PUBLIC JOINT STOCK COMPANY «COMMERCIAL BANK «ACCORDBANK»

FINANCIAL STATEMENTS
MANAGEMENT REPORT
Together with the independent auditor's report
for the year ended December 31, 2021

CONTENT

Statement on management responsibility for the preparation and approval of financial statements for the year ended December 31, 2021

The statement below, which should be considered together with the description of the obligations of the independent auditors contained in the attached Report of the independent auditor, is made for the purpose of distinguishing the responsibilities of the management and independent auditors in relation to the financial statements of the PUBLIC JOINT STOCK COMPANY «COMMERCIAL BANK «ACCORDBANK» (hereinafter – the Bank).

The Bank's management is responsible for the preparation of financial statements that accurately reflect the Bank's financial position as at December 31, 2021, the results of its activities and cash flows for the year ended December 31, 2021, in accordance with International Financial Reporting Standards (hereinafter - IFRS). When preparing financial statements, the Bank's management is responsible for:

- selection of appropriate accounting principles and their consistent application;
- application of reasonable estimates and calculations;
- compliance with IFRS requirements or disclosure and explanation of all significant deviations from IFRS in financial statements;
- preparation of financial statements based on the assumption that the Bank will continue its activities in the future, except for cases when such an assumption is illegitimate.

The Bank's management is responsible for:

- development, implementation and ensuring the functioning of an effective and reliable internal control system of the Bank;
- keeping relevant accounts, which reveal with a sufficient degree of accuracy information about the Bank's financial condition, and which allow to ensure compliance of the Bank's financial statements with the requirements of IFRS;
- ensuring compliance of accounting with the requirements of legislation and accounting standards adopted in Ukraine;
- taking measures reasonably available to him to ensure the preservation of the Bank's assets;
- detection and prevention of fraud and other violations.

Financial statements for the year ended December 31, 2021, approved and signed on behalf of the Bank:

«11» November 2022

Chairman of the Board __________ Rudnev Oleksii

Chief Accountant __________ Litosh Oksana

ACTIVE-AUDIT
audit and consulting

INDEPENDENT AUDITOR'S REPORT

of Audit firm «ACTIVE-AUDIT»
based on the results of the audit of the annual financial statements

«COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY

at the end of the day 31.12.2021

www.active-audit.com.ua | 4, M. Grinchenka street | Kyiv | 03038 | Ukraine
e-mail: info@active-audit.com.ua tel.: +38 044 498 56 52
Registration number in the register of auditors and audit entities 2315

This Auditor's report is addressed to:

- the Management Board of «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY;
- National Bank of Ukraine;
- the National Securities and Stock Market Commission;
- all other possible users of the annual financial statements of «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY.

Report on the audit of financial statements

Opinion

We have audited the annual financial statements of «COMMERCIAL BANK «ACCORDBANK», PUBLIC JOINT-STOCK COMPANY (hereinafter - PJSC «CB «ACCORDBANK», The Bank), which consists of the Financial Statement as at December 31, 2021, the Statement of profit and loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year that 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, its financial results and cash flows for the year that ended, in accordance with International Financial Reporting Standards (IFRS), and meets the requirements of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» dated July 16, 1999 №. 996-XIV, concerning the preparation of financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility in accordance with these standards described in section «Auditor's responsibility for the audit of financial statements» in our report. We are independent in relation to the Bank in accordance with Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable in Ukraine to our audit of financial statements, as well as fulfill other ethical obligations in accordance with these requirements and the IESBA Code. We believe that the audit evidence we receive is sufficient and acceptable to use as the basis for our opinion.

Material uncertainty related to going concern

The annual financial statements were prepared on the basis of the assumption that the Bank is able to continue its activities on a going concern basis. We draw attention to Notes 2,3 and 33 to the financial statements, which disclose information that on February 24, 2022, Russian forces began a full-scale invasion of Ukraine. The armed aggression of the russian federation has extremely significant negative consequences for the financial system and the banking sector, the final outcome of these events or the timing of their completion is currently uncertain, but the losses for banks are expected to be significant. This indicates that there is a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Information regarding these issues, as well as information regarding the further plans of the Bank's management staff are properly disclosed in the financial statements.

Our opinion on this matter has not been modified.

Key audit matters

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

In addition to the matter described in the section «Material uncertainty relating to going concern», we have determined that the key audit matter to be disclosed in our report is judgments and evaluations regarding customer loans and debts.

Judgments and evaluations regarding customer loans and debts

We identified this area as a key audit matter, as the assessment of the amount of the provision for impairment of customer loans was a key area of professional judgment of the Bank's management. As of the reporting date, customer loans and indebtedness make up 9,8%, and when assessing the expected credit risks of customers, the Bank's management makes significant judgments regarding the financial condition of borrowers, the amount of expected future cash flows for loans, the market value of collateral for credit transactions, and the level of probability of default.

Our audit procedures specifically included:
• consideration and evaluation of the depreciation methodology, and verification of the appropriateness and accuracy of the input data used by the Bank when calculating reserves;
• evaluation and verification of key assumptions adopted by the management staff when assessing a significant increase in credit risk, probability of default, losses in case of default and estimation of expected credit losses on customer loans;
• an independent assessment of the size of created reserves for the impairment of loans to clients based on a review of information contained in credit files, including an assessment of borrowers' financial condition, timeliness of debt payments, analysis of future cash flow forecasts, etc.

Information on customer loans and the extent of their impairment is provided in Note 7 to the annual financial statement. Information on significant accounting estimates used in determining the book value of customer loans and expected credit losses on them is provided in Note 4.

Other issues

The Bank's financial statement for the year ended 31.12.2020 was audited by another auditor, who expressed an unmodified opinion on these statement on 20.04.2021.

Information other than the Financial Statements and Auditor's Report Thereon

Management personnel are responsible for other information. Other information consists of:
- the information contained in the Management Report for 2021 (hereinafter referred to as the Management Report) and in the Corporate Governance Report, which is an appendix to the Management Report, PJSC «CB «ACCORDBANK» for 2021, but is not the financial statements and our auditor's report on it, which we received before the date of this report from an independent auditor;
- other information included in the Annual Information of the issuer of securities, which we expect to receive after the date of this independent auditor's report.

Our opinion on the financial statements does not cover the other information and we do 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, 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.
In accordance with the requirements of Art. 127 of the Law of Ukraine «On Capital Markets and Organized Commodity Markets», we report the following.
We checked the information contained in the «Corporate Governance Report» of the Management Report regarding:
• compliance by the Bank with the provisions of the Corporate Code,
• held during the reporting period of the general meeting of shareholders of the Bank and adopted at the meeting of decisions,
• the personal composition of the Supervisory Board and the Management Board of the Bank, the committees of the Bank's Management Board and the Supervisory Board of the Bank, and the meetings and decisions taken by them,
and did not establish significant inconsistencies with the information set forth in the Regulations on corporate governance of PJSC «CB «ACCORDBANK» (during the reporting year, it was in effect in the version approved by the decision of the General Meeting of Shareholders dated 19.03.2020, minutes №2020031901, and updated in accordance with the decision of the General Meeting of Shareholders dated 28.12.2021, minutes №2021122801), other regulations/policies adopted by the Bank in terms of corporate governance, other information or our knowledge obtained during the audit.

We have considered the issues contained in the Corporate Governance Report regarding:
• the main characteristics of the Bank's internal control and risk management system;
• a list of persons who directly or indirectly own a significant block of shares in the Bank;
• information on any restrictions on the rights of participation and voting of shareholders at the General Meeting of the Bank;
• the procedure for appointing and dismissing officials of the Bank;
• powers of the Bank's officials,
and express our opinion that this information was disclosed by management in compliance with current legislation, in particular the Laws of Ukraine «On capital markets and organized commodity markets» and «On Financial Services and State Regulation of Financial Services Markets», consistent with other parts of the annual report and not established material contradicts the information obtained by us during the audit of the financial statements of the Bank.
When we review the Annual Information of the issuer of securities, if we come to the conclusion that it contains a material misstatement, we will need to report this matter to the Supervisory Board.

The responsibility of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of financial statements according to IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparation of financial statements, management is responsible for assessing the Bank's ability to continue its operations on an ongoing basis, disclosing, where applicable, business continuity issues, and using assumptions of continuity as a basis for accounting, except when the management plans to liquidate the Bank or cease its activities, or has no other real alternatives to it.

Those charged with governance (the Supervisory Board) are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibility for audit of financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole do not contain material misstatement due to fraud or error and the issuance of an auditor's report containing our opinion. Reasonable confidence is a high level of certainty, but it does not guarantee that an audit conducted in accordance with the ISA will always detect a material misstatement when it exists. Misstatement may be the result of fraud or error; they are considered to be material if, individually or in aggregate, they are reasonably expected to affect the economic decisions of users that are taken on the basis of these financial statements.
As part of an audit in accordance with the requirements of ISA, we use professional judgments and professional skepticism throughout the audit engagement. In addition, we:
• Identify and assess the risks of material misstatement of financial statements as a result of fraud or error, develop and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and acceptable to use as the basis for our opinion. The risk of non-disclosure of material misstatement due to fraud is higher than for distortion due to a mistake, as fraud may involve collusion, forgery, intentional omission, incorrect statements or neglect of internal control measures;
• Obtain an understanding of the internal control activities related to the audit, to develop audit procedures that are appropriate to the circumstances, rather than to express an opinion on the effectiveness of the internal control system;
• Evaluate the appropriateness of accounting policies and the validity of accounting estimates and relevant disclosures made by management;
• Conclude on to the appropriateness of using the assumption of continuity of activities as a basis for accounting by management and, on the basis of audit evidence obtained, we conclude that there is a significant uncertainty about events or conditions that would significantly cast doubt on the Bank's ability to continue its continuous activities. If we conclude that the existence of such significant uncertainty, we should draw attention in our auditor's report to relevant disclosures in the financial statements or, if such disclosures are inappropriate, to modify their views. Our conclusions are based on audit evidence received prior to the date of our auditor's report. However, future events or conditions may force the Bank to cease its activities on an ongoing basis;
• Assess the overall presentation, structure and content of financial statements, including disclosures, as well as whether the financial statements of operations and events underlying its compilation are presented in such a way as to achieve a credible presentation.
We inform the Supervisory Board about the planned volume and time of the audit and audit significant results, including any significant deficiencies of internal controls identified during our audit.
We also submit to the Supervisory Board the assertion that we have met the relevant ethical requirements for independence, and we notify them of all relations and other issues that might reasonably be considered as affecting our independence and, where applicable, regarding the relevant precautionary measures.
From the list of all issues that were provided to the Supervisory Board, we identified those that were most important during the audit of the current financial statements, that is, those that are key issues in the audit. We describe these issues in our auditor's report except when a legislative or regulatory act prohibits public disclosure of the issue or if, in very exceptional circumstances, we determine that such a question should not be covered in our report, as the negative effects of such coverage may be expected to outweigh it utility for the public interest.

Report on the other legal and regulatory requirements

In accordance with the requirements of the Law of Ukraine «On Banks and Banking Activity», the Law of Ukraine «On the Audit of Financial Statements and Audit Activity», Regulations on the Procedure for Submitting an Audit Report to the National Bank of Ukraine on the Results of the Annual Audit of the Financial Statements of the Bank, Banking Group and on Conducting an Audit financial statements of a member of a banking group (approved by the resolution of the Board of the National Bank of Ukraine №90 of 02.08.2018, with changes and additions), Requirements for information related to the audit or review of financial statements of participants in capital markets and organized commodity markets, which are supervised by the National Commission on securities and the stock market (approved by the decision of the National Securities and Stock Market Commission №555 dated 22.07.2021), we report on other issues related to the Bank's annual financial statements and our audit. The full text of our «Report on the requirements of other legislative acts» is available at the link:
https://accordbank.com.ua/docs/accounting/annual/2021/richnyi_zvit_2021.pdf.

In carrying out the audit of financial statements for 2021 year, those policies and procedures in the accounting, internal control and risk management systems concerning statements in the financial statements were considered.

Application:

- Annual financial statements of the Bank

The partner of an audit engagement, resulting in the Report of the independent auditor, is Domarieva Nataliia.

Signed on behalf of the audit firm Limited Liability Company «Audit Firm «ACTIVE-AUDIT» (registration number in the Register of Auditors and Auditors, issues «Audit Subjects», «Subjects of audit activity that are entitled to conduct mandatory audit of financial statements», «Subjects of audit activity that have the right to conduct mandatory audit of financial statements of enterprises of public interest» - 2315)

Director **Volodymyr MNISHCHENKO**
the registration number in the Register of Auditors and Subjects audit activity (issue «Auditors») - 100062

Україна * м.Київ * Товариство з обмеженою відповідальністю
Аудиторська фірма «Актив-Аудит»
Ідентифікаційний код 30785437

An audit engagement partner **Nataliia DOMAREVA**
Director of Audit
the registration number in the Register of Auditors and Subjects audit activity (issue «Auditors») - 100065

23-B, General Naumova Str., Kiev

18 November 2022

Statement of financial position as at 31 December 2021

UAH, ths

	Notes	31.12.2021	31.12.2020
ASSETS			
Cash and cash equivalents	6	3 142 051	1 217 079
Loans and debts of customers	7	1 494 857	1 376 646
Investments in securities	8	10 191 925	3 623 544
Investment Property	9	6 260	24 564
Deferred tax asset	24	3 576	3 105
Fixed assets and intangible assets	10	105 201	44 809
Right-of-use assets	11	173 994	104 508
Other assets	12	199 276	78 580
Total assets		**15 317 140**	**6 472 835**
LIABILITIES			
Bank funds	13	5 360 249	2 080 018
Customer funds	14	9 228 786	3 894 456
Current income tax liabilities		9 507	2 071
Provisions for liabilities	15	12 828	12 346
Lease obligations	16	178 589	110 341
Other liabilities	17	139 667	56 070
Total liabilities		**14 929 626**	**6 155 302**
EQUITY			
Share capital	18	284 540	284 540
Reserve and other funds of the bank		5 634	5 148
Revaluation reserves		(74)	(49)
Retained earnings (uncovered loss)		97 414	27 894
Total equity		**387 514**	**317 533**
Total liabilities and equity		**15 317 140**	**6 472 835**

Approved for release and signed

«11» November 2022

Україна
м. Київ
Публічне акціонерне товариство
«КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК»
Ідентифікаційний код 35960913

Chairman of the Board Rudnev Oleksii

Chief Accountant Litosh Oksana

Lebedeva Olena
044 538 18 59

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

UAH, ths.

	Notes	2021	2020
Interest income	20	1 091 185	428 850
Interest expenses	20	(540 504)	(195 650)
Net interest income/(Net interest expense)		**550 681**	**233 200**
Commission income	21	439 866	321 249
Commission expenses	21	(54 746)	(30 871)
Net profit/(loss) from operations with derivative financial instruments		(3 669)	(23 234)
Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income		5	468
Net profit/(loss) from transactions with foreign currency		122 984	83 468
Net profit/(loss) from foreign currency revaluation		(1 743)	28 356
Net profit/(loss) from revaluation of investment real estate objects		(47 372)	(26 160)
Net loss from impairment of financial assets	6,7,12	(293 262)	(114 518)
Net loss/(profit) from increase/(decrease) in provisions for liabilities	15	(482)	(6 375)
Net profit/(loss) on derecognition of financial assets carried at amortized cost		2 922	24 482
Other operating income	22	13 154	14 534
Expenses for employee benefits	23	(411 314)	(285 397)
Depreciation and amortization	23	(55 079)	(36 061)
Other administrative and other operating expenses	23	(176 078)	(169 742)
Profit before taxation		**85 867**	**13 399**
Income tax expenses	24	(15 861)	(3 682)
Profit for the reporting period		**70 006**	**9 717**
ITEMS THAT WILL BE RECLASSIFIED TO INCOME OR LOSS			
Changes in the results of revaluation of debt financial instruments:		(29)	68
net change in fair value		(17)	68
net change in fair value transferred to profit or loss		(12)	-
Income tax related to items of other comprehensive income that will be reclassified to profit or loss		4	(12)
Other comprehensive income that will be reclassified to profit or loss after tax		(25)	56
Other comprehensive income after tax		**(25)**	**56**
Total cumulative income for the reporting period		**69 981**	**9 773**
Profit per share (in UAH):	25		
net and adjusted income per ordinary share		252,18	38,41

Approved for release and signed

«11» November 2022

Chairman of the Board Rudnev Oleksii

Chief Accountant Litosh Oksana

Lebedeva Olena
044 538 18 59

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

UAH, ths.

