JOINT STOCK BANK “RADABANK”

Financial statements in accordance with International Financial Reporting Standards

together with Independent auditor’s report for the year ended December 31, 2021

(Translation from Ukrainian original)

CONTENTS

Statement of financial position
as at December 31, 2021

(UAH'000)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents	6	1 107 717	678 743
Loans and due from customers	7	1 843 613	972 097
Investments in securities	8	1 878 033	1 023 290
Deferred tax assets	21	757	456
Fixed assets, intangible assets and right-of use assets	9	224 076	126 700
Other assets	10	103 779	81 045
Total assets		**5 157 975**	**2 882 331**
LIABILITIES			
Due to banks	11	1 047 154	350 008
Due to customers	12	3 598 644	2 146 381
Current tax liabilities	21	9 895	3 391
Provisions for liabilities	13	38	86
Other liabilities and lessee's liabilities	14	70 550	44 844
Total liabilities		**4 726 281**	**2 544 709**
EQUITY			
Share capital	15	301 000	200 000
Transactions with shareholders		(329)	-
Reserves and other funds of the Bank		23 734	22 350
Retained earnings		107 289	115 272
Total equity		**431 694**	**337 622**
Total liabilities and equity		**5 157 975**	**2 882 331**

Approved for issue and signed on September 05, 2022

Chair of Management Board **Andrii HRIHEL**

Chief accountant **Andrii AKHE**

«РАДАБАНК» Ідентифікаційний код 21322127

Statement of profit and loss and other comprehensive income for the year ended on December 31, 2021

(UAH'000)

Item	Note	2021	2020
Interest income	17	361 407	263 793
Interest expense	17	(134 094)	(92 862)
Net interest income	17	227 313	170 932
Commission income	18	138 335	100 593
Commission expense	18	(33 547)	(26 755)
Net income from transactions with financial instruments at fair value through profit or loss		(3 957)	(198)
Net income from currency transactions		44 716	47 490
Net profit from currency revaluation		3 305	6 984
Impairment gains and reversal of impairment losses (impairment loss) of financial assets		4 816	(71 463)
Net profit from decrease of provisions for liabilities		48	24
Net income from derecognition of financial assets at amortized cost		14 757	7 420
Other operating income	19	8 440	5 223
Employee benefits	20	(169 024)	(129 468)
Depreciation and amortization	20	(39 155)	(27 230)
Other administrative and operating expenses	20	(68 709)	(49 688)
Profit before taxes		**127 338**	**33 864**
Income tax expense	21	(23 337)	(6 193)
Profit for the year		**104 001**	**27 671**
Other comprehensive income		-	-
Total comprehensive income for the year		**104 001**	**27 671**
Net basic earnings per share (UAH)	22	5,2001	1,3836

Approved for issue and signed on September 05, 2022

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Chief accountant **Andrii AKHE**

АКЦІОНЕРНЕ ТОВАРИСТВО «РАДАБАНК» Україна м. Дніпро ідентифікаційний код 21322127

Statement of changes in equity
for the year ended on December 31, 2021

(UAH'000)

	Note	Share capital	Transactions with shareholders	Reserves, other funds and revaluation funds	Retained earnings	Total equity
As at January 1, 2020		**200 000**	**-**	**20 290**	**89 661**	**309 951**
Allocation of profit to reserve and other funds of the Bank		-	-	2 060	(2 060)	-
Profit for the year		-	-	-	27 671	27 671
Other comprehensive income		-	-	-	-	-
Total comprehensive income of the year		**-**	**-**	**-**	**27 671**	**27 671**
As at December 31, 2020		**200 000**	**-**	**22 350**	**115 272**	**337 622**
As at January 1, 2021		**200 000**	**-**	**22 350**	**115 272**	**337 622**
Allocation of profit to Share capital	15	101 000	-	-	(101 000)	-
Allocation of profit to reserve and other funds of the Bank		-	-	1 384	(1 384)	-
Profit for the year		-	-	-	104 001	104 001
Other comprehensive income		-	-	-	-	-
Total comprehensive income of the year		**-**	**-**	**-**	**104 001**	**104 001**
Cost of registration of share capital	15	-	(329)	-	-	(329)
Dividends declared to shareholders of the Bank	23	-	-	-	(9 600)	(9 600)
As at December 31, 2021		**301 000**	**(329)**	**23 734**	**107 289**	**431 694**

Approved for issue and signed on September 05, 2022

Chair of Management Board **Andrii HRIHEL**

Chief accountant **Andrii AKHE**

«РАДАБАНК» Україна м. Дніпро Акціонерне товариство Ідентифікаційний код 21322127

Statement of cash flows (indirect method)
for the year ended on December 31, 2021

(UAH'000)

	Note	2021	2020
OPERATING CASH FLOWS			
Profit before tax		**127 338**	**33 864**
Adjustments:			
Depreciation and amortization		39 155	27 230
Net increase of provisions for impairment of assets		(808)	93 077
Net increase of provisions for liabilities		(48)	(24)
Amortization of discount/(premium)		(7 699)	544
Currency transactions		(3 305)	(6 984)
Accrued income		(1 150)	(5 852)
Accrued expense		3 635	(3 985)
Adjustment of income from securities related to investment activities		(190 573)	(73 138)
Net profit from operating activities		1 152	2 527
Net operating cash flows before changes in operating assets and liabilities		**(32 304)**	**67 258**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Net increase of loans and due from customers		(868 978)	(191 409)
Net increase of other financial assets		(10 231)	(5 568)
Net increase of other assets		(9 104)	(12 288)
Net increase of due to banks		691 604	350 000
Net increase of due to customers		1 448 945	649 113
Net increase/(decrease) of other financial liabilities		9 671	(7 865)
Net increase of other liabilities		10 387	3 933
Net operating cash flows before income tax		**1 239 990**	**853 175**
Income tax paid		(17 134)	(4 095)
Net operating cash flows		**1 222 856**	**849 080**
INVESTING CASH FLOWS			
Acquisition of securities		(1 995 100)	(974 185)
Sale and repayment of securities		1 331 458	243 627
Acquisition of fixed assets		(112 238)	(28 353)
Sale of fixed assets		80	141
Acquisition of intangible assets		(2 822)	(432)
Net investing cash flows		**(778 622)**	**(759 202)**
FINANCING CASH FLOWS			
Cost of registration of share capital		(329)	-
Dividends paid		(9 600)	-
Lease related liabilities		(17 223)	(14 941)
Net financing cash flows		**(27 151)**	**(14 941)**
Effect of change of official FX rate on cash and cash equivalents		602	(20 960)
Net increase of cash and cash equivalents		**417 685**	**53 976**
Cash and cash equivalents, opening balance	6	690 791	636 815
Cash and cash equivalents, closing balance	6	1 108 476	690 791

Approved for issue and signed on September 05, 2022

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Chief accountant **Andrii AKHE**

«РАДАБАНК» Ідентифікаційний код 21322127

NOTES TO ANNUAL FINANCIAL STATEMENTS

Note 1. Background information

JOINT STOCK BANK "RADABANK" was registered by National Bank of Ukraine on December 3, 1993, and registered in the State register of the banks under № 220.

Name of the Bank:

Full name:

In Ukrainian - АКЦІОНЕРНЕ ТОВАРИСТВО «АКЦІОНЕРНИЙ БАНК «РАДАБАНК»;

In English – JOINT STOCK BANK "RADABANK".

Short name:

In Ukrainian – АТ «АБ «РАДАБАНК»;

In English – JOINT STOCK BANK "RADABANK".

Address of the Bank:
Legal address of the Bank: 46 Oleksandra Polia avenue, Dnipro, Ukraine 49069
Mailing address of the Bank: 5 Volodymyra Monomakha str., Dnipro, Ukraine 49000
As at December 31, 2021, the Bank has 30 branches: 13 branches in Dnipro and oblast, four branches in Kyiv, three branches in Zaporizhzhia, three branches in Lviv, two branches in Kharkiv, one branch in each of Odessa, Ternopil, Cherkassy, Vinnitsa, Khmelnitsky.

Country of registration:
Ukraine.

Legal form of the Bank:
Joint Stock Company.

The Bank operates based on BANKING LICENSE on National Bank of Ukraine № 166 of 14.11.2011.
The Bank has the LICENSES of the National Commission on Securities and Stock Market to perform professional activities at stock market:

- License АД 034429 of 13.06.2012. Professional activities at stock market – trading in securities – brokerage, unlimited term, redrafted by decisions of the National Commission on Securities and Stock Market №420 of 23.06.2021 as a license on professional activities on trading in financial instruments, including brokerage and sub-brokerage, at capital markets.
- License AE 294570 of 04.11.2014. Professional activities at stock market – trading in securities – dealership, unlimited term, redrafted by decisions of the National Commission on Securities and Stock Market №420 of 23.06.2021 as a license on professional activities on trading in financial instruments, including dealership.
- License AE 286562 of 08.10.2013. Professional activities at stock market – depository operations. Depository activities of a depository.

JSC RADABANK is a member of the Deposit guarantee fund. Registration number in the Deposit guarantee funds is 119, date of registration - 02.09.1999, certificate of membership № 110 of 06.11.2012.

In 2021, the Bank provided the following banking and financial services in accordance with the licensers received:

1) Provision of cash-settlement services in local and foreign currencies to the customers;
2) Keeping correspondent accounts in authorized Ukrainian Banks with respective transactions through these accounts;
3) Keeping correspondent accounts in non-resident banks with respective transactions through these accounts;
4) Attraction of funds of legal entities and individuals;
5) Issuance of loans to legal entities and individuals;
6) Factoring transactions;
7) Issuance of guarantees to entities;
8) Issuance of loans to banking institutions;
9) Transactions with foreign currencies and bank metals, namely:

– Purchase, sale, exchange of currency cash;
– Currency trading at Ukrainian currency market;

- Non-trading transactions with currency;
- Trading in bank metals and foreign coins at Ukrainian currency market;

10) Brokerage, dealership and depository activities with securities at stock market;
11) Safekeeping of valuables and lease-out of individual bank strongbox;
12) Sale of memorable and jubilee Ukrainian coins;
13) Acceptance of payments for utilities and other payments of individuals;
14) Transfers and payments of funds through money-transfer systems Western Union, Welsend, MoneyGram International;
15) Collection of cash and transportation of currency;
16) Issuance of bank pay cards and transactions with these cards;
17) Trustee transactions.

Bank management does not own any shares of the Bank.

The Bank's owners are resident individuals:

Tetiana I. Gorodnytska – direct participation – 73,64%;
Roman O. Gorodnytskyi – direct participation – 9,52%
Anastasiya V. Gorodnyts`ka – direct participation – 3,76%
Kostiantyn V. Gorodnyts`kyy – direct participation – 3,76%
Olexandr V. Gorodnytskyi – direct participation – 3,76%
Svitlana M. Lushnikova – direct participation – 3,76%
Vadym A. Sysenko – direct participation – 1,8%.

Note 2. Economic environment

2021 was the year of hopes and expectations. Still, the year was ambiguous. The country managed to keep macroeconomic stability and stop the spread of COVID-19 pandemics, launch state programs of support of national economy and restore economic growth. In 2021, Ukrainian economy continues to restore, although rate of economic growth was lower than in other European countries with developing markets.

The cooperation with international partners was restored in the reporting year. Coordination of parameters of further cooperation with IMF and support provided by international partners made it possible to improve external-debt stability of state finances and deblock access of Ukraine to international financial markets. In 2021, the initiative of the President of Ukraine on stimulation of crediting of SMEs through the program of compensation of a share of interest rate under bank loans and issuance package guarantees for new investment projects continued to be implemented, thus making it possible for the business to get close to 30 thousand loans for total of close to UAH 80 billion from participating banks under the *Accessible loans 5-7-9%*. The banks issued over 2 thousand loans for total of close to UAH 7 billion under state guarantees at portfolio basis.

The launch of the program of support of mortgage crediting helped millions of families to improve their living conditions. Implementation of programs of state subsidizing under crediting made it possible to reinforce transmission effects of monetary policies and assist NBU to concentrate monetary policies exclusively at decrease of inflation. Efficient work of tax bodies provided for stable inflow of funds to the state budget and created financial preconditions to realize *Bis Construction* initiative of the President, program of credit support of business, closing the gap between minimal salary and minimum subsistence level, decreasing the inequality.

The moratorium was annulled, and the market of agricultural land was launched. Although only natural persons may sell and buy agricultural land at the initial stage of the market, total number of deals on sale and purchase of agricultural lands in Ukraine was over 40 thousand, while total area of land sold and purchased was over 100 thousand hectares.

Investment activity of business and state is still quite low. Only 10,1% of GDP were invested into basic and circulating capital in 9 months of the reporting year (7,5% in previous year), while the average figure for the countries with emerging markets was 24% of GDP in 2020-2021. The major reason for stagnation of investment activity is the low rate of growth of economic recovery, leading to absence of adequate internal resource of national savings – major source of investments. Besides, the fiscal and monetary policies that should support national growth were quite strict in 2021. State investments were channelled to road construction. Still, capital expenses of the budget were 12,5% lower compared to the previous year.

Attraction of resources through bank loans and funds of foreign investors did not improve. The level of crediting of economy stays at the level of 14% GDP (average for Eastern Europe is 50% of GDP). Inflow of funds of foreign investors

into share capital in 2020-2021 was close to USD 20 per capita per annum (e.g., similar index in Poland is USD 115). In 2021, payments to non-residents under investments and loans for the first time as of 2014 was higher that income of Ukrainians from labour remuneration in other countries (USG 15,8 billion against USD 13,5 billion). Payment of income of non-residents under direct investments (without reinvestment of income) in 2021 reached historic maximum – 13,9% in relation to invested foreign capital (average of 7.5% in 2018-2020), although the capital of direct investors into Ukraine went down by USD 85 billion in 10 months of the year.
Target level of inflation was not reached. In 2021, inflation stayed within the target corridor for one month only with subsequent rapid acceleration in spite of increase of discount rate by NBU. Inadequate efficiency of the attempts to control inflation was the result of its non-monetary nature, caused mostly by reformation of tariffs, world prices, epidemiological expenses and weakness of monetary transmission.

Banking sector.
Economic crisis caused by COVID-19 pandemics did not disrupt the stability of Ukrainian banking system. In IV quarter of 2021 (hereinafter – the quarter), Ukrainian banking sector continued to grow assets by crediting and transactions with state securities. The annual growth rate of corporate crediting in UAH was the highest for the decade. The growth rate of mortgage loans was two times higher than that of consumer loans. Higher growth rate of UAH deposits compared to currency ones resulted in decrease of USD deposits. Active increase of transactions and low deposit interest rates provided for record breaking profit of the banks. Net assets of the banks increased due to increased crediting of customers together with an increase of investments into NBU deposit certificates and state bonds (SB). The increase of net UAH credit portfolios in the corporate segment during the quarter was 2,3% reaching over 40% for the year. The annual growth rate of loans to individuals increased to 36,9% overcoming pre-pandemics level. The increase of net mortgage loans by the end of the year was record breaking reaching over 60% per annum.

The share of non-performing loans went down by 3.2% during the quarter of by 11% for the year down to 30% mostly due to the input of state banks with high growth rate of loan portfolio and active write-off of non-performing old loans.

The increase of deposits of customers supported an adequate level of liquidity of the banks. UAH funds of corporate customers went up by 15,5% in the quarter or 26,4% for the year. Dynamics of growth of UAH deposits of individuals was slower: by 8,1% and 15,3% respectively, namely, term funds – by 9,6% per annum. High growth of UAH deposits compared to currency deposits resulted in a decrease of share of currency funds of customers by 2,6% to 32,9%.

The profits of the banks are record breaking, being two times higher than in 2020. 2021 profit of the banking sector was historic high – UAH 77,5 billion, the reasons being rapid growth of interest and commission income and low allocation to reserves. Profitability of capital reached 35% compared to 19% for the previous year. High current profitability and existent reserves of capital made it possible for the banks to easily meet new regulatory requirements to capital and establish a buffer of capital to cover possible losses and continue to credit.

In general, 2021 was the year of recovery of economy after 2020 drop by 4%. In spite of continuing pandemics of Covid-19 during the year, most of entities adapted to quarantine limitations gradually restoring their operations.

Non-solved conflict between russia and Ukraine going on as of 2014 resulted in full-scale russian invasion into Ukraine on February 24, 2022, across the common border and from Belorussia. In the situation of full-scale military aggression and introduction of martial law in Ukraine, the most urgent task was to provide for reliable and stable functioning of banking and financial system of the country, as well as maximal meeting of the needs to protect the country, uninterrupted functioning of state financial system and objects of critical infrastructure.

Decrease of performance of market instruments and high uncertainty in the situation of full-scale hostilities makes it impossible to implement monetary policy in the format of inflation targeting with fluctuating FX rates. The performance of the channels of monetary transmission is further weakened by administrative limitations of the currency market and limitations to capital flows. High uncertainty caused by active hostilities makes it more complicated to forecast economic processes with acceptable probability.

Detailed assessment of the effect of the above events on the ability of the Bank to continue as going concern is presented in Note 32 *Subsequent events*.

Note 3. Basis of preparation of financial statements

The basis for preparation of these financial statements is International Financial Reporting Standards issued by IASB valis as at 31.12.2021. International Financial Reporting Standards include:

a) IFRS Accounting Standards;

b) IAS Standards;

c) IFRICS Interpretations;

d) SIC Interpretation.

Financial statements of the Bank are prepared in national Ukrainian currency - UAH. All items in the statements and notes are stated in UAH’000. Figures of profit (loss) per share are stated in UAH.

Note 4. Accounting policies

4.1. Basis for preparation of financial statements

The Bank initially measures assets and liabilities at a fair value that, as a rule, corresponds to the price (cost) of a contract signed. Subsequently, assets and liabilities are accounted for in accordance with IFRS requirements. Accounting for certain assets and liabilities of the Bank is presented below.

4.2. Initial recognition of financial instruments

The Bank recognizes a financial asset or a liability in the statement of financial position when and only when the Bank becomes a party of a contract regarding this instrument. The Bank accounts for financial assets and liabilities based on the settlement date, i.e., the date when an asset (a liability) is issued to the Bank or by the Bank. At initial recognition of a financial asset or a liability, the Bank measures them at fair value plus or minus, for financial asset or liability measured not at fair value with disclosure of revaluation result in profit or loss, transaction cost directly related to acquisition of issue of financial asset or liability.

When the Bank initially recognizes financial asset, the Bank classifies it in accordance with the requirements of IFRS 9 *Financial Instruments*. The Bank classifies financial assets as those that subsequently would be measured at amortized cost or at fair value based on the following factors:

a) business model for management of financial assets; and

b) characteristics of contractual cash flows under the financial asset.

A financial asset is measured at amortized cost if both conditions are met:

- As asset is held within the business model with the purpose to keep an asset to collect contractual cash flows;
- Contractual terms of a financial asset provide for cash inflows at certain dates that are solely the payment of principal and payment of interest for principal remaining.

In all other cases financial assets are measured at fair value.

The Bank classifies all financial liabilities as those that subsequently would be classified at amortized cost using effective interest rate method with the following exclusions:

a) financial liabilities at fair value through profit or loss.

b) financial liabilities arising when transfer of financial asset does not meet criteria of derecognition when subsequent participation approach is used;

c) financial guarantee contracts;

d) commitment to issue a loan with an interest rate below the market rate.

Profit or loss under financial asset or liability measured at fair value is recognized in profit or loss except for cases when:

a) it is a part of hedging relations;

b) it is an investment into equity instrument and the Bank decided to disclose profit or loss under the instrument in other comprehensive income;

c) is not a financial liability measured at fair value through profit or loss and the Bank is required to disclose the effect of changes in credit risk under liability in other comprehensive income.

The Bank may not apply effective interest rate method for short-term financial instruments (up to 3 months), since the impact of effective rate on carrying amount of the instrument is not significant (except for transactions with short-term instruments with non-market rates).

Debt financial assets are reclassified if the business model changes. The Bank reclassifies debt financial assets if the nosiness model used to manage them is changed, except for financial assets which are accounted by the Bank at its discretion at fair value through profit or loss at initial recognition. Financial liabilities are not reclassified. The Bank did not change its business model and did not reclassify its portfolios of financial assets in the reporting year.

4.3. Modification of financial instruments

The Bank discloses the change of terms of a contract under financial asset resulting in review of underlying cash flows as:

1) derecognition of initial financial asset and recognition of mew financial asset at fair value (significant modification); or

2) continuation of recognition of initial financial asset with new terms (insignificant modification).

The Bank recalculates gross carrying amount of the financial asset (insignificant modification) and recognizes profit or loss through modification if terms of a contract under financial asset are revised by agreement of the parties (except for revision of terms resulting in derecognition of the asset or there is some other modification resulting in derecognition of initial financial asset, or change of carrying amount of the asset is significant (over 5%)).
The Bank calculates new gross carrying amount as current value of revised or modified contractual cash flows discounted at initial effective interest rate, adjusted for credit risk, for acquired or created impaired financial assets. The Bank includes transaction costs into carrying amount of modified financial asset and amortizes them during the life of the asset. The Bank recognizes the difference between gross carrying amount at initial terms and gross carrying amount at revised or modified terms as profit or loss from modification.

The Bank derecognizes initial financial asset and recognizes new financial asset (significant modification) if revised or modified contractual cash flows result in derecognition of initial financial asset. Such contracts include contracts where a debtor or a currency is changed, or the contract provides for remission (write-off) of a share of the debt in restructuring of the debt related to financial problems of the borrower, or the change of contractual terms result in the change of carrying amount of the asset for more than 5%. The Bank recognizes the new financial asset as at the date of modification at fair value taking into account cost/profit of transaction related to creation of new financial asset (except for new asset measured at fair value through profit or loss) and calculates 12-month ECL.

As at the date of derecognition of initial financial asset the Bank recognizes profit or loss from derecognition as the difference between carrying amount of initial financial asset and fair value of new financial asset if the modification was based at market interest rate. If the contracts terms are changed in accordance with market terms, the fair value of the new financial asset is equal to the current value of future cash flows at a revised effective rate as at the date of recognition of the new financial asset. If modification is not based on market rate, the difference between carrying amount of initial financial asset and current value of future cash flows under new financial asset discounted at market interest rate is disclosed as profit (loss) at initial recognition of financial asset with the value above/below the fair value. Significant modification of assets at stage 3 of impairment creates impaired financial asset (POCI asset). If modification resulting in derecognition of initial asset creates initially impaired asset, a non-consumed share of allowance for ECL for derecognized asset is disclosed at separate analytical account of discount and is accounted for until derecognition of the asset.

The Bank discloses significant change of terms (modification) of financial liability or its part as settlement of initial financial liability (or its part) and recognition of new financial liability. Significant change of terms of financial liability is the change of terms resulting in the change of current value of cash flows under new terms discounted using the initial effective interest rate (for financial liability with floating interest rate – effective interest rate calculated at the last change of nominal interest rate) at least by 10% of discounted current value of cash flows remaining until settlement of initial financial liability.

