable operations, gradual increase of allowances in line with increase of credit risks) provide reasonable assurance that the Bank would be able to continue as going concern and adequate qualifications of Bank Management.

Chairman of the Management Board **Tetiana Putintseva**

Chief Accountant **Svitlana Denysenko**

INDEPENDENT AUDITOR'S REPORT

To the:

Shareholder and Supervisory Board of Joint Stock Company «Commercial Industrial Bank»

National Bank of Ukraine
National Securities and Stock Market Commission

Report on audit of financial statements

Opinion

We have audited the financial statements of Joint Stock Company «Commercial Industrial Bank» (the Bank), which comprise the statement of financial position as at December 31, 2021, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the preparation requirements established by Law of Ukraine *On Accounting and Financial Reporting in Ukraine*.

Basis for Opinion

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

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

Material uncertainty related to going concern

We draw attention to Notes 2 and 35 in the financial statements, which indicates that as of February 24, 2022, operations of the Bank and its counterparts are significantly affected by continuing full-scale military invasion of Ukraine by Russian Federation, while subsequent developments, time of termination of invasions and its impact are uncertain.

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

Key Audit Matters

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

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

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Key audit matter	How our audit addressed the key audit matter
Judgements and estimates of loans and advances to customers	
The recognition and measurement of expected credit losses ('ECL') is highly complex and involves the use of significant judgment and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objectives of IFRS 9 *Financial Instruments*. Accordingly, this matter required significant attention from us during the audit. In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The accuracy of the assumptions used in the models, including the macroeconomic scenarios, impacts the level of impairment provisions. Management exercises judgment in making estimations that require the use of assumptions, which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions. We identified the issue of impairment of loans and advances to customers as key audit matter due to the materiality of the loan balances, the high complexity and subjective nature of the ECL calculation. We refer to Note 4, disclosing information on significant accounting policies, while Notes 7 and 8 for disclosures and detailed information on the methods and models used and the level of the impairment allowances..	The controls management established to support their ECL calculations were reviewed during our audit procedures. We also assessed whether the impairment methodology used by the Bank is in line with requirements of IFRS 9 *Financial Instruments*. Particularly we assessed the approach of the Bank regarding application of Significant increase in credit risk ('SICR') criteria, definition of default, The Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') and incorporation of forward-looking information in the calculation of ECL. We have focused on assessing the Bank's assumptions and the expert adjustments applied in the model taking into account the empirical data and the existing credit and monitoring processes. For significant loans and advances assessed for impairment on an individual basis we applied our professional judgement for selection the sample taking into account different risk criteria. For selected loans and advances we checked the stage classification with assessing factors that affect the credit risk, while for selected impaired loans and advances (Stage 3) we tested the assumptions used in the ECL calculation, particularly expected scenarios and probabilities assigned to them and the timing and amount of expected cash flows, including cash flows from repayments and realization of collaterals. For individually insignificant loans and advances which are assessed for impairment on a portfolio basis we performed such procedures as testing the reliability of key data inputs and related management controls, examination of key management's judgements and assumptions, including the macro-economic scenarios and the associated probability weights, analyzing of impairment coverage of credit portfolio and its changes.

Other information

Management is responsible for the other information. The other information comprises the information included in Issuer report with the Management report for 2021, but does not include the financial statements and our auditor's report thereon.

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

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

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

When we read the Bank's Issuer report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Supervisory Board.

Responsibilities of Management and the Supervisory Board for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGISLATIVE AND REGULATORY REQUIREMENTS

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

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

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

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

Introduction

1) Full name (in the meaning of Civil Code of Ukraine) of legal entity (applicant or participants at capital and organized commodities markets):
   - Joint Stock Company «Commercial Industrial Bank»
2) In our opinion, the Bank complies with requirements, set forward by Regulation on form and content of ownership structure, approved by Order of Ministry of finances of Ukraine N 163 of March 19, 2021, registered by Ministry of Justice of Ukraine on June 8, 2021, registration number 768/36390, regarding completeness of disclosure on information on ultimate beneficiary owner and structure of ownership;
3) a) the Bank is not a controller/participant of non-banking financial group;

   b) the Bank is Public Interest Entity;
4) The Bank has no parent/subsidiary companies;
5) NCSSE rules and regulations does not state prudential indicators for the industry where the Bank operates, therefore auditor's opinion on correctness of calculation of respective prudential was not expressed.

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

Report on corporate governance report

We reviewed information presented in Corporate governance report of the Bank as a component of

Management report (hereinafter – Corporate governance report).

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

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

Opinion

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

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

According to requirements of article 69 of Law of Ukraine *On Banks and Banking* and paragraph 27 of *Regulations about the order of providing audit report for results of annual audit of financial statements by bank to National bank of Ukraine* (approved by NBU Board Resolution No. 90 of August 2, 2018) we are providing additional information (estimate) concerning annual financial statements of the Bank for the year ended December 31, 2021, on:

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

Issues, described in this report, were considered only within context of the audit of 2021 annual financial statements of the Bank based on sample testing and in the amounts, required for planning and performance of audit procedures according to the requirements of International Standards on Auditing.

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

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

Below we present information and appropriate estimations that were mentioned above.

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

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

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

- internal control

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

- internal audit

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

- measurement of credit risk for active banking operations

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

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

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

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

As at December 31, 2021 (end of the day), regulatory capital of the Bank, as calculated in accordance with requirements of Instruction about the order of regulation of banks activity in Ukraine (approved by NBU Board Resolution No 368 of August 28, 2001, No. 368), calculated on the basis of daily balance, is UAH 472 750 thousand.

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

- accounting

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

Information on audit entity performing audit of financial statements

Full name of legal entity in accordance with constituent documents:

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

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

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

Address of the legal entity and factual place of business:

- 4th floor, 52 letter B, B. Khmelnitskogo str., Kyiv, Ukraine

Webpage/website of the audit entity:

- www.pkf.kiev.ua

Date and number of the audit agreement:

- agreement № 58 of 08.10.2021

Beginning and closing dates of the audit:

- Date of beginning: 08.10.2021
- Date of closing: 30.06.2022

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

We have been appointed for statutory audit of the annual financial statements of the Bank by decision of the Supervisory Board № 28/09-01 of 29.09.2021. The total duration of our audit engagements with the Bank is 1 year, including the reporting year.

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

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

According to the results of our audit, all identified misstatements were discussed with the Bank's management, those of them that required corrections in the financial statements were corrected. The misstatements we found are not related to fraud risks.

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

We did not provide any services to the Bank, prohibited by the law.

PKF UKRAINE LLC audit firm and the engagement partner on the audit (key audit partner) of the financial statements of the Bank as at December 31, 2021, Sviatoslav Biloblovskyi are independent from the Bank.

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

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

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

Engagement partner on the audit Sviatoslav BILOBLOVSKYI

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

On behalf of PKF UKRAINE LLC

Director Iryna KASHTANOVA

Kyiv, Ukraine

June 30, 2022