	Share capital	Reserve and other funds	Revaluation reserves	Retained earnings	Retained earnings
Balance as at 1 January 2020	**247 592**	**3 702**	**(105)**	**19 623**	**270 812**
Profit distribution for 2019	-	1 446		(1 446)	-
Total comprehensive income:	-	-	56	9 717	9 773
profit for the reporting period	-	-	-	9 717	9 717
other comprehensive income	-	-	56	-	56
Capital receipts (issue of shares)	36 948	-	-	-	36 948
Balance as at 31 December 2020/1 January 2021	**284 540**	**5 148**	**(49)**	**27 894**	**317 533**
Profit distribution for 2020	-	486		(486)	-
Total comprehensive income:	-	-	(25)	70 006	69 981
profit for the reporting period	-	-	-	70 006	70 006
other comprehensive income	-	-	(25)	-	(25)
Balance as at 31 December 2021	**284 540**	**5 634**	**(74)**	**97 414**	**387 514**

Approved for release and signed

«11» November 2022

Chairman of the Board Rudnev Oleksii

Chief Accountant Litosh Oksana

Україна * Публічне акціонерне товариство «КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК» * м.Київ * Ідентифікаційний код 35960913

Lebedeva Olena
044 538 18 59

Statement of cash flows for 2021
(by direct method)

UAH. ths.

	Note	*2021*	*2020**
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest income received		918 332	329 124
Interest expense paid		(537 069)	(197 413)
Commission income received		438 060	320 655
Commission expenses paid		(54 649)	(31 174)
The result of operations with financial derivative instruments		(3 669)	(23 234)
The result of operations with foreign currency		122 984	111 824
Other received operating income		6 048	7 410
Staff maintenance expenses paid		(395 606)	(272 520)
Administrative and other operating expenses paid		(111 297)	(154 770)
Income tax paid		(8 892)	(5 223)
Cash received/(paid) from operating activities before changes in operating assets and liabilities		**374 242**	**84 679**
Net (increase)/decrease in investments in securities		(6 417 316)	(3 327 298)
Net (increase)/decrease in customer loans and receivables		(565 164)	(620 012)
Net (increase)/decrease in other financial assets		7 334	(25 587)
Net (increase)/decrease in other assets		(21 401)	(1 988)
Net increase/(decrease) in bank funds		3 280 300	2 080 018
Net increase/(decrease) of customer funds		5 330 826	1 294 790
Net increase/(decrease) in other financial liabilities		66 265	15 509
Net increase/(decrease) in other liabilities		1 530	2 763
Net cash received/ (used) from operating activities		**2 056 616**	**(497 126)**
CASH FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of investments in securities		5	468
Proceeds from the sale of mortgaged property held for sale		15 563	-
Purchase of fixed assets		(69 716)	(15 666)
Purchase of intangible assets		(4 886)	(5 978)
Net cash received/ (used) from investment activities		**(59 034)**	**(21 176)**
CASH FROM FINANCIAL ACTIVITIES			
Issue of ordinary shares		-	36 948
Payments to repay the obligation to make lease payments		(52 190)	(13 991)
Net cash received/ (used) from financial activities		**(52 190)**	**22 957**
The impact of changes in the official exchange rate on cash and their equivalents		**(17 247)**	**16 518**
Net increase/(decrease) in cash and their equivalents		**1 928 145**	**(478 827)**
Cash and their equivalents at the beginning of the period		**1 219 555**	**1 698 382**
Cash and their equivalents at the end of the period	5	**3 147 700**	**1 219 555**

* The comparative information for 2020 has been modified to match the 2021 filing. The impact of the changes is disclosed in Note 3 «Basis of presentation of financial statements».

Approved for release and signed
«11» November 2022

Chairman of the Board Rudnev Oleksii

Chief Accountant Litosh Oksana

Lebedeva Olena
044 538 18 59

Україна * м.Київ * «КОМЕРЦІЙНИЙ БАНК «АКОРДБАНК» Ідентифікаційний код 35960913 Публічне акціонерне товариство

Notes to financial statements

Note 1. Information about the bank

PUBLIC JOINT STOCK COMPANY «COMMERCIAL BANK «ACCORDBANK» (hereinafter - the Bank) was registered on June 3, 2008. Abbreviated name of PJSC «CB «ACCORDBANK».

The bank was registered by the National Bank of Ukraine on June 4, 2008, under registration number 324 in the State Register of Banks.

Organizational and legal form – Public joint stock company.

PJSC «CB «ACCORDBANK» is a universal banking institution.

The main counterparties of the Bank are non-banking institutions, small and medium-sized enterprises, and natural persons. The bank raises funds from the population and business entities, issues loans, transfers payments in Ukraine and abroad, conducts operations with foreign currency funds, provides banking services to its commercial and retail clients.

As at December 31, 2021, PJSC «CB «ACCORDBANK» is represented by 109 sales points - the Main Bank and 108 branches - in the following regions of Ukraine:

- Kyiv – 21 (including the Head Office)
- Kyiv region - 3
- Dnipropetrovsk region - 11
- Donetsk region - 2
- Zhytomyr region – 2
- Zaporizhzhia region - 4
- Kirovohrad region – 2
- Lviv region – 5
- Odesa region – 10
- Poltava region - 9
- Sumy region - 5
- Kharkiv region - 7
- Kherson region – 1
- Ivano-Frankivsk region – 3
- Volyn region - 1
- Rivne region – 3
- Khmelnytskyi region – 5
- Cherkasy region – 5
- Chernivtsi region – 2
- Vinnytsia region – 3
- Mykolaivska region – 2
- Ternopilska region – 1
- Zakarpattia region -2

Legal address of the Bank: Ukraine, 04136, Kyiv, st. Stetsenko, building 6.

The strategic goal of the Bank is to increase the market value of the banking institution in the interests of shareholders. The main goal for the management of PJSC «CB «ACCORDBANK» is to create and reliably operate a competitive, financially stable credit institution with advanced technologies for interaction with clients, capable of meeting the requirements and providing a wide range of banking services to legal entities and private clients at the level of international banks.

PJSC «CB «ACCORDBANK» is a member of the Individual Deposit Guarantee Fund (Certificate of Fund Member No. 198, registration date 14.08.2008).

The bank carries out banking operations in accordance with banking license No. 245, issued by the National Bank of Ukraine on November 7, 2011 (https://bank.gov.ua/files/Licences_bank/380634.pdf), to which, as at 15.07. 2021, funds collection services and transportation of currency values.

PJSC «CB «ACCORDBANK» has the following licenses and decisions to carry out activities on the stock market:

- License of the National Securities and Stock Market Commission, series AE No. 263225 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Brokering activity) ». The validity period of the license is unlimited from 29.08.2013;
- License of the National Securities and Stock Market Commission, series AE No. 263226 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Dealing activity) ». The validity period of the license is unlimited from 29.08.2013;

- License of the National Securities and Stock Market Commission, AE series No. 263227 dated 29.08.2013 «Professional activity on the stock market - securities trading activity (Underwriting)». The validity period of the license is unlimited from 29.08.2013;
- Decision of the National Securities and Stock Market Commission regarding the issuance of the license «Professional activity on the stock market - depository activity (depository activity of a depository institution) » No. 614 dated 16.10.2019. The validity period of the license is unlimited from 16.10.2019.

Membership in international money transfer systems:

The Bank sends and pays out funds through the international money transfer systems «MoneyGram», «INTELEXPRESS», «Welsend», «RIA», «MY TRANSFER»:

MoneyGram	The Bank has been working with the system since 27.05.2016 as a sub-agent of the system based on the Agreement on Participation in the International Payment System (through PJSC «UFG»)
INTELEXPRESS	The bank has been working with the system since 11.01.2016 as a direct participant of the system based on the Agreement on making money transfers
Welsend	The bank has been working with the system since 07.09.2016 as an agent of the system on the basis of the Agreement with AB «UKRGAZBANK»
RIA	The bank has been working with the system since 15.05.2017 as a direct participant of the system based on the Agreement on Joining the Payment System
MY TRANSFER	The Bank has been working with the system since 30.05.2019 as a direct participant of the system on the basis of Participation Agreement No. 1 dated 08.05.2018

Membership in international payment systems:

The bank is an Affiliate member of IPS MasterCard WorldWide. Services for operations with cards of the international payment system MasterCard are carried out in accordance with the agreement of the principle member of the MasterCard International Payments System, the bank - sponsor JSC "PUMB".

The bank has the following licenses:

• a license to issue Mastercard payment system cards,
• a license to carry out cash-acquiring within Mastercard,
• a license to carry out trade acquiring within Mastercard.

Since 2020, the Bank has been a member of the National Payment System «Ukrainian Payment Space» - a retail payment system in which payments for goods and services, cash withdrawals and other operations with the national currency are carried out using electronic means of payment, namely PROSTIR payment cards.

Membership in interbank unions, exchanges, associations:
PJSC «CB «ACCORDBANK» is a member:

• *Association «Ukrainian Stock Traders»;*
• *PJSC «FB «PERSPECTIVE";*
• *Independent Association of Banks of Ukraine (IABU);*
• *Ukrainian interbank association of members of payment systems «EMA».*

As at December 31, 2021, the management of PJSC «CB «ACCORDBANK» owned shares of the Bank as follows:

Chairman of the Board Rudnev Oleksiy Mykolayovych	9,900935%
Member of the Supervisory Board Kot Zinaida Petrivna	9,666426%

As at December 31, 2021, the following participants have a significant stake (more than 10 percent) in the Bank:

Volynets Danylo Mefodiyovych (permit of the National Bank of Ukraine to acquire a si the bank dated April 24, 2017 No. 129)	74,771253%

Foreign investors do not have shares in the authorized capital of PJSC «CB «ACCORDBANK».

The annual financial statements of PJSC «CB «ACCORDBANK" for the year ended December 31, 2021, were approved for release by the decision of the Bank's Management Board dated November 11, 2022

Note 2. The economic environment in which the bank carries out its activities

At the end of 2021, inflation decreased due to record harvests and correction of some global food prices, effects of the strengthening of the hryvnia in previous months, exhaustion of a low base of comparison and strengthening of monetary policy. Inflation was also restrained by administrative decisions regarding the fixing of tariffs for some housing and communal services. As a result, consumer price growth slowed from a peak of 11% in September to 10% in December. A faster slowdown in inflation was hindered by the transfer to the cost of goods and services of further growth in global energy prices and pressure from other business production costs, including labor costs. The influence of stable consumer demand also remained. This, in particular, resulted in a further increase in core inflation to 7.9% at the end of the year.

In 2021, real GDP growth was 3.2%, according to the Ministry of Economy of Ukraine. The recovery of the economy was facilitated by stable consumer demand, increased investment by enterprises after the crisis, as well as a record harvest of agricultural crops. At the same time, economic recovery was slower than expected. Among the reasons are the rapid increase in the price of energy carriers and their shortage, the impact of low harvests in 2020, slower recovery of the service sector, limited capacities of certain production sectors, more significant losses from the pandemic, as well as faster fiscal consolidation.

In 2021, the current account was adjusted to a small deficit (1.1% of GDP). This was facilitated by high world prices for the main Ukrainian export goods - food and products of the mining and metallurgical complex (MMC). At the same time, at the end of the year, the current account deficit widened rapidly under the influence of a significant increase in the price of energy carriers, a reduction in external demand for MMC products, and record dividend payments.

During 2021, the cost of interbank resources increased, closely correlated with the dynamics of the key rate. At the same time, the preservation of a significant level of liquidity in the banking system kept UONIA almost at the level of the lower limit in the rate corridor of the National Bank of Ukraine. The amount of liquidity of the banking system increased in the IV quarter of 2021 - the average daily balances of funds in checking accounts and DS amounted to about 207 billion UAH (in the previous quarter - 199 billion UAH). The main factor in the increase in liquidity was a significant increase in spending by the government, which is typical for the end of the year. However, the postponement of budget payments almost until the last days of the year, together with the traditional growth of demand for cash since the beginning of December, led to the emergence of an episodic need for individual banks to refinance.

During the IV quarter of 2021, episodes of revaluation and devaluation replaced each other on the foreign exchange market, which was reflected in the increase in the volatility of the exchange rate of the hryvnia against the dollar. The National Bank of Ukraine entered the market both with the purchase and sale of foreign currency. The balance of NBU interventions in the IV quarter of 2021 remained positive (0.9 billion USD).

In 2021, the economy of Ukraine, like the world economy, recovered after the COVID-19 pandemic as quarantine restrictions were eased in connection with the introduced vaccination. However, the recovery has been uneven across countries, as high disease rates have persisted due to the spread of new strains of the virus, different rates of vaccination, and the scale of government incentives. In Ukraine, vaccination was quite slow, which led to the spread of the disease with the spread of new strains of the virus. Responding to the threat of the coronavirus to health care, the Government of Ukraine continued to take measures to contain the epidemic in Ukraine, including in terms of limiting the work of a part of trading establishments, hotel and restaurant business, entertainment establishments, limiting cross-border trips, etc., which suppressed the activity of businesses.

In 2021, the economy and the banking sector in Ukraine continued to have a significant impact on socio-political and foreign policy events that began in previous years, in particular, the Ukrainian economy continued to be under the influence of Russia's annexation of the Autonomous Republic of Crimea, the unresolved armed conflict in some regions of Donetsk and Luhansk regions and complex economic and political relations with Russia. At the end of 2021, due to the accumulation of Russian troops on the borders with Ukraine, geopolitical tensions increased, which affected the sentiments of various groups of economic entities and caused devaluation pressure on the hryvnia and a drop in the value of Ukrainian assets.

From February 24, 2022, the russian federation launched a massive, unprovoked military aggression against Ukraine. Information about the impact of the military aggression of the russian federation and the imposition of martial law on the territory of Ukraine on the Bank's activities is disclosed in Note 33 «Subsequent events ».

The further influence of the factors described above may have a multidirectional impact on the Bank's performance and financial condition. However, the extent of such influence cannot yet be reliably determined.

The Bank's management carefully monitors the current state of development and takes the necessary measures to mitigate the impact of negative factors on the Bank's activities.

These financial statements reflect the management staff's current assessment of the impact of the operating conditions in Ukraine on the Bank's operations and financial condition. Future operating conditions may differ from the estimates of the management staff.

Since the beginning of 2021, the total assets of PJSC «CB «ACCORDBANK have increased by 8.844 billion UAH eq. or by 136% (in particular, thanks to the growth of the OVDP (government bonds) portfolio) and reached 15.317 billion UAH eq.

Taking into account the existing and expected macroeconomic trends, including the growth of credit risk, the formation of expenses for reserves for active operations in the amount of 293 262 thousand UAH was made during the reporting period. In 2021, the Bank received a financial profit of 70.006 million UAH (720% compared to the same period in 2020). In 2021, the Bank continued to increase the portfolio of consumer lending to individuals and sales channels for these products. Also in 2021, the Bank received permission from the NBU to collect funds and transport currency values and created its own collection service to meet the needs of a network of branches, legal entities and individuals, and other banks in this service.

In 2021, the bank opened 28 new branches, and the total number of bank branches (including the head office) as at December 31, 2021, according to the implementation of the approved Strategy, increased to 109.

Commission income from the beginning of 2021 compared to the same period of 2020 increased by 37%, net interest income increased by 2.3 times. The bank's liquidity standards in 2021 significantly exceeded the regulatory values set by the regulator.