If modification does not result in derecognition of initial liability, the result of modification is disclosed at accounts of profit (loss) from modification of liabilities. If modification results in derecognition of initial liability, the result of modification is disclosed at accounts of profit (loss) from derecognition, if modification was based on market terms. If modification was not based on market terms, the difference between carrying amount of initial liability and current value of future cash flows under new financial liability is disclosed as profit (loss) at initial recognition of financial liability at value higher/lower than fair value.

4.4. Impairment of financial assets

In accordance with IFRS 9, the Bank classifies financial assets based on business model related to the asset and characteristics and its cash flows, measurement of financial assets uses the single model of impairment of ECL. The Bank recognizes allowance for ECL for debt financial assets at amortized cost and debt financial assets at fair value through other comprehensive income. The Bank remeasures allowance for ECL as at each reporting date. If as at the reporting date credit risk under financial instrument did not grow much as of the moment of initial recognition, the Bank measures allowance for ECL under this instrument in an amount equal to 12-month ECL (stage 1). The Bank measures allowance for ECL under this instrument in an amount equal to ECL during the life of the instrument if credit risk of the instrument increased significantly as of the initial recognition (stage 2) or if the financial instrument shows objective evidence of impairment (default) (stage 3). If the Bank measured allowance for ECL in previous reporting period as equal to ECL during the life on the instrument but, as at current reporting date, sees that criteria of recognition of significant credit risk are not met anymore, the Bank measures allowance for ECL under this instrument in an amount equal to 12-month ECL as at current reporting date. The Bank analyses credit quality of financial assets based on number of days overdue and classifies credit risk as follows:

Risk level	Days overdue		
	Transactions with resident and non-resident banks	Transactions with individuals	Transactions with entities (including private entrepreneurs)
Minimal credit risk	Not overdue	Not overdue	Not overdue
Low credit risk	Up to 3 days	Up to 7 days	Up to 30
Medium credit risk	4 -15 days	8 - 60 days	31 - 60 days
High credit risk	16 -30	61 - 90	61 – 90 days
Default	over 31 day	Over 91 day	Over 91 day

The Bank measures credit quality of NBU deposit certificates and state bonds in the same way as it measures the transactions with resident and non-resident banks.

The Bank uses a simplified approach to measurement of impairment of receivables and establishes allowance for ECL equal to ECL for the life of the instrument. The Bank designed criteria for identification of significant increase of credit risk and impairment (default) for each stage depending on type of counterpart (entities, individuals, banks).

Probability of default is adjusted depending on forecast of realization of economic development scenario, based on forecasted macroeconomic factors (Mf), namely:

- Real GDP
- Current account balance, percent of GDP
- GDP (at purchasing power parity) per capita
- Unemployment rate.

The Bank assesses cumulative effect of future economic terms on ECL compared to situation existing in the period covered by statistically calculated probability of default. Ratio of adjustment for macroeconomic indicators is calculated for each group of loans depending on impairment of a loan taking into account developments under scenario.

The Bank uses different sources of information to calculate probability of default (PD):

- internal data on experience of credit losses adjusted for existing current data to take into account the effect of current situation and development of own forecasts of future situation that did not affect the period covered by historic data and to remove effect of conditions of historic period that are not relevant for future contractual cash flows;
- statistical data for Ukrainian industries and data provided by leading international rating agencies.

The Bank uses an expert judgement when measuring factors of effect on the resulting value of PD.

The Bank allocates credit transactions by groups of financial assets with similar risk characteristics to form historical data on credit losses. The Bank groups credit transactions of entities by their scale of operations and forms the following portfolios of similar transactions: portfolio of small entities and portfolio of large and medium entities.

The Bank groups credit transactions of individuals by credit products forming the following portfolios of similar transactions: portfolio of overdrafts of individuals, portfolio of mortgage loans, portfolio of loans for acquisition of vehicles and portfolio of other consumer loans.

Calculation of PD ratio for portfolios of similar transactions of entities and individuals uses uniform algorithm. The Bank, in order to calculate a parameter of PD for a borrower, applies a statistics-oriented approach to each portfolio of similar transactions based on previous experience on loss events for each portfolio. If there is no experience of losses or the experience is inadequate, the Bank uses experience received through specialized sources of information for similar portfolios of credit transactions. The horizon of historical sampling covers 36 months.

The level of losses in case of default is measured taking into account the collateral. Amounts received from the sale of collateral take into account its market value and represent the difference between the expected amount received by sale of foreclosed collateral and the cost of foreclosure process. Future cash flows under collateral are discounted taking into account time needed to sell collateral by the Bank.

The Bank recognizes ECL (or reverses impairment) necessary to adjust allowance for ECL as the reporting date to the amount to be recognized under IFRS 39 as impairment profit or loss in the profit or loss. The Bank recognizes cumulative changes in ECL during the life of financial assets if its modification results in creation of new financial asset recognized as impaired at initial recognition (stage 3 of impairment). As at each reporting date, the Bank recognizes changes of ECL during the life of financial asset impaired at initial recognition (including positive changes) income/expenses to establish/release allowance as a component of income/expenses. Income from release of allowance for ECL is recognized even if it is higher than previously established allowance for this financial asset.

4.5. Derecognition of financial instruments

The Bank derecognizes financial asset when and only when:

- Contractual right to cash flows under asset are over, or
- It transfers financial asset, and the transfer complies with criteria for derecognition.

The Bank transfers financial asset when and only when:

- Transfers contractual rights to cash flows under financial asset; or
- Keeps contractual right to cash flows under financial asset but accepts contractual obligation to pay cash flows to one or several recipients under the contract that complies with the following terms:
- If the Bank keeps contractual right to cash flows under financial asset (initial asset) but accepts contractual obligation to pay cash flows to one or several recipients (final recipients), the Bank treats this transaction as transfer of financial assets if and only if all terms below are met:
  - ✓ The Bank does not have an obligation to pay to final recipients before it receives equivalent amount from initial asset;
  - ✓ Terms of transfer contract prohibit to sell or pledge the initial asst by the Bank except for pledge to final recipients as a security under obligation to pay cash flows;
  - ✓ The Bank is obliged to transfer any cash flows received in the name of final recipients without any significant delays.

If the Bank transfers a financial asset, it assesses to what extent it keeps risks and benefits related to ownership of the asset (criteria for derecognition). In this case:

- If the Bank transfers predominantly all risks and benefits of ownership of the asset, the Bank must derecognize the asset and recognize as assets or liabilities any right and obligations created or preserved by transfer;
- If the Bank keeps predominantly all risks and benefits of ownership of the asset, the Bank continues to recognize the financial asset;
- If the Bank does not transfer of keep predominantly all risks and benefits of ownership of the asset, the Bank determines whether it keeps control over the asset. In this case:
  - ✓ If the Bank does not preserve control, it derecognizes financial asset, the Bank must derecognize the asset and recognize as assets or liabilities any right and obligations created or preserved by transfer;
  - ✓ If the Bank preserved control, it continues to recognize the financial asset to the extent to which it subsequently participates in the asset.

At complete derecognition of financial asset, the difference between carrying amount (as at the date of derecognition) and compensation received (including any new asset received minus any new liability accepted), is recognized in profit or loss.

The Bank derecognizes financial liability (or a part of financial liability) when and only when it is repaid, i.e., when contractual liability is settled, annulled or its life is over. The difference between carrying amount of financial liability (or a part of financial liability) paid or transferred of a counterpart compensation paid (including any non-cash assets transferred and liabilities accepted) is recognized in profit or loss.

The Bank derecognizes financial asset (liability) and recognizes the new one in case of significant modification.

4.6. Cash and cash equivalents

Cash of the Bank includes cash in hand, cash at correspondent accounts in NBU and other banks, NBU deposit certificate with maturity up to 90 days, overnight loans to other banks less allowance for ECL. Cash in other banks, limited in use, and cash in banks that are liquidated, bank metals in bars are disclosed as Other assets in the statement of financial position (Note 10). Information on cash and cash equivalents is presented in Note 6.

For preparation of the statement of cash flows, allowance for impairments of funds at correspondent accounts in other banks and loans overnight to other banks, is excluded from the item Cash and cash equivalents in accordance with IFRS 39.

4.7. Loans and due from customers

Loans are the financial assets with fixed or defined payments that are not quoted at active market.

When issuing loans, the Bank initially measures then at fair value including respective expenses (income) under the loan contract. As at the balance sheet date, the loans are measured at amortized cost using effective interest rate at amortization of discount (premium) and accrual of interest. The value of loans in the statement of financial position includes principal of the loans, accrued income and any related discounts and premiums net of allowance for ECL (Note 7).

In certain cases, a financial asset is considered to be impaired at initial recognition as the credit risk is too high and it can be sold only with significant discount. As initial recognition of such assets, the Bank includes expected ECL into estimated cash flows when calculating effective interest rate, adjusted for credit risk, for financial assets that are treated as acquired or created credit-impaired financial assets.

The Bank accepts obligations of credit nature represented by financial guarantees issued and loan commitments. A financial guarantee is a contract making the issuer make predefined payments to compensate holder’s loss resulting from non-payments of a certain borrower at the time when they are to be paid in line with initial or modified terms of the debt instrument. Financial guarantees issued are initially measured at fair value. As at the date of issuance, the fair value of the guarantee is equal to the commission received. Subsequently, guarantees are disclosed at larger of initial value less amortization of commission fee received or allowance for ECL in accordance with IFRS 9 *Financial Instruments*. Commission is amortized by straight-line method during the life of guarantee and disclosed in the statement of profit or loss and other comprehensive income as commission income under guarantees issued.
The Bank accounts for loan commitments at off-balance sheet accounts. The structure and state of these commitments are disclosed in Note 28. The Bank forms the allowances for irrevocable loam commitments in accordance with IFRS 9.

As at each reporting date, the Bank recognizes impairment of loans by monthly allowance at the expense of costs to cover credit risk. The allowance is formed in accordance with the requirements of IFRS. Allowance under loans to customers and its changes are disclosed in Note 7.

If a credit debt is recognized by the Bank as a bad debt and it corresponds to criteria of derecognition, the debt is written off by consumption of allowance by decision of Management Board of the Bank. Funds received for settlement of debt, written off by consumption of allowance, are disclosed as income if the debt were written off in previous years, or they are used to decrease expenses related to formation of allowance if the debt was written off in current year.

In accordance with current law, the Bank can restructure the debt by change of interest rate, partial forgiveness of the debt, change of timetable of payments (dates and amounts to be paid for principal, interest/commission), change of amount of commissions in case of financial problems of the debtor in order to create favourable terms for the debtor to meet the liabilities under asset.

In case of revision of contractual cash flows under financial asset or their modification in any other way, if the revision or modification does not result in derecognition of the asset, the Bank recalculates gross carrying amount of the financial asset and recognizes profit or loss from modification in profit or loss. Gross carrying amount of financial asset is recalculated as current value of revised or modified contractual cash flows, discounted at initial effective interest rate for financial asset (or effective interest rate, adjusted for credit risk, for acquired or created credit-impaired financial assets). The gross carrying amount of a modified financial asset is adjusted taking into account all expenses or commissions and amortized during the remaining life of the modified financial asset.

The Bank derecognizes initial financial asset if revised or modified contractual cash flows result in derecognition of the asset. As at the date of modification, the Bank recognizes the new financial asset at fair value taking into account transaction costs related to creation of new financial asset (except for new asset at fair value through profit/loss) and estimates 12-month ECL. The Bank recognizes cumulative changes in ECL for the life of financial asset if the modification results in creation of new financial asset impaired at initial recognition. The Bank recognizes, as at the date of derecognition of initial financial asset, profit or loss from derecognition that are equal to difference between carrying amount of initial financial asset and fair value of new financial asset.

4.8. Investments in securities

In order to measure and disclose its financial investments, the Bank classifies them as follows:

1) Financial investments at fair value through profit or loss.

Financial investments at fair value through profit or loss include debt securities, shares and other financial investments held for sale, and financial investments that, at initial recognition, are a part of portfolio of financial instruments managed together, having an evidence of actual receipt of short-term profit.

2) Financial investments at fair value through other comprehensive income.

The Bank’s portfolio of debt securities held for sale includes debt securities, shares and other financial investments intended to generate contractual cash flow or sale.

3) Financial investments at amortized cost.

This category includes acquired debt securities with fixed or definable payments and fixed maturity. The Bank intends to receive cash flows under principal and interest.

The Bank accounts for transactions on sale or purchase of financial investments based on the date of settlement, i.e., prior to pre-set date of settlement the liabilities under the contract are disclosed at off-balance sheet accounts.

The Bank discloses changes of fair value of acquired financial investments (except for financial investments at amortized cost) between the date of transactions and the date of settlement (for financial investments at fair value through profit or loss) at profit accounts and capital accounts (for financial investments in portfolio for sale).

At initial recognition, the Bank records financial investments at fair value through profit or loss at fair value net of transaction costs. Costs of transaction of acquisition of these financial investments are disclosed at expenses account as incurred. All other financial investments are measured at initial recognition at fair value plus transaction costs. Costs of transaction on acquisition of debt securities are posted at discount (premium) accounts.

For debt securities, the Bank recognized interest income [accrual of a coupon, amortization of discount (premium)] at effective interest rate as of the date of acquisition to the date of derecognition (sale, settlement) or reclassification except for debt securities at fair value through profit or loss in trade portfolio of the Bank. The interest rate is accrued not less than once per month as at the date of revaluation, reclassification or sale.
The Bank recognizes interest income under debt securities at fair value through profit or loss as a component of revaluation of fair value. Accrual of interest and amortization of discount or premium is not done for securities at fair value through profit or loss. If the Bank acquires coupon securities with accumulated interest, they are disclosed at accounts of premium (discount), while amount of coupon received decreases premium or increases discount.

The fair value of securities at organized markets is defined by their stock exchange quotation. If market quoting of securities is unavailable, the Bank uses observable market data, if any, to determine fair value (e.g., quoting of similar assets or liabilities at active markets, observable rates and profitability curves or non-observable data (own Bank data – budgets, forecasts, historical information on economic indicators, etc.). If any data are not available, the Bank applies the income method by determining current value of future cash flows discounted by profitability rate of this or similar security.

Financial investments at amortized cost are disclosed at each subsequent balance sheet date after recognition at amortized cost using effective interest rate. If the maturity of financial investment is not more than 3 months, the method of effective interest rate may be not applied. As to the debt securities at amortized cost and at fair value through other comprehensive income, the Bank analyses them for impairment. The Bank recognizes impairment as at each balance sheet date by formation of respective provision.

Revaluation (recalculation of UAH equivalent of currency balances) of debt securities in foreign currency as a result of change of official FX rate of UAH and foreign currencies is made at each change of official NBU FX rate.

The Bank derecognizes a financial asset (in full or in part) in accordance with requirements of IFRS 9 *Financial Instruments*, including write-off of the asset by consumption of allowance. Information on investments in securities is presented in Note 8.

4.9. Fixed assets

Fixed assets are tangible objects used in production or supply of goods or provision of services, lease or for administrative purposes for the period more than 1 year.

Initially, fixed assets are recognized at cost (acquisition cost) including all expenses related to acquisition, transportation, installation and commissioning. Subsequently, fixed assets are accounted for at depreciated cost. After initial recognition, all fixed assets are disclosed based on cost model, i.e., at initial (historical) cost less accumulated depreciation and impairment loss. Fixed assets are depreciated each month by straight-line method. Depreciation of fixed assets is charged during the life of the asset until the moment when carrying amount of the asset reaches its salvage value. The Bank tests fixed assets for compliance of expected life with their useful life each year as at the date of annual stocktaking – November 1.

In 2021, the Bank did not change the method of depreciation of fixed assets. As at the end of the year, the Bank used the following useful lives of fixed assets by groups:

Group	Useful life
Buildings and facilities with walls of stone, reinforced concrete, other durable materials	360 months
Buildings and facilities of other materials	240 months
Transmitters	180 months
Vehicles, except for cash collecting	84 months
Cash collecting vehicles	72 months
Computers, other equipment for automatic processing of information, other information systems and related readers and printers, commuters, routers, modules, modems, monitors (except for video surveillance monitors), MFU, scanners, UPS and means of their connection to telecommunication systems, TV sets, terminals	60 months
Household electronic, optical, electronic-mechanical machines, phones, faxes, office equipment and tools, ATMs, equipment of cashiers, other machinery and equipment (except for those stated above)	96 months
Instruments, tools and fixtures	60 months

Group	Useful life
Fire alarm and security alarm systems, video surveillance systems and their elements including video surveillance monitors	96 months
Furniture	96 months
Strong boxes (different) and (metal) card boxes	144 months
Other fixed assets	144 months

If used fixed assets are acquired, management may take a decision to reduce their useful life down to 205 of useful life of new fixed assets of respective group.
Based on its experience of use of noncurrent assets after a termination of their useful lives of the group of assets *Vehicles* the Bank sets their salvage value as 85 of initial value of a vehicle at initial recognition of the asset.

As to the group *Buildings and facilities with walls of stone, reinforced concrete, other durable materials* and the group *Buildings and facilities of other materials,* their salvage value is set as 2% of initial value at the moment of recognition of the asset.

The Bank tested its fixed assets for impairment as at the date of annual stocktaking (as at November 1).

Note 9 discloses the structure and changes in fixed assets in 2021 and 2020.

Based on the principle of materiality, low-value noncurrent assets are not capitalized, i.e., they are not recognized as assets, and their value is disclosed as expenses in the first month of their use. The Bank discloses these expenses at acc. 7423 *Depreciation*. Low-value noncurrent tangible assets (the value of which is not material) include fixed assets of a value not higher than UAH 20000.

Depreciation costs are disclosed in the statement of profit or loss and other comprehensive income. Expenses related to repair and maintenance of fixed assets are disclosed in the statement of profit and loss and other comprehensive income when incurred as a component of *Administrative and other operating expenses*, except for cases when these expenses are to be capitalized. Disposal income or expenses are calculated by comparison of earnings and carrying amount and included into income or expenses.

Fixed assets of the Bank were not used as a pledge under Bank liabilities.

4.10. Intangible assets

An intangible asset is an identifiable non-monetary asset without a physical substance.

At recognition, intangible assets are measured at cost (actually incurred cost of acquisition). Subsequently, intangible assets are disclosed at cost less any accumulated amortization and any impairment loss.

Intangible assets with limited useful life are amortized each month by the straight-line method that provides for even right-off of historical value to salvage value during useful life of as asset, the salvage value being zero. These assets are analysed for impairment in case of indicators of possible impairment of intangible assets. Useful lives oof intangible assets is 2 – 20 years.

If there is no foreseen limitation of the period when an intangible asset would be expected to generate net cash inflows, the Bank defines this asset as an assets with unset useful life. Such asset is not amortized. Each year the useful life of an intangible asset with unset useful life is revised at the date of annual stocktaking to determine whether events and circumstances, confirming uncertain term of useful life of the asset continue to exist.

Terms and rules of amortization of intangible assets with limited useful life are analysed during annual stocktaking. Rates and methods of amortization of intangible assets did not change in 2021.

Terms of useful lives of intangible assets were not revised in the reporting year. Intangible assets of the Bank include an asset with unset useful life represented by a flat-rate fee under license agreement on use of VISA trademark and cost of unlimited term licenses for certain activities. The Bank tests intangible assets with unset useful life to see whether events and circumstances, confirming uncertain term of useful life of the asset continue to exist as at the date of annual stocktaking – November 1.

Intangible asset is derecognized at disposal or if the Bank does not to get any economic benefit from its use and subsequent disposal. Profit or loss generated are calculated as difference between net inflow from disposal and carrying amount of the asset.

Information on intangible assets is presented in Note 9.

4.11. Lease where the Bank is a lessor or a lessee

Bank as a lessee

The Bank leases non-residential premises to locate there its structural departments. The term of the lease is 2 to 3 years. Almost all contracts include an option to extend the lease.

The Bank has contracts with a lease term not over 12 months and contracts with low-value underlying asset. The Bank applies a practical simplification to such contracts regarding relief from recognition for short-term lease and lease of low-value assets. Information on the expenses of the Bank under these contracts is presented in Note 20.

Information on carrying amount of recognized right-of-use assets and its changes is presented in Note 9. Information on the carrying amount of lease liabilities and its changes is presented in Note 14. Periods of payments under lease liabilities are disclosed in Note 28.

Bank as a lessor

The Bank entered into the contracts on operating lease of own non-residential premises with the lease term not higher than 3 years. Information on lease income and minimal lease payments to be received is disclosed in Note 19.

The Bank as a lessor measures lease contract in general or certain its components as a lease agreement if the following criteria are met:

- The asset is identifiable;
- The right to receive practically all economic benefits from use of identifiable asset during the period of use of the asset is transferred to the lessee;
- The right to select the way of use of the asset during the period of use in exchange for compensation is transferred to the lessee;
- The lessor does not have a significant right to replace the asset during the period of use.

The Bank recognizes the term of lease as uncancellable period together with:

- Periods covered by the right to extend the lease if the lessee is reasonably sure that this possibility would be used;
- Periods covered by the right to terminate the lease if the lessee is reasonable sure that this possibility will not be used.

The Bank revises lease term if there is a significant event or significant change in circumstances, controlled by the lessee and affecting whether the lessee is reasonably sure that it would realize the possibility not previously included in the defined lease term, or it would not realize the possibility earlier included into defined lease term.

The Bank does not recognize a contract as a lease (does not apply IFRS 16) for short-term leases of leases of low-value underlying assets and does not disclose right-of-use asset and lease liability. A short-term lease is the lease that has a lease term of 12 months or shorter as at the date of commencement of lease. Lease that has an option of acquisition is not a short-term lease. The lessor recognizes a new lease contract if a short-term lease contract is modified or if there were any changes of the term of the lease that the Bank accounted for as exclusion from IFRS 16.

A low-value underlying asset is:

- leased premises of total area not more than 6 sq. m.;
- separate objects of chattels if the value of new similar objects is not over UAH 100000 as at the date of commencement of lease.

The Bank recognizes lease payments as expenses at straight-line basis during the lease term if relief from recognition of lease in accordance with IFRS 15 is applied.

The Bank accounts for lease components separately from components of the contracts that are not related to lease.

As to the lease of premises and property under lease contracts that do not provide for separate compensation of utilities and maintenance, the Bank applies a simplified approach and accounts all components of such contracts as a single component of lease.

The Bank as a lessee recognizes right-of-use asset and lease liability as at the date of lease commencement. As at lease commencement date, the lessee recognizes lease liability at current value of lease payments not made as at that date (Note 14). The lessee discounts payments for the right to use underlying asset during the lease term using the rate stated in the contract. If the contract does not state the rate, the Bank applies the rate of additional borrowing equal to the rate under which the Bank tries to attract funds for the respective term. The rate of additional borrowing is determined by bank

experts and approved by respective body of the Bank. The Bank uses the following scale for determination of borrowing rate for the term of use of underlying asset:
- Up to 1 year (inclusive);
- 1 to 2 years (inclusive);
- 2 to 3 years (inclusive);
- 3 to 5 years (inclusive);
- Over 5 years.

The lessee measures lease liability after the lease commencement date as follows:
- Increasing carrying amount to disclose interest under lease liability;
- Decreasing carrying amount to disclose lease payments made;
- Remeasuring carrying amount to disclose revaluation, modification of lease or revisions of fixed lease payments.

The lessee discloses accrued interest expenses under lease liability as expenses of the period. Interest is accrued each month usually at the day before payment and the last business day of the month. After the date of lease commencement, the lessee recognizes variable lease payments that are not included into measurement of lease liability in the period of occurrence of certain events of circumstances causing these payments (and those that do not depend on an index or a rate) as other operating expenses. The lessee measures lease liability as at each reporting date discounting revised lease payments using revised discount rate of any of the terms below is met:
- Change of lease term (including that related to revision of probability of application of the option to extend or terminate the lease);
- Change of assessment of possibility to buy the underlying asset (if possibility to buy is applied);
- Change of payments resulting from the change of floating interest rate.

The lessee remeasures lease liability using unchangeable discount rate in the following cases:
- Changes of amounts that are expected to be paid under salvage value guarantee;
- Change of future lease payments resulting from change of index or a rate used to calculate these payments.

The lessee calculates revised lease payments for the remaining period of lease using interest rate as at the lease commencement date. The lessee recognized the amount of revaluation of lease liability as adjustment of right-of-use asset (except for case of reduction of carrying amount of right-of-use asset down to zero). In a case of reduction of carrying amount of right-of-use asset down to zero and subsequent decrease of lease liability, the lessee recognizes the remaining amount in profit or loss.

The Bank uses model of accounting at historical cost for subsequent measurement of right-of-use asset. The Bank measures right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, adjusting it for any revaluation of lease liability. The lessee accounts for right-of-use asset after initial recognition in accordance with the rules of accounting of fixed and intangible assets (Note 9).

The Bank depreciates right-of-use asset as of lease commencement date up to the end of useful life of the underlying asset, if the lease transfers the title to underlying assets at the end of lease term, of the cost of the right-of-use asset reflects the fact that the lessee would use the possibility to buy it. In other circumstances the lessee depreciates the right-of use asset as of lease commencement date to the earlier of end of useful life of right-of-use asset or termination of lease term.

Once per month the Bank discloses accrued depreciation of right-of-use asset (except of right-of-use asset is the investment property disclosed at fair value) as a component of profit or loss by straight-line method. For practical application, such asset is initially depreciated in a month following the month of delegation of the right of use and stopped to be depreciated in a month set as the end of depreciation.

A lessee accounts for modification of lease contract as a separate lease if both conditions are met:
- Modification extends application of lease contract adding the right to use one or several underlying assets;
- Compensation for lease increases by the amount commeasurable with the cost of a separate contract for increased scope and by the adjustments of the price reflecting circumstances of the specific contract.

A lessee continues to recognize right-of-use asset and lease liability under the initial lease contract and recognizes modification as separate lease contract not related to initial contract. A lessee discloses the modification of lease contract that is not a separate contract as at the date of commencement of lease modification (change of lease term, change of lease payment, decrease of quantity of leased item, etc.), as follows:
- Allocates compensation stated in modified lease contract;
- Determines term of modified lease;
- Revalues lease liability by discounting revised lease payments using revised discount rate. Revised discount rate is defined as probable interest rate for remaining lease term if it can be easily defined or as the rate of

additional borrowing of lessee as at the date of commencement of lease modification if probable interest rate under lease is not easily definable.

Modification that decreases the scope of lease contract (decrease of number of leased items, decrease of leased area, etc.) decreases carrying amount of right-of-use asset be amount of partial or full termination. Amount of decrease of asset and liability (taking into account accumulated depreciation) pro rata to decrease of lease object is written off. The difference between carrying amount of write-off of right-of-use asset and lease liability is recognized in profit or loss.
The lessee discloses the adjustment of right-of-use asset taking into account all other modifications of lease contract (except for those reducing the scope of lease) that are not a separate contract, adjusting right-of-use asset and lease liability.

The Bank depreciates the amount of finished improvement each months for the lower of term of uncancellable lease or useful life of underlying asset. The Bank as a lessor classifies its lease contract as operating lease or financial lease. Financial lease is the lease when it transfers practically all risks and benefits related to title to the underlying asset. Operating lease is the lease that does not transfer practically all risks and benefits related to title to the underlying asset. The lessor applies criteria that separately or together result in classification of lease as financial lease:

- The title to underlying asset is transferred to the lessee as the end of lease term;
- The lessee has a right to buy the underlying asset at a price that is significantly lower than fair value as at the date of realization of this right, and there is a reasonable certainty at commencement of lease that this right would be realized;
- Lease term covers larger part of useful life of underlying asset even if the title would not be transferred;
- At the lease commencement current value of minimal lease payments is almost equal to fair value of leased underlying asset;
- Leased underlying assets are of specialized nature so that only the lessee can use them without significant modification.

The lessor classifies the lease as at lease commencement date and revises it only in case of lease modification. Change of evaluation or change of circumstances do not cause new classification of lease. At the commencement of lease term, the lessor recognizes assets as transferred to financial lease as a loan issues in the amount of net investment into lease and derecognizes the object of financial lease. The lessor calculates net investment into lease as current value of lease payments and current value of non-guaranteed salvage value of the asset, discounted using the probable interest rate set by the contract. Initial direct expenses are included into initial valuation of net investment. The Admissible interest rate under a lease must be defined to automatically include initial direct expenses into net investment into lease without separate addition. For the lessor lease payments include any guarantees of salvage value issued by the lessee, a party related to the lessee or a third non-related party financially able to meet its liabilities under the guarantee. Lease payments do not include payments for components that are not related to lease.

The lessor recognizes financial income during the lease term based on the model reflecting stable periodic profitability rate of net investments into the lease. The lessor applies the requirements of IFRS 9 *Financial Instruments* regarding impairment of net investment into lease by forming an allowance for ECL.

The lessor disclosed financial lease modification as a separate contract if both terms below are met:

- Modification increases scope of lease adding the right to use one or more underlying assets; and
- Compensation for lease increases by amount comparable to separate price of extension of scope of lease and respective adjustments of this separate price to reflect the circumstances of a specific contract.

The lessor discloses the modification depending on classification of modified lease contract:

- If the lease were classified as operating, and this modification would have been valid as at lease commencement date, the lessor discloses the modification as a new lease as of the date of lease modification. The lessor measures carrying amount of underlying asset as net investment into lease directly before the date when modification becomes valid;
- If the lease were classified as financial, and this modification would have been valid as at lease commencement date, the lessor discloses net investment into lease in accordance with requirements of IFRS 9 *Financial Instruments*.

The lessor discloses an object of financial lease returned in accordance with the terms of the contract at non-guaranteed salvage value posting it at respective accounts for fixed and intangible assets. The lessor discloses noncurrent assets under operating lease at balance sheet accounts for fixed assets with respective depreciation charged. The lessor recognizes lease payments under operating lease as income on straight line basis. The lessor includes initial direct expenses incurred at entering into operating lease contract to carrying amount of underlying asset and recognizes then during the lease term similar to recognition of lease income. The lessor impairs underlying assets under operating lease similar to its other assets.

The lessor revises criteria of classification of operating lease as at the date of lease modification. The lessor discloses modification of operating lease as new lease contract as of the date of modification if it corresponds to criteria of recognition of a lease. The lessor discloses all payments made earlier or accrued lease payments related to initial payments as a part of lease payments under the new lease.

4.12. Derivative financial instruments

The Bank performed transactions with derivatives entering into currency swap contracts. The derivatives are disclosed at fair value. Transactions on sale and purchase of one currency or bank metals for other currency under the buy-back term (currency swap) are disclosed at off-balance sheet accounts as requirement to receive one currency and bank metals and obligation to supply other currency or bank metals. When making settlements under the first conversion transaction, the Bank at the same time makes reversal postings at off-balance sheet accounts to account for these conversion transactions at its balance sheet. The Bank continues to account for the second conversion transaction until contractual terms are met in full. Revaluation to fair value under the second conversion transaction is made at least once per month for each reporting date and at the date of closing of the transaction. Results of transaction are disclosed in the statement of profit or loss and other comprehensive income.

4.13. Attracted funds

Attracted funds are financial liabilities of the Bank. In accordance with items of the statement of financial position, the attracted funds include Due to banks (Note 11), Due to customers (Note 12) and other financial liabilities (Note 14). Attracted funds are subdivided by maturities into current liabilities, short-term and long-term liabilities.

The Bank recognizes financial liabilities in the statement of financial position only when it becomes a party under the contract for this instrument. Initially financial liabilities are measured at fair value including, as a rule, contractual price and contract-related expenses. Subsequently, the financial liabilities of the Bank are disclosed at amortized cost using an effective interest rate method except for cases disclosed in IFRS 9 *Financial Instruments*. As to current and short-term (up to 3 months) financial liabilities, an effective interest rate method may not be applied (except for financial liabilities received at non-market terms). Expenses under attracted financial liabilities are disclosed as interest expense in the statement of profit or loss and other comprehensive income. The Bank withdraws a financial liability (or a part of financial liability) from the statement of financial position when and only when it is settled, i.e., when the contractual liability is settled, annulled or terminated.

Exchange of debt instruments between existing borrower and lender at materially different terms are accounted for as settlement of initial financial liability and recognition of new financial liability. Similarly, significant change of terms of existing financial liability or its part (irrespective of whether it is the result of financial difficulties of the borrower) are accounted as settlement of initial financial liability and recognition of new financial liability. Difference between carrying amount of a financial liability (or a part of financial liability), settled or transferred to other party and compensation paid (including any non-cash assets transferred and liabilities accepted), including early termination of the contract, is recognized in profit or loss as other operating income (expenses).

If modification of financial liabilities does not result in derecognition of initial liability, the result of modification is disclosed at accounts of income (loss) from modification of liabilities. If modification results in derecognition of initial liability, the result of modification is disclosed at accounts of income (loss) from derecognition, if modification is performed at market terms. If modification is performed at non-market terms, the difference between carrying amount of initial liability and current value of future cash flows under new financial liability are disclosed as income (expenses) at initial recognition of financial liability at a value higher/lower than fair value.

4.14. Provisions and contingent liabilities

Provisions are liabilities of uncertain term or amount. Provisions are recognized as liabilities (if they can be reliably measured), as they are existing liability, and it is probable that settlement of this liability would require the outflow of resources representing economic benefits. The Bank recognizes provision if:

a) there is an obligation (legal or constructive) as a result of past event;
b) it is probable that outflow of resources, representing economic benefit would be required to settle the liability;
c) liability can be reasonably measured.

Contingent liability is the probable liability arising from past events, the existence of which can be confirmed only when uncertain future event or events, that are out of control of the entity, occur or do not occur, or existing liability arising from past events that is not recognized as it is improbable that outflow of resources, representing economic benefit would be required to settle the liability, or amount of liability cannot be reliably measured. Contingent liabilities are not recognized as liabilities as they are either probable liabilities (since it has to be confirmed that an entity has existing liability that may require the outflow of resources representing economic benefits) or existing liability that does not meet criteria of recognition (there is no probability of outflow of resources representing economic benefits necessary to settle the liability, or the amount of liability cannot be reliably measured).

The Bank reviews the amount of contingent liabilities and provisions formed as at the reporting date. As at the reporting date, the Bank formed a provision for deferred expenses under vacations of Bank employees (Note 14) and provision for litigation where the Bank is the defendant (Note 13, Note 28). Maturity of liabilities under above deferred expenses is not set, but it is expected that they will be met during the next year.

4.15. Income tax

Income tax includes current income tax and deferred income tax. The Bank calculated and pair current income tax in accordance with current tax laws at the rate of 18 % in 2020 - 2021. Income tax is disclosed in the statement of profit or loss and other comprehensive income in full except for transactions disclosed directly at equity accounts that are included into the other comprehensive income of the Bank.

Current income tax is calculated based on taxable income of the period at the income tax rate of respective period. Current income tax payable to the budget is disclosed in the statement of financial position as liability under current income tax.

Deferred tax is the amount of income tax recognized as deferred tax liability or deferred tax asset. Deferred tax is calculated for all temporary differences. Temporary difference is the difference between carrying amount of asset or liability in the statement of financial position and their tax base resulting in future increase or decrease of current income tax. Deferred tax assets and liabilities are calculated at the tax rate expected for the settlement of these assets and liabilities. The tax rate used to calculate deferred assets and liabilities as at 31.12.2021 and 31.12.2020 was 18%. Deferred taxes are disclosed in the statement of profit or loss and other comprehensive income as income (expenses) if they are not related to elements recognized in other comprehensive income. Deferred taxes under elements recognized in other comprehensive income are disclosed in other comprehensive income and statement of financial position as revaluation reserve.

Since the tax is paid to one tax body, 2921 deferred income tax was calculated as difference between deferred tax assets and liabilities as at the commencement of the year and end of the year taking into account changes in tax laws.

Information on current and deferred taxes is presented in Note 21.

4.16. Share capital and share premium

As at December 31, 2021, the fully paid share capital of the Bank is UAH 301 000 thousand and belongs to resident natural persons - shareholders. The nominal value of a share of the Bank is UAH 15,05. The Bank does not redeem shares from shareholders.

Information on share capital is presented in Note 15.

4.17. Recognition of income and expenses

Basic principles for accounting for income and expenses are principles of accrual, correspondence and prudence. Accrual and disclosure of interest, commission, other income and expenses is performed in accordance with IFRS. The Bank recognizes income and expenses if a financial result of a transaction on provision (receipt) of services can be reliably measured, and if income and expenses correspond to actual origination of debt under assets and liabilities. These terms are believed to be met in case of existence of contracts on provision of receipt of services, other documents confirming the services and state amount of income or expenses under the contract. Income is recognized to the extent of probability of inflow of economic benefits to the Bank. Income and expenses are recognized in the period to which they relate irrespective of inflow (outflow) of funds. Income and expenses are disclosed at accounts of accrued income (expenses) initial the moment of inflow (outflow).

Operating activities of the Bank generate interest and commission income and expenses, income from transactions with securities, income from repayment of written-off assets, income and expenses under currency transactions, expense for formation of special reserves and provisions, other operating income and expenses, general administrative expenses, income tax.

The following inflows from other parties are not recognized as income:

- Deposit under pledge or payment of the loan if it is covered by respective contract;
- Amount of inflow under commission contract;
- Advance paid under services or goods;
- Inflow that belongs to other parties;
- VAT, other taxes and dues payable to the budget and off-budget funds.

The following is not recognized as expenses and not included into the Statement of profit or loss and other comprehensive income:

- Payments under commission contracts;
- Advance paid for goods, works, services;
- Repayment of loans received, return of deposits.

Interest income (expenses) under financial assets (liabilities) at amortized cost are recognized using effective interest rate: interest at nominal rate is accrued daily, the same is true for amortization of discount (premium). Accrued income and amortization of discount (premium) are equal to recognized income (expenses) accrued using an effective interest rate.

Interest income and expenses under financial assets and liabilities on demand and up to 3 months are accrued at nominal interest rate.

Interest income under financial asset recognized as stage 3 of impairment is calculated based on effective interest rate adjusted for credit risk to amortized cost of this financial asset. Interest income under financial assets recognized as stages 1 and 2 of impairment is calculated on effective interest rate to gross carrying amount of financial asset. As to acquired or created credit-impaired assets, the Bank uses effective interest rate adjusted for credit risk to amortized cost of this financial asset as of their initial recognition.

Information on interest income and expenses is presented in Note 17.

Commissions that are integral to a financial instrument are disclosed as the component of respective financial instrument at accounts of discount (premium) and amortized to interest income using the effective interest rate during the life of instrument. Commissions under overdraft loans and renewable credit lines are disclosed at accounts of deferred income and amortized by straight-line method to interest income during the life of the credit. Commission income (expenses) under once-off services are usually recognized (paid) during the provision or by the fact of provision (receipt) of a services or by the fact of getting the contractual result without disclosure at accounts of accrued income (expenses).

Income (expenses) under continuing services is accrued each month during the validity of the contract on provision (receipt) of services. Income (expenses) under services, provided in stages, is accrued after termination of each stage of the transaction during the life of the contract on provision (receipt) of services. Commissions received under financial guarantees issued are amortized by straight-line method to commission income during the life of the contract.

Information on commission income and expenses is presented in Note 18.

Income and expenses are recognized and disclosed by cash method if the financial result of transaction cannot be reliably measured. Income (expenses) as fines and penalties is disclosed in the balance sheet of the Bank by the fact of their receipt (payment). Trading income under transactions on sale and purchase of currency and bank metals is calculated as difference between the purchase price or the selling price of a currency (bank metal) under the contract and cost of this currency (bank metal) at official rate as at the date of recognition. Income (expenses) accrued (received/paid) in foreign currency are recognized in UAH at the official UAH FX rate as at the date of recognition.

If a debt under accrued income is not paid within the contractual term, the unpaid income as of the next business day is accounted for a separate analytic accounts disclosing the accrued income as a debt overdue. Accrued but not received interest income is measured for impairment in the respective financial instrument.

If the debt under accrued income in transactions with customers becomes a bad debt, it is written off by decisions of the Management Board by consumption of formed provisions and allowances.

4.18. Foreign currency

The functional and reporting currency of the Bank is UAH.

Cash assets and liabilities are recalculated into functional currency of the Bank at official NBU FX rate as at respective reporting date. Foreign currency transactions are alco recorded in functional currency as at the date of transaction.

UAH FX rate used to disclose assets and liabilities in the financial statements as at the end of respective years was:

(UAH)

	December 31, 2021	December 31, 2020
USD	27,2782	28,2746
EUR	30,9226	34,7396
RUB	0,36397	0,37823
Gold (troy ounce)	49 115,22	53 200,92

Revaluation of all monetary items in foreign currency is done at each change of official FX rate of NBU. Results of revaluation are disclosed as Revaluation of foreign currency in the Statement of profit or loss and other comprehensive income. Foreign currency income and expenses of the Bank are disclosed at official NBU FX rate as at the date of recognition (accrual).

4.19. Assets under asset management

In 2021, the Bank engaged in trust banking operations with assets of the fund of financing of construction of type «A». Assets and liabilities under these transactions were separated from assets and liabilities of the Bank. They are accounted for at off-balance sheet accounts for which a separate balance sheet is prepared. Assets and liabilities under trust banking operations are disclosed in Note 27. The Bank receives a commission fee for the services to the above fund as a trustee (Note 18).

4.20. Employee benefits and related charges

The Bank makes the following payments to employees:
- Labor remuneration, including civil-law contracts and social insurance due;
- Social payments not related to labour duties;
- Payment for 5 first days of temporary disability;
- Payment for basic annual vacation;
- Payment for social and additional vacations in accordance with Ukrainian law;
- Discharge payments provided by current Ukrainian law;
- Medical insurance.

Costs of employee benefits, except for payment of annual vacations, are disclosed as expenses of the Bank when incurred (labour remuneration and social insurance) or when paid. The cost of social insurance is a certain percentage of respective payments, set by the law. In 2021, the rate of charge for social insurance of major employees was 22%, for disabled persons - 8,41% of payroll. The payment is disclosed as a short-term liability of the Bank until the moment of payment.

For payment for basic annual vacation and expenses under social insurance the Bank forms provision for vacation in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Note 14). Provision is calculated as factual amount payable to Bank employees for unused days of vacations and single social insurance due for respective category of employees applicable in the coming year.

4.21. Information on operating segments

A segment is a component of Bank business that can be separated and is related to provision of separate business or service (business segment), faces the risks and provides for profitability different from those inherent for other business segments. As the Bank operates solely in Ukraine, the reporting segments are separated by the following criteria:
- Segments *Corporate customers transactions* and *Retail bank transactions* – by type of customers;
- Segment *Transactions at financial markets* – by nature of legal environment.

Segment *Corporate customers transactions* include servicing of corporate current accounts, opening of deposits, issuance of overdrafts, loans and other types of financing of entities. Segment *Retail bank transactions* include provision of banking services on opening and servicing of current accounts of individuals, attraction of deposits, temporary use of bank strongboxes for storage of valuables, consumer and mortgage loans, transfer of cash without opening of account.

Segment *Transactions at financial markets* includes transactions with securities and transactions at interbank market.

Basis for allocation of Bank income and expenses by segments is internal financial reporting of the Bank. When calculating income and expenses of a segment, its assets and liabilities, the Bank uses amounts under items directly attributable to the segment and amounts that can be reasonably allocated to the segment. Allocation of administrative expenses that do not directly relate to a segment is done pro rata to income of respective segment.

In order to stimulate nosiness segments to take decisions on dynamics of assets and liabilities to reduce the risks of liquidity and optimize profit of the segment and the Bank, the Bank determines the results of business segments taking into account internal cost of resources used for conditional sale/purchase of free/excessive resources of business segments /by business segments (transfer income/expenses).

Fixed and intangible assets, capital investments, depreciation and amortization and other non-cash income/expenses are not allocated to respective segments for the purpose of internal reporting. Cash in Bank and at correspondent account in NBU are not allocated to respective segments.

Information on reporting segments, their income and expenses, assets and liabilities are presented in Note 24.

4.22. Related party transactions

In accordance with IAS 24 *Related Party Disclosures* that parties are related if they are under common control or if a party controls another one or can significantly affect the financial and operating decisions of the other party.

When reviewing each possible case of related party transactions, the Bank looks at the essence of relations rather than the legal form. The Bank performs bank transactions with shareholders and other related parties in the course of its usual operations. These transactions include cash settlements, provision of loans, attraction of deposits, financing of commercial operations and currency transactions. The list of related parties is prepared based on available information in accordance with internal regulations of the Bank based at IAS 24.

Contracts with related parties do not provide for terms other than current market terms. Contracts of the Bank with the related parties at non-current market terms are recognized as invalid as of the moment of signing. Rules of related party transactions are stated in internal Bank regulations.

Information on related party transactions is presented in Note 31.

4.23. Major accounting estimates and judgements applied

Preparation of financial statements requires formation of judgements, estimates and assumptions affecting application of principles of accounting policies, amounts of assets and liabilities, income and expenses disclosed in the financial statements, as well as disclosure of information on potential assets and liabilities. Judgements are adjusted and based on prior experience of Bank experts and other factors including future events which can be reasonably expected in the present situation. Professional judgements with the most significant effect on amounts disclosed in the financial statements and estimates that may result in significant adjustments of carrying amount of assets and liabilities in subsequent periods include:

Going concern

As at the date of preparation and approval of these financial statements, the ability of the Bank to continue as going concern was not much affected; still, military aggression of russia against Ukraine may have a significant impact on financial position and performance of the Bank and its counterparts. Subsequent developments, the period of termination of these acts and their impact are uncertain resulting in the existence of significant uncertainty that may cast a doubt on the ability of the Bank to continue as a going concern in future.

The Plan of provision for going concern and the Plan of renewal of operations were activated for immediate implementation of steps to restore financial stability if the financial position of the Bank deteriorates and/or stress situation occurs. Nowadays, the Bank team concentrates on clear and reasonable actions in the situation of martial law. Bank branches continue to operate in cities not affected by active hostilities providing all bank services in accordance with NBU regulatory requirements. Operation of branches with the higher threat to fives of customers and Bank employees (e.g., in Kharkiv) is temporarily stopped, customers are services remotely in other regions where the Bank operates.