Note 3. Basis of financial reporting presentation

Compliance statement

The financial statements as at December 31, 2021 were prepared in accordance with the provisions of the International Financial Reporting Standards (hereinafter - IFRS), which are valid for the financial statements for the year ended on December 31, 2021, in accordance with the requirements of the National Bank of Ukraine for the preparation and publication of financial statements reporting of banks of Ukraine and the Law of Ukraine «On accounting and financial reporting in Ukraine».

Information on changes in going concern assumptions

These financial statements have been prepared on the assumption that the Bank will be able to continue as a going concern for the foreseeable future.

In connection with the military aggression of the russian federation against Ukraine and the introduction of martial law in Ukraine in accordance with the Decree of the President of Ukraine dated February 24, 2022 No. 64/2022 «On the introduction of martial law in Ukraine», approved by the Law of Ukraine dated February 24, 2022 No. 2102 -IX, the Chamber of Commerce and Industry recognizes the military aggression of the russian federation against Ukraine as force majeure.

The continuation of quarantine restrictions related to the COVID-19 pandemic and the introduction of martial law in Ukraine from 24.02.2022 at the time of preparing the financial statements for 2021 did not significantly affect the ability of the Bank to continue its activities on an uninterrupted basis.

Forming such a professional judgment during the preparation of these financial statements, the Bank conducted an analysis of its ability to continue its activities after the reporting date, taking into account the circumstances caused by the COVID-19 pandemic and the military invasion of the russian federation in Ukraine, and their impact on the Bank's financial condition and results. as well as taking into account the Bank's current financial condition and existing intentions to continue working within the framework of the approved business model.

The Bank's management is aware of the risks caused by the continuation of the COVID-19 crisis and the start of hostilities on the territory of Ukraine, which may continue to persist/increase in war conditions. The Bank has implemented a number of necessary measures to maintain operational and financial stability, maintain liquidity, manage credit and non-financial risks, and maintain capital, which will allow the Bank to maintain and continue its activities on a continuous basis.

At the end of 2021, as part of the preparation of the Business Recovery Plan, the Bank tested the process of implementing recovery options (activating the Plan) in the event of a stress scenario, which foresees a long-term negative economic effect of the spread of the acute respiratory disease COVID-19 on the territory of Ukraine. The stress scenario included such events as the default of the Bank's major borrowers; outflow of current funds of the Bank; outflow of term funds of the Bank; fall in Ukraine's GDP; sovereign CDS growth; growth of the consumer price index; rising unemployment; increasing the NBU discount rate; lowering of Ukraine's sovereign credit rating. Based on the results of the testing, action measures have been approved, the vast majority of recovery options have practical implementation experience, possible obstacles are insignificant, so the realism of its implementation is high.

Also, as at December 31, 2021, the Bank conducted risk stress testing, simulated the impact of stress factors on the following risks: credit risk; interest rate risk of the banking book; currency risk; liquidity risk; operational risk. The stress scenarios were adjusted taking into account the circumstances of the COVID crisis. Forecasts of GDP dynamics, unemployment, exchange rates, and interest rates are taken into account. During credit risk stress testing, three degrees of impact of credit migration and collateral depreciation are simulated. During the stress testing of liquidity risk, the negative impact of some stressful events increased - the outflow of funds from clients' current accounts and term deposits increased, as well as the level of non-repayment of loans. During the stress testing of the interest rate risk of the banking book, an adverse shock change in interest rates (by 300 bps - 500 bps) was simulated. The stress testing of currency risk takes into account the increase in the volatility of currency rates and the value of VaR. When stress testing operational risk, a multifactor hypothetical unsystematic model was used, the analysis was carried out according to three scenarios of the development of events: basic (moderate), negative (average), extremely negative (significant). The results of the conducted risk stress testing indicate a moderate impact of shock events on the stability of the Bank's work, reflect a satisfactory level of the Bank's stress resistance.

The Bank daily monitors liquidity within the framework of operational and strategic liquidity risk management in order to ensure compliance with prudential liquidity standards, compliance of the actual volume of asset liquidity with their required level, as well as ensuring long-term liquidity security. The bank continues its work without violating economic regulations and with a sufficient reserve of liquidity.

The collegial bodies (Supervisory Board, Management Board and Committees of the Supervisory Board and the Management Board) continue to perform their functions properly and fully ensure their performance without losing control and stopping vital processes of the Bank's activity.

With the beginning of martial law, the Bank carries out its activities in accordance with the resolution of the National Bank of Ukraine «On the operation of the banking system in conditions of martial law» dated 24.02.2022 No. 18 and other resolutions of the National Bank of Ukraine, which introduce restrictions on the operation of the banking system. The Bank supports sanctions against the aggressor country. In addition, the Bank's activity does not depend on the russian and belarusian markets, the Bank has no assets in the russian federation and belarus, the balances on the bank accounts in the russian and belarusian banks are not significant and consist exclusively of customer balances, the concentration of customer balances and the number of customers who are residents of the russian federation and belarus are small. The Bank has no related parties, and the Bank's ownership structure does not include owners who have direct or indirect connections with known politically significant persons (PSP) or organizations with a hidden connection with russian or belarusian legal entities and individuals. which are subject to sanctions. All operations with accounts in russian and belarusian rubles have been suspended.

The Bank carefully monitors the repayment of loans by the Bank's clients and studies potential threats associated with non-repayment of loans. During the period from the beginning of the military aggression to the date of approval of these financial statements for release, the Bank received payments in the amount of more than 80% of accrued interest income on customer loans. The remaining unpaid amount of accrued interest on loans refers to customers who experienced financial difficulties due to military aggression, whose business and place of work were located in temporarily occupied territories or territories where hostilities are ongoing, and those who that agreed to postpone the payment of interest on loans for the period agreed with the Bank. Following the recommendations of the National Bank, the Bank developed restructuring scenarios for individuals for consumer and card loans, leaving the possibility of early recovery of partial or full debt repayment. The Bank works individually with legal entities regarding repayment of credit debt.

An additional factor for the argumentation of the continuity assumption, which the Bank's Management takes into account, is the continuation of risk diversification in terms of optimization and development of the bank's branch network, taking into account the support of the Bank's «transactional» business model, which has proven its effectiveness in wartime conditions. Thus, from the beginning of the russian military aggression until the approval of this financial statement, the Bank opened 34 new branches and in August 2022 entered the TOP-10 banks by regional network. New branches were opened with minimal own investment on the basis of bank branches that were withdrawn from the market recently. The bank has significantly expanded the direction of collection services - since the beginning of the year, more than 80 contracts for collection and transportation of valuables have been accepted for service and signed with new counterparties (banks, legal entities, andIndividual Entrepreneurs).

The Bank continues to conduct profitable activities. Customer service is provided both remotely and directly at the Bank's branches, taking into account the current situation in a specific region. In total, the Bank's network as at the beginning of October 2022 includes 141 points of sale (including the Main Bank, 126 - universal branches and 14 branches of CASH centers), of which 123 continue to work. In connection with hostilities, temporary occupation or the siege of the cities suspended the work of 15 universal branches (3 in the temporarily occupied territories) and 2 branches of CASH Centers (1 in the temporarily occupied territory).

The Bank has no unfulfilled or deferred obligations. The Bank continues to conduct active operations within the existing credit limits of existing customers and lends to new customers (lending resumed from June-July 2022 within the framework of revised credit risk appetites and stricter approaches to the assessment of potential customers and their verification), which makes it possible to resume the operating cycle for many clients – legal entities and Individual Entrepreneurs that stopped their business with the start of hostilities.

Summarizing the above, the Bank's Management believes that the Bank's activities in the foreseeable future will be characterized by further business rates. The Bank has sufficient grounds for drawing up this financial statement in compliance with the principle of continuity of the Bank's activities. These financial statements do not contain any adjustments that would be necessary if the Bank were unable to continue its activities in the future.

However, material uncertainty exists due in large part to the unpredictable impact of hostilities on the territory of Ukraine, and therefore to factors that the Bank is unable to predict or control, and which may affect the assumptions underlying Management's estimates, which may potentially call into question the ability to continue as a going concern.

Changing the format of information presentation

During the preparation of this financial statement, the Bank changed the format of its presentation to increase the relevance, comprehensibility, and interconnectedness of the information, namely in the Cash Flow Statement for 2020.

For 2020, the data on the articles «Interest income received», «Interest expenses paid», «Net (increase)/decrease in investments in securities», «Net (increase)/decrease in customer loans and debts» were adjusted in in connection with the transfer of amounts of discounts and premiums to interest income/expenses; as well as from the article «Net (increase)/decrease of other assets» the sums of funds directly related to personnel maintenance expenses were transferred to the corresponding article «Paid personnel maintenance expenses». The adjustments made did not change the total amount of «Net cash received/(used) from operating activities».

The presentation of comparative information for the year 2020 has been changed in accordance with the presentation of the year 2021. The impact of the changes is detailed in the table below.

Statement of Cash Flows

ths. UAH

Article of financial statements	**As reported for 2020**	**Change (+/-)**	**As presented for 2020 in 2021**
Interest income received	353 099	(23 975)	329 124
Interest expenses paid	(197 406)	(7)	(197 413)
Staff maintenance expenses paid	(272 076)	(444)	(272 520)
Cash received/(paid) from operating activities before changes in operating assets and liabilities	109 105	(24 426)	84 679
Net (increase)/decrease in investments in securities	(3 425 615)	98 317	(3 327 298)
Net (increase)/decrease in customer loans and receivables	(545 684)	(74 328)	(620 012)
Net (increase)/decrease in other assets	(2 432)	444	(1 988)
Net increase/(decrease) in customer funds	1 294 797	(7)	1 294 790
Net cash received/(used) from operating activities	(497 126)	-	(497 126)

Functional and Presentation Currency

The Bank maintains its accounting records in hryvnia, as required by national accounting rules. Based on the economic essence of operations and circumstances of activity, the Bank has determined the hryvnia as a functional currency. Based on this, operations in currencies other than hryvnia are considered as operations in foreign currencies. The hryvnia is also defined as the currency for submitting financial statements. All amounts in this financial statement are presented in thousands of hryvnias (unless otherwise stated).

Note 4. Principles of accounting policy

Basics of evaluating financial statements:

These financial statements are individual financial statements of the Bank, which were prepared on the basis of the principle of valuation at historical cost, with the exception of the valuation of individual financial instruments in accordance with IFRS 9 «Financial Instruments» (hereinafter - IFRS 9).

Initial recognition of financial instruments

Financial assets and financial liabilities are reflected in the statement of financial position when the Bank becomes a party to the contract in relation to the relevant financial instrument. The Bank reflects the acquisition and sale of financial assets and financial liabilities on standard terms by the date of the agreement.

All transactions for the purchase or sale of financial assets, which provide for delivery within the period determined by legislation or market conditions, are reflected on the settlement date, that is, on the date when the asset will be transferred to the Bank.

All financial assets and liabilities are initially valued at acquisition cost, which is the fair value of the funds expended. Costs and other payments directly related to the acquisition or issuance are added to the acquisition cost, with the exception of financial assets and liabilities measured at fair value through profit or loss. The bank reflects these costs in the accounting records of the discount (premium) accounts for this financial instrument.

The Bank, during the initial recognition of financial instruments accounted for at fair value with recognition of revaluation due to gains/losses, evaluates them at fair value without taking into account transaction costs. The Bank reflects in its accounting the costs of transactions for the acquisition of such financial assets according to cost accounts on the date of their implementation.

The Bank, upon initial recognition of a financial asset, shall, at its discretion, classify it, without the right to further reclassify it, as being accounted for at fair value with revaluation through profit/loss, if such classification makes it possible to eliminate or significantly reduce the inconsistency in the valuation of assets or liabilities, or the recognition of related gains and losses.

The Bank classifies financial assets at the time of their initial recognition.

During the initial recognition of a financial instrument, the Bank reflects in accounting the difference between the fair value of the financial asset or financial liability and the contract price as follows:

- for transactions with shareholders - in equity;
- for other transactions - in profits or losses.

In the process of applying the Bank's accounting policy when determining the assets recognized in the financial statements, the Bank's management used judgments and estimates, the most significant of which are presented below.

Fair value of financial instruments

The fair value of financial instruments that are in active circulation on organized financial markets as of the reporting date is determined by market quotations or dealer prices (the buyer's price for a long position and the seller's price for a short position) without any deduction for transaction costs.

The fair value of all other financial instruments that are not actively traded in the market is determined using appropriate valuation methods with the maximum use of market data. Valuation techniques include the use of net present value, comparisons with similar instruments for which market price information is available, option pricing models and other valuation techniques.

Classification - financial assets

IFRS 9 provides an approach to the classification and valuation of financial assets that reflects the business model used to manage these assets and the characteristics of the associated cash flows.

IFRS 9 contains three main categories by which financial assets are classified, namely financial assets measured at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

The Bank evaluates and reflects in the accounting records a debt financial asset ***at amortized cost***, if the following conditions are simultaneously met:

- ✓ the financial asset is held within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows;
- ✓ the contract for a financial asset provides for the receipt of cash flows on specified dates, which are exclusively payments to the account of the principal amount and interest on the outstanding part of the principal amount.

The Bank evaluates and reflects in the accounting records a debt financial asset ***at fair value with revaluation recognized in other comprehensive income***, if the following conditions are met at the same time:

- ✓ the financial asset is held within the framework of a business model, the purpose of which is achieved both by obtaining contractual cash flows and by selling financial assets;
- ✓ the contract for the financial asset provides for the receipt of cash flows on specified dates, which are exclusively payments on account of the principal amount and interest on the outstanding part of the principal amount.

The Bank recognizes profits or losses for such a financial asset as part of other comprehensive income until the date of termination of its recognition or reclassification, except for profits or losses from its depreciation, interest income and profits or losses from changes in the official exchange rate of the hryvnia to foreign currencies.

The Bank evaluates and reflects in accounting all other debt financial assets ***at fair value with recognition of revaluation through profit/loss***, if such financial assets do not meet the criteria for their further evaluation at amortized cost or at fair value with recognition of revaluation through other comprehensive income.

Assessment of the business model

The Bank has assessed the purpose of the business model under which the assets are held at the level of portfolios of financial instruments, as this best reflects the way the business is managed and information is provided to management personnel.

At the same time:

• policies and goals established for portfolios of financial assets are focused on obtaining the interest income provided for in the contract, maintaining a certain structure of interest rates, ensuring compliance of the maturity dates of financial assets with the maturity dates of financial liabilities used to finance these assets;

• the performance of portfolios is evaluated in accordance with the received interest income.

Assessment of whether the contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal amount" is defined as the fair value of the financial asset at its initial recognition. "Interest" is defined as compensation for the time value of money, for the credit risk of principal remaining outstanding over a period of time, and for other major risks and costs associated with lending (such as liquidity risk and administrative costs), as well as the profit margin.

When assessing whether the cash flows provided for in the contract are exclusively payments of the principal amount and interest on the outstanding part of the principal amount (SPPI criterion), the Bank analyzed the contractual terms of the financial instrument.

During the assessment, the Bank analyzed:

• contingent events that may change the timing or amount of cash flows;

• conditions for early repayment and extension of validity period;

• conditions that limit the Bank's claims to cash flows from stipulated assets - for example, financial assets without the right of recourse;

• conditions that cause changes in compensation for the time value of money - for example, periodic revision of interest rates.

All the Bank's loans contain conditions for early repayment. The prepayment condition meets the SPPI criterion given that the amount to be paid at prepayment represents essentially the outstanding portion of the principal amount and interest on the outstanding amount.

Diminution of usefulness and the principle of formation of reserves for expected credit losses

The Bank is guided by the requirements of IFRS 9 when determining impairment and assessing expected credit losses for financial assets. The application of the impairment model in accordance with IFRS 9 requires the Bank to exercise significant professional judgment on how changes in economic factors affect the expected credit losses recognized by weighing the probability of their occurrence.