The Bank survived after numerous cyberattacks growing in number during the war. Actual plan of the Bank regarding provision of uninterrupted operation made it possible to quickly organize reliable communication channels and power supply, save customers data and restart infrastructure, i.e., implement all necessary steps to adapt to new situation. Implementation of anti-crisis measures in accordance with the Plan of provision for uninterrupted operation reduced the initial shock of war by uninterrupted functioning of all Bank systems.

Major task for the Bank is provision of uninterrupted and reliable Bank work as a component of financial system of the country, stable functioning of objects of critical infrastructure and maximal support of Ukrainian Armed Forces. As a result of hostilities and their subsequent escalation, the Bank nay suffer losses through difficulties in compensation of asses, accumulation of debts under loans and other active transactions by debtors, disappearance of active market for certain assets, etc. Besides, the losses may be suffered from physical loss of assets that support transactions and Bank activities.

Still, the factors presented above and separately disclosed in Note 32 *Subsequent Events* provide for reasonable assurance of management regarding the ability of the Bank to continue as going concern.

Initial recognition of financial assets and liabilities

In accordance with IFRS 9 *Financial Instruments* financial assets and liabilities are initially recognized at fair value. If there is no active market of such transactions, the Bank applies professional judgement to determine whether the transactions use market or non-market interest rates. Basis for these judgements is pricing of similar transactions between independent and knowledgeable parties in usual course of business, interest rates of the Bank for financial instruments with similar terms and analysis of effective interest rate.

Impairment of financial assets and allowance for ECL

Allowance for ECL is formed in an amount equivalent to expected loss for all financial assets recognized at amortized cost, all equity instruments at fair value through other comprehensive income (FVOCI), while ECL under loan commitments and financial guarantees are disclosed at different stages.

Information on judgements made in application of accounting policies that have the most significant effect on amounts recognized in these financial statements and significant assumptions is presented in the following Notes:

- Going concern – Note 4;
- Criteria of measurement whether there is a significant increase of credit risk under financial asset as of its initial recognition, selection of methodology of inclusion of forest information into measurement of ECL, selection and approval of models used to measure ECL – Note 7.

Management uses estimates based on prior experience of losses for assets with characteristics of credit risk and objective signs of impairment similar to a particular portfolio when determining future cash flows. When determining whether is it necessary to disclose an impairment loss in profit or loss of the year, the Bank applies an assumption whether there are data indication decrease of expected future cash flows under loan portfolio that may be measured before this decrease may be compared with a specific asset in the portfolio. Estimation of terms and amounts of future cash flows does not take into account the effect of hostilities and possible consequences in the event of their escalation. The amount of allowance for ECL may increase if the above events are taken into account and estimates of future cash flows change, including quality of debt servicing. Estimation of cash flows from sale of collateral is based on the terms recognized by Bank experts, although they may differ from factual timing and amounts of inflows.

Fair value of collateral

The fair value of buildings and facilities (real estate) used as collateral under loans is measured by the Bank at market value. As at the reporting date, there is no active market for real estate and current standards and rules of appraisal of real estate do not contain an algorithm of determination of market value, the value of pledged real estate is measured as estimated value based on comparative methos or method of capitalization of income supported by professional opinion of appraisers rather than market factors. Changes of these assumptions may affect the fair value of collaterals under loans.

Determination of useful lives of fixed assets and salvage value

Useful lives and salvage value of fixed assets are measured based on prior experience of use of similar functional groups of fixed assets. Still, the factual term of use of a particular fixed asset and its salvage value may differ from pre-set useful life and salvage value of respective group resulting in existence of fully depreciated fixed assets or derecognition of fixed assets before termination of their useful lives.

Determination of lease terms and rate of additional borrowing

The Bank takes into account all available facts and circumstances that result in origination of economic stimulus to Implement the option to extend lease or not to implement the option to terminate lease. As a rule, term of lease is based on respective contracts being 3 years. Still, if the lease contract includes unconditional right of lessee to extend lease, the Bank determines uncancellable lease term based on management judgement regarding the term of use of leased asset that is not higher that option to extend lease stated in the contract.

The Bank as a lessee uses the discount rate directly stated in respective contract as at the lease commencement date or its modification to measure its lease liability. If a contract does not state the rate, the Bank uses the rate of additional borrowing of lessee based on judgement of Bank experts that corresponds to the rate at which the Bank intends to attract funds for respective period. These assumptions may affect the determination of lease liability and right-of-use asset as at the moment of recognition or modification of lease contract.

Fair value of assets and liabilities

The fair value of financial assets and liabilities disclosed in the statement of financial position is measured based on active market prices. If there are no active market prices, fair value is measured based on different models and calculations. Input data, if any, for such models and calculations are based on observable market data. If there is no information on an open market, measurement of fair value shall be based on judgement of respective management experts. Additional information on fair value is presented in Note 28.

Note 5. New and revised standards

The accounting policies applied is similar to the accounting policies used in the previous reporting year except for new standards in force as of January 1, 2021. The Bank did not apply, and standards, interpretation or amendments issued but not in force yet.

Below is the information on standards applied by the Bank in the reporting period that did not have a significant effect on Bank activity.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 - Amendments provide for temporary relief to be used to prevent the effect of replacement of IBOR by a nearly risk-free alternative benchmark rate. Amendment provide for the following: 1. Simplification of practical expedient when a change of contractual terms or change of cash flows should be treated as a change of floating interest rate equivalent to change of market interest rate; 2. Changes required by IBOR reform for description of hedged item, related documentation without termination of hedging relationship; 3. Entities have a temporary relief from the need to comply with requirements to separately identified components when an instrument with non-risk rate are viewed as a risk components in hedging relationship.

Amendment to IFRS 16 Covid-19-Related Rent Concessions valid after June 30, 2021. In May 2020, IASB issued amendment to IFRS 16 *Covid-19-Related Rent Concessions*. This amendment relieves the lessees from application of requirements of IFRS 16 in case of Covid-19-related rent concessions. As a simplification of practical nature, a lessee may decide not to analyse whether Covid-19-related rent concession offered by a lessor is the modification of rent contracts. A lessee taking this decision must account for any change in lease payments related to Covid-19-related concession, in a way similar to accounting under IFRS 16 when it is not a lease modification. Initially, it was expected that the amendment would be applicable until June 30, 2021. Still, IASB decided to extend this simplification of practical expedient until June 30, 2022, due to continuing effect of Covid-19 pandemics. The new amendment is effective for annual reporting periods starting as of April 1, 2021, or at a later date. The Bank had no Covid-19-related rent concessions but plans to apply simplification of practical nature in the permissible period, if needed.

New accounting provisions

The Bank did not apply new standards and interpretations mandatory for annual periods staring on January 1, 2022, or at a later date:

Amendments to IAS 1 Classification of liabilities as current and non-current – in January 2020 IASB approved amendments to pp., 69 - 76 of IAS 1. Amendments explain the following: what should be understood as the right to delay the settlement of liability; the right to settle the liability should exist as at the end of reporting period; classification of liabilities is not affected by probability of use of an entity right to delay settlement; terms of liability do not affect its classification if the derivative embedded in the liability is equity instrument. The amendments are valid for annual periods starting on January 1, 2023, or at a later date. The Bank analyses the possible effect of these amendments to current classification of liabilities.

In May 2020, IASB published amendments to the following standards valid for annual periods starting on January 1, 2022, or at a later date:

Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. These amendments replace *Conceptual Framework for Financial Reporting (Conceptual Framework)* of 1989 by *Conceptual Framework for Financial Reporting* of March 2018 without other significant amendments to the standard. IASB also included an exemption from principle of recognition in IFRS 3 to prevent origination of potential 2nd day profit or loss for liabilities and contingent liabilities under IAS 37 or IFRIC 21 *Levies* that may arise in certain transactions. At the same time, IASB explained current requirements related to contingent assets that would not be affected by referencing to *Conceptual Framework for Financial Reporting*. These amendments are applicable for annual periods starting as of January 1, 2022, or at a later date, and are to be applied prospectively. The amendments would not affect the financial statements of the Bank.

Amendments to IAS Property, Plant and Equipment - Proceeds before Intended Use

In May 2020, IASB published the paper *Property, Plant and Equipment: Proceeds before Intended Use*, which prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments are applicable for annual periods starting as of January 1, 2022, or at a later date, and are to be applied retrospectively to those assets that are ready for intended use as the initial date (or after it) of the earliest financial reporting period, when an entity applies these amendments for the first time. The amendments would not affect the financial statements of the Bank.

Amendments to IAS 8 – Accounting Estimates - in February 2021, IASB issued amendments to IAS 8, introducing definition of accounting estimates. The amendments explain the difference between changes in accounting estimates and changes in accounting policies and correction of errors. Besides, the amendments explain how entities should use methods of measurement and input data to develop accounting estimates. These amendments are applicable for annual periods starting as of January 1, 2022, or at a later date, and are to be applied to changes in accounting policies and accounting estimates as at the beginning of the above period or later on. Earlier application is permitted if this fact is disclosed. The amendments would not affect the financial statements of the Bank.

Amendments to IAS 1 and Practical Recommendation № 2 on application of IFRS – Disclosure of Information on Accounting Policies - In February 2021, IASB issued amendments to IAS 1 and Practical Recommendations № 2 on application of IFRS *Forming of Judgements on Materiality*, with guidance and examples to assist entities in application of judgment on materiality when disclosing information on accounting policies. The amendment would assist entities to disclose more useful information on accounting policies by replacement of requirements to disclose major provisions of accounting policies by requirement to disclose material information on accounting policies, including recommendations how entities should apply notion of materiality when making decision regarding disclosure of information on accounting policies. These amendments are applicable for annual periods starting as of January 1, 2023, or at a later date, earlier application is permitted. Practical recommendations №2 on application of IFRS contain non-obligatory guidance application of judgment on materiality when disclosing information on accounting policies. Currently, the Bank analyses the effect of these amendments on disclosure of information on accounting policies.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Costs of Fulfilling a Contract - In May 2020, IASB issued amendments to IAS 37 explaining what costs should be taken into account when an entity determines whether a contract is onerous or unprofitable. Amendments provide for an approach based of costs directly related to contract. Costs directly related to the contract on the supply of goods or services include incremental costs to fulfil the contract and allocated costs that relate directly to fulfilling the contract. General and administrative expenses are not directly related to contract and, thus, they are excluded except for cases when they clearly are to be compensated for by the counterpart. These amendments are applicable for annual periods starting as of January 1, 2022, or at a later date retrospectively. The Bank shall apply these amendments to contracts where its obligations are not met yet as at the date of commencement of the annual reporting period when their amendments are initially applied.

Amendments to IAS 12 Income Taxes **–** deferred assets related to assets and liabilities generated by the same transaction. These amendments are applicable for annual periods starting as of January 1, 2023.

Annual IFRS cycle 2018-2020 (published in May 2020 and applicable to annual periods as of January 1, 2022):

IFRS 1 First-time Adoption of International Financial Reporting Standards – the amendment permits a subsidiary to measure cumulative translation differences when a subsidiary applies IFRS 1 later than its parent company. The above amendment will not affect the financial statements of the Bank.

IFRS 9 Financial Instruments – the amendment explains what commission fee should be considered when an entity assesses whether terms of new or modified financial liability materially differ from terms of initial financial liability. This fee includes only commission fee paid or received between certain creditor and borrower, including commission fee paid or received by creditor or borrower in the name of a third party. Entities should apply this amendment for financial liabilities modified or changed as at the opening date (or after it) of the annual reporting period, when an entity applies this amendment for the first time. These amendments are applicable for annual periods starting as of January 1, 2022, or at a later date. The Bank shall apply this amendment for financial liabilities modified or changed as at the opening date (or after it) of the annual reporting period, when it applies this amendment for the first time. The above amendment will not have a significant effect on the financial statements of the Bank.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(UAH’000.)

		December 31, 2021	December 31, 2020
1	Cash	572 631	408 167
2	Funds in NBU	10 795	13 926
3	Correspondent accounts in banks:	54 188	34 431
3.1	Ukraine	23 806	8 422
3.1.1	Including allowance	(378)	(7 649)
3.2	Other countries	30 382	26 009
3.2.1	Including allowance	(381)	(1 572)
4	NBU deposit certificates	470 103	100 014
5	Overnight loans in the banks:	-	122 206
5.1	Including allowance	-	(2 826)
6	**Total cash and cash equivalents**	**1 107 717**	**678 743**

For the purpose of the statement of cash flows item *Cash and cash equivalents* are disclosed net of allowance for ECL at correspondent accounts in other banks and overnight loans from banks in accordance with IFRS 9 of UAH 759 thousand as at December 31, 2021 (December 31, 2020 – UAH 12 047 thousand). Bank metal in ingots and coins of foreign states are included into *Other assets*.

Overnight loans to other banks are disclosed at amortized cost.

Table 6.2. Changes of allowance for ECL of funds at correspondent accounts in banks

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Allowance for ECL as at December 31, 2019**	**(2 808)**	**-**	**-**	**(2 808)**
2	New assets	-	-	(44)	(44)
3	Total effect of transfer between stages	96	-	(8 584)	(8 488)
3.1	Transfer to stage 3	96	-	(8 584)	(8 488)
4	Changes in estimation of credit risk	2 225	-	13	2 238
5	FX difference under allowances	(106)	-	(13)	(120)
6	**Allowance for ECL as at December 31, 2020**	**(593)**	**-**	**(8 628)**	**(9 221)**
7	New assets	(5)	-	-	(5)
8	Repaid assets	1	-	-	1
9	Total effect of transfer between stages:	(85)	(52)	8 628	8 491
9.1	Transfer to stage 1	(85)	-	7 473	7 388
9.2	Transfer to stage 2	-	(52)	1 155	1 103
10	Changes in estimation of credit risk	(431)	(393)	-	(824)
11	FX difference under allowances	406	393	-	799
12	**Allowance for ECL as at December 31, 2021**	**(707)**	**(52)**	**-**	**(759)**

Table 6.3. Changes of allowance for ECL under overnight loans to banks

		Stage 1	Total
1	**Allowance for ECL as at December 31, 2019**	**-**	**-**
2	New assets	(2 826)	(2 826)
3	**Allowance for ECL as at December 31, 2020**	**(2 826)**	**(2 826)**
4	Repaid assets	2 826	2 826
5	**Allowance for ECL as at December 31, 2021**	**-**	**-**

Table 6.4. Change of gross carrying amount of balances at correspondent accounts in banks

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**147 414**	**-**	**-**	**147 414**
2	New assets	-	-	44	44
3	Total effect of transfer between stages	(2 862)	-	2 862	-
3.1	Transfer to stage 3	(2 862)	-	2 862	-
4	Change of components of gross carrying amount	(109 528)	-	5 722	(103 805)
5	**Balance as at December 31, 2020**	**35 024**	**-**	**8 628**	**43 652**
6	New assets	285	-	-	285
7	Repaid assets	(51)	-	-	(51)
8	Total effect of transfer between stages:	7 473	1 155	(8 628)	-
8.1	Transfer to stage 1	7 473	-	(7 473)	-
8.2	Transfer to stage 2	-	1 155	(1 155)	-
9	Change of components of gross carrying amount	9 173	1 888	-	11 061
10	**Balance as at December 31, 2021**	**51 904**	**3 043**	**-**	**54 947**

Table 6.5. Change of gross carrying amount of overnight loans to the banks

(UAH’000)

		Stage 1	Total
1	**Balance as at December 31, 2019**	-	-
2	New assets	125 032	125 032
3	**Balance as at December 31, 2020**	**125 032**	**125 032**
4	Repaid assets	(125 032)	(125 032)
5	**Balance as at December 31, 2021**	**-**	**-**

Table 6.6. Changes of gross carrying amount of NBU deposit certificates

(UAH’000)

		Stage 1	Total
1	**Balance as at December 31, 2019**	**376 580**	**376 580**
2	New assets	100 014	100 014
3	Repaid assets	(376 580)	(376 580)

		Stage 1	Total
4	**Balance as at December 31, 2020**	**100 014**	**100 014**
5	New assets	470 103	470 103
6	Repaid assets	(100 014)	(100 014)
7	**Balance as at December 31, 2021**	470 103	470 103

Table 6.7. Credit quality of funds at correspondent accounts in banks as at December 31, 2021

(UAH’000)

		Stage 1	Stage 2	Total
1	Minimal credit risk	51 904	3 043	54 947
2	**Total, including allowance**	**51 904**	**3 043**	**54 947**
3	Allowance for ECL	(707)	(52)	(759)
4	**Total, net of allowance**	**51 197**	**2 991**	**54 188**

Table 6.8. Credit quality of funds at correspondent accounts in banks as at December 31, 2020

(UAH’000)

		Stage 1	Stage 3	Total
1	Minimal credit risk	35 024	8 628	43 652
2	**Total, including allowance**	**35 024**	**8 628**	**43 652**
3	Allowance for ECL	(593)	(8 628)	(9 221)
4	**Total, net of allowance**	**34 431**	**-**	**34 431**

Table 6.9. Credit quality of NBU deposit certificates as at December 31, 2021

(UAH’000)

		Stage 1	Total
1	Minimal credit risk	470 103	470 103
2	**Total, including allowance**	**470 103**	**470 103**
3	**Total, net of allowance**	**470 103**	**470 103**

Table 6.10. Credit quality of NBU deposit certificates as at December 31, 2020.

(UAH’000)

		Stage 1	Total
1	Minimal credit risk	100 014	100 014
2	**Total, including allowance**	**100 014**	**100 014**
3	**Total, net of allowance**	**100 014**	**100 014**

Table 6.11. Credit quality of overnight loans to other banks as at December 31, 2020

(UAH’000)

		Stage 1	Total
1	Minimal credit risk	125 032	125 032
2	**Total, including allowance**	**125 032**	**125 032**
3	Allowance for ECL	(2 826)	(2 826)
4	**Total, net of allowance**	**122 206**	**122 206**

Note 7. Loans and due from customers

The Bank classifies loan transactions by types of counterparts: entities (including private entrepreneurs) and individuals. Loans to individuals are subdivided by types of loans: mortgage loans and consumer loans (including overdraft). Loans to legal entities (including private entrepreneurs) and individuals are disclosed at amortized cost.

During the year, the credit policy of the Bank was to increase crediting of entities. The balances under the respective group of loans are presented below.

Table 7.1. Loans and due from customers

(UAH’000)

		December 31, 2021	December 31, 2020
1	Loans to legal entities (including private entrepreneurs)	1 935 327	1 193 835

		December 31, 2021	December 31, 2020
2	Mortgage loans to individuals	13 426	5 514
3	Consumer loans	176 428	79 801
4	**Loans and due from customers before formation of allowance**	**2 125 181**	**1 279 150**
5	Allowance for ECL	(281 569)	(307 053)
6	**Total loans net of allowance**	**1 843 613**	**972 097**

As at December 31, 2021, total loans and due from 5 largest borrowers/groups of borrowers of the Bank was UAH 424 624 thousand (December 31, 2020 – UAH 305 633 thousand) or 20% of credit portfolio of the Bank (December 31, 2020 – 24%).

Table 7.2. Credit quality of loans to legal entities (including private entrepreneurs) as at December 31, 2021.

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	Minimal credit risk	1 071 724	649 645	181 762	1 903 131
2	Low credit risk	-	341	-	341
3	High credit risk	-	-	38	38
4	Defaulted assets	-	-	31 817	31 817
5	**Total loans before allowance**	**1 071 724**	**649 986**	**213 616**	**1 935 327**
6	Allowance for ECL	(2 316)	(166 409)	(91 714)	(260 439)
7	**Total loans net of allowance**	**1 069 408**	**483 577**	**121 902**	**1 674 888**

Table 7.3. Credit quality of loans to legal entities (including private entrepreneurs) as at December 31, 2020

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	Minimal credit risk	414 194	525 344	168 930	1 108 468
2	Low credit risk	2 122	-	3 420	5 542
3	High credit risk	-	-	5 016	5 016
4	Defaulted assets	-	-	74 810	74 810
5	**Total loans before allowance**	**416 316**	**525 344**	**252 176**	**1 193 835**
6	Allowance for ECL	(9 324)	(144 304)	(139 905)	(293 533)
7	**Total loans net of allowance**	**406 992**	**381 039**	**112 271**	**900 302**

Table 7.4. Credit quality of mortgage loans to individuals as at December 31, 2021

(UAH’000)

		Stage 1	Stage 3	Total
1	Minimal credit risk	12 821	605	13 426
2	**Total loans before allowance**	**12 821**	**605**	**13 426**
3	Allowance for ECL	(71)	(79)	(151)
4	**Total loans net of allowance**	**12 750**	**526**	**13 276**

Table 7.5. Credit quality of mortgage loans to individuals as at December 31, 2020

(UAH’000)

		Stage 1	Stage 2	Total
1	Minimal credit risk	2 717	1 911	4 628
2	Defaulted assets		886	886
3	**Total loans before allowance**	**2 717**	**2 796**	**5 514**
4	Allowance for ECL	(39)	(372)	(411)
5	**Total loans net of allowance**	**2 678**	**2 425**	**5 102**

Table 7.6. Credit quality of consumer loans as at December 31, 2021

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	Minimal credit risk	121 004	16 882	19 942	157 829
2	Low credit risk	1 920	956	1 888	4 765

		Stage 1	Stage 2	Stage 3	Total
3	Medium credit risk	109	852	140	1 101
4	High credit risk	14	-	652	666
5	Defaulted assets	-	-	12 067	12 067
6	**Total loans before allowance**	**123 048**	**18 690**	**34 690**	**176 428**
7	Allowance for ECL	(520)	(3 931)	(16 528)	(20 979)
8	**Total loans net of allowance**	**122 529**	**14 759**	**18 162**	**155 449**

Table 7.7. Credit quality of consumer loans as at December 31, 2020

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	Minimal credit risk	53 776	3 850	7 656	65 282
2	Low credit risk	1 809	-	503	2 311
3	Medium credit risk	29	300	234	563
4	High credit risk	-	411	-	411
5	Defaulted assets	-	-	11 234	11 234
6	**Total loans before allowance**	**55 614**	**4 561**	**19 627**	**79 801**
7	Allowance for ECL	(282)	(1 795)	(11 031)	(13 108)
8	**Total loans net of allowance**	**55 332**	**2 766**	**8 595**	**66 693**

Table 7.8. Change of allowance for ECL under loans to legal entities (including private entrepreneurs)

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**(12 357)**	**(57 721)**	**(149 707)**	**(219 784)**
2	New assets	(8 534)	(120 738)	(29 920)	(159 192)
3	Repaid assets	8 129	42 487	35 519	86 135
4	Effect of transfer between stages:	2 861	(8 102)	(15 692)	(20 932)
4.1	Transfer to stage 1	(20)	533	-	513
4.2	Transfer to stage 2	1 543	(9 218)	580	(7 096)
4.3	Transfer to stage 3	1 338	583	(16 272)	(14 350)
5	Changes in estimates of credit risk	719	1 923	29 712	32 354
6	Effect of adjustment of accrued interest at affective rate	-	-	(20 631)	(20 631)
7	Write-off of assets by consumption of allowance	-	-	7 455	7 455
8	FX differences under allowance	(142)	(2 153)	(696)	(2 992)
9	Cession	-	-	4 055	4 055
10	**Balance as at December 31, 2020**	**(9 324)**	**(144 304)**	**(139 905)**	**(293 533)**
11	New assets	(2 040)	(154 349)	(63 870)	(220 259)
12	Repaid assets	8 169	73 743	81 740	163 652
13	Effect of transfer between stages:	98	23 614	(3 675)	20 037
13.1	Transfer to stage 1	(232)	24 758	-	24 525
13.2	Transfer to stage 2	249	(1 143)	1 055	160
13.3	Transfer to stage 3	82	-	(4 731)	(4 649)
14	Changes in estimates of credit risk	490	33 923	196	34 610
15	Effect of adjustment of accrued interest at affective rate	-	-	(13 324)	(13 324)
16	Write-off of assets by consumption of allowance	-	-	36 116	36 116
17	FX differences under allowance	292	963	103	1 358
18	Cession	-	-	10 904	10 904
19	**Balance as at December 31, 2021**	**(2 316)**	**(166 409)**	**(91 714)**	**(260 439)**

Table 7.9. Changes of allowance for ECL under mortgage loans to individuals

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**(23)**	**(670)**	**-**	**(693)**
2	New assets	(26)	-	-	(26)

		Stage 1	Stage 2	Stage 3	Total
3	Repaid assets	-	10	-	10
4	Effect of transfer between stages	6	660	(372)	294
4.1	Transfer to stage 3	6	660	(372)	294
5	Changes in estimates of credit risk	3	-	67	70
6	Effect of adjustment of accrued interest at affective rate	-	-	(67)	(67)
7	**Balance as at December 31, 2020**	**(39)**	**-**	**(372)**	**(411)**
8	New assets	(68)	-	-	(68)
9	Repaid assets	25	-	-	25
10	Changes in estimates of credit risk	12	-	344	356
11	Effect of adjustment of accrued interest at affective rate	-	-	(52)	(52)
12	**Balance as at December 31, 2021**	**(71)**	**-**	**(79)**	**(151)**

Table 7.10. Changes of allowance for ECL under consumer loans

(UAH’000.)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**(182)**	**(2 962)**	**(6 996)**	**(10 141)**
2	New assets	(197)	(715)	(1 725)	(2 637)
3	Repaid assets	65	1 518	855	2 439
4	Effect of transfer between stages:	27	(68)	(4 144)	(4 186)
4.1	Transfer to stage 1	-	329	-	329
4.2	Transfer to stage 2	7	(901)	-	(894)
4.3	Transfer to stage 3	20	504	(4 144)	(3 621)
5	Changes in estimates of credit risk	6	431	2 965	3 403
6	Effect of adjustment of accrued interest at affective rate	-	-	(2 565)	(2 565)
7	Write-off of assets by consumption of allowance	-	-	579	579
8	**Balance as at December 31, 2020**	**(282)**	**(1 795)**	**(11 031)**	**(13 108)**
9	New assets	(341)	(1 943)	(2 969)	(5 254)
10	Repaid assets	69	201	1 359	1 628
11	Effect of transfer between stages:	25	(695)	(4 356)	(5 026)
11.1	Transfer to stage 1	(1)	302	-	301
11.2	Transfer to stage 2	7	(1 476)	-	(1 469)
11.3	Transfer to stage 3	19	479	(4 356)	(3 858)
12	Changes in estimates of credit risk	10	301	4 331	4 641
13	Effect of adjustment of accrued interest at affective rate	-	-	(4 293)	(4 293)
14	Write-off of assets by consumption of allowance	-	-	432	432
15	**Balance as at December 31, 2021**	**(520)**	**(3 931)**	**(16 528)**	**(20 979)**

Table 7.11. Changes of gross carrying amount of loans to legal entities (including private entrepreneurs) through impairment

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**553 670**	**245 402**	**211 733**	**1 010 805**
2	New assets	379 145	426 926	77 689	883 760
3	Repaid assets	(403 865)	(160 487)	(48 377)	(612 729)
4	Effect of transfer between stages:	(96 266)	49 078	47 188	-
4.1	Transfer to stage 1	2 369	(2 369)	-	-
4.2	Transfer to stage 2	(54 715)	56 021	(1 306)	-
4.3	Transfer to stage 3	(43 920)	(4 574)	48 494	-
5	Change of components of gross carrying amount	(16 368)	(35 576)	(24 538)	(76 482)
6	Write-off of assets by consumption of allowance	-	-	(7 465)	(7 465)
7	Cession	-	-	(4 055)	(4 055)
8	**Balance as at December 31, 2020**	**416 316**	**525 344**	**252 176**	**1 193 835**
9	New assets	834 567	544 523	178 051	1 557 140
10	Repaid assets	(275 712)	(233 381)	(127 182)	(636 275)
11	Effect of transfer between stages	94 277	(93 283)	(994)	-

		Stage 1	Stage 2	Stage 3	Total
11.1	Transfer to stage 1	123 485	(122 259)	(1 227)	-
11.2	Transfer to stage 2	(25 870)	28 975	(3 106)	-
11.3	Transfer to stage 3	(3 338)	-	3 338	-
12	Change of components of gross carrying amount	2 277	(93 216)	(41 414)	(132 353)
13	Write-off of assets by consumption of allowance	-	-	(36 116)	(36 116)
14	Cession	-	-	(10 904)	(10 904)
15	**Balance as at December 31, 2021**	**1 071 724**	**649 986**	**213 616**	**1 935 327**

Table 7.12. Changes of gross carrying amount of mortgage loans to individuals through impairment

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**3 819**	**3 141**	**-**	**6 960**
2	New assets	1 569	-	-	1 569
3	Repaid assets	-	(148)	-	(148)
4	Effect of transfer between stages:	(1 018)	(2 993)	4 010	-
4.1	Transfer to stage 3	(1 018)	(2 993)	4 010	-
5	Change of components of gross carrying amount	(1 653)	-	(1 214)	(2 867)
6	**Balance as at December 31, 2020**	**2 717**	**-**	**2 796**	**5 514**
7	New assets	11 860	-	-	11 860
8	Repaid assets	(1 334)	-	(1 911)	(3 245)
9	Change of components of gross carrying amount	(422)	-	(281)	(703)
10	**Balance as at December 31, 2021**	**12 821**	**-**	**605**	**13 426**

Table 7.13. Changes of gross carrying amount of consumer loans

(UAH’000)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at December 31, 2019**	**52 449**	**7 181**	**12 931**	**72 562**
2	New assets	36 209	2 045	5 214	43 468
3	Repaid assets	(21 769)	(4 673)	(3 309)	(29 751)
4	Effect of transfer between stages:	(7 014)	531	6 483	-
4.1	Transfer to stage 1	459	(459)	-	-
4.2	Transfer to stage 2	(2 158)	2 158	-	-
4.3	Transfer to stage 3	(5 315)	(1 168)	6 483	-
5	Change of components of gross carrying amount	(4 261)	(523)	(1 114)	(5 898)
6	Write-off of assets by consumption of allowance	-	-	(579)	(579)
7	**Balance as at December 31, 2020**	**55 614**	**4 561**	**19 627**	**79 801**
8	New assets	94 278	15 809	16 660	126 747
9	Repaid assets	(15 458)	(2 180)	(4 891)	(22 529)
10	Effect of transfer between stages:	(4 671)	185	4 486	-
10.1	Transfer to stage 1	431	(431)	-	-
10.2	Transfer to stage 2	(1 375)	1 375	-	-
10.3	Transfer to stage 3	(3 727)	(759)	4 486	-
11	Change of components of gross carrying amount	(6 714)	315	(760)	(7 159)
12	Write-off of assets by consumption of allowance	-	-	(432)	(432)
13	**Balance as at December 31, 2021**	**123 048**	**18 690**	**34 690**	**176 428**

Table 7.14. Structure of loans by types of business activity based on gross carrying amount

(UAH’000)

		December 31, 2021		December 31, 2020	
		amount	%	amount	%
1	Trade, repair of cars, household equipment and objects of private use	870 303	41	432 254	34
2	Production and construction	584 780	28	467 817	37
3	Transactions with property, lease, engineering and provision of services	183 860	9	92 897	7
4	Agriculture, hunting, forestry	154 955	7	145 291	11
5	Provision of financial services	107 182	5	22 804	2
6	Other	34 246	2	32 772	3
7	Individuals	189 854	9	85 315	7

		December 31, 2021		December 31, 2020	
		amount	%	amount	%
8	**Total loans and due from customers net of allowance**	**2 125 181**	**100**	**1 279 150**	**100**

Amounts and types of collateral demanded by the Bank depend on assessment of credit risk and financial position of a counterpart. Major types of collateral received include:

- Under loans to legal entities (including private entrepreneurs): residential or non-residential property, vehicles, inventories and property right to cash in Bank;
- Under loans to individuals: residential or non-residential property, property right to chattel and property, property rights to deposits.

The Bank receives guaranties from founders and directors of corporate borrowers and members of the family of individual borrower for additional strengthening of a loan. The Bank continuously monitors the market value of collaterals and revalues it based on the professional judgement of respective experts.

As at December 31, 2021, loans secured by customers funds in the Bank were UAH 149 879 thousand, as at December 31, 2020 – 100 770 thousand (Note 12).

Table 7.15. Loans by types of collateral as at December 31, 2021

(UAH’000)

		Loans to legal entities (including private entrepreneurs)	Mortgage loans to individuals	Consumer loans	Total
1	Unsecured loans	466 169	3 137	56 472	525 778
2	Loans secured by:	1 469 158	10 289	119 956	1 599 403
2.1	Cash	148 686	-	1 193	149 879
2.2	Property	873 862	10 289	114 724	998 875
2.2.1	Including residential	96 136	7 760	82 332	186 228
2.3	Other assets	446 610	-	4 039	450 649
3	**Total loans and due from customers net of allowance**	**1 935 327**	**13 426**	**176 428**	**2 125 181**

Table 7.16. Loans by types of collateral as at December 31, 2020

(UAH’000)

		Loans to legal entities (including private entrepreneurs)	Mortgage loans to individuals	Consumer loans	Total
1	Unsecured loans	252 358	1 356	43 222	296 936
2	Loans secured by:	941 478	4 158	36 579	982 215
2.1	Cash	100 194	-	577	100 771
2.2	Property	533 955	4 158	31 420	569 533
2.2.1	Including residential	81 398	4 158	18 520	104 076
2.3	Other assets	307 329	-	4 582	311 911
3	**Total loans and due from customers net of allowance**	**1 193 836**	**5 514**	**79 801**	**1 279 150**

Table 7.17. Value of collateral under loans as at December 31, 2021

(UAH’000)

		Loans with excessive collateral		Loans with insufficient collateral	
		Carrying amount of loan net of allowance	Value of collateral	Carrying amount of loan net of allowance	Value of collateral
1	Loans to legal entities (including private entrepreneurs)	1 258 543	2 417 609	676 784	210 616
2	Mortgage loans to individuals	10 289	15 370	3 137	-
3	Consumer loans	119 956	248 830	56 472	-
4	**Total loans**	**1 388 788**	**2 681 809**	**736 393**	**210 616**

Table 7.18. Value of collateral under loans as at December 31, 2020

(UAH’000)

		Loans with excessive collateral		Loans with insufficient collateral	
		Carrying amount of loan net of allowance	Value of collateral	Carrying amount of loan net of allowance	Value of collateral
1	Loans to legal entities (including private entrepreneurs)	686 573	1 425 703	507 263	254 905
2	Mortgage loans to individuals	4 158	11 493	1 356	-
3	Consumer loans	31 547	77 749	48 254	5 031
4	**Total loans**	**722 278**	**1 514 945**	**556 873**	**259 936**

Note 8. Investments in securities

Table 8.1. Investments in securities

(UAH’000)

		December 31, 2021	December 31, 2020
1	State bonds at amortized cost	1 878 033	1 023 290
2	**Total investments in securities**	**1 878 033**	**1 023 290**

As at 31 December 2021, the Bank holds domestic government bonds in USD in the total amount of USD 9 million with a nominal value of USD 1 thousand and in UAH in the total amount of UAH 1,575 million with a nominal value of UAH 1 thousand.

As at 31 December 2021, Ukrainian state bonds in the amount of UAH 1,104.8 million (USD 2 million in the amount of 2 thousand and UAH 1,050 million in the amount of 1,050 thousand) are pledged as collateral for the refinancing loan received by the Bank from the National Bank of Ukraine, and UAH 209.1 million (USD 1.96 million in the amount of 1.96 thousand and UAH 155.6 million in the amount of 155.6 thousand) are pledged as collateral for repurchase agreements with Ukrainian banks (Note 11).

Deposit certificates issued by the National Bank of Ukraine with original maturity of up to 90 days are included in "Cash and cash equivalents" as they are subject to insignificant risk of changes in value and are readily convertible to known amounts of money.

Table 8.2. Changes of gross carrying amount of investments in securities at amortized cost

(UAH’000)

		Stage 1	Total
1	**Balance as at December 31, 2019**	**188 505**	**188 505**
2	New assets	894 180	894 180
3	Repaid assets	(80 309)	(80 309)
4	Change of components of gross carrying amount	20 914	20 914
5	**Balance as at December 31, 2020**	**1 023 290**	**1 023 290**
6	New assets	1 725 497	1 725 497
7	Repaid assets	(870 262)	(870 262)
8	Change of components of gross carrying amount	(492)	(492)
9	**Balance as at December 31, 2021**	**1 878 033**	**1 878 033**

Table 8.3. Credit quality of investments in securities at amortized cost as at December 31, 2021

(UAH’000)

		Stage 1	Total
1	Minimal credit risk	1 878 033	1 878 033
2	**Total, allowance included**	**1 878 033**	**1 878 033**
3	**Total, net of allowance**	**1 878 033**	**1 878 033**

Table 8.4. Credit quality of investments in securities at amortized cost as at December 31, 2020

(UAH’000)

		Stage 1	Total
1	Minimal credit risk	1 023 290	1 023 290
2	**Total, allowance included**	**1 023 290**	**1 023 290**
3	**Total, net of allowance**	**1 023 290**	**1 023 290**

Note 9. Fixed assets, intangible assets and right-of-use assets

(UAH’000.)

		Buildings, facilities and transmitters	Machinery and equipment	Vehicles	Instruments, tools and fixtures (furniture)	Other fixed assets	Other noncurrent tangible assets	Capital investments in progress	Intangible assets	Right-of-use assets	Total
1	**Carrying amount as at December 31, 2019**	**49 457**	**19 468**	**8 933**	**5 618**	**1 207**	**1 137**	**2 827**	**5 116**	**21 210**	**114 974**
1.1	Historical (revalued) value	52 867	31 974	15 106	7 837	1 582	10 772	2 827	6 264	29 787	**159 016**
1.2	Depreciation as at the end of reporting period	(3 410)	(12 506)	(6 173)	(2 218)	(374)	(9 635)	-	(1 148)	(8 577)	**(44 041)**
2	Acquisitions	72	4 150	2 689	1 488	210	3 074	-	432	10 340	**22 455**
3	Capital investments into finalization of fixed assets and improvement of intangible assets	-	-	-	-	-	-	16 669	-	-	**16 669**
4	Disposals	-	(37)	(48)	(52)	(3)	-	-	-	(476)	**(616)**
5	Transfer	13 802	793	20	-	-	1 867	(16 481)	-	-	-
6	Depreciation and amortization	(2 066)	(5 334)	(1 724)	(915)	(137)	(3 573)	-	(556)	(12 925)	**(27 230)**
7	Modification of right-of-use asset	-	-	-	-	-	-	-	-	447	**447**
8	**Carrying amount as at December 31, 2020**	**61 264**	**19 040**	**9 870**	**6 140**	**1 277**	**2 505**	**3 016**	**4 992**	**18 596**	**126 700**
8.1	Historical (revalued) value	66 740	36 710	17 115	9 126	1 788	15 310	3 016	6 696	37 431	**193 933**
8.2	Depreciation as at the end of reporting period	(5 476)	(17 670)	(7 245)	(2 987)	(511)	(12 805)	-	(1 704)	(18 835)	**(67 232)**
9	Acquisitions	55 523	12 766	3 489	1 601	2 042	6 890	-	2 822	31 005	**116 138**
10	Capital investments into finalization of fixed assets and improvement of intangible assets	-	-	-	-	-	-	29 927	-	-	**29 927**
11	Disposals	-	(52)	-	(12)	(16)	-	-	-	-	**(80)**
12	Transfer	12 295	5 379	5 105	127	1 214	7 265	(31 385)	-	-	**-**
13	Depreciation and amortization	(2 770)	(6 674)	(2 308)	(1 020)	(282)	(10 286)	-	(759)	(15 057)	**(39 156)**
14	Modification of right-of-use asset	-	-	-	-	-	-	-	-	(9 454)	**(9 454)**
15	**Carrying amount as at December 31, 2021**	**126 313**	**30 459**	**16 156**	**6 835**	**4 235**	**6 374**	**1 558**	**7 055**	**25 090**	**224 076**
15.1	Historical (revalued) value	134 559	54 602	22 901	10 792	5 015	26 829	1 558	9 518	40 228	**306 002**
15.2	Depreciation as at the end of reporting period	(8 246)	(24 143)	(6 746)	(3 957)	(780)	(20 455)	-	(2 462)	(15 137)	**(81 926)**

As at the end of the day of December 31, 2021, historical value of fully depreciated fixed assets was UAH 23 077 thousand (31.12.2020 – UAH 21 306 thousand). The Bank does not have fixed assets legally limited in title, use or management. In 2021, fixed and intangible assets were not pledged as collateral. Carrying amount of intangible assets with undeterminable useful life as at December 31, 2021, was UAH 565 thousand (December 31, 2020 – UAH 565 thousand).

In the reporting year, the Bank acquired a part of the premises where the Bank head office is located at 5 (floors 3 – 4) Volodymyra Monomakha str., Dnipro for a total of UAH 55,1 mln. Information on carrying amount of lease liabilities and changes of carrying amount is presented in Note 14.

Note 10. Other assets

Table 10.1. Other assets

(UAH'000)

		December 31, 2021	December 31, 2020
1	Restricted cash and cash equivalents	35 234	27 649
2	Financial assets under settlements with customers	8 769	5 476
3	Receivables under currency transactions	643	421
4	Receivables under transactions with the banks	399	779
5	Receivables from banks being liquidated	320	320
6	**Total other financial assets before allowance**	**45 365**	**34 645**
7	Precious metals	29 850	34 012
8	Receivables under acquisition of assets	17 431	3 054
9	Deferred expenses	3 994	1 563
10	Inventories	3 959	5 259
11	Jubilee coins	2 855	2 638
12	Prepaid services	1 863	3 190
13	Receivables under settlements with Bank employees	71	99
14	Receivables under taxes and dues, except for income tax	30	-
15	Foreclosed assets received by the Bank as mortgagor	-	1 133
16	**Total other non-financial assets before formation of provision for impairment**	**60 052**	**50 948**
17	**Total other assets before formation of provision for impairment**	**105 417**	**85 594**
18	Provisions for impairment for other assets, including:	(1 638)	(4 549)
18.1	Allowance for other financial assets	(1 367)	(1 380)
18.2	Impairment losses of other non-financial assets	(271)	(3 169)
19	**Total other assets net of provision/impairment losses**	**103 779**	**81 045**

Table 10.2. Changes of provision for impairment of other assets

(UAH'000)

		Restricted cash and cash equivalents	Receivables under currency transactions	Financial assets under settlements with customers	Receivables from banks being liquidated	Receivables under settlements with Bank employees	Receivables under acquisition of assets	Prepaid services	Total
1	**Balance as at December 31, 2019**	**(655)**	**-**	**(325)**	**(327)**	**-**	**(194)**	**(572)**	**(2 073)**
2	Increase of provision for impairment losses during the period	108	(41)	(143)	-	(93)	(1 256)	(1 054)	(2 479)
3	Bad debts written off	-	-	20	6	-	-	-	26
4	FX difference under provisions	(23)	-	-	-	-	-	-	(23)
5	**Balance as at December 31, 2020**	**(570)**	**(41)**	**(448)**	**(320)**	**(93)**	**(1 450)**	**(1 626)**	**(4 549)**
6	(Increase)/decrease of provision for impairment losses during the period	18	(40)	(100)	-	26	1 422	1 450	2 856
7	Bad debts written off	-	-	38	-	-	-	-	38

		Restricted cash and cash equivalents	Receivables under currency transactions	Financial assets under settlements with customers	Receivables from banks being liquidated	Receivables under settlements with Bank employees	Receivables under acquisition of assets	Prepaid services	Total
8	FX difference under provisions	17	-	-	-	-	-	-	17
9	**Balance as at December 31, 2021**	**(535)**	**(1)**	**(448)**	**(320)**	**(67)**	**(28)**	**(176)**	**(1 638)**

Table 10.3. Credit quality of other assets as at December 31, 2021

(UAH’000)

Other financial assets

		Current	Days overdue: Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total other financial assets before allowance	Allowance for other financial assets	**Total other financial assets less allowance**
1	Restricted cash and cash equivalents	35 234	-	-	-	-	35 234	(535)	34 699
2	Receivables under transactions with banks	300	98	-	-	-	399	-	399
3	Financial assets under settlements with customers	8 219	60	21	12	457	8 769	(510)	8 259
4	Receivables under currency transactions	643	-	-	-	-	643	(1)	642
5	Receivables from banks being liquidated	-	-	-	-	320	320	(320)	-
6	**Total other financial assets**	**44 396**	**158**	**21**	**12**	**777**	**45 365**	**(1 367)**	**43 998**

Other non-financial assets

(UAH’000)

		Current	Days overdue: Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total other non-financial assets before allowance	Allowance for other non-financial assets
7	Receivables under acquisition of assets	-	2 300	42	15 090	17 431	(28)	17 403
8	Prepaid services	-	1 276	37	550	1 863	(176)	1 687
9	Precious metals	29 850	-	-	-	29 850	-	29 850
10	Jubilee coins	2 855	-	-	-	2 855	-	2 855
11	Inventories	3 959	-	-	-	3 959	-	3 959
12	Deferred expenses	3 994	-	-	-	3 994	-	3 994
13	Receivables under taxes and dues, except for income tax	30	-	-	-	30	-	30
14	Receivables under settlements with Bank employees	-	4	-	67	71	(67)	4
15	**Total other non-financial assets**	**40 688**	**3 580**	**79**	**15 707**	**60 052**	**(271)**	**59 781**

Table 10.4. Credit quality of other assets as at December 31, 2020

(UAH'000)

Other financial assets

		Current	Days overdue Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total other financial assets before allowance	Allowance for other financial assets	**Total other financial assets less allowance**
1	Restricted cash and cash equivalents	27 649	-	-	-	-	27 649	(570)	27 079
2	Receivables under transactions with banks	779	-	-	-	-	779	-	779
3	Financial assets under settlements with customers	5 019	51	11	1	393	5 476	(448)	5 028
4	Receivables under currency transactions	421	-	-	-	-	421	(41)	380
5	Receivables from banks being liquidated	-	-	-	-	320	320	(320)	-
6	**Total other financial assets**	**33 868**	**51**	**11**	**1**	**713**	**34 645**	**(1 380)**	**33 265**

Other non-financial assets

(UAH'000)

		Current	Days overdue Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total other non-financial assets before allowance	Allowance for other non-financial assets
7	Receivables under acquisition of assets	-	1 655	330	1 070	3 054	(1 450)	1 604
8	Prepaid services	-	2 043	400	747	3 190	(1 626)	1 564
9	Precious metals	34 012	-	-	-	34 012	-	34 012
10	Jubilee coins	2 638	-	-	-	2 638	-	2 638
11	Inventories	5 259	-	-	-	5 259	-	5 259
12	Deferred expenses	1 133	-	-	-	1 133	-	1 133
13	Receivables under taxes and dues, except for income tax	1 563	-	-	-	1 563	-	1 563
14	Receivables under settlements with Bank employees	-	7	-	92	99	(93)	6
15	**Total other non-financial assets**	**44 605**	**3 705**	**730**	**1 909**	**50 948**	**(3 169)**	**47 779**

Note 11. Due to banks

Table 11.1. Due to banks

(UAH'000)

		December 31, 2021	December 31, 2020
1	Funds received from NBU	855 127	350 008
2	Loans received:	192 027	-
2.1	Loans under REPO transactions	192 027	-
3	**Total due to banks**	**1 047 154**	**350 008**

As at 31 December 2021, Ukrainian state bonds in the amount of UAH 1,104.8 million (USD 2 million in the amount of 2 thousand and UAH 1,050 million in the amount of 1,050 thousand) are pledged as collateral for the refinancing loan received by the Bank from the National Bank of Ukraine, and UAH 209.1 million (USD 1.96 million in the amount of

1.96 thousand and UAH 155.6 million in the amount of 155.6 thousand) are pledged as collateral for repurchase agreements with Ukrainian banks (Note 8).