The impairment model is applied to financial assets, which are debt financial instruments, financial receivables.

In accordance with IFRS 9, the Bank recognizes provisions for expected credit losses in an amount equal to either expected credit losses for 12 months (stage 1) or expected credit losses for the entire term of the instrument (stage 2 and stage 3).

Expected credit losses over the life of the instrument are the expected credit losses arising from all possible default events during the entire expected life of the financial instrument, while

12-month expected credit losses represent a significant portion of expected credit losses arising from default events possible within 12 months after the reporting date.

The Bank recognizes provisions for expected credit losses in an amount equal to expected credit losses for the entire term of the instrument, except for financial instruments for which there has been no significant increase in credit risk since the initial recognition. For such financial instruments, the amount of recognized provision will be equal to expected credit losses for 12 months.

The Bank applies a simplified approach to estimating expected credit losses for financial receivables. The bank estimates the provision for losses for such assets in an amount equal to the expected credit losses for the entire life of the financial asset, using the matrix provisioning approach depending on the number of days past due.

The impairment requirements of IFRS 9 are complex and require the application of judgments and assumptions, especially regarding whether there has been a significant increase in credit risk on a financial instrument since its initial recognition, as well as regarding the inclusion of forecast information in the assessment of credit losses.

The reserve for expected credit losses is formed by allocating the corresponding amount to expenses as part of the item «Net loss/gain from impairment of financial assets».

Assessment of expected credit losses

Expected credit losses represent an estimate weighted by the probability of credit losses. They are evaluated as follows:

• for financial assets that are not credit-impaired as of the reporting date: as the present value of all expected shortfalls in cash (i.e. the difference between the cash flows that belong to the Bank in accordance with the agreement and the cash flows that the Bank expects to receive);

• regarding financial assets that are credit-impaired as of the reporting date: as the difference between the gross book value of assets and the present value of expected future cash flows;

The Bank recognizes a provision for expected credit losses on financial instruments in one of 3 stages, the description of which is disclosed in Note 28 of this financial report.

On the date of the transaction, financial assets, with the exception of purchased or created initially depreciated financial assets, are in the 1st stage of impairment.

Initially impaired financial assets are financial assets for which there is objective evidence of impairment at the date of initial recognition.

Financial assets that are credit-impaired at initial recognition are classified as purchased or created financial assets. The bank does not recognize the valuation reserve for purchased or created credit-impaired financial assets on the date of initial recognition - the gross book value is its fair value. Initially expected credit losses on such a financial asset are included in the effective interest rate adjusted for credit risk. Any change in expected credit losses is recognized in profit or loss, even if such a change exceeds the value of the previously established provision for such financial asset. For purchased or created credit-impaired financial assets, losses are always recognized for the entire term of the instrument.

Definition of default

In accordance with IFRS 9, a financial asset is classified by the Bank as a financial asset with which an event of default has occurred in the following cases:

• it is unlikely that the borrower's credit obligations to the Bank will be repaid in full without the Bank taking such actions as the realization of collateral (if available) or

• the borrower's debt for any of the Bank's material credit obligations is overdue for more than 90 days.

Qualitative and quantitative indicators developed within the Bank are taken into account when assessing the occurrence of a default event on the Bank's borrower's obligations.

The main considerations in the analysis of the impairment of loans include determining whether payments of principal or interest on the loan are overdue for more than 90 days (for legal entities and individuals) and 31 days (for banks).

When assessing the occurrence of an event of default on the borrower's obligations, the Bank takes into account the following indicators:

• qualitative: for example, violation of the restrictive terms of the contract (covenants);

• quantitative: for example, the status of overdue debt and non-payment under another obligation of the same issuing Bank, as well as

• based on data independently developed within the Bank and obtained from external sources.

Additional evidence of credit impairment of a financial instrument (default) is, in particular, the following observational data:

• significant financial difficulties of the borrower or the issuer;

• restructuring of the loan by the Bank on terms that the Bank would not consider under other circumstances (that is, with a worsening of the creditor's conditions);

• probability of bankruptcy or liquidation of the borrower;

• the probability of the Bank applying such actions as the implementation of collateral (if available) or the forgiveness/sale of the loan at a discount;

• for resident banks: declaring the bank insolvent and introducing a temporary administration;

• for non-resident banks, the reduction of the international rating (according to the bulletin of rating agencies such as Standard & Poor's, Moody's, FitchRating) to the level of default, limited default.

The signs of termination of default are considered to be the elimination of all the above-mentioned signs of impairment, and the fulfillment of contractual obligations by the client within at least 180 calendar days after the elimination of all signs of default.

The inputs to the assessment of the occurrence of an event of default on a financial instrument and its social significance may change over time to reflect changes in bequests.

Significant increase in credit risk

To assess a significant increase in credit risk, the Bank detects whether there has been a significant increase in credit risk compared to the probability of default since the initial recognition of the financial instrument.

In accordance with IFRS 9, when determining whether there has been a significant increase in credit risk (i.e. risk of default) for a financial instrument since its initial recognition, the Bank considers reasonable and confirmed information that is current and available without excessive costs and efforts, including both quantitative and qualitative information, as well as analysis based on the Bank's historical experience, expert monetary assessment of credit quality and forecast information.

The Bank will first identify whether there has been a significant increase in credit risk for items exposed to credit risk by comparing:

• the probability of default for the remaining term of the financial instrument as of the reporting date, and

• probability of default for the rest of the entire term, calculated for a given moment in time and determined upon initial recognition of positions subject to credit risk.

A change in the contractual terms of a financial instrument may also affect this assessment.

Determination of a significant increase in credit risk

The Bank has developed an assessment methodology that includes both quantitative and qualitative information to determine a significant increase in credit risk for a specific financial instrument since its initial recognition. This methodology is consistent with the Bank's internal credit risk management process. The criteria for determining a significant increase in credit risk will vary by portfolio and will include a maturity «limiter».

When assessing the increase in credit risk, the expected credit losses for the remaining term of the financial instrument are adjusted to take into account changes in the maturity date.

In some cases, applying expert credit quality assessment and, where appropriate, relevant historical experience, the Bank may determine that there has been a significant increase in credit risk for an item subject to credit risk, if specific quality indicators indicate this, and these indicators cannot be fully taken into account in a timely manner within the framework of quantitative analysis. As a «limiter», taking into account the requirements of IFRS 9, the Bank will roughly consider that a significant increase in credit risk occurs no later than the moment when the number of days of overdue debt for the asset exceeds 30 days. The bank determines the number of days of overdue debt by counting the number of days, starting from the earliest day, on which payment was not received in full.

The Bank reviews the effectiveness of the criteria used to identify significant increases in credit risk through regular reviews to ensure that:

• due to the application of the criteria, it is possible to detect a significant increase in credit risk before the position exposed to credit risk defaults;

• the criteria do not coincide with the time when payment for the asset is overdue for more than 30 days;

• the average time between the detection of a significant increase in credit risk and default is considered reasonable;

• risky transactions do not go directly from the composition of the assessment of expected credit losses for 12 months to the composition of credit-impaired;

• there is no unjustified volatility of the valuation reserve for losses when moving from the composition of expected credit losses for 12 months to the composition of expected credit losses for the entire term of the credit instrument.

Input data in estimating expected credit losses

The Bank determined the structures of the following variables as the main input data for the assessment of expected credit losses:

- probability of default («PD») is an estimate of the probability of default over a certain period of time.
- exposure at default («EAD») is an estimate of the impact on the future date of default, taking into account expected changes in exposure after the reporting date, including repayment of principal and interest, as well as expected reductions in invested funds.
- loss given default («LGD») is an estimate of losses arising in the event of default. It is based on the difference between the amount of contractual cash flows and such flows that the bank expects to receive, including any collateral, expressed as a percentage of EAD.

These indicators are derived from internal statistical models and other historical data used in the models for calculating regulatory capital, from available external data and the Bank's expert assessment. They are adjusted to reflect the forecast information below.

Probability of default (PD) scores are calculated on the basis of statistical rating models and assessed using assessment tools adapted to different categories of counterparties and positions exposed to credit risk. These statistical models are based on internal accumulated data and external information, including both quantitative and qualitative factors. If a counterparty or position exposed to credit risk migrates between rating levels, this will lead to a change in the assessment of the corresponding probability of default. The probability of default is estimated taking into account the contractual repayment terms of items subject to credit risk.

The loss given default (LGD) value is estimated taking into account collateral.

Estimates of the size of the loss in case of default are calibrated taking into account various economic scenarios. They are calculated based on discounted cash flows using the effective interest rate as the discount factor.

The amount at risk in case of default represents the expected value of the position subject to credit risk on the date of default. This indicator is calculated based on the current value of EAD and its possible changes, permissible under the contract, including depreciation and early repayment. For a financial asset, EAD is the gross book value in the event of default.

When limiting its own historical data on the main types of assets, the Bank may use comparative information from external sources as additional information to determine the variables for estimating expected credit losses.

The sources of such information can be studies of leading rating agencies (Standard&Poor's, Moody's, Fitch Ratings) regarding the probability of counterparty default.

Forecast information

In accordance with IFRS 9, the Bank includes forecast information both in its assessment of a significant increase in credit risk since initial recognition and in its assessment of expected credit losses. The Bank uses its own expert assessment to assess forecast information. These estimates are based, including on external information. External information may include economic data and forecasts published by state and monetary regulatory bodies, such as the National Bank of Ukraine, the Ministry of Economic Development, the Ministry of Finance, or individual and scientific forecasts.

The Bank will also periodically conduct stress testing (back-testing) in order to adjust its approach to determining these representative scenarios.

The bank identified and formalized the main factors of credit risk and credit losses for each portfolio of financial instruments, and used the analysis of historical data, assessed the relationship between macroeconomic variables, credit risk and credit losses.

Reclassification of financial assets

The Bank regularly assesses the business model it uses to manage financial assets for the purpose of generating cash flows. The Bank reclassifies debt financial assets only in the event of a change in the business model used to manage financial assets, with the exception of financial assets whose accounting is determined by the Bank at fair value with recognition of revaluation through gains/losses at the time of initial recognition.

The Bank reclassifies financial assets prospectively from the date of reclassification. The Bank does not recalculate previously recognized gains, losses (including gains or losses from impairment) or interest.

The bank calculates interest, amortizes the discount/premium, revaluation and adjusts the valuation reserve for expected credit losses on the date of reclassification of a financial asset from one category to another.

Write-off of financial assets

Financial assets, the full or partial repayment of which is impossible, are written off at the expense of the formed reserve for expected credit losses after the completion of all necessary procedures for the recovery of the asset, when there are no reasonable expectations for the return of contractual cash flows.

Derecognition of financial assets

The Bank stops recognizing a financial asset or a group of financial assets if:

- the term of validity of the rights to cash flows from the financial asset, determined by the terms of the contract, expires;
- the transfer of a financial asset meets the criteria for derecognition;
- there was a write-off at the expense of the reserve.

The bank transfers a financial asset if one of the following conditions is met:

• The bank transfers the rights to receive cash flows from the financial asset provided for in the contract;

• The bank retains the rights to receive cash flows from the financial asset provided for in the transfer agreement, but undertakes to pay the cash flows to one or more recipients under the agreement that meets such conditions:

- The Bank has no obligation to pay amounts to final buyers until the equivalent amounts are received from the original asset;

- the terms of the contract prohibit the Bank from selling or pledging the original financial asset, except for its transfer to the final recipients as a security for the obligation to pay cash flows;

- The Bank has an obligation to transfer any cash flows it receives on behalf of the final recipients without significant delay.

The Bank does not exercise control over the transferred asset, if the party to whom this asset is transferred has a real opportunity to sell it to an unrelated third party, it can carry out this sale unilaterally without the need to set additional restrictions on such transfer.

Modification of financial assets

A modified financial asset is an asset for which the cash flows provided for in the contract have been revised or modified by agreement of the parties.

If the terms of a financial asset change, the Bank assesses whether the cash flows of such modified asset differ significantly. If the cash flows differ significantly («significant modification of conditions-30%»), then it is considered that the term of validity of the rights to the contractual cash flows for the original financial asset has expired. In this case, the original financial asset is derecognized, and the new financial asset is recognized at fair value plus all permitted transaction costs.

All commissions received as part of the modification are accounted for as follows:

• commissions taken into account to determine the fair value of the new asset and commissions representing the reimbursement of authorized transaction costs are included in the initial valuation of the asset; and

• other fees are included in profit or loss as a gain or loss on derecognition.

The bank makes a quantitative and qualitative assessment of whether the modification of conditions is significant, that is, whether the cash flows of the original financial asset and the cash flows of the modified asset or the financial asset that replaced it differ significantly. The Bank carries out a quantitative and qualitative assessment of the significance of the modification of conditions, analyzing qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors. If the cash flows differ significantly, then it is considered that the period of validity of the rights to the contractual cash flows for the original financial asset has expired.

The Bank concludes that the modification of terms is significant, based on the following qualitative factors:

• changes in the currency of the financial asset;

• changes in the borrower, except changes due to the death of the borrower;

If the modification of the terms of the credit agreement (amendment) was so significant that it leads to the recognition of a new asset and at the same time the asset fulfills the conditions for classification before the state of default, the new asset is classified as initially impaired.

Changes in the amount of cash flows for existing financial assets are not considered a modification of the terms, if they are provided for in the original terms of the contract. As part of credit risk management activities, the Bank revises the terms of loans to customers who have financial difficulties («the practice of reviewing the terms of loan agreements»), which is mainly caused by the desire to maximize the return on the original loan agreement, rather than creating a new asset. If the Bank plans to change the terms of a financial asset in such a way that this change will lead to the forgiveness of part of the existing cash flows provided for in the contract, then part of the asset is written off until an assessment is made for the significance of the modification of the terms. As a result, it is likely that the value of the remaining contractual cash flows, which at the time of modification continue to be recognized under the original financial asset, will be equivalent to the value of the new modified contractual cash flows. The Bank carries out a qualitative assessment of the significance of this modification of terms.

If the modification of a financial asset measured at amortized cost or at fair value through other comprehensive income does not result in derecognition of the financial asset, the Bank first recalculates the gross carrying amount of the financial asset at the original effective interest rate and recognizes the resulting adjustment as profit or loss from a modification in profit or loss. With respect to financial assets with a floating interest rate, the original effective interest rate used in calculating the gain or loss on the modification is adjusted to reflect current market conditions at the time of the modification. Expenses and fees incurred and fees received adjust the carrying amount of the modified financial asset and are amortized over the life of the modified financial asset. For loans, the terms of which provide for the borrower's right to early repayment at nominal value without significant penalties, the modification of the interest rate to the market level in response to a change in market conditions is taken into account by the Bank in a similar way to the accounting procedure for instruments with a floating interest rate, i.e. the interest rate is reviewed prospectively.

Classification - financial liabilities

Financial liabilities are classified as either financial liabilities measured at amortized cost or at fair value through profit/loss.

After initial recognition, the Bank evaluates and reflects in accounting all financial liabilities at amortized cost, with the exception of:

- financial liabilities accounted for at fair value with recognition of revaluation due to gains/losses;
- financial liabilities that arise if the transfer of a financial asset does not meet the conditions for derecognition or the principle of continued participation is applied;
- contracts of financial guarantee, avala, guaranty;
- loan liabilities at a rate lower than the market rate;
- conditional compensation recognized by the buyer during a business combination, to which International Financial Reporting Standard 3 «Business Combination» is applied. Such contingent consideration is subsequently measured at fair value with recognition of revaluation through gains/losses.

The Bank does not reclassify financial liabilities.

Derecognition of financial liabilities and modification

The Bank ceases to recognize a financial liability or its part in the balance sheet if such liability is repaid, canceled or the term of its performance has expired.

The exchange between the borrower and the creditor of debt financial obligations under significantly different terms is reflected as repayment of the original financial obligation and recognition of a new financial obligation. Similarly, significant changes in terms (modification) of a financial liability or its part are reflected in accounting as repayment of the original financial liability and recognition of a new financial liability.