Note 12. Due to customers

Table 12.1. Due to customers

(UAH'000)

		December 31, 2021	December 31, 2020
1	Legal entities:	2 251 164	1 175 396
1.1	Current accounts	1 552 074	967 103
1.2	Term funds	699 090	208 293
2	Individuals:	1 347 480	970 985
2.1	Current accounts	396 165	281 185
2.2	Term funds	951 315	689 801
3	**Total due to customers**	**3 598 644**	**2 146 381**

As at December 31, 2021, total funds of 5 largest creditors/groups of creditors of the Bank were UAH 633 576 thousand (December 31, 2020 – UAH 277 420 thousand) or 18% of total due to customers (December 31, 2020 – 13%).

As at December 31, 2021, funds of legal entities and individuals of UAH 309 467 thousand are a collateral under loans issued by the Bank (Note 7), including guarantees and avals issued (Note 28) – UAH 61 607 thousand (December 31, 2020 - total collateral – UAH 206 548 thousand, including guarantees and avals issued – UAH 23 330 thousand).

Table 12.2. Due to customers by types of business activity

(UAH'000)

		December 31, 2021		December 31, 2020	
		amount	%	amount	%
1	Trade, repair of cars, household equipment and objects of private use	899 275	25	425 061	20
2	Production and construction	519 625	14	331 219	15
3	Transactions with property, lease, engineering and provision of services	295 543	8	125 421	6
4	Agriculture, hunting, forestry	156 049	4	83 677	4
5	Provision of financial services	71 448	2	50 271	2
6	Other	309 225	9	159 746	7
7	Individuals	1 347 480	37	970 985	45
8	**Total due to customers**	**3 598 644**	**100**	**2 146 381**	**100**

Note 13. Provisions for liabilities

(UAH'000)

		2021	2020
1	Balance as at January 1	86	110
2	Release of provision for liabilities	(48)	(24)
3	Balance as at December 31	38	86

As at the reporting date, the Bank formed provision for deferred expenses under court claims on collection of funds where the Bank is the defendant of UAH 8 thousand and liabilities under loan commitments of UAH 30 thousand

Note 14. Other liabilities and lease liabilities

Table 14.1. Other liabilities and lease liabilities

(UAH'000)

		December 31, 2021	December 31, 2020
1	Lease liabilities under lease	25 035	19 555
2	Payables under pay card transactions	9 251	1 463
3	Payables under transactions with customers	2 395	1 232
4	Other financial liabilities	1 446	595
5	Payables under currency transactions	-	11
6	**Total other financial liabilities**	**38 127**	**22 856**
7	Deferred income	14 058	7 808

		December 31, 2021	December 31, 2020
8	Payables under settlements with Bank employees	11 962	9 737
9	Payables under taxes and dues, except for income tax	3 453	2 511
10	Contractual liabilities	2 034	1 493
11	Accrued expenses for services provided	891	365
12	Payables under acquisition of assets	25	75
13	**Total other non-financial liabilities**	**32 424**	**21 988**
14	**Total other liabilities**	**70 550**	**44 844**

Item *Payables under settlements with Bank employees* as at December 31, 2021, includes provision for vacations of UAH 11 958 thousand, business travel – UAH 2 thousand, deposited salary – UAH 2 thousand (December 31, 2020: provision for vacations – UAH 9 732 thousand, business travel – UAH 3 thousand, deposited salary – UAH 2 thousand).

Table 14.2. Change of carrying amount of lease liabilities

(UAH'000)

		2021	2020
1	**Balance as at January 1**	**19 555**	**21 657**
2	Lease liabilities recognized	30 337	10 103
3	Interest accrued	2 626	3 460
4	Revaluation of liabilities	(9 835)	(174)
5	Payments made	(17 649)	(15 491)
6	**Balance as at December 31**	**25 035**	**19 555**

Information on carrying amount of recognized right-of-use assets and changes in carrying amount is presented in Note 9. Periods of payments under lease liabilities is disclosed in Note 28.

Introduction of quarantine measures resulting from coronavirus epidemics did not significantly affect lease payments and regularity of payments. No limitations were imposed on the work of the Bank.

Note 15. Share capital

As at December 31, 2021, Share capital of the Bank was UAH 301 000 thousand (new version of Bank Charter approved by NBU of August 30, 2021). Additional capitalization was done by increase of nominal value of ordinary shares from UAH 10,00 to UAH 15,05 by allocation of a part of profit of the Bank in 2012-2020 to the Share capital in accordance with decision of Bank shareholders (Minutes of General meeting of shareholders of JSB RADABANK № 84 of 23.04.2021).

(UAH'000)

		Number of shares in circulation (thou pcs)	Ordinary shares	Total
1	**Balance as at December 31, 2019**	**20 000**	**200 000**	**200 000**
2	**Balance as at December 31, 2020**	**20 000**	**200 000**	**200 000**
3	Allocation of profit to Share capital	-	101 000	101 000
4	**Balance as at December 31, 2021**	**20 000**	**301 000**	**301 000**

All shares have equal voting rights. As at the reporting date, the Bank did not issue privileged shares. As at the end of the reporting period there were no limitations to title to shares. There are no shares to be issued with option or contractual terms.

Note 16. Assets and liabilities by maturities

(UAH'000)

		Note	December 31, 2021			December 31, 2020		
			< 12 months	> 12 months	total	< 12 months	> 12 months	total
1	Cash and cash equivalents	6	1 107 717	-	1 107 717	678 743	-	678 743
2	Loans and due from customers	7	1 101 171	742 442	1 843 613	732 115	239 982	972 097
3	Investments in securities	8	1 448 444	429 589	1 878 033	870 262	153 028	1 023 290
4	Deferred tax assets	21	-	757	757	-	456	456
5	Fixed and intangible assets	9	-	224 076	224 076	-	126 700	126 700
6	Other assets	10	103 459	320	103 779	80 725	320	81 045
7	**Total assets**		**3 760 791**	**1 397 184**	**5 157 975**	**2 361 845**	**520 486**	**2 882 331**
	Due to banks	11	542 027	505 127	1 047 154	70 000	280 008	350 008
8	Due to customers	12	3 505 428	93 216	3 598 644	2 076 281	70 100	2 146 381
9	Current income tax liabilities	21	9 895	-	9 895	3 391	-	3 391
10	Provisions for liabilities	13	37	1	38	84	2	86
11	Other liabilities and lease liabilities	14	45 392	25 158	70 550	25 276	19 568	44 844
12	**Total liabilities**		**4 102 779**	**623 502**	**4 726 281**	**2 175 031**	**369 678**	**2 544 709**

Note 17. Interest income and expense

(UAH'000)

		2021	2020
	INTEREST INCOME CALCULATED AT EFFECTIVE INTEREST RATE		
	Interest income under financial assets at amortized cost		
1	Loans and due from customers	212 231	174 495
2	Investments in securities	136 943	63 232
3	Interest income under impaired financial assets	11 824	25 100
4	Loans and due from banks (including correspondent accounts)	409	967
5	**Total interest income under financial assets at amortized cost**	**361 407**	**263 793**
	INTEREST EXPENSE CALCULATED AT EFFECTIVE INTEREST RATE		
	Interest expense under financial liabilities at amortized cost		
6	Term funds of individuals	(39 823)	(43 912)
7	Current accounts and deposits on demand	(25 019)	(21 594)
8	Loans from banks, including NBU	(53 459)	(13 183)
9	Term funds of entities	(13 143)	(10 704)
10	Lease liabilities	(2 626)	(3 460)
11	Securities of own debt	(23)	(9)
12	**Total interest expense under financial liabilities at amortized cost**	**(134 094)**	**(92 862)**
13	**Net interest income**	**227 313**	**170 932**

Note 18. Commission income and expense

(UAH'000)

		2021	2020
	COMMISSION INCOME:		
1	Cash settlements	101 035	68 329
2	Transactions at currency market for banks and customers	16 047	15 881
3	Guarantees issued	7 498	4 056
4	Individual strongboxes	5 472	4 516
5	Loan transactions	4 979	4 845
6	Asset management transactions	1 461	1 249
7	Cash collection	1 167	1 202
8	Transactions with securities	676	515

9	**Total commission income**	**138 335**	**100 593**
	COMMISSION EXPENSES:		
10	Cash settlements	(33 486)	(26 708)
11	Transactions with securities	(61)	(47)
12	**Total commission expenses**	**(33 547)**	**(26 755)**
13	**Net commission income**	**104 788**	**73 838**

Note 19. Other operating income

Table 19.1. Other operating income

(UAH’000)

		2021	2020
1	Sale of jubilee coins	2 808	1 709
3	Fee of insurance intermediary	2 144	1 162
2	Early termination of financial liability	1 694	1 370
6	Other income	842	101
4	Fines and penalties received	484	584
5	Income under operating lease	277	289
8	Disposal of fixed and intangible assets	182	3
7	Sale of foreclosed property	9	4
9	**Total other operating income**	**8 440**	**5 223**

Table 19.2. Minimal lease payments to be received under operating lease contracts as at December 31

(UAH’000)

		2021	2020
1	Up to 1 year	1 430	-
2	1 – 5 years	2 503	-

Note 20. Other administrative and operating expenses

Table 20.1. Employee benefits

(UAH’000)

		2021	2020
1	Salaries and bonuses	(136 247)	(105 642)
2	Payroll charges	(29 904)	(23 156)
3	Other payments to employees	(2 873)	(670)
4	**Total labour costs**	**(169 024)**	**(129 468)**

Table 20.2. Depreciation and amortization

(UAH’000)

		2021	2020
1	Depreciation of fixed assets	(23 340)	(13 749)
2	Amortization of software and intangible assets	(759)	(556)
3	Depreciation of right-of-use asset	(15 057)	(12 925)
4	Total depreciation and amortization	**(39 155)**	**(27 230)**

Table 20.3. Other administrative and operating expenses

(UAH’000)

		2021	2020
1	Maintenance of fixed and intangible assets, telecommunications and other services	(45 648)	(25 334)
2	Allocation to Deposit guarantee fund	(7 190)	(5 568)
3	Security	(6 817)	(5 433)
4	Professional services	(3 713)	(2 406)
5	Marketing and promotion	(2 335)	(744)
6	Other taxes and dues, except for income tax	(2 068)	(1 339)
7	Sponsorship and charity	(1 235)	(1 911)
8	Lease	(1 055)	(609)
9	Other	(886)	(762)
10	Disposal of fixed and intangible assets	(493)	-
11	Crypto protection	(131)	(260)

		2021	2020
12	Fines and penalties paid	(10)	-
13	Impairment of other non-financial assets	2 872	(2 405)
14	Sale of foreclosed property	-	(2 735)
15	Devaluation of mortgaged property	-	(182)
16	**Total other administrative and operating expenses**	**(68 709)**	**(49 688)**

As at December 31, 2021, ease-related expenses included expenses under short-term lease of UAH 768 thousand (December 31, 2020 – UAH 319 thousand) and expenses under lease where the underlying asset is of low value of UAH 287 thousand (December 31, 2020 – UAH 290 thousand).

Note 21. Income tax expense

Income tax was calculated and paid by the Bank in accordance with current tax laws at the rate of 18% in 2020-2021. Deferred tax was calculated by tax rates at which deferred tax asset would be used and deferred tax liability settled. Tax rate used for calculation of deferred tax assets and liabilities was 18%. The Bank pays taxes to the same tax body, so the Bank offsets deferred tax assets and liabilities in its financial statements.

Table 21.1. Income tax expenses

(UAH’000)

		2021	2020
1	Current income tax	(23 638)	(6 201)
2	Changes in deferred income tax related:	301	8
2.1	origination or write-off of temporary differences	301	8
3	**Total income tax expense**	**(23 337)**	**(6 193)**

Table 21.2. Reconciliation of financial profit (loss) and tax profit (loss)

(UAH’000)

		December 31, 2021	December 31, 2020
1	Earnings before taxes	127 338	33 864
2	Theoretical tax charge at respective tax rate	(22 921)	(6 096)
	ADJUSTMENT OF FINANCIAL ACCOUNTING PROFIT (LOSS):		
3	Non-deductible expenses recognized in financial accounting	(258)	(60)
4	Taxable income not recognized in financial accounting profit (loss)	(14)	-
5	Other adjustments	(144)	(37)
6	**Income tax expense**	**(23 337)**	**(6 193)**

Table 21.3. Tax effect of recognition of deferred tax assets and liabilities as at December 31, 2021

(UAH’000)

		Opening balance	Recognized in profit/loss	Closing balance
	Tax effect of temporary differences decreasing (increasing) taxable amount			
1	Fixed assets	440	311	751
2	Provision under financial liabilities	15	(10)	5
3	Provision for litigations	1	-	1
4	**Net deferred tax asset**	**456**	**301**	**757**

Table 21.4. Tax effect of recognition of deferred tax assets and liabilities as at December 31, 2020

(UAH’000)

		Opening balance	Recognized in profit/loss	Closing balance
	Tax effect of temporary differences decreasing (increasing) taxable amount			
1	Fixed assets	427	13	440
2	Tax losses carried forward	1	(1)	-
3	Provision under financial liabilities	7	8	15
4	Provision for litigations	13	(12)	1
5	**Net deferred tax asset**	**448**	**8**	**456**

Note 22. Net profit per ordinary share

Table 22.1. Net profit per ordinary share

(UAH’000)

		Note	2021	2020
1	Profit belonging to owners of ordinary shares of the Bank		104 001	27 671
2	Profit of the year		104 001	27 671
3	Average annual number of ordinary shares circulating (thousands of pcs)	15	20 000	20 000
4	Net and adjusted profit per ordinary share (UAH)		5,2001	1,3836

Table 22.2. Calculation of profit belonging to owners of ordinary shares of the Bank

(UAH’000)

		2021	2020
1	Profit of the year belonging to owners of the Bank	104 001	27 671
2	Retained earnings	104 001	27 671
3	Profit of the year belonging to shareholders – owners of ordinary shares	104 001	27 671

Note 23. Dividends

General meeting of shareholders on April 23, 2021, approved payment of dividends under ordinary registered shares in an amount of UAH 9600 thousand (Minutes of annual General meeting of shareholders of the Bank № 84 of 23.04.2021). Dividends were paid to shareholders of the Bank in cash pro rata number of shares owned by each shareholder.

(UAH’000)

		2021	2020
		Ordinary shares	Ordinary shares
1	Balance as at January 1	-	-
2	Dividends to be paid during the period	9 600	-
3	Dividends paid during the period	(9 600)	-
4	Balance as at December 31	-	-
5	Dividends per share payable during the period (UAH)	0,48	-

Note 24. Operating segments

Table 24.1. Income, expenses and results of reporting segments in 2021

(UAH’000)

		Reporting segments				Total
		Transactions with corporate customers	Retail bank transactions	Transactions at financial markets	Other segments and transactions	
	Income from external customers					
1	Interest income	200 837	23 218	137 352	-	361 407
2	Commission income	60 097	76 970	1 268	-	138 335
3	Other operating income	5 154	3 284	1	-	8 440
	Income from other segments					
4	Interest income	41 868	84 280	(98 640)	(27 508)	-
5	**Total segment income**	**307 957**	**187 752**	**39 981**	**(27 508)**	**508 182**
6	Interest expenses	(36 716)	(43 896)	(53 482)	-	(134 094)
7	Net loss from impairment of financial assets	(1 981)	(3 734)	10 532	-	4 816
8	Impairment losses – other non-financial assets	2 870	2	-	-	2 872
9	Net profit from transactions with financial instruments at fair value through profit or loss	-	-	(3 957)	-	(3 957)
10	Net profit from derecognition of financial assets at amortized cost	14 375	204	178	-	14 757
11	Net profit from currency transactions	23 414	9 105	12 198	-	44 716

		Reporting segments				Total
		Transactions with corporate customers	Retail bank transactions	Transactions at financial markets	Other segments and transactions	
12	Net profit from currency revaluation	1 731	673	902	-	3 305
13	Commission expenses	-	(27 405)	(6 142)	-	(33 547)
14	Net loss from increase of provisions for liabilities	48	-	-	-	48
15	Administrative and other operating expenses	(146 485)	(56 963)	(76 313)	-	(279 760)
16	**SEGMENT RESULTS: Profit/(loss)**	**165 212**	**65 738**	**(76 103)**	**(27 508)**	**127 338**
17	Income tax expenses				(23 337)	(23 337)
18	**Profit**					**104 001**

Table 24.2. Income, expenses and results of reporting segments in 2020

(UAH'000)

		Reporting segments				Total
		Transactions with corporate customers	Retail bank transactions	Transactions at financial markets	Other segments and transactions	
	Income from external customers					
1	Interest income	181 320	18 275	64 198	-	263 793
2	Commission income	48 925	50 464	1 204	-	100 593
3	Other operating income	2 947	2 275	1	-	5 223
	Income from other segments					
4	Interest income	25 210	80 066	(85 519)	(19 757)	-
5	**Total segment income**	**258 402**	**151 080**	**(20 115)**	**(19 757)**	**369 609**
6	Interest expenses	(32 436)	(47 234)	(13 192)	-	(92 862)
7	Net loss from impairment of financial assets	(61 683)	(766)	(9 014)	-	(71 463)
8	Impairment losses – other non-financial assets	(2 398)	85	(92)	-	(2 405)
9	Net profit from transactions with financial instruments at fair value through profit or loss	-	-	(198)	-	(198)
10	Net profit from derecognition of financial assets at amortized cost	6 148	214	1 059	-	7 420
11	Net profit from currency transactions	-	-	-	47 490	47 490
12	Net profit from currency revaluation	-	-	-	6 984	6 984
13	Commission expenses	-	(18 865)	(7 891)	-	(26 755)
14	Net loss from increase of provisions for liabilities	24	-	-	-	24
15	Administrative and other operating expenses	(128 695)	(39 192)	(36 095)	-	(203 981)
16	**SEGMENT RESULTS: Profit/(loss)**	**39 361**	**45 323**	**(85 538)**	**34 717**	**33 864**
17	Income tax expenses				(6 193)	(6 193)
18	**Profit**					**27 671**

Table 24.3. Assets and liabilities of reporting segments as at December 31, 2021

(UAH'000)

		Reporting segments				Total
		Transactions with corporate customers	Retail bank transactions	Transactions at financial markets	Other segments and transactions	
	SEGMENT ASSETS					
1	Total segment assets	1 675 763	209 459	2 403 966	-	4 289 188

		Reporting segments: Transactions with corporate customers	Retail bank transactions	Transactions at financial markets	Other segments and transactions	Total
2	Non-allocated assets	-	-	-	868 787	868 787
3	Total assets	1 675 763	209 459	2 403 966	868 787	5 157 975
	SEGMENT LIABILITIES					
4	Total segment liabilities	2 251 670	1 368 742	1 047 154	-	4 667 565
5	Non-allocated liabilities	-	-	-	58 715	58 715
6	Total liabilities	2 251 670	1 368 742	1 047 154	58 715	4 726 281
	Other information by segments					
7	Capital expenses				(69 032)	(69 032)

Table 24.4. Assets and liabilities of reporting segments as at December 31, 2020

(UAH'000)

		Reporting segments: Transactions with corporate customers	Retail bank transactions	Transactions at financial markets	Other segments and transactions	Total
	SEGMENT ASSETS					
1	Total segment assets	901 176	102 848	1 281 583	-	2 285 607
2	Non-allocated assets	-	-	-	596 724	596 724
3	Total assets	901 176	102 848	1 281 583	596 724	2 882 331
	SEGMENT LIABILITIES					
4	Total segment liabilities	1 175 792	975 026	350 008	-	2 500 826
5	Non-allocated liabilities	-	-	-	43 883	43 883
6	Total liabilities	1 175 792	975 026	350 008	43 883	2 544 709
	Other information by segments					
7	Capital expenses				(34 528)	(34 528)

Note 25. Financial risk management

Risk management of the Bank relates to management of financial risk, operating risk and compliance risk. The purpose of financial risk management is determination of risk limits and monitoring that the limits are not violated.

The Bank performs integral risk management and their assessment in accordance with the Risk management strategy of the Bank. The risk management process is a significant factor of the continuing profitability of the Bank, while each employee is responsible for the effects of risks related to his/her duty. Major principle used by the Bank as the basis of implemented risk management system is provision for optimal correlation between profitability of transactions and reliability of the banking institution, maximal protection of funds of shareholders and customers of the Bank.

The Bank subdivides the risks into 2 categories: those that can be qualitatively measured – financial risks (credit risk, interest rate risk of bankbook, liquidity risk, market risk (including currency risk), operating risk), and risks that can hardly be qualitatively measured – non-financial rusks (reputation risk, compliance risk, AML risk). Risk with the dependence between risks and profit are treated as those that can be qualitatively measured, management of these risks is based on their optimization. Risks without dependence between risks and profit can hardly be qualitatively measured, and management of them is based on their minimization.

Credit risk

Credit risk is the risk for inflows and capital resulting from the inability of a debtor or a counterpart to meet the liabilities in accordance with the agreed terms. Credit risk is inherent in all types of Bank activities where the result depends on a counterpart, issuer or a borrower. It arises each time when the Bank provides funds, take the commitments to the provision, invests funds or otherwise risks in accordance with real or conceptual agreements irrespective of where the transactions is disclosed – balance sheet or off-balance sheet.

The purpose of credit risk management is increase of Bank equity, providing possibility for many other stakeholders to reach their goals, namely, customers, counterparts, managers, employees, shareholders (owners), bank supervision bodies and other parties. The credit risk management system of the Bank provides for timely and adequate identification, assessment, monitoring, reporting, control and reduction of credit risk individually or at portfolio basis. When providing and following-up off-balance sheet loan commitments (commitments under unused loans, letters of credit) and guarantees, the Bank applies the same procedures of review, approval and follow-up as for the loans issued.

The process of credit risk management is set by the following internal documents of the Bank: Risk management strategy, Credit risk management policy and methodologies and regulations setting the rules of credit risk level for financial instruments and ECL. Major principles applied in credit risk management process are:

- measurement of financial position of Bank counterpart at the stage of taking decision on crediting;
- measurement of financial position of the borrower during period of crediting;
- evaluation of terms of loan transaction, including collateral;
- calculation and setting of the limits for crediting of borrowers/groups of related counterparts of the Bank;
- accreditation of independent appraisers of pledged property of Bank borrowers;
- Regular monitoring of existence and state of mortgaged objects;
- assessment of risk of Bank credit portfolio;
- regular management reporting.

The Bank used the following steps in 2021 to minimize credit risk:

– Determination of permissible risk. The Bank sets limitations for counterparts under loan transactions. Internal regulations state criteria for cutting-off of a counterpart before the loan transactions.

– Regular assessment of solvency of borrowers. The Bank assesses solvency of a counterpart before loan transactions and during the term of transaction (quarterly or annually depending on counterpart).

– Acceptance of collateral. The Bank accepts collateral to reduce credit risk and regularly checks the state of mortgaged objects. Besides, the Bank has certain criteria of quality of collateral stated in internal regulations. The Bank also has criteria of cooperation with appraisers to reduce the risk of improper appraisal of mortgaged objects.

– Acceptance of guarantees of third parties.

– Insurance. The Bank accredits insurance companies to reduce the related risks. Depending on the type of collateral, the Bank requires the borrower to insure mortgaged object in an accredited insurance company.

– Limiting.

– Getting additional information on the borrower: credit history of the borrower and the related parties (the Bank is a used of First Ukrainian bureau of credit histories); extracts from State register of encumbrances over chattel of the borrower and related parties to get the list of active loans with mortgage of chattels.

– Regular measurement of quality of loan portfolio. Data on the state of servicing of loan by a borrower under each loan are inputted into Bank ABS each month based on mandatory payments under loans.

– Regular calculation and formation of allowance for ECL under assets at amortized cost.

– Diversification. The Bank reviews diversification of loan portfolio by amount of loans to one counterpart and economic sectors as an integral part of credit risk management.

– Work with doubtful debts. In accordance with internal regulations, the Bank determines doubtful debts and starts to collaborate with them as of the first day overdue.

Assessment of credit risk concentration is done for portfolio of active transactions as a whole and by its components. The Management Board of the Bank approved limits of active transactions by economic sectors, geographic areas, etc. As at December 31, 2021, all loan transactions were performed within the pre-set limits.

Besides, credit risk management is performed by compliance with NBU ratios, including:

– Ratio of maximal credit risk per one counterpart (H7) measured as ratio of total bank claims to a counterpart or a group of related counterparts, all financial liabilities issued by a bank to a counterpart or a group of related counterparts and regulatory capital of the bank. As at December 31, 2021, this ratio was 20,48% (December 31, 2020 –21,12%) with NBU-set ratio of not more than 25%.

– Ratio of high credit risks (H8) measured as ratio of all high credit risks of counterparts, groups of related counterparts, all related parties of the bank and regulatory capital of the Bank. As at December 31, 2021, this ratio was 174,62% (December 31, 2020 –114,45%) with NBU-set ratio of not more than 800%.

– Ratio of maximal credit risk under transactions with bank related parties (H9) measured as ratio of total bank claims to related parties, total financial liabilities issued by a bank to its related parties and regulatory capital of the bank. As at December 31, 2021, this ratio was 16,88% (December 31, 2020 – 6,15%) with NBU-set ratio of not more than 25%.

Assessment of credit risk for the purpose of risk management is complex requiring to use a certain model, as exposure of credit risk changes depending on changes of market conditions, expected cash flows and time. The Bank measures credit risk using probability of default (PD), exposure at risk (EAD) and default losses (LGD). The measurement is based on requirements of NBU and requirements of IFRS. In accordance with the requirements of IFRS 9 the Bank forms an allowance for ECL. As at 01.01.2022, credit risk is recognized as acceptable and controlled.

Market risk

Market risk is existing or potential risk for inflows and capital resulting from unfavourable fluctuation of the value of securities, interest rates, precious metals and FX rates under instruments in trade, loan and investments portfolios. Market risk is related to possible future losses of the Bank through unfavourable change of prices or, more accurately, future dynamics of market prices for credit resources, currency market and securities market. Based on its specifics and business model used, the Bank accepts market risk and keeps it as currency risk and trading risk. The Bank does not intend to accept market risk setting zero risk appetite for market risks inherent to trade book instruments (risk of default, interest rate risk of trade book, risk of credit spread, volatility risk, stock market risk).

In 2021, level of market risk was defined by structure and scope of Bank transactions and market situation, actions in competitive environment, situation at internal and external financial and commodities markets, changes in current laws. Management sets limits of risk amount acceptable by the Bank and controls compliance with them on a daily basis. Still, application of this approach does not prevent from origination of losses outside of these limits in case of significant market changes. Overall responsibility for market risk management rests with ALMC.

As at 01.01.2022, market risk of the Bank is measured as low:

- Currency risk and volatility risks are assessed as low;
- Stock market risk is assessed as insignificant, as the security portfolio of the Bank contains solely state bonds and non-risk NBU deposit certificates. The Bank does not have instruments of trade book;
- In the negative situation, Bank capital would not lower than minimal capital set by NBU for banks operating in Ukraine.

Currency risk

Currency risk is existing or potential risk for inflows or capital resulting from unfavourable fluctuations of FX rates and prices for bank metals. Management of currency risk is based on the provision of optimal values of open currency positions of the Bank by entering into transactions affecting the scope of open currency positions. Operative management of the open currency position of the Bank is done daily by the Treasury department. Current control over indices of currency risk is done by the risk management department.

The Bank complies with the limits of currency risks set by NBU through the limits of open currency position Л13-1 and Л13-2. The Department of statistical reporting controls them based on respective forms of reports.

As at the end of the day of December 31, 2021, ratios of currency position were:

– Ratio of total long open currency position – 5,3285% (2020 - 8,7550%) with the regulatory ratio not more than 15% (2020 - 10%);

– Ratio of total short open currency position – 8.8205% (2020 – 0.3342%) with the regulatory ratio not more than 15% (2020 - 10%).

Table 25.1. Currency risk

(UAH’000)

		December 31, 2021			December 31, 2020		
		Monetary assets	Monetary liabilities	Net position	Monetary assets	Monetary liabilities	Net position
1	USD	822 643	843 071	(20 428)	539 233	559 484	(20 251)
2	EUR	265 958	262 339	3 619	138 772	121 047	17 725
3	Other currencies	147 517	144 561	2 956	77 242	65 052	12 190
4	Total	1 236 118	1 249 971	(13 853)	755 247	745 583	9 664

Other currencies include RUB (net long position is UAH 17 009 thousand), GBP (net short position is UAH 14 283 thousand), zloty (net long position is UAH 1 024 thousand), Swiss franc (net short position is UAH 3 thousand) and gold (net short position is UAH 791 thousand). The sensitivity of financial performance of the Bank to changes of official FX rate is disclosed in Tables 25.2 and 25.3.

Table 25.2. Change of profit or loss (before taxes) and equity as a result of possible changes of official FX rate as at the reporting date if all other variables are fixed

(UAH’000)

		December 31, 2021		December 31, 2020	
		Effect on profit/ (loss)	Effect on equity	Effect on profit/ (loss)	Effect on equity
1	Strengthening of USD by 40%	(8 171)	(8 171)	(8 100)	(8 100)
2	Weakening of USD by 20%	4 086	4 086	4 050	4 050

		December 31, 2021		December 31, 2020	
		Effect on profit/ (loss)	Effect on equity	Effect on profit/ (loss)	Effect on equity
3	Strengthening of EUR by 40%	1 448	1 448	7 090	7 090
4	Weakening of EUR by 20%	(724)	(724)	(3 545)	(3 545)
5	Strengthening of other currencies by 40%	1 184	1 184	4 876	4 876
6	Weakening of other currencies by 20%	(592)	(592)	(2 438)	(2 438)

Table 25.3. Change of profit or loss (before taxes) and equity as a result of possible changes of official FX rate established as weighted average rate of reporting period if all other variables are fixed

(UAH’000)

		December 31, 2021		December 31, 2020	
		Effect on profit/ (loss)	Effect on equity	Effect on profit/ (loss)	Effect on equity
1	Strengthening of USD by 40%	(8 143)	(8 143)	(7 719)	(7 719)
2	Weakening of USD by 20%	4 072	4 072	3 860	3 860
3	Strengthening of EUR by 40%	1 681	1 681	6 274	6 274
4	Weakening of EUR by 20%	(841)	(841)	(3 137)	(3 137)
5	Strengthening of other currencies by 40%	827	827	4 364	4 364
6	Weakening of other currencies by 20%	(413)	(413)	(2 182)	(2 182)

Interest rate risk of bankbook

The interest rate risk of a bankbook is existing or potential risk for inflows and capital resulting from unfavourable changes of interest rates. This risk affects the profitability of the Bank and the economic value of its assets, liabilities and off-balance sheet instruments. The Bank is exposed to interest rate risk of bankbook mostly due to difference of terms of settlements of its interest-bearing assets and liabilities. The Bank may suffer losses in case of unfavourable changes of interest rates.

Management of interest rate risk of bankbook is based on provision of optimal structure (namely, by terms of settlement) of change-sensitive interest rates of Bank assets and liabilities. Change-sensitive assets and liabilities include profitable assets and payment liabilities of the Bank, interest rate under which may change as a result of their periodic revaluation (at floating rate) or settlement of the asset or liability. The structure of change-sensitive assets and liabilities is managed by pricing of profitable assets and payment liabilities depending on their type and maturities.

In 2021, the Bank used the following steps to optimize interest rate risk of bankbook:

– Determination and regular review of maximal and minimal rates for assets and liabilities by currencies and terms by ALMC.

– Maximal interest rates for attraction of funds are the interest rates for attraction of funds by terms and currencies that determine maximal interest expense of the Bank, correspond to market trends of attraction of funds and permit to support interest spread (margin) at the level set by business plan of the Bank.

– Minimal effective interest rates for placement of funds (without accounting for credit risk) are the rates used at business planning taking into account minimal needed level of profitability of the Bank when placing funds. Minimal effective interest rates for placing form profitability curve of the Bank by terms and currencies and are a reference point for determination of value of interest assets (other financial instruments), being the rates for crediting first-class borrowers and allowing to support interest income, interest spread (margin) at budgeted level.

– Possibility of revision of interest rates in loan contracts. The contracts with fixed rate provide for possibility to revise interest rates in case of significant fluctuations of market interest rates, change of discount rate, etc., to improve sensitivity of balance sheet to interest rate risk.

Table 25.4 discloses financial assets and liabilities of the Bank at carrying amount depending on maturity, while Table 25.5 discloses weighted average rates under financial instruments.

Table 25.4. Interest rate risk

(UAH’000)

		On demand and < 1 month	1 - 6 months.	6 – 12 months	Over 1 year	Total sensitive to interest rate risk	Non-sensitive to interest rate risk	Total
	As at December 31, 2021							
1	Total financial assets	519 679	1 072 815	957 120	1 172 031	3 721 645	1 151 716	4 873 361

		On demand and < 1 month	1 - 6 months.	6 – 12 months	Over 1 year	Total sensitive to interest rate risk	Non-sensitive to interest rate risk	Total
2	Total financial liabilities	1 453 826	556 179	594 366	93 217	2 697 588	1 986 374	4 683 963
3	**Net interest rate gap**	**(934 147)**	**516 636**	362 754	**1 078 814**	**1 024 057**	**-**	**-**
	As at December 31, 2020							
4	Total financial assets	243 259	662 216	696 903	393 010	1 995 388	712 007	2 707 395
5	Total financial liabilities	237 286	361 799	298 989	350 110	1 248 184	1 271 148	2 519 331
6	**Net interest rate gap**	**5 973**	**300 417**	397 914	**42 900**	**747 204**	**-**	**-**

Table 25.5. Monitoring of interest rates under financial instruments

(annual rate)

		2021		**2020**	
		UAH	EUR/USD	UAH	EUR/USD
	Assets				
1	Loans and due from banks	-	-	4,95	-
2	Corporate loans	15,72	5,78	18,03	7,88
3	Loans to individuals	22,70	-	26,77	-
4	Investments in securities	11,46	3,50	11,37	4,41
	Liabilities				
5	Due to banks	11,06	-	6,00	-
6	Term funds of entities	6,22	1,47	6,18	2,35
7	Term funds of individuals	10,55	2,11	11,06	2,39

As at 01.01.22, the index of interest rate risk of bankbook is assessed as low. Possible negative change of economic value of Bank equity calculated by EVE method is 0,04 % of RC and does not result in significant negative impact on Bank operations. During the reporting period the Bank complied with the limit of possible monthly drop of net interest income (NII), maximal drop of economic value of equity (EVE) and index of pre-set risk appetite of earnings volatility (Earning-at-Risk).

Risk of geographical concentration

Management of risk of geographical concentration is based on the following approach: limits that regulate geographical concentration limit maximal amounts of Bank investments into different geographical regions. They can be introduced for the Bank in general and for the structural departments as maximal amounts (and/or maximal percent of their credit and investment portfolios) of investments into certain geographical regions. As the Bank enters into almost no significant transactions with non-resident counterparts, specific indexes for geographical risk are not set.

Geographical analysis of financial assets and liabilities is presented in Tables 25.6 – 25.7.

Table 25.6. Geographical concentration of financial assets and liabilities as at December 31, 2021

(UAH’000)

		Ukraine	OECD	Other countries	Total
	ASSETS				
1	Cash and cash equivalents	1 077 335	25 537	4 845	1 107 717
2	Loans and due from customers	1 843 613	-	-	1 843 613
3	Investments in securities	1 878 033	-	-	1 878 033
4	Other financial assets	43 156	414	428	43 998
5	**Total financial assets**	**4 842 137**	**25 951**	**5 273**	**4 873 361**
	LIABILITIES				
6	Due to banks	1 047 154	-	-	1 047 154
7	Due to customers	3 546 931	3 343	48 370	3 598 644
8	Provisions for liabilities	38	-	-	38
9	Other financial liabilities and lease liabilities	38 092	7	28	38 127
10	**Total financial liabilities**	**4 632 215**	**3 350**	**48 398**	**4 683 963**

		Ukraine	OECD	Other countries	Total
11	**Net position of financial instruments**	**209 922**	**22 601**	**(43 125)**	**189 398**
12	**Loan commitments**	**1 525 605**	**-**	**-**	**1 525 605**

Table 25.7. Geographical concentration of financial assets and liabilities as at December 31, 2020

(UAH’000)

		Ukraine	OECD	Other countries	Total
	ASSETS				
1	Cash and cash equivalents	652 734	24 364	1 645	678 743
2	Loans and due from customers	972 097	-	-	972 097
3	Investments in securities	1 023 290	-	-	1 023 290
4	Other financial assets	32 882	175	208	33 265
5	**Total financial assets**	**2 681 003**	**24 539**	**1 853**	**2 707 395**
	LIABILITIES				
6	Due to banks	350 008	-	-	350 008
7	Due to customers	2 087 903	7 552	50 926	2 146 381
8	Provisions for liabilities	86	-	-	86
9	Other financial liabilities and lease liabilities	22 829	6	21	22 856
10	**Total financial liabilities**	**2 460 826**	**7 558**	**50 947**	**2 519 331**
11	**Net position of financial instruments**	**220 177**	**16 981**	**(49 094)**	**188 064**
12	**Loan commitments**	**974 389**	**-**	**-**	**974 389**

Liquidity risk

Liquidity risk is existing or potential risk for inflows and capital resulting from the inability of the Bank to meets its obligations in time without unacceptable losses. Liquidity risk arises due to inability to manage unplanned outflows of funds, changes of sources of financing and/or meet off-balance sheet obligations.

The Management Board of the Bank strategically manages assets and liabilities of the Bank delegating its right on taking decisions on setting the values of respective limits, range and sources Bank liquidity to Assets and Liabilities Management Committee. The Bank tries to have a stable base of financing consisting mostly from deposits of entities and individuals. The Bank invests funds into diversified portfolios of liquid assets to be able to meet unforeseen requirements to liquidity in time and in full in the usual course of business or in unforeseen situations without unacceptable losses or risk to business reputation of the Bank. The Treasury department receives information on liquidity of financial assets and liabilities and forecasts of cash flows from other Bank departments. The Treasury department provides for the existence of an adequate portfolio of short-term liquid assets to support the sufficient liquidity level of the Bank.

The Bank has access to diversified base of financing and attracts funds using wide range of instruments including deposits and inputs of shareholders into equity, thus increasing level of flexibility of financing, limits dependence on single source of financing and decreases cost of financing in general. Management wants to support the balance between continuing and flexible financing using liabilities with a wide range of maturities. Deposits of customers and banks are usually short-term and most of them are paid on demand. The short-term nature of these deposits increases the liquidity risk for the Bank, so the Bank manages this risk through the active use of competitive tariffs and regularly monitoring market trends.

As at the end of the day of December 31, 2021, factual arithmetical mean value of liquidity coverage ratio (LCR) for all currencies was 184,0895% (2020 – 244,047%) with regulatory value of not less than 100%; factual arithmetical mean value of LCR for foreign currency was 404,8391% (2020 - 258,2923%) with regulatory value of not less than 100%.

As of April 1, 2021, a new liquidity ratio – net stable financing ratio was introduced (NSFR). So, as at the end of the day of December 31, 2021 NSFR for all currencies was – 127,383 % with regulatory value of not less than 90%; NSFR for local currency was 117,8544 % with regulatory value of not less than 90%; NSFR for foreign currencies was 185,5962 % with regulatory value of not less than 90%.

Financial liabilities by maturities for the reporting and previous years are presented in Tables 25.8. – 25.9. Data in the Tables are based on planned cash flows related to settlement of financial liabilities.

Table 25.8. Financial liabilities by maturities as at December 31, 2021

(UAH’000)

		On demand and less than 1 month	1 - 3 months.	3 - 12 months	12 months – 5 years	Total
1	Due to banks	547 131	8 537	38 417	614 048	1 208 133
2	Due to customers:	2 387 597	263 402	881 338	93 140	3 625 477

2.1	Individuals	472 051	171 417	634 164	93 139	1 370 771
2.2	Other	1 915 546	91 985	247 174	1	2 254 706
3	Lease liabilities	2 179	2 674	9 568	10 614	25 035
4	Other financial liabilities	11 311	-	1 491	290	13 092
5	Loan commitments	36 053	168 902	162 509	8 956	376 420
6	**Total potential future payments under financial liabilities**	**2 984 271**	**443 515**	**1 093 323**	**727 048**	**5 248 157**

Table 25.9. Financial liabilities by maturities as at December 31, 2020

(UAH’000)

		On demand and less than 1 month	1 - 3 months.	3 - 12 months	12 months – 5 years	Total
1	Due to banks	71 574	3 033	13 650	348 069	436 326
2	Due to customers:	1 419 820	136 180	530 271	69 283	2 155 554
2.1	Individuals	336 212	114 667	468 471	60 007	979 357
2.2	Other	1 083 608	21 513	61 800	9 276	1 176 197
3	Lease liabilities	1 545	2 689	9 383	5 938	19 555
4	Other financial liabilities	2 453	-	651	197	3 301
5	Loan commitments	13 492	114 960	46 743	2 886	178 081
6	**Total potential future payments under financial liabilities**	**1 508 884**	**256 862**	**600 698**	**426 373**	**2 792 817**

Table 25.10. Financial assets and liabilities by maturities based on estimated terms of settlement as at December 31, 2021

(UAH’000)

		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	1 107 717	-	-	-	-	1 107 717
2	Loans and due from customers	249 511	278 896	572 765	732 323	10 119	1 843 613
3	Investments in securities	375 607	563 410	939 017	-	-	1 878 033
4	Other financial assets	43 678	-	-	320	-	43 998
5	**Total financial assets**	**1 776 513**	**842 306**	**1 511 782**	**732 643**	**10 119**	**4 873 361**
	LIABILITIES						
6	Due to banks	542 027	-	-	505 127	-	1 047 154
7	Due to customers	1 185 966	866 248	1 453 215	93 216	-	3 598 644
8	Other financial liabilities and lease liabilities	11 478	-	1 491	25 158	-	38 127
9	Provision for liabilities	2	9	25	1	-	38
10	**Total financial liabilities**	**1 739 473**	**866 257**	**1 454 730**	**623 502**	**-**	**4 683 962**
11	**Net liquidity gap as at the end of the day of December 31**	**37 040**	**(23 951)**	**57 051**	**109 141**	**10 119**	**189 400**
12	**Cumulative liquidity gap as at the end of the day of December 31**	**37 040**	**13 089**	**70 140**	**179 281**	**189 400**	**-**

Table 25.11. Financial assets and liabilities by maturities based on estimated terms of settlement as at December 31, 2020

(UAH’000)

		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	678 743	-	-	-	-	678 743
2	Loans and due from customers	162 716	122 576	446 824	239 508	474	972 097
3	Investments in securities	80 543	201 915	587 804	153 028	-	1 023 290
4	Other financial assets	32 945	-	-	320	-	33 265
5	**Total financial assets**	**954 947**	**324 491**	**1 034 628**	**392 856**	**474**	**2 707 395**
	LIABILITIES						
6	Due to banks	70 000	-	-	280 008	-	350 008

		On demand and less than 1 month	1 - 3 months.	3 - 12 months	12 months – 5 years	Over 5 years	Total
7	Due to customers	666 591	509 368	900 322	70 100	-	2 146 381
8	Other financial liabilities and lease liabilities	2 637	-	651	19 568	-	22 856
9	Provision for liabilities	10	40	34	2	-	86
10	**Total financial liabilities**	**739 238**	**509 408**	**901 007**	**369 678**	**-**	**2 519 331**
11	**Net liquidity gap as at the end of the day of December 31**	**215 709**	**(184 917)**	**133 621**	**23 178**	**474**	**188 064**
12	**Cumulative liquidity gap as at the end of the day of December 31**	**215 709**	**30 791**	**164 412**	**187 590**	**188 064**	**-**

As at 01.01.2022, liquidity of the Bank was recognized as satisfactory. The scope of high-quality liquid assets (HLA) held is adequate to cover possible shocks. Taking into account the existing stock of unencumbered HLA the risk of liquidity is assessed as moderate.

Operating risk

Operating risk is the probability of origination of losses or additional expenses, or non-receipt of planned income through deficiencies or errors in organization of internal processes, intentional or unintentional acts of employees or other persons, fails in work of IT systems, or effect of external factors. Operating risk includes personnel risk, process risk, information risk (risk of information-and communications technologies and information safety risk), environmental risk and legal risk.