The following conditions are significantly different, according to which:

the net present value of cash flows under new conditions, discounted using the original effective interest rate (for a financial liability with a floating interest rate - the effective interest rate calculated at the time of the last change in the nominal interest rate), differs by at least 10% from the discounted the present value of cash flows remaining until the maturity of the original financial obligation.

Any costs or fees are derecognition income/expenses if the change in terms of the financial liability is reflected in the accounting records as the settlement of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of the financial liability (or part of the financial liability) settled or transferred to another party and the amount of compensation paid is income/expense from derecognition.

If an exchange of debt financial liabilities or a change in their terms (modification) does not result in derecognition, any costs and fees from the exchange/modification adjust the carrying amount of the financial liability and are amortized over the term of the new liability (effective rate interest is not recalculated but is adjusted to reflect the specified costs/rewards).

Cash and cash equivalents

Cash and cash equivalents are cash in hand, unrestricted balances on correspondent accounts with the National Bank of Ukraine, correspondent accounts, interbank loans and «overnight» deposits in other banks, as well as deposit certificates issued by the National Bank of Ukraine.

In order to maintain a minimum level of liquidity to ensure the fulfillment of its obligations to clients, the Bank maintains a mandatory current balance on a correspondent account with the NBU, which ensures compliance with the mandatory provisioning standard.

Cash and cash equivalents are recorded at the balance sheet date at amortized cost.

A reserve for cash banknotes and coins in cash registers and ATMs, the presence of which is unconfirmed and over which control has been lost, is recognized as security for cash losses. The formation of such provision is reflected in the financial results in the Statement of profit and loss and other comprehensive income.

Loans and debts of customers

Loans to customers include non-derivative financial assets with fixed payments that are not entered into for immediate or short-term resale. Loans to customers are held by the Bank within the framework of a business model, the purpose of which is to hold assets to obtain the contractual cash flows, namely, only the principal amount and interest on the outstanding part of the principal amount.

Loans originally granted to customers are recorded at acquisition cost, which is the fair value of the funds provided. In the future, loans granted to clients are accounted for at amortized cost. The amortized cost is based on the fair value of the loan amount, calculated taking into account the market interest rates for similar loans effective on the date of the loan. Gains and losses are reflected in profit or loss upon modification, derecognition or impairment of loans and receivables, as well as in the process of recognizing interest income.

Loans to customers are recorded in the accounts, starting from the moment of disbursement of funds to borrowers.

Indebtedness of other banks

The Bank adopts an accounting policy that applies to loans to customers and reserves for the reduction of the usefulness of loans to customers, as well as to the Bank's funds placed in other banks.

Investments in securities

Depending on the chosen business model, the Bank classifies investments in securities according to one of three categories, namely, securities valued at amortized cost, at fair value with the result of revaluation reflected in other comprehensive income, and at fair value with the result of revaluation reflected through earnings / losses.

Securities valued at amortized cost

This category includes market-quoted debt securities with fixed payments and fixed maturity dates that the Bank has the intention and ability to hold until maturity. The Bank holds these assets within the framework of a business model, the purpose of which is to hold financial assets to obtain contractual cash flows, which are exclusively payments on account of the principal amount and interest on the outstanding part of the principal amount. Management determines the classification of securities at amortized cost upon initial recognition and analyzes the appropriateness of such classification as of each reporting date.

Securities measured at fair value with recognition of revaluation through other comprehensive income

Financial assets measured at fair value through other comprehensive income are non-derivative financial assets in the form of securities that management intends to hold for an indefinite period of time to receive contractual cash flows that are solely payments of principal and interest on the outstanding principal amount, and which may be sold depending on liquidity requirements or changes in interest rates, exchange rates or securities prices. The Bank's management classifies securities into the appropriate category at the time of their acquisition.

Securities measured at fair value through other comprehensive income are initially measured at acquisition cost equal to the fair value of the funds expended. Transaction costs directly related to the acquisition of a financial asset are added to the initial cost. After initial measurement, financial assets measured at fair value through other comprehensive income are measured at fair value based on quotes to purchase. Some financial assets valued at fair value with recognition of revaluation through other comprehensive income, for which there are no quotes from external independent sources, may be valued by the Bank's management at fair value based on the results of recent sales of similar financial assets to unrelated third parties, on the analysis of other information, such as discounted cash flows and financial information about the investment object, as well as on the application of other valuation methods.

Unrealized income and expenses arising from changes in the fair value of financial assets measured at fair value with recognition of revaluation through other comprehensive income are reflected in other comprehensive income. When debt financial assets are disposed of, the corresponding accumulated unrealized income and expenses are included in net income, and in relation to equity financial assets, accumulated unrealized income and expenses increase retained earnings. Interest income on financial assets valued at fair value with recognition of revaluation through other comprehensive income is calculated on the basis of the effective interest rate method and is reflected in the statement of profit and loss and other comprehensive income as part of the article Interest income. Dividends received on securities valued at fair value with the recognition of revaluation through other comprehensive income are reflected in the statement of profit and loss and other comprehensive income as part of the article Dividends received at the time of establishing the right of the Bank to receive the corresponding payments and on the condition that there is a probability receiving dividends.

The Bank recognizes profits or losses for such a financial asset as part of other comprehensive income until the date of termination of its recognition or reclassification, except for profits or losses from its depreciation, interest income and profits or losses from changes in the official exchange rate of the hryvnia to foreign currencies.

Securities measured at fair value with recognition of revaluation through gains/losses

The Bank evaluates and reflects in accounting all other debt securities at fair value with recognition of revaluation through profit/loss, if such securities do not meet the criteria for their further evaluation at amortized cost or at fair value with recognition of revaluation through other comprehensive income.

Gains or losses from securities measured at fair value through revaluation through gains/losses are recorded in profit or loss.

Financial assets that, at the time of initial recognition, the Bank, at its own discretion, classified as financial assets measured at fair value with revaluation through profit/loss, so that such classification made it possible to eliminate or significantly reduce the inconsistency in the assessment of assets or liabilities, or the recognition of related gains and losses are not reclassified after initial recognition.

Financial liabilities reflected at amortized cost

Financial liabilities stated at amortized cost using the effective interest rate method include amounts owed to other banks, customer funds and issued debt securities. Eligible expenses are recorded as interest expense in the statement of profit and loss and other comprehensive income using the effective interest method.

Funds of other banks. The funds of other banks are reflected starting from the moment of providing funds or other assets to the Bank by counterparty banks.

Customer funds. Customer funds represent non-derivative financial obligations to individuals, government and corporate customers.

Issued debt securities. Issued debt securities may include promissory notes, bonds and certificates of deposit issued by the Bank. If the Bank acquires its own issued debt securities, they are excluded from the statement of financial position, and the difference between the book value of the obligation and the paid amount is included in the income from the early settlement of the debt.

Subordinated debt. Subordinated debt is a long-term loan agreement that, in the event of the Bank defaulting on its obligations, will be secondary to its main debt obligations. Subordinated debt is initially recognized at fair value less transaction costs. The subordinated debt is subsequently carried at amortized cost, with any difference between its cost and the redemption price recognized in the statement of profit and loss and other comprehensive income using the effective interest method.

Offsetting of financial instruments

Financial assets and liabilities are netted, and the statement of financial position shows a net amount only in those cases where there is a statutory right to set off offsets, as well as an intention to either set off or simultaneously realize the asset and settle the liability.

Derivative financial instruments

In the normal course of business, the Bank deals with derivative financial instruments (foreign currency swaps). Such financial instruments are trading in nature and are valued at fair value. The calculation of fair value is based on a valuation model that takes into account the existing market value, the contractual value of the instrument being valued, as well as other factors. Derivatives are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in fair value are immediately recognized in the statement of profit and loss and other comprehensive income as income/loss as a result of revaluation of derivative financial instruments. Income from the revaluation of derivative financial instruments is recognized as the difference in the increase in their value between the indicators at the end and the beginning of the reporting period.

Investment Property

Investment property - property (land or building, or part of a building, or a combination thereof) held (by an owner or lessee as a right-of-use asset) for the purpose of receiving rental payments or capital appreciation, or both, and not for production use whether during the supply of goods, provision of services or for administrative purposes; or sales in the ordinary course of business.

The bank mainly uses objects that are not used in the bank's activities to receive rent and recognizes them as investment real estate.

Investment real estate includes:

1) land held for long-term capital growth and not for short-term sale in the ordinary course of business;

2) land held for future but as yet undetermined use (if the bank has not yet determined whether it will use the land as owner-occupied real estate or for short-term sale in the ordinary course of business, then the land is considered held for capital appreciation);

3) a building that is the property of a bank (or a right-of-use asset related to a building held by this bank) and leased under one or more operating lease agreements;

4) a building that is not occupied, but is held for lease under one or more operating lease agreements;

5) real estate that is being built or improved for future use as investment real estate.

During the initial recognition of investment real estate, the Bank evaluates and reflects it in accounting at the original cost. After the initial recognition of investment real estate objects, they are subsequently measured at fair value, which reflects market conditions on the reporting date, without recognition of amortization for impairment.

The fair value of an investment property is the price that would be received from the sale of the asset in an ordinary transaction, net of transaction costs.

The fair value of the Bank's investment real estate is determined based on the reports of independent appraisers.

Gains or losses resulting from changes in the fair value of investment properties are recognized in the statement of profit and loss and other comprehensive income as gains less revaluation losses on investment properties in the year in which they arise.

Expenses for current maintenance of investment real estate are recognized as expenses at the time of their occurrence.

Costs for the improvement of investment real estate objects, which lead to an increase in the initially expected benefits from their use, increase the initial cost of these objects.

The rental income received is reflected in the Statement of Profit and Loss and other comprehensive income as part of other operating income.

Investment property that begins to be held for sale is classified as an asset held for sale.

Derecognition of investment real estate is carried out in the event of a change in the method of its functional use.

Fixed assets and intangible assets

Fixed assets and intangible assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of purchased fixed assets and intangible assets consists of acquisition costs and costs of bringing them to a usable state.

Intangible assets of the Bank mainly include software and licenses for the right to use software products and are shown at original cost, which consists of the actual costs of acquisition (production) and bringing them to a state in which they are suitable for use in accordance with the planned purpose. An individual term of use is set for each intangible asset, which is determined by the Bank independently (if the term is not specified in the contract), based on the following criteria: the Bank's experience with similar assets, current trends in the development of software products, operational characteristics.

Amortization (depreciation) of fixed assets and intangible assets begins from the month following the month in which the objects of fixed assets or intangible assets are put into operation, and ends on the first day of the month after disposal or for fully depreciated assets (in the latter case, the term of beneficial use are reviewed and adjusted as necessary).

Depreciation is calculated using the straight-line method based on the useful life of the asset. Depreciation rates are established based on the useful life of the asset, during which it is expected to be used by the Bank. Capitalized costs of leased property are amortized over the expected useful life, but not longer than the lease term.

Below are the terms of useful use of fixed assets and intangible assets (in years):

Vehicles	10
Equipment and computers	5-10
Furniture and office equipment	5-10
Others	3-10
Intangible assets	2-10

Capital investments in property, plant and equipment and intangible assets include unfinished costs for the acquisition, improvement of property, plant and equipment and intangible assets. Upon completion of construction and/or commissioning, the assets are transferred to the composition of property, plant and equipment / intangible assets and are recorded at original cost. Depreciation is not charged on capital investment objects and land.

Costs for improving objects of fixed assets and intangible assets, which lead to an increase in the initially expected benefits from their use, are included in the cost of such objects. Expenditures incurred to maintain objects of fixed assets and intangible assets in a usable condition and to receive initially determined future economic benefits from the use of these objects are reflected in the Statement of Profit and Loss and other comprehensive income in the period in which such expenses have been incurred, except when such expenses are subject to capitalization.

Costs for replacement of fixed parts or components of fixed assets are capitalized, and the residual value of the replaced part is attributed to expenses in the Statement of Profit and Loss and other comprehensive income of the reporting period.

The result from the sale of fixed assets, which is calculated as the difference between the amount of funds received and the book value of assets, is recognized as part of financial results in the Statement of Profit and Loss and other comprehensive income.

The liquidation value, depreciation methods and useful lives of fixed assets and intangible assets are reviewed at the end of each financial year and, if necessary, adjusted.

In 2021, the terms of useful use and depreciation rates of fixed assets and intangible assets did not change.

At each annual balance sheet date (once a year), the Bank recognizes a decrease in the value of non-current assets if there is evidence of a possible loss of economic benefit.

Impairment of fixed assets and intangible assets was not recognized in 2021.

Accounting of lease operations

A lease in which the Bank acts as a lessee

In accordance with the provisions of IFRS 16 «Leases», the Bank, as a lessee, assesses at the beginning of the lease whether the contract is a lease or whether the contract contains a lease. The bank recognizes the lease agreement as a whole or individual components as a lease agreement, if the following criteria are met at the same time:

- the underlying asset is identifiable (clearly specified in the contract).
- the contract gives the Bank the right to receive practically all economic benefits during the period of use of the asset;
- the contract gives the Bank the right to control the use of the identified asset during the period of use of the asset (that is, the right to control how and for what purpose the underlying asset is used) in exchange for compensation;
- the lessor has no substantial right to replace the asset during the period of use.

The right of the lessor to replace the asset is essential if the following conditions are present at the same time:

• the lessor is practically able to replace the asset during the period of use (for example, the Bank cannot prevent the lessor from replacing the asset, and the lessor has alternative assets for replacement or can find them in a reasonable time);

• the lessor will receive an economic benefit from exercising its right to replace the asset (i.e., the economic benefits associated with replacing the asset are expected to exceed the costs associated with replacing the asset).

If the Bank cannot readily determine whether the lessor has a material right of substitution for the asset, the Bank must assume that any right of substitution is not material.

The bank defines the lease term as the non-failure lease period together with both of the following periods:

• periods for which the right to extend the lease is extended in the event that the Bank is reasonably confident that it will exercise such an option;

• periods for which the right to terminate the lease applies if the Bank is reasonably confident that it will not exercise such an option.

In order to determine the term of the lease, the Bank considers all relevant facts and circumstances that create an economic incentive for the lessee to extend or terminate the lease, including any expected changes in factors and circumstances from the date the lease begins to the date of realization of such an opportunity. In particular, the following factors are taken into account:

• terms of the contract regarding such periods of possible extension or termination of the lease compared to market rates, such as:

a) the amount of lease payments in any of the periods of possible extension or termination of the lease;

b) the amount of any variable lease payments or other contingent payments, such as payments towards lease termination penalties or liquidation value guarantees; and

c) the terms of any options that may be exercised after the initial lease extension or termination option periods (for example, a purchase option that may be exercised at the end of the lease extension period at a rate that is currently below market rates);

• significant improvements to the underlying asset have been made (or are expected to be made) during the term of the contract, which are expected to provide a significant economic benefit to the lessee when the option to extend or terminate the lease or purchase the underlying asset can be exercised;

• costs associated with lease termination, such as costs associated with negotiations, relocation costs, costs of identifying another underlying asset that meets the lessee's needs, costs associated with integrating the new asset into the lessee's operations, or fines for termination of the lease or other similar costs, including costs associated with the return of the underlying asset to the condition provided for in the contract or to the place provided for in the contract;

• the importance of the underlying asset to the lessee's operations, taking into account, in particular, whether the underlying asset is a specialized asset, the location of the underlying asset and the availability of suitable alternatives;

• the conditions associated with the exercise of the option to extend or terminate the lease (i.e., when the option can only be exercised if one or more conditions are met), and the likelihood that those conditions will exist.

After the lease commencement date, the Bank will reassess the lease term upon the occurrence of a significant event or significant change in circumstances within the lessee's control that affects whether the lessee is reasonably certain that it will exercise an option that was not previously included in its determination of the lease term, or that he does not exercise an option that was previously included in his determination of the lease term.

In particular, examples of significant events or changes in circumstances can be:

• significant improvements to the leased asset not contemplated at the lease inception date that are expected to result in significant economic benefit to the lessee when the option to extend or terminate the lease or purchase the underlying asset can be exercised;

• a significant modification or adjustment of the underlying asset that was not anticipated at the lease inception date;

• commencement of sublease of the underlying asset for a period beyond the predetermined lease term;

• the lessee's business decision, which directly relates to the implementation or non-implementation of a certain opportunity (for example, the decision to get rid of a business unit in which an asset with the right to use is used).

The Bank applies simplifications (exclusions) regarding the separate accounting of lease components specified in the contract. In the event that individual components (land rent tax, VAT, compensation for the payment of utilities) are separate and are paid on separate accounts or at a separate amount established by the lease agreement, such individual components, which are not rent, are accounted for in accordance with other standards under types of expenses incurred in accordance with their economic content.

If, under the terms of the contract, the Bank cannot separate such components separately, they are recognized as one component of the lease.

Initial assessment

On the lease commencement date, the Bank as the lessee recognizes a right-of-use asset and a lease liability under the lease agreement, except when the Bank uses the simplified method for lease agreements.

As a lessee, the Bank applies the simplified method for leases under which the underlying asset:

- ✓ has a low value (less than or equal to $5000), which is calculated at the NBU exchange rate on the date of such assessment;
- ✓ and/or the lease term is less than or equal to 12 months (365(6) days inclusive).

In the case of applying the simplified method, the bank recognizes lease payments as expenses on a straight-line basis during the lease term, with a reflection in the accounting under account 7395 «Expenses for leasing (rent)».

A right-of-use asset is initially recognized at cost (cost), which includes:

• the amount of the initial assessment of the lease obligation;

• lease payments made on or before the lease start date, less lease incentives received;

• initial direct costs incurred by the Bank

• expenses that will be incurred by the Bank for dismantling, moving, bringing the basic asset to the condition required by the lease terms.

On the lease commencement date, the Bank recognizes a lease liability at the present value of lease payments not paid on such date. Lease payments are discounted at the interest rate specified in the lease agreement. If such a rate cannot be easily determined, the Bank applies the rate of additional borrowing (the rate for OVDP (government bonds) for a term of 3-5 years).

Further evaluation

After the lease commencement date, the Bank values the right-of-use asset, other than those that meet the definition of investment property, using the cost model. The Bank is liable for such costs either on the lease commencement date or as a result of the use of the underlying asset during a certain period.

The Bank calculates the depreciation of the right-of-use asset at least once a month using the straight-line method during the period determined by the Bank based on its professional judgment, but not less than the lease term determined by the contract and/or until the end of the lease term (early termination).

Interest on lease obligations is recognized by the Bank at least once a month as part of interest expenses in the Statement of Profit and Loss and other comprehensive income.

Variable lease payments not included in the assessment of the lease liability after the lease commencement date are recognized by the Bank as part of other operating expenses in the period in which the event or conditions that caused such payments occurred.

The Bank also revalues the lease liability on each reporting date by discounting the revised lease payments using the original discount rate in such cases:

• a change in the amounts expected to be paid under the liquidation value guarantee;

• a change in future lease payments due to a change in the index or rate (other than a floating rate) used to determine such payments.

The bank recognizes the amount of the revaluation of the lease liability as an adjustment of the right-of-use asset (unless the book value of the right-of-use asset is reduced to zero). In the event that the carrying amount of the right-of-use asset has decreased to zero, the further decrease in the lease liability is recognized as part of profit.

Modifications of the lease agreement

The bank considers the modification of the lease agreement as a separate lease agreement, if the conditions are met:

• the modification expands the scope of the lease agreement by adding the right to use one or more underlying assets;

• compensation under the contract is increased by an amount corresponding to the price of a separate contract for the increased volume with appropriate adjustments reflecting the circumstances of the specific contract.

For the modification of the lease agreement, which is not considered as a separate lease agreement, on the effective date of the modification, the Bank:

• distributes the compensation specified in the modified lease agreement;

• determines the terms of the modified lease;

• remeasures the lease liability by discounting the revised lease payments using the revised discount rate.

The revised discount rate is defined as the interest rate specified in the lease for the remaining term of the lease or as the tenant's additional borrowing rate on the effective date of the lease modification if the interest rate specified in the lease cannot be readily determined.

For the modification of the lease agreement, which is not considered as a separate lease agreement, on the date of entry into force of the modification, the Bank:

• reduces the book value of the right-of-use asset by the amount of partial or full termination of the lease for modification, which reduces the scope of the lease agreement; any profit or loss related to the partial or full termination of the lease is reflected under the item "Other administrative and operating expenses" of the Statement of Profit and Loss and other comprehensive income;

• reflects the right-of-use asset adjustment for all other lease modifications.

A lease in which the Bank is the lessor

As a lessor, the bank classifies each of its leases as either an operating lease or a finance lease.

Lease classification is based on the extent to which the risks and rewards of ownership of the underlying asset are shared between the lessee and the lessor. The classification of the lease depends on the essence of the transaction, not on the form of the contract.

A lease is classified as financial if:

• the lease transfers ownership of the underlying asset to the lessee at the end of the lease term;

• the lessee has an option to purchase the underlying asset at a price that is expected to be less than the fair value on the date the option can be exercised and is sufficient to provide reasonable assurance at the inception of the lease that the option will be exercised;

• the lease term makes up the majority (at least 75%) of the asset's economic exploitation term, even if ownership is not transferred;

• at the beginning of the lease, the present value of the minimum lease payments is equal to the acceptance in principle of not less than 90% of the entire fair value of the leased asset;

• the underlying assets are of such a special nature that only the lessee can use them without significant modification.

There are cases that, individually or in combination, may also lead to the classification of a lease as a finance lease:

• if the lessee can cancel the lease agreement, the lessor's losses related to the cancellation shall be borne by the lessee;

• gains or losses from fluctuations in the fair value of the balance accrue to the lessee (for example, in the form of rent discounts equal to a majority of the sale proceeds at the end of the lease);

• the tenant has the option to extend the lease for an additional period at a rent significantly lower than the market rent.

If a lease does not meet the above criteria, it is classified as an operating lease.

Classification of the lease by the lessor is carried out on the date of commencement of the lease, re-evaluation is carried out only in case of modification of the lease. Changes in preliminary estimates (for example, changes in preliminary estimates of the economic life or liquidation value of the leased property) or changes in circumstances (for example, default by the lessee) do not lead to a new classification of the lease for accounting purposes.

The bank leases its investment real estate, which includes land plots, as well as part of the leased real estate. The Bank classifies these contracts as operating leases because it does not actually transfer all the risks and rewards of ownership of the assets.

The Bank reflects rental income in the period of their occurrence in the Income Statement and other comprehensive income as part of other operating income.

Property transferred to the bank as a pledge holder

Collateral property transferred to the Bank's ownership is financial and non-financial assets received by the Bank in the settlement of overdue loans. These assets are initially recognized at fair value (but do not exceed the book value of repaid overdue loans) and are included in fixed assets, other financial assets or other assets, depending on their nature, as well as the Bank's intentions to recover the value of these assets, and are subsequently accounted for accordingly to the accounting policy for these asset categories.

Non-current assets acquired by the bank through the exercise of the right of the mortgagee and held for the purpose of further sale, which do not meet the criteria for recognizing them as non-current assets held for sale, and cannot be recognized as non-current assets for use in current activities or investment real estate, the Bank recognizes current assets (inventories). In accounting, such assets are recognized at the lower of two values: cost or net realizable value.

Non-current assets held for sale

The Bank recognizes non-current assets as held for sale if the carrying amount of the asset will be recovered primarily as a result of a sale transaction rather than current use.

To define non-current assets as held for sale, the assets must be available for immediate sale and this sale must be highly probable.

Non-current assets recognized as held for sale are measured at the lower of carrying amount or fair value less costs to sell. If the book value of the objects on the date of recognition as held for sale exceeds their fair value after deducting the costs of sale, then a preliminary valuation of such objects is carried out.

Operations in foreign currency

Transactions in foreign currency are converted into the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities, which in the financial statements as of the reporting date were accounted for by the Bank in foreign currency, are presented in hryvnias at the official exchange rate of the National Bank of Ukraine as at the reporting date. Exchange differences on monetary items are the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest rate and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities in foreign currency valued at fair value are translated into the functional currency at the exchange rate on the date of such valuation.

As at December 31, 2021 and 2020, the main official exchange rates established by the National Bank of Ukraine, which were used to revalue foreign currency account balances into hryvnias, were as follows:

	2021	**2020**
USD	27,2782	28,2746

EURO	30,9226	34,7396

Taxation

The amount of current income tax is determined in accordance with the tax legislation of Ukraine. Income tax expense in the financial statements consists of current tax and changes in deferred tax amounts.

Income tax expenses are reflected in net income, excluding those amounts that are directly included in other comprehensive income.

Deferred tax amounts are calculated using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the recognized deferred tax assets will be realized.

Deferred tax assets and liabilities are calculated in accordance with the tax rate that will be in effect in the period in which the asset is realized or the liability is settled, based on the legal regulations in effect at the reporting date.

Other existing taxes in Ukraine, which are accrued and paid by the Bank in the course of its activities in accordance with current legislation, are taken into account in the Statement of Profit and Loss and other comprehensive income in the item "Other operating and administrative expenses".

The basis for determining the taxable profit is the financial result, determined according to accounting rules in accordance with IFRS, taking into account possible adjustments provided by the Tax Code of Ukraine, by which the financial result before taxation increases or decreases. The income tax rate remains unchanged at 18%.

The bank has no tax losses and unused tax benefits.

The bank has no subsidiaries and associated companies.

During the reporting year 2021 and as at December 31, 2021, any activity of the Bank was not terminated, therefore there is no amount of income tax expenses (income) related to profit (loss) from the discontinued activity.

Pension and other payment obligations

The Bank pays contributions to the state pension system of Ukraine, the implementation of which involves current accruals and payment by employers of such contributions, which are calculated as a percentage of the total amount of wages. In the Statement of Profit and Loss and Other Comprehensive Income, expenses from such contributions refer to the period in which the corresponding amount of wages is accrued to the employee. The Bank does not have other pension schemes and does not have additional retirement benefit programs or other significant compensation programs that would require additional accruals in the financial statements.

Statutory capital and share premium

Share capital is divided into ordinary registered shares. Contributions to share capital are recorded at their fair value on the date of the transaction. External costs directly related to the issue of new shares are paid by shareholders. Any excess of the fair value over the par value of the issued shares is recognized as issue income. Stock dividends are recognized in equity as a deduction in the period in which they are declared. Information about dividends declared after the date of the financial statements is disclosed in the notes to the financial statements.

Own shares bought back from shareholders

Own repurchased shares are accounted for at the cost of the actual repurchase. Profits and losses from the sale of own repurchased shares are reflected in capital (issue differences).

During 2021, the Bank did not buy back shares from shareholders.

Reserve and other funds

The Bank forms a Reserve Fund to cover unforeseen losses on all items of assets and off-balance sheet liabilities. Deductions to the Reserve Fund from the profit of the reporting year are made after the approval of the annual financial statements by the General Assembly and the decision on the distribution of profit. The amount of annual deductions to the Reserve Fund must be at least 5 percent of the Bank's profit until they reach 25 percent of the Bank's regulatory capital. Based on the profits received as a result of its statutory activity, the Bank may, including but not limited to create the following funds: dividend payment fund; bank development fund; financial incentive fund.

Contingent assets and liabilities

Contingent assets are not reflected in the statement of financial position, while information about them is disclosed in the financial statements in those cases when the receipt of economic benefits associated with them is probable.

Contingent liabilities are not reflected in the statement of financial position, while information about them is disclosed in the financial statements, except when the disposal of resources in connection with their repayment is unlikely.

Liabilities of credit character

In the course of carrying out ordinary activities, the Bank provides guarantees in the form of letters of credit, guarantees and acceptances. Guarantee contracts are initially recognized in the financial statements at fair value. They are then analyzed at each reporting date and adjusted to reflect the current best estimate. The best estimate of the costs necessary to fulfill an existing obligation is the amount that the Bank would have paid to fulfill the obligation on the reporting date or transferred to a third party on that date. The increase in the liability related to the financial guarantee contracts is reflected in profit or loss. The commission received is recognized as part of profit or loss on a straight-line basis over the term of the guarantee contract.

Reserves for liabilities

Reserves are recognized if, as a result of a certain event in the past, the Bank has legal or voluntarily assumed obligations, the settlement of which with a greater degree of probability will require an outflow of resources containing future economic benefits, and which can be estimated with a sufficient degree of reliability.

Reserves for expected credit losses on liabilities are formed by allocating the appropriate amount to expenses as part of the item Net loss/(profit) from increase/(decrease) in reserves for liabilities of the Statement of Profit and Loss and other comprehensive income.

Recognition of income and expenses

Income is recognized when it is highly probable that economic benefits will flow to the Bank and the revenue can be measured reliably. The following criteria must be met in order to recognize income in financial statements:

Interest and similar income and expenses

For all financial instruments measured at amortized cost, as well as for interest-bearing financial instruments classified at fair value through other comprehensive income, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts expected future payments and cash inflows over the expected life of the financial instrument or a shorter period, where applicable, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, the right to early repayment) and all fees or additional costs that are directly related to the financial instrument and are an integral part of the effective interest, but do not take into account future losses on loans. For purchased or created impaired financial assets, the Bank calculates the effective interest rate adjusted for credit risk, taking into account initially expected credit losses in cash flows, during initial recognition. The book value of a financial asset or financial liability is adjusted when the Bank revises its assessment of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate, and changes in the carrying amount are recorded as interest income or expense.

The Bank recognizes interest income using the original effective interest rate on the gross book value of financial assets for which a valuation allowance is recognized at the first and second stages of impairment, and on the amortized cost (reduced by the amount of the reserve) of such assets for which a valuation allowance is recognized at 3 stages of depreciation.

Interest income calculated using the effective interest method presented in the Statement of Profit and Loss and other comprehensive income includes:

• Interest income on financial assets, which are accounted for at amortized cost;

• Interest income on debt securities (bonds) that are accounted for at fair value through other comprehensive income

Interest expense presented in the Statement of Profit and Loss and other comprehensive income includes the cost of financial liabilities measured at amortized cost.

Commission income and expenses

The bank receives commission income from several types of services provided to clients. Commission income in particular belongs to the following category:

- Commission income received for the provision of services during a certain period

Commission income received from the provision of services during a certain period is accrued during that period. Such items include commission income and fees for asset management, custody and other management and advisory services. Fees on loan commitments that are likely to be used and other fees related to the provision of loans are carried forward (together with any additional costs) and recognized as an adjustment to the effective interest rate on the loan.

- Commission income from the provision of services for carrying out operations

Commission income received for carrying out or participating in negotiations for the implementation of a transaction on behalf of a third party, for example, concluding an agreement for the purchase of shares or other securities or the purchase or sale of a company, is recognized upon completion of the relevant transaction. Commissions or part of commissions related to certain indicators of profitability are recognized after meeting the relevant criteria.

Commission income/expenses are recorded, as a rule, according to the accrual method depending on the degree of completion of a specific transaction as services are provided/received and are recognized in the Statement of Profit and Loss and other comprehensive income.

Profit per share

The Bank presents data on basic and adjusted earnings per share for its common shares. Basic earnings per share is calculated as the ratio of profit or loss attributable to ordinary shares to the weighted average number of ordinary shares outstanding during the year. Adjusted earnings per share is determined by adjusting earnings per common share and weighted average number of common shares for the dilutive effect of potential common shares.

Information by operating segments

A segment is a separable component of a bank that provides products or services (operating segment) or is engaged in providing products or services in a separate economic region (geographic segment) and is subject to risks and provides returns different from those inherent in other segments. Information on segments that receive most of their income from third parties and whose income, performance or assets are at least ten percent of all segments is presented separately from other segments.