Management of operating risk focuses on the non-financial problems that may result in potential or actual losses. Typical for this risk is insignificant probability of events that would have extraordinary destructive financial effect.
Significance of operating risk in the risk management system of the Bank is explained by its effect on all types of bank risks. Operating risk, due to primarily human factor, may provoke events of credit and market risks, liquidity risk, strategic and reputational risks, thus requiring total control and application of a set of regulating measures to minimize operating risk. The purpose of operating risk management is keeping the risk accepted by the Bank at the level set by the Bank in accordance with its strategic tasks with priority on preservation of assets and capital based on decrease (exclusion) of possible losses.

Efficient organization of operating risk management system makes it possible to objectively assess the risk and adequacy risk management measures with optimal use of financial resources, staff and IT systems of the Bank. Analysis and assessment of operating risk of the Bank use different methods that taken together represent an integral approach permitting to reliably assess and react in time to problems. The Bank uses quantitative and qualitative approach to assessment.

As at 01.01.2022, operating risk assessment was made based on the basic indicator in accordance with requirements of Basel committee. It was determined that level of capital to cover operating risk is within the range of established risk appetite, while factual financial performance covers calculated scope of capital for operating risk by 320,5 %, so, the operating risk level of the Bank is measured as moderate taking into account significant increase of average annual gross income generated by retail and corporate business in the last 3 years. The calculated level of capital to cover operating risk stays within the range of risk appetite for operating risk.

Compliance risk

Compliance risk is the risk of origination of direct or indirect losses through non-compliance of the Bank with laws and regulations, market standards, internal standards and regulations of the Bank including procedures. Compliance risk exists in all types of business of the Bank. It arises each time when current laws and regulations, NBU regulations, internal regulations (standards) of the Bank, if these standards or rules are mandatory for the Bank, are not executed or executed improperly. Methods of compliance risk management are aimed at prevention of origination of possible losses and/or minimization of financial losses.

Note 26. Capital management

Capital management policy of the Bank aims at: compliance with requirements to capital set by NBU; provision of ability of the Bank to operate as going concern and support of capital base at the level adequate for provision of capital adequacy ratio. Control over compliance with capital adequacy ratio set by NBU is based on annual and monthly reports with respective calculations reviewed and signed by the Chair of Management Board and chief accountant of the Bank. Measurement of other purposes of capital management is made annually.

The Bank meets the requirements to capital set by NBU – the regulatory capital adequacy ratio (N2), is at the level not less that regulatory ratio (10%), while ratio of adequacy of main capital (N3) is at the level not less that regulatory ratio (7%). The regulatory capital adequacy ratio (N2) is measured as correlation of regulatory capital and total carrying amount of assets and off-balance sheet liabilities weighted by credit risk net of provisions and allowance. When calculating the regulatory capital adequacy ratio (N2), total carrying amount of assets and off-balance sheet liabilities weighted by credit risk is added to total open currency position for all foreign currencies and bank metal, minimal credit risk multiplies by coefficient 10 net of uncovered credit risk. The main capital adequacy ratio (N3) is measured as correlation of main capital and total assets and off-balance sheet liabilities weighted for respective coefficients of credit risk. The factual value of N2 taking into account adjusting postings in the reporting period as at the end of 2021 was 13% (2020 – 23%), N3 – 13% (2020 – 16%).

Table 26.1 presents the structure of regulatory capital calculated in accordance with NBU requirements as at the end of 2021 taking into account adjusting entries.

Table 26.1. Structure of regulatory capital

(UAH'000)

		December 31, 2021	December 31, 2020
1	Main capital	316 007	217 357
2	Additional capital	29 882	99 309
3	**Total regulatory capital**	**345 889**	**316 666**

In 2020 and 2021 financial years the Bank complied with all requirements to level of capital set by National Bank of Ukraine.

Note 27. Trust management accounts

The Bank offers developers a transparent and proven mechanism for financing the construction of facilities through Construction Financing Funds (CFF). Cooperation with the Bank makes it possible for the construction company to get financial support of the Bank, providing for attraction of investors at initial stages of construction through issuance, as CFF trustee, of additional guarantees: control of intended use of funds and receipt of title to invested objects

(UAH'000)

		December 31, 2021	December 31, 2020	Changes (+;−)
1	Current asset management accounts	6 568	12 176	(5 608)
2	Receivables under asset management transactions	216 579	153 338	63 241
3	**Total active asset management accounts**	**223 147**	**165 515**	**57 633**
4	Funds under Bank management	223 147	165 515	57 633
5	**Total passive asset management accounts**	**223 147**	**165 515**	**57 633**

Note 28. Contingent liabilities

Litigation

As at 31 December 2021, the Bank is a defendant in two lawsuits to recognise sale and purchase agreements, mortgage agreements as void, cancel the decision and records of state registration of ownership, renew the mortgage and encumbrance.

As at the reporting date, the Bank has accrued provision for future costs of lawsuits for the recovery of funds in which the Bank is a defendant in the amount of UAH 8 thousand (Note 13).

Contingent tax liabilities

Tax, currency, Customs and other laws of Ukraine are not stable and change often, sometimes contradicting each other and having different interpretations. As a result, there is a probable risk that interpretation of laws by Bank management and respective controlling bodies would differ. As a result the Bank may be charged with additional tax liabilities, fines and other financial sanctions. In the usual course of business tax bodies can review tax matters for three financial years after their termination.

Operating lease liabilities

Minimal future operating uncancellable lease expenses under the contracts where the Bank as a lessee is presented in Table 28.1.

Table 28.1. Minimal future lease payment under operating lease contracts

(UAH'000)

		December 31, 2021	December 31, 2020
1	Up to 1 year	18 336	13 743
2	1 - 5 years	15 021	9 650
3	**Total**	**33 356**	**23 393**

Loan commitments

The major purpose of these instruments is the provision of funds to meet the financial needs of customers. Irrevocable financial guarantees are guarantees that the Bank would make payments to third parties if the customers do not meet their obligations have the same credit risk as the credits. Loan commitments represent unused amounts of approved crediting in the form of overdrafts and credit lines. As to credit risk under these commitments, the Bank may suffer future losses in an amount equal to the total amount of unused commitments. Still, the possible amount of losses is less than total amount of unused commitments, as the majority of commitments depends on compliance of Bank customers with certain loan standards.

Total amount of debt under unused credit lines, overdrafts and guarantees in accordance with contractual terms may not necessarily be future cash demands since the life of these financial instruments may terminate without financing. From point of view of credit risk under methodology of determination of revocable and irrevocable loan commitments, the Bank believes that it is not exposed to additional credit risk under revocable commitments, as credit funds are issued after receipt of financial security by the Bank represented by financial guarantee, or a collateral represented by deposit that fully covers possible risk. Information on unsettled commitments is presented in Table 28.2.

Table 28.2. Structure of loan commitments

(UAH’000)

		December 31, 2021	December 31, 2020
1	Loan commitments issued, including:	1 173 248	846 338
1.1	Irrevocable commitments with credit risk	24 051	50 009
2	Export letters of credit	-	3 592
3	Guarantees and avals issued	352 386	124 541
4	Provision for loan commitments	(30)	(82)
5	**Total loan commitments net of provision**	**1 525 604**	**974 389**

As at December 31, 2021, security under guarantees and avals issued by customers’ funds placed in the Bank (Note 12) was UAH 61 607 thousand (December 31, 2020 – UAH 23 330 thousand).

Table 28.3. Loan commitments by currencies

(UAH’000)

		December 31, 2021	December 31, 2020
1	UAH	1 396 742	925 295
2	USD	114 716	44 816
3	EUR	14 146	4 278
4	**Total**	**1 525 604**	**974 389**

Pledged assets

As at December 31, 2021, state bonds of UAH 1 104,8 mln (USD 2 mln of 2 thousand pcs and UAH 1 050 mln of 1 050 thousand pcs) are the collateral under refinancing loan received by the Bank from NBU, UAH 209,1 mln (USD 1,96 mln of 1,96 thousand pcs and UAH 155,6 mln of 155,6 thousand pcs) are the collateral under repo transactions with Ukrainian Banks (Note 11).

Note 29. Fair value measurement

Below are presented methods and assumptions used to measure fair value of financial instruments that are not disclosed at fair value in the financial statements.

Assets with fair value close to carrying amount

As to liquid or short-term (up to 3 months) financial assets and liabilities, it is believed that their carrying amount is close to fair value. This assumption applies also to deposits on demand and funds at current and correspondent accounts.

Financial instruments with fixed rate

Fair value of financial instruments with fixed rate disclosed at amortized cost is measured by discounting cash flows under respective instrument at market interest rates offered by the Bank under similar financial instruments with similar terms, credit risk and maturity as at the reporting date.

Table 29.1 compared carrying amount and fair value of financial instruments disclosed at amortized cost by types. The Table does not present the fair value of non-financial assets and non-financial liabilities. Data in Table 29.1 reconcile with data in the statement of financial position.

Table 29.1. Financial instruments at amortized cost

(UAH’000)

		December 31, 2021		December 31, 2020	
		Fair value	Carrying amount	Fair value	Carrying amount
	FINANCIAL ASSETS				
1	Cash and cash equivalents	1 107 717	1 107 717	678 743	678 743
2	Loans and due from customers	1 842 976	1 843 613	977 756	972 097
3	Investments in securities	1 872 869	1 878 033	1 025 220	1 023 290
4	Other financial assets	43 998	43 998	33 265	33 265
	FINANCIAL LIABILITIES				
5	Due to banks	1 047 154	1 047 154	350 008	350 008
6	Due to customers	3 600 372	3 598 644	2 147 036	2 146 381
7	Provisions under liabilities	38	38	86	86
8	Other financial liabilities and lease liabilities	38 127	38 127	22 856	22 856

In order to disclose information on fair value, the Bank defined classes of assets and liabilities based on nature, characteristics and risks under an asset or a liability, as well as hierarchy level of fair value sources:

- level 1: measurement based on market quotes;
- level 2: measurement based on observable data based directly or indirectly on market data;
- level 3: measurement based on data absent at open sources.

Table 29.2. Fair value of financial instruments by levels of measurement as at December 31, 2021

(UAH’000)

		Fair value by different measurement models			Total fair value
		Level 1	Level 2	Level 3	
1	**Assets with fair value disclosed**				
1.1	Cash and cash equivalents	-	1 107 717	-	1 107 717
1.2	Loans and due from customers	-	-	1 842 976	1 842 976
1.3	Investments in securities	-	1 872 869	-	1 872 869
1.4	Other financial assets	-	-	43 998	43 998
2	**Liabilities with fair value disclosed**				
2.1	Due to banks	-	1 047 154	-	1 047 154
2.2	Due to customers	-	3 600 372	-	3 600 372
2.3	Provisions for liabilities		-	38	38
2.4	Other financial liabilities and lease liabilities	-	38 127	-	38 127

Table 29.3. Fair value of financial instruments by levels of measurement as at December 31, 2020

(UAH’000)

		Fair value by different measurement models			Total fair value
		Level 1	Level 2	Level 3	
1	**Assets with fair value disclosed**				
1.1	Cash and cash equivalents	-	678 743	-	678 743
1.2	Loans and due from customers	-	-	977 756	977 756
1.3	Investments in securities	-	1 025 220	-	1 025 220
1.4	Other financial assets	-	-	33 265	33 265
2	**Liabilities with fair value disclosed**				
2.1	Due to banks	-	350 008	-	350 008
2.2	Due to customers	-	2 147 036	-	2 147 036
2.3	Provisions for liabilities		-	86	86
2.4	Other financial liabilities and lease liabilities	-	22 856	-	22 856

Note 30. Financial instruments by categories of measurement

Table 30.1. Financial assets and liabilities by categories of measurement as at December 31, 2021

(UAH’000)

		Amortized cost	Total
	ASSETS		
1	Cash and cash equivalents	1 107 717	1 107 717
2	Loans and due from customers	1 843 613	1 843 613
3	Investments in securities	1 878 033	1 878 033
4	Other financial assets	43 998	43 998
	LIABILITIES		
5	Due to banks	1 047 154	1 047 154
6	Due to customers	3 598 644	3 598 644
7	Provisions for liabilities	38	38
8	Other financial liabilities and lease liabilities	38 127	38 127

Table 30.2. Financial assets and liabilities by categories of measurement as at December 31, 2020

(UAH’000)

		Amortized cost	Total
	ASSETS		
1	Cash and cash equivalents	678 743	678 743
2	Loans and due from customers	972 097	972 097
3	Investments in securities	1 023 290	1 023 290
4	Other financial assets	33 265	33 265
	LIABILITIES		
5	Due to banks	350 008	350 008
6	Due to customers	2 146 381	2 146 381
7	Provisions for liabilities	86	86
8	Other financial liabilities and lease liabilities	22 856	22 856

Note 31. Related party transactions

As at December 31, 2021, the Bank's owners are resident individuals, citizens of Ukraine:

Tetiana I. Gorodnytska – direct participation – 73,64%;
Roman O. Gorodnytskyi – direct participation – 9,52%
Anastasiya V. Gorodnyts`ka – direct participation – 3,76%
Kostiantyn V. Gorodnyts`kyy – direct participation – 3,76%
Olexandr V. Gorodnytskyi – direct participation – 3,76%
Svitlana M. Lushnikova – direct participation – 3,76%
Vadym A. Sysenko – direct participation – 1,8%.

Tables 31.1 – 31.4 present data on related party transactions of the Bank.

Table 31.1. Balances with related parties

(UAH’000)

		Shareholders	Key management personnel	Other related parties
As at December 31, 2021:				
1	Loans and due from customers (contractual interest rate 0,01-38 %%), including:	93	334	64 302
1.1	Allowance for ECL	(123)	(3)	(15 112)
2	Other financial assets, including:	11	-	-
2.1	Allowance for other financial assets	(1)	-	-
3	Other assets:	13	-	-
4	Due to customers (USD contractual interest rate 1-2.05%%; UAH – 6,5-10,1%%)	70 215	3 063	83 383
5	Other liabilities including:	3 930	1 066	4 764

		Shareholders	Key management personnel	Other related parties
5.1	Operating lease liabilities	3 861	-	4 335
Other rights and obligations				
6	Loan commitments	663	1 138	2 145
As at December 31, 2020:				
7	Loans and due from customers (contractual interest rate 0,01-27 %%) including:	-	2 119	18 370
7.1	Allowance for ECL	-	(10)	(4 555)
8	Other financial assets, including:	4	1	1
8.1	Allowance for other financial assets	-	(1)	-
9	Other assets:	-	-	38
9.1	Allowance under other assets	-	-	(2)
10	Due to customers (USD contractual interest rate 0.5-2.55%%; UAH – 6,5-9,2%%)	39 639	2 961	46 175
11	Other liabilities including:	574	636	5 712
11.1	Operating lease liabilities	561	-	5 690
Other rights and obligations				
12	Loan commitments	200	970	1 918

Other liabilities of key management personnel include provision for vacations as at December 31, 2021, of UAH 1 008 thousand (December 31, 2020 – UAH 598 thousand). In the reporting year the Bank acquired a part of premises at 5 (floors 3 – 4) Volodymyra Monomakha str., Dnipro, and equipment for total of UAH 51.5 mln from a related party.

Table 31.2. Income and expense under related party transactions

(UAH’000)

		Shareholders	Key management personnel	Other related parties
2021:				
1	Interest income	7	84	6 951
2	Interest expense	(298)	(44)	(364)
3	Commission income	503	105	217
4	Allowance for ECL	(124)	8	(10 557)
5	Administrative and other operating expenses	(1 777)	(9 456)	(5 055)
2020:				
6	Interest income	-	83	5 237
7	Interest expense	(27)	(79)	(195)
8	Commission income	282	99	298
9	Allowance for ECL	-	(8)	(3 680)
10	Administrative and other operating expenses	(555)	(8 274)	(4 689)

Table 31.3. Total loans granted to and repaid by related parties

(UAH’000)

		Shareholders	Key management personnel	Other related parties
2021:				
1	Loans issued to related parties during the period	5 102	3 595	113 849
2	Loans repaid by related parties during the period	(5 112)	(3 559)	(57 068)
3	Other changes of carrying amount	102	(1 822)	(10 849)
2020:				
4	Loans issued to related parties during the period	643	4 548	30 768
5	Loans repaid by related parties during the period	(645)	(2 668)	(37 953)
6	Other changes of carrying amount	-	(3)	(3 485)

Table 31.4. Payments to key management personnel

(UAH’000)

		2021		2020	
		expenses	accrued liability	expenses	accrued liability
1	Current payments to key management personnel	(8 224)	1 008	(7 542)	598

Accrued liability include provision for vacation for key management personnel.

Note 32. Subsequent events

Full-scale war of russia against Ukraine resulted in deep crisis with far reaching aftereffects for financial sector. Still the banking system successfully counteracts war challenges: the banks continue to operate uninterruptedly, preserve liquidity and continue to credit. After the shock of the initial weeks of war, economy slowly started to be more active in relatively quiet regions. Ukrainian entities restore their operations although significant part of them works significantly below their pre-war workload.

Taking into account uncertainty of macroeconomic terms and financial position of the borrowers, mass crediting of nosiness is possible only with extension of programs of state support. Credit risk is the key risk among other inherent risk of banks, while its realization is the biggest threat for the sector. Full-scale russian aggression resulted in physical destruction of assets of many entities and infrastructure, disruption of production processes and chains of supply, increase of expenses of business, significant increase of forced migration. In this situation quite a lot of borrowers are able to service loans that negatively affects the interest income received by the Bank. Active hostilities significantly deteriorate the payment discipline of borrowers. Demand of individuals for retail loans dropped significantly through decrease of income of population and, respectively, for long-term goods.

A shortage of income was expected since the Bank delayed payment of accrued interest under terms of ‘credit holidays.’ A general decrease of business activity and a drop of demand for credits and banking services would continue to negatively impact the profitability. Losses under credit risk are expected to grow based on the gradual impact of the economic crisis to suppliers. The subsequent inflow of interest income would directly depend on realization of credit risk and the ability of the Bank to collaborate with suppliers to minimize it. The current situation requires the banks to carefully measure the financial position of borrowers, careful use of instruments of ‘credit holidays’ and timely restructuring of loans for customers that require it.

Decrease of scope of trade in goods and services resulted in decrease of amounts of settlements – key base of commission income of the banks. The majority of banks introduced credit holidays and decreased commissions. In total, it had a negative impact on major components of operating income. In future, the major factor of impact on the financial position of Banks would be the realization of credit risk that would significantly decrease the capital of the banks. Still, NBU would not use disciplinary measures for non-compliance with requirements to capital and liquidity of the banks during martial law, providing adequate time for restoration of resilience when martial law is over.

The official FX rate immediately after intrusion was fixed as UAH 29,25/USD 1, while immediate ban to transactions in foreign currencies reduced pressure on UAH. In July, NBU adjusted FX rate for UAH/USD by 25% up to UAH 36,56/USD 1 based on change of fundamental characteristics of Ukrainian economy during the war and strengthening of USE compared to other currencies.

Increase of NBU discount rate to 25% was a signal for the Bank for gradual increase of deposit rates. The Bank intends to compensate impairment of funds through growth of prices and devaluation at cash market to the depositors and keep current customer base and stimulate individuals for keeping their funds at term accounts. So, the Bank, in accordance with NBU decision on increase of discount rate, the Bank revised its interest policy to extend the range of sources of funding and increase of interest of own customers to term deposits with proper reward for keeping UAH assets. In June – July ALMC took a decision on increase of rates for term deposits of entities and individuals in local currency mostly for short-term periods. On the other hand, ALMC reviewed basic terms of credit products for individuals.

Taking into account existing risks to profitability, the Bank developed a strategy of shortening attracted NBU refinancing loan in the short term without increase of liquidity risk. The Bank has a security portfolio balanced by maturities. All inflows under state bonds are channelled to repayment of refinancing.

The Bank meets its obligations to customers in time and in full. Structure and scope of resource base of the Bank correspond in general to the approved nosiness model, namely, universal bank with corporate and retail business and services that correspond to its risk profile. Bank sources oof financing are diversified.

The risk of significant outflow of funds after commencement of full-scale aggression did not realize. Gradual economic rehabilitation supported accumulation of funds at accounts of entities and individuals. The Bank saved the trust of depositors. Currently, liquidity of the Bank is not questioned although the risk of liquidity may be realized during the war, and it should not be ignored.

As at the date of approval of financial statements:

- NBU refinancing loan is fully paid;
- Fixed assets of the Bank were not damaged, they are not located at temporary occupied areas or in areas of active hostilities;
- Pledged assets of borrowers are located mostly at Ukraine controlled territories and were not damaged;
- The Bank continues to be profitable; the Bank fully complies with economic rations introduced by NBU regulations, including capital, solvency and liquidity ratios;
- The Bank implemented steps to decrease administrative expenses;
- As of the commencement of military aggression the Bank formed additional allowances of UAH 102 mln for active bank operations.

The operations of the Bank are governed by regulations approved by the NBU Board because of introduction of martial law in Ukraine to provide for reliability and stability of functioning of banking system.

Approved for issue and signed on September 05, 2022.

Chair of Management Board **Andrii HRIHEL**

Chief accountant **Andrii AKHE**

«РАДАБАНК»
Ідентифікаційний код 21322127

INDEPENDENT AUDITOR'S REPORT

To the:

Shareholders and Supervisory Board of
JOINT STOCK BANK "RADABANK"

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of JOINT BANK "RADABANK" (the "Bank"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity 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 requirements of the Law of Ukraine "On Accounting and Financial Reporting" for its preparation.

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 31 to the financial statements, which indicates that as of February 24, 2022, operations of the Bank and its counterparts are significantly affected by ongoing full-scale military invasion of Ukraine by Russian Federation, while subsequent developments, impact, and timing of when those actions will cease are uncertain.

As disclosed in Note 4, these events or conditions, together with other matters set out in Note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Banks's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PKF

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 matter described below to be the key audit matter to be communicated in our report.

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

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

Management is responsible for the other information. The other information comprises the information included in Issuer report with the Management report for 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 scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 regarding the audit report on the audit of financial statements

(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 Audit entity performing audit of financial statements section of independent auditor's report.

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

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

   JOINT STOCK BANK "RADABANK";

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 do not imply prudential indicators for the sector where the Bank operates, therefore auditor's opinion on correctness of calculation of respective prudential indicators 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).

Management 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 of 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 of the Revision commission

The Extraordinary General Meeting of Shareholders of JSC "JSB "RADABANK" held on 17 December 2021 (Minutes No. 86) decided to terminate the activities of the Bank's Revision commission. In this regard, the Revision commission did not audit the financial and economic activities based on the results of the reporting financial year.

Information on Auditing 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 auditing entities:

- 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 3886;

Address of the legal entity and factual place of business:

- 4th floor, 52 B.Khmelnytskoho str., Kyiv, 01054, Ukraine;

Webpage/website of the audit entity:

- www.pkf.kiev.ua

Date and number of the audit agreement:

- Agreement № 41 of 12.07.2021

Beginning and closing dates of the audit:

- Date of beginning: 12.07.2021
- Date of closing: 12.09.2022

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 resolution of the Supervisory Board № 230621-5 of 23.06.2021. 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, Maryna Antonova 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 Maryna Antonova.

Engagement partner on the audit — Maryna ANTONOVA

(Registration Number in the Register of Auditors and Auditing Entities 100198)

On behalf of PKF UKRAINE LLC Director — Iryna KASHTANOVA

Kyiv, Ukraine

September 12, 2022