Within these financial statements, the bank did not display geographical segments, as the bank does not operate outside of Ukraine.

The main format of presentation of information by segments of the bank's activity is presentation of information by operational segments.

The Bank conducts its activities in the following main operating segments:

- Services to clients - individuals - provision of banking services to private clients: maintenance of current accounts of individuals, including with the use of payment cards, acceptance of deposits (deposits), services of responsible storage, provision of loans.
- Servicing of corporate clients – settlement and cash operations on current accounts of legal entities and individual entrepreneurs, acceptance of deposits, provision of overdrafts, loans and other lending services, foreign currency operations, etc.
- Transactions with banks - opening and maintaining bank correspondent accounts, transactions on the purchase and sale of cash and non-cash foreign currency at the Ministry of Foreign Affairs, transactions on the placement (attraction) of funds, purchase and sale of state and other securities from banks, etc.

Assets of a reporting segment are recognized as assets that are used to perform normal activities and that can be directly attributed to this segment or reasonably allocated to this segment. Segment assets do not include income tax assets.

Segment liabilities are liabilities arising from the ordinary activities of the segment that are directly attributable to the segment or can be reasonably allocated to the segment. Segment liabilities do not include income tax liabilities.

Estimates and judgments used in the preparation of financial statements

The principles of preparation of financial statements require the Bank's management to use estimates and assumptions that may affect the reflected amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of financial statements, as well as the calculated amounts of profit for the reporting period. These estimates and assumptions are based on information available at the date of the financial statements. Although these estimates are based on management's best understanding of current events and operations, actual results may differ materially from these estimates and assumptions.

The main reasons for the uncertainty of estimates are as follows:

Decrease in the usefulness of loans and receivables

Management assesses impairment by assessing the probability of repayment of loans based on an analysis of individual borrowers for individually significant loans and, in the aggregate, for loans with similar terms and risk characteristics.

Factors considered when evaluating individual loans include repayment history, the borrower's current financial condition, the timeliness of payments and collateral, if any. To determine the amount of impairment, the management evaluates the amounts and terms of future payments for repayment of principal and interest and proceeds from the sale of collateral, if any. These cash flows are then discounted using the original effective rate for the position. Actual principal and interest payments depend on the borrower's ability to generate cash flow from operations or obtain alternative financing and may differ from management's estimates.

Factors taken into account when assessing the impairment of loans assessed in the aggregate include accumulated credit loss assessment experience, the percentage of delinquent debt in the loan portfolio and general economic conditions. Note 7 provides information on the book value of loans to customers and the amount of recognized provisions for impairment. If the actual repayment amounts were lower than management estimates, the Bank would have to record additional impairment charges.

Rent

In the course of determining the lease terms, the Bank applies judgments that take into account the bank's strategy regarding the purpose of maintaining individual leased properties, plans regarding the procedure for opening and closing bank divisions, the Bank's practice in drawing up lease agreements, and historical data regarding their maintenance.

According to long-term lease contracts, which provide for an extension period, the Bank has already leased the premises for a certain period and there is confidence that the Bank will continue to lease in the future, the term is set at -5 years (60 months).

For new lease agreements (new branches), the Bank can set a period for discounting lease payments - no longer than the lease term.

On the lease commencement date, the Bank recognizes a lease liability at the present value of lease payments not paid on such date. Lease payments are discounted at an acceptable rate of interest in the lease if such rate can be readily determined. If such a rate cannot be easily determined, the Bank applies the additional borrowing rate.

To discount the present value of lease payments, when forming a lease obligation, the Bank accepts the average rate of return on domestic state loan bonds for the relevant term (3-5 years) in hryvnia, adjusted for the Bank's credit risk, which is approved by the Board's decision.

The bank revises the rate twice a year - as at January 1 and July 1.

Tax legislation

Due to the presence of provisions in the Ukrainian economic and, in particular, tax legislation, which allow more than one interpretation option, as well as due to the practice that has developed in a generally unstable economic environment due to the arbitrary interpretation by tax authorities of various aspects of economic activity, the Bank may be forced recognize additional tax liabilities, fines and penalties in case the tax authorities question a certain interpretation based on the judgment of the Bank's management. Tax records remain open for review by tax authorities for three years.

Note 5. Transition to new and revised standards

The adopted accounting policy corresponds to the accounting policy applied in the previous reporting year, with the exception of the adopted new standards that came into force on January 1, 2021.

The Bank has not early applied any standards, clarifications or amendments that have been issued but have not yet entered into force.

The following are the new standards and amendments to the standards that have become mandatory for the Bank since January 1, 2021:

Amendments to IFRS 16 «Leases» - Lease Assignments Related to COVID-19

Given the overall scale of the pandemic and the measures taken by many countries to ensure social distancing, it can be assumed that a large number of tenants have received lease concessions in one form or another, which means that they need to apply the amendments to IFRS 16 proposed by the IASB Board. There are no changes to the requirements for the accounting of lease transactions by lessors.

The changes provided an opportunity for tenants to use a practical approach and not assess whether there are lease concessions related to COVID-19, the modification.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR Reform, Stage 2

Amendments to IFRS 9 «Financial Instruments» and to IFRS 39 «Financial Instruments: Recognition and Measurement» - the standards are significantly supplemented by provisions related to the reform of the base interest rate, especially in the part of hedging.

IFRS 9 is supplemented by clauses 5.4.5 - 5.4.9, which include provisions on the change in the basis for determining contractual cash flows caused by the reform of the base interest rate and contain simplifications of a practical nature. The replacement of IBOR rates with RFR in existing financial instruments is considered as a change in the floating interest rate and clause B5.4.5 is applied. on revaluation of cash flows.

Enterprises also use traditional financial instruments: loans, receivables and payables, loans, deposits, and some also bills, bonds, etc. The presence of even traditional financial instruments requires their classification and description of approaches to recognition, accounting, valuation, presentation and disclosure, which should be given in the accounting policy.

IFRS 16 «Leases».

The standard is supplemented by clauses 104 - 106, which contain a simplification of a practical nature due to the reform of the base interest rate. An organization that is a lessee, when replacing IBOR rates with RFR in existing contracts, evaluates such changes as a modification of the contract in accordance with clause 42 (b) of the Standard. The lease liability is revalued, with the new basis for determining the lease payments being economically equivalent to the previous basis (that is, the basis used immediately before the modification). All other modifications not related to the rate reform are assessed in accordance with the requirements of IFRS 16 in the generally established manner;

IFRS 7 «Financial Instruments: Disclosure».

The standard is supplemented by the following additional disclosure requirements:

- how the organization manages the transition to RFR, its progress and the risks it is exposed to in connection with the IBOR reform related to financial instruments;
- quantitative information on financial instruments that have not yet moved to RFR, broken down by each significant IBOR rate.

IFRS 4 «Insurance Contracts».

The standard is supplemented by clauses 20R - 20S, which include provisions on the change in the basis for determining contractual cash flows caused by the reform of the base interest rate for insurers that apply a temporary exemption from the application of IFRS 9.

IFRS (IAS) 16 «Fixed assets».

The current version of paragraph 17 of IAS 16 provides that the initial cost includes the costs of testing the asset, reduced by the amount of net proceeds from the sale of products produced in the process of delivery and testing of the asset. For example, the costs of testing equipment are included in the original cost minus the profit from the sale of samples obtained during the testing process.

The new standards and interpretations that will be mandatory for the Bank's application in the future are listed below.

The following separate new standards and interpretations have been issued that will be mandatory for the Bank to apply in reporting periods beginning on or after January 1, 2022. The Bank did not apply these standards and interpretations before their mandatory application.

IFRS 3 «Reference to Conceptual Frameworks»

In May 2020, the IFRS Council issued amendments to IFRS 3 «Business Combinations» – «Reference to Conceptual Frameworks». The purpose of these amendments is to replace the reference to the «Conceptual framework for the preparation and presentation of financial statements», which was issued in 1989, with a reference to the «Conceptual framework for the presentation of financial statements», which was issued in March 2018, without introducing significant changes to the requirements of the standard.

The IASB Board also added an exception to the recognition principle in IFRS 3 to avoid potential 'day 2' gains or losses for liabilities and contingent liabilities that would fall within the scope of IAS 37 or clarification of IFRIC 21 «Mandatory payments» if they arise within the scope of individual transactions.

At the same time, the IASB Board decided to clarify the existing requirements of IFRS 3 regarding contingent assets, which will not be affected by the replacement of references to the Conceptual Basis for Compiling and Presenting Financial Statements.

These amendments are effective for annual reporting periods beginning on or after January 1, 2022, and are applied prospectively. It is expected that these amendments will not affect the Bank's financial statements.

IFRS (IAS) 37 «Onerous contracts – contract performance costs»

In May 2020, the IASB Board issued amendments to IAS 37 that clarify what costs an entity should consider when assessing whether a contract is onerous or unprofitable.

The amendments provide for the application of an approach based on «costs directly related to the contract». Costs directly related to the contract for the provision of goods or services include both additional costs for the performance of this contract and distributed costs directly related to the performance of the contract. General and administrative expenses are not directly related to the contract and are therefore excluded, unless they are clearly recoverable by the counterparty under the contract.

These amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Bank will apply these amendments to contracts under which it has not yet fulfilled all its obligations as at the start date of the annual reporting period in which it applies these amendments for the first time. It is expected that these amendments will not affect the Bank's financial statements.

Annual improvements to IFRS, 2018-2020 cycle:

IFRS 1 «First-time Adopter of International Financial Reporting Standards» – «Subsidiary that applies International Financial Reporting Standards for the first time»

As part of the process of annual improvements to IFRS for the period 2018-2020, the IASB Board issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. According to this amendment, a subsidiary that elects to apply paragraph D16(a) of IFRS 1 is entitled to measure accumulated exchange differences using the amounts reflected in the financial statements of the parent entity, based on the date of transition of the parent entity to IFRSs. The amendment also applies to associates and joint ventures that elect to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is allowed. It is expected that these amendments will not affect the Bank's financial statements.

IFRS 9 «Financial instruments» - Commission fee when conducting the «10 percent» test for derecognition of financial liabilities

As part of its annual improvement of IFRS standards for 2018-2020, the IASB Board has published an amendment to IFRS 9. The amendment clarifies the composition of fee amounts that an entity includes when assessing whether the terms of a new or amended financial obligations differ significantly from the terms of the original financial obligation. These amounts include only commissions paid or received between the borrower and the lender, including commissions paid or received by the borrower or lender on behalf of the other party. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Early application is possible. The Bank will apply this amendment to financial obligations that are modified or exchanged on (or after) the start date of the annual reporting period in which it first applies this amendment. It is expected that this amendment will not have a significant impact on the Bank's financial statements.

IFRS (IAS) 41 «Agriculture»

Currently, in accordance with paragraph 22 of IAS 41, when determining fair value by discounting cash flows, companies exclude cash flows from taxation.

From January 1, 2022, the requirement to exclude tax flows of funds in the assessment of fair value in paragraph 22 of IAS 41 was canceled. These changes align the requirements of IAS 41 on fair value measurement with the requirements of other IFRS standards.

IFRS 17 «Insurance Contracts»

In May 2017, the IASB Board issued IFRS 17 Insurance Contracts, a new financial reporting standard for insurance contracts that addresses recognition and measurement, presentation and disclosure. When IFRS 17 comes into force, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance and non-life insurance, direct insurance and reinsurance) regardless of the type of entity that issues them, as well as to certain safeguards and financial instruments with discretionary participation terms. There are several exceptions to the scope of the standard.

IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or their components will fall within the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue their existing accounting treatment of recognizing them as financial instruments under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts providing credit or payment mechanisms) that meet the definition of an insurance contract only when the entity does not reflect an assessment of the insurance risk associated with an individual customer when pricing a contract with that customer.

When insurance coverage is provided as part of the contractual terms of a credit card, the issuer must:

► Separate the insurance coverage component and apply IFRS 17 to it;

► Apply other applicable standards (for example, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers or IAS 37 Collateral, Contingent Liabilities and Contingent Assets).

Credit contracts that meet the definition of insurance but limit the indemnity for insured events to the amount otherwise necessary to settle the policyholder's liability created by the contract: issuers of such loans, such as a death waiver loan, may apply IFRS 9 or IFRS 17. The selection is made at the portfolio level and will be irrevocable.

IFRS 17 is effective for periods beginning on or after January 1, 2023, and comparative information must be disclosed. Application prior to that date is permitted provided the entity also applies IFRS 9 and IFRS 15 at the date of first application. In 2021, the Bank continues to assess the possible impact of IFRS 17 on its financial statements.

IFRS (IAS) 1 – «Classification of liabilities as short-term and long-term»

In January 2020, the IASB Board issued amendments to paragraphs 69-76 of IAS 1, which clarify the requirements for classifying liabilities as current or non-current. The amendments explain the following:

► what is meant by the right to postpone the settlement of obligations;

► the right to postpone settlement of obligations must exist at the end of the reporting period;

► the classification of liabilities is not affected by the possibility that the organization will exercise its right to delay the settlement of the liability;

► the terms of the liability will not affect its classification only if the derivative embedded in the convertible liability is itself an equity instrument.

These amendments are effective for annual reporting periods beginning on or after January 1, 2023, and are applied retrospectively. Currently, the Bank is analyzing the possible impact of these amendments on the current classification of liabilities and the need to revise the terms of existing loan agreements.

IFRS (IAS) 8 – «Determination of accounting estimates»

In February 2021, the IASB Board issued amendments to IAS 8 introducing the definition of «accounting estimates». The amendments clarify the difference between changes in accounting estimates and changes in accounting policies and corrections of errors. In addition, the document explains how organizations use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided this fact is disclosed. It is expected that these amendments will not affect the Bank's financial statements.

Note 6. Cash and cash equivalents

Table 6.1. Cash and cash equivalents

(ths. UAH)

		31.12.2021	**31.12.2020**
1	Cash funds	937 703	522 253
2	Funds in the National Bank of Ukraine	52 105	5 225
3	Deposit certificates of the National Bank of Ukraine	1 750 300	590 081
4	Correspondent accounts, deposits and overnight loans in banks:	408 922	102 078
4.1	Ukraine	240 396	22 912
4.2	other countries	168 526	79 166
5	Reserve for depreciation of cash	(6 979)	(2 558)
6	**Total cash and cash equivalents**	**3 142 051**	**1 217 079**

The following data were used for the purposes of compiling the Cash Flow Statement

(ths. UAH)

		31.12.2021	**31.12.2020**
1	Cash and cash equivalents	3 142 051	1 217 079
2	An increase in the amount of reserves for the depreciation of cash	6 979	2 558

3	Reduction by the amount of accrued income	(1 330)	(82)
4	**Total cash and cash equivalents to form the Cash Flow Statement**	**3 147 700**	**1 219 555**

Table 6.2. Analysis of changes in reserves for depreciation of cash and their equivalents for 2021

(ths. UAH)

		Correspondent accounts in banks	**Total**
1	**Balance as at January 1, 2021:**	**(2 558)**	**(2 558)**
2	Increase/(decrease) in the provision for impairment during the reporting period	(4 642)	(4 642)
3	Exchange rate differences	221	221
4	**Balance as at December 31, 2021**	**(6 979)**	**(6 979)**

Table 6.3. Analysis of changes in reserves for depreciation of cash and their equivalents for 2020

(ths. UAH)

		Correspondent accounts in banks	**Total**
1	**Balance as at January 1, 2020:**	**(877)**	**(877)**
2	Increase/(decrease) in the provision for impairment during the reporting period	(1 512)	(1 512)
3	Exchange rate differences	(169)	(169)
4	**Balance as at December 31, 2020**	**(2 558)**	**(2 558)**

During the reporting period of 2021 and 2020, the gross book value of cash and cash equivalents changed only through the initiation and repayment of financial assets.

Table 6.4. Analysis of the credit quality of cash and cash equivalents as at December 31, 2021

(ths. UAH)

		Funds in the National Bank of Ukraine	Correspondent accounts	**Total**
1	High rating	1 802 405	240 396	2 042 801
2	Standard rating	-	168 526	168 526
3	Cash and cash equivalents before deducting reserves	1 802 405	408 922	2 211 327
4	Reserve for depreciation of cash and their equivalents	-	(6 979)	(6 979)
5	**Total cash and cash equivalents (except cash) less reserves**	**1 802 405**	**401 943**	**2 204 348**

Table 6.5. Analysis of the credit quality of cash and cash equivalents as at December 31, 2020

(ths. UAH)

		Funds in the National Bank of Ukraine	Correspondent accounts	**Total**

1	High rating	595 306	22 912	618 218
2	Standard rating	-	79 166	79 166
3	Cash and cash equivalents before deducting reserves	595 306	102 078	697 384
4	Reserve for depreciation of cash and their equivalents	-	(2 558)	(2 558)
5	**Total cash and cash equivalents (except cash) less reserves**	**595 306**	**99 520**	**694 826**

Note 7. Customers loans and debts

Table 7.1. Customers loans and receivables, which are accounted for at amortized cost

(ths. UAH)

		31.12.2021	**31.12.2020**
1	Loans granted to legal entities	1 466 870	1 164 761
2	Loans granted to individuals - entrepreneurs	645	789
3	Mortgage loans	60 573	57 987
4	Loans granted to individuals for current needs	446 828	345 179
5	Loan impairment reserve, which is accounted for at amortized cost	(480 059)	(192 070)
6	**Total loans accounted for at amortized cost less reserves**	**1 494 857**	**1 376 646**

Table 7.2. Analysis of the credit quality of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2021

(ths. UAH)

		Stage 1	**Stage 2**	**Stage 3**	**Total**
1	Customers loans and debts, which are accounted for at amortized cost	1 370 758	137 573	466 585	1 974 916
1.1	Minimal credit risk	87 259	-	-	87 259
1.2	Low credit risk	387 883	-	-	387 883
1.3	Average credit risk	895 616	49 318	-	944 934
1.4	High credit risk	-	88 255	138 578	226 833
1.5	Default assets	-	-	328 007	328 007
2	Total gross book value of customer loans and debts, which are accounted for at amortized cost	1 370 758	137 573	466 585	1 974 916
3	Reserves for impairment of customer loans and debts, which are accounted for at amortized cost	(73 816)	(13 110)	(393 133)	(480 059)

4	**Total of customer loans and debts, which are accounted for at amortized cost**	**1 296 942**	**124 463**	**73 452**	**1 494 857**

Table 7.3. Analysis of the credit quality of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2020

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	Customers loans and debts, which are accounted for at amortized cost	1 255 663	237 901	75 152	1 568 716
1.1	Minimal credit risk	112 319	-	-	112 319
1.2	Low credit risk	354 046	-	-	354 046
1.3	Average credit risk	789 298	49 630	-	838 928
1.4	High credit risk	-	188 271	33 236	221 507
1.5	Default assets	-	-	41 916	41 916
2	Total gross book value of customer loans and debts, which are accounted for at amortized cost	1 255 663	237 901	75 152	1 568 716
3	Reserves for impairment of customer loans and debts, which are accounted for at amortized cost	(104 991)	(45 792)	(41 287)	(192 070)
4	**Total of customer loans and debts, which are accounted for at amortized cost**	**1 150 672**	**192 109**	**33 865**	**1 376 646**

The gross book value of loans to the 10 largest customers as at December 31, 2021 is 677 579 thousand UAH (as at December 31, 2020, 593 967 thousand UAH). The amount of income accrued under such loans for 2021: 79 757 thousand UAH (2020: 51 264 thousand UAH).

Table 7.4. Analysis of changes in reserves for expected credit losses for customer loans and debts, which are accounted for at amortized cost, as at December 31, 2021

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	**Balance as at January 1, 2021**	**(104 991)**	**(45 792)**	**(41 287)**	**(192 070)**
2	(Increase)/decrease in provision during the period	21 007	26 454	(347 911)	(300 450)
3	The general effect of the transfer between stages	10 128	6 228	(4 611)	11 745
3.1	Transfer to/from stage 1*	10 782	(101)	(1 815)	8 866
3.2	Transfer to/from stage 2*	(209)	6 350	(3 010)	3 131
3.3	Transfer to/from stage 3*	(445)	(21)	214	(252)
4	Adjustment of interest income accounted for at amortized cost	-	-	(8 564)	(8 564)
5	Write-off of financial assets at the expense of the reserve	-	-	861	861
6	Sale of assets	40	-	8 303	8 343
7	Exchange rate differences	-	-	76	76

8	**Balance as at December 31, 2021**	**(73 816)**	**(13 110)**	**(393 133)**	**(480 059)**

* Includes both expected credit losses on assets at the time of transition between stages and changes in credit loss estimates after transition between stages.

During the reporting period, there was a repayment of bad debts for loans and customer debts in the amount of 19 thousand UAH written off in 2020 at the expense of the reserve, which is reflected by reducing the net loss from the impairment of financial assets in the Statement of Profit and Loss and other comprehensive income.

Table 7.5. Analysis of changes in reserves for expected credit losses for customer loans and debts, which are accounted for at amortized cost, as at December 31, 2020

(ths. UAH)

		Stage 1	**Stage 2**	**Stage 3**	**Total**
1	**Balance as at January 1, 2020**	**(41 512)**	**(5 024)**	**(34 209)**	**(80 745)**
2	(Increase)/decrease in provision during the period	(68 602)	(42 589)	(1 466)	(112 657)
3	The general effect of the transfer between stages	5 123	1 807	(6 613)	317
3.1	Transfer to/from stage 1*	5 605	(460)	(1 342)	3 803
3.2	Transfer to/from stage 2*	-	2 324	(2 324)	-
3.3	Transfer to/from stage 3*	(482)	(57)	(2 947)	(3 486)
4	Adjustment of interest income accounted for at amortized cost	-	-	(5 720)	(5 720)
5	Write-off of financial assets at the expense of the reserve	-	14	288	302***
6	Sale of assets	-	-	6 433	6 433
7	**Balance as at December 31, 2020**	**(104 991)**	**(45 792)**	**(41 287)**	**(192 070)**

* Includes both expected credit losses on assets at the time of transition between stages and changes in credit loss estimates after transition between stages.

****** As at December 31, 2020, there is no effect of changes in exchange rate differences on reserves for expected credit losses for loans and customer debts, which are accounted for at amortized cost.

*** During the reporting period, bad debts written off from the reserve for personal loans in the amount of 10 thousand UAH were repaid, which is reflected by reducing the net loss from the impairment of financial assets in the Statement of Profit and Loss and other comprehensive income.

Table 7.6. Analysis of changes in the gross book value for impairment of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2021

(ths. UAH)

		Stage 1	**Stage 2**	**Stage 3**	**Total**
1	**Gross book value as at January 1, 2021**	**1 255 663**	**237 901**	**75 152**	**1 568 716**
2	Purchased/initiated financial assets	978 582	61 980	357 236	1 397 798
3	Financial assets whose recognition has been discontinued or repaid (except written-off)	(773 478)	(156 417)	(19 443)	(949 338)
4	Transfer to/from stage 1*	(87 372)	677	23 420	(63 275)

5	Transfer to/from stage 2*	2 061	(6 017)	49 056	45 100
6	Transfer to/from stage 3*	3 517	152	(8 242)	(4 573)
7	Write-off of financial assets at the expense of reserves	-	-	(861)	(861)
8	Sale of assets	(40)	-	(8 303)	(8 343)
9	Exchange rate differences	(8 175)	(703)	(1 430)	(10 308)
10	**Gross book value as at December 31, 2021**	**1 370 758**	**137 573**	**466 585**	**1 974 916**

* Includes both the book value of assets at the time of transfer between stages and changes in book value after transfer between stages

Table 7.7. Analysis of changes in the gross book value for impairment of loans and customer debts, which are accounted for at amortized cost, as at December 31, 2020

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2020**	**880 420**	**14 471**	**84 148**	**979 039**
2	Purchased/initiated financial assets	1 008 480	172 708	16 623	1 197 811
3	Financial assets whose recognition has been discontinued or repaid (except written-off)	(549 087)	(11 293)	(38 434)	(598 814)
4	Transfer to/from stage 1*	(98 910)	59 852	14 736	(24 322)
5	Transfer to/from stage 2*	-	(1 138)	-	(1 138)
6	Transfer to/from stage 3*	586	93	(1 633)	(954)
7	Write-off of financial assets at the expense of reserves	-	(14)	(288)	(302)
8	Sale of assets	-	(5 024)	-	(5 024)
9	Exchange rate differences	14 174	8 246	-	22 420
10	**Gross book value as at December 31, 2020**	**1 255 663**	**237 901**	**75 152**	**1 568 716**

* Includes both the book value of assets at the time of transfer between stages and changes in book value after transfer between stages

Table 7.8. The structure of loans by types of economic activity

(ths. UAH)

	Type of economic activity	31.12.2021		31.12.2020	
		amount	%	amount	%
1	Extraction of other minerals and development of quarries	41 825	2,12	27 257	1,74
2	Production	151 432	7,67	71 147	4,53
3	Wholesale and retail trade	546 989	27,69	380 868	24,28
4	Auxiliary activities in the fields of financial services and insurance; provision of financial services, except for insurance and pension provision	84 179	4,27	152 137	9,70
5	Real estate transactions	169 429	8,58	140 244	8,94
6	Activities of travel agencies, travel operators, provision of other reservation	31 656	1,61	-	-

	services				
7	Supply of electricity, gas, steam and air conditioning	193 670	9,80	223 650	14,26
8	Extraction of metal ores	49 862	2,52	49 903	3,18
9	Construction of buildings; construction of buildings; specialized construction works	77 630	3,93	72 991	4,65
10	Computer programming, consulting and related activities	65 073	3,30	57 380	3,66
11	Individuals	450 771	22,82	346 266	22,07
12	Others	112 400	5,69	46 873	2,99
13	**Total loans and customer debts without reserves**	**1 974 916**	**100**	**1 568 716**	**100**

The bank lends to business entities for many types of economic activity. The concentration of credit risk is focused on trade, electricity supply and real estate transactions.

Table 7.9. Information about loans by type of collateral as at December 31, 2021

(ths. UAH)

		Loans granted to legal entities	**Loans granted to individuals - entrepreneurs**	**Mortgage loans**	**Loans granted to individuals for current needs**	**Total**
1	Unsecured loans	794 645	48	-	416 086	1 210 779
2	Secured loans:	672 225	597	60 573	30 742	764 137
2.1	in cash	17 064	-	-	-	17 064
2.2	real estate	364 773	597	60 573	12 670	438 613
2.2.1	including residential purposes	50 756	-	3 943	11 304	66 003
2.3	other assets	290 388	-	-	18 072	308 460
3	**Total customer loans and debts without reserves**	**1 466 870**	**645**	**60 573**	**446 828**	**1 974 916**

Table 7.10. Information about loans by type of collateral as at December 31, 2020

(ths. UAH)

		Loans granted to legal entities	**Loans granted to individuals - entrepreneurs**	**Mortgage loans**	**Loans granted to individuals for current needs**	**Total**
1	Unsecured loans	356 113	196	-	329 181	685 490
2	Secured loans:	808 648	593	57 987	15 998	883 226
2.1	in cash	114 599	-	-	124	114 723
2.2	real estate	396 029	113	57 987	15 569	469 698
2.2.1	including residential purposes	45 047	-	1 087	11 300	57 434
2.3	other assets	298 020	480	-	305	298 805
3	**Total customer loans and debts without reserves**	**1 164 761**	**789**	**57 987**	**345 179**	**1 568 716**

These tables show the amount of loans secured by collateral, not the fair value of the collateral itself.

The bank provides loans on the territory of Ukraine. Borrowers' ability to repay their debts depends on a number of factors, including the general financial condition of individual borrowers and the state of Ukraine's economy. In the event of the borrower's inability to repay debts, the Bank, acting within the framework of current legislation and the terms of concluded contracts (loans, pledges, mortgages, etc.), may apply the following methods in relation to the pledged property:

- acceptance of the subject of pledge (mortgage) into the ownership of the Bank in order to repay the debt;
- sale of the subject of pledge (mortgage) by the Bank to a third party;
- execution of a notary's writ of execution on foreclosure on pledged property and realization of the subject of pledge (mortgage) through the enforcement service.

Only if it is impossible to resolve the issue of debt collection out of court, the Bank applies to the court with a claim for debt collection and/or foreclosure on the subject of the pledge (mortgage), since the process of considering the case in court is quite long in time and in the further implementation of the court decision is related to the professionalism of executive services, that is, it no longer fully depends on the actions of the Bank.

Table 7.11. Impact of collateral value on credit quality as at December 31, 2021

(ths. UAH)

		Book value	**Expected cash flows from the realization of the pledged security**	**Impact of collateral**
1	Loans granted to legal entities	1 466 870	2 168 739	(701 869)
2	Loans granted to individuals - entrepreneurs	645	1 297	(652)
3	Mortgage loans	60 573	93 610	(33 037)
4	Loans granted to individuals for current needs	446 828	102 639	344 189
5	**Total credits**	**1 974 916**	**2 366 285**	**(391 369)**

Table 7.12. Impact of collateral value on credit quality as at December 31, 2020

(ths. UAH)

		Book value	**Expected cash flows from the realization of the pledged security**	**Impact of collateral**
1	Loans granted to legal entities	1 164 761	2 679 863	(1 515 102)
2	Loans granted to individuals - epreneurs	789	2 294	(1 505)
3	Mortgage loans	57 987	67 825	(9 838)
4	Loans granted to individuals for current needs	345 179	73 150	272 029
5	**Total credits**	**1 568 716**	**2 823 132**	**(1 254 416)**

Security in the form of real estate (residential and other), other property is evaluated by independent experts accredited by the Bank. Security in the form of property rights to funds is accepted in an amount sufficient to cover the loan and interest.

During 2021, the Bank took ownership of mortgage items (non-residential and residential real estate) with an estimated value of 168 713 thousand UAH to repay debts under credit agreements.

Note 8. Investments in securities

Table 8.1. Investments in securities

(ths. UAH)

	31.12.2021	**31.12.2020**

1	Securities accounted for at amortized cost	10 166 574	3 623 544
2	Securities at fair value through other comprehensive income	25 351	-
3	**Total securities**	**10 191 925**	**3 623 544**

Table 8.2. Investments in securities that are accounted for at amortized cost

(ths. UAH)

		31.12.2021	31.12.2020
1	Debt securities:	10 166 574	3 623 544
1.1	Domestic state loan bonds	10 029 458	3 480 464
1.2	Local loan bonds	137 116	143 080
2	**Total debt securities accounted for at amortized cost**	**10 166 574**	**3 623 544**

As at December 31, 2021, domestic government loan bonds include long-term interest-bearing OVDP denominated in hryvnias, medium-term interest-bearing OVDP denominated in hryvnias and US dollars, short-term discount and interest-bearing OVDP denominated in hryvnias, US dollars and EURO; Bonds of local loans - interest-bearing OMP of Kharkiv and Lviv city councils, denominated in hryvnia.

Table 8.3. Investments in securities carried at fair value through other comprehensive income

(ths. UAH)

		31.12.2021	31.12.2020
1	Debt securities:	25 351	-
1.1	Domestic state loan bonds	25 351	-
2	**Total securities accounted for at fair value through other comprehensive income less reserves**	**25 351**	**-**

As at December 31, 2021, Domestic State Loan Bonds include medium-term interest and long-term interest OVDP denominated in hryvnias and US dollars.

As at December 31, 2021, the Bank owns securities with unfixed income, namely shares of JSC «SE «PFTS», which are accounted for at fair value through other comprehensive income and have a nominal value of 60 thousand UAH and zero book value.

As at December 31, 2021, all existing bonds of the domestic state loan and local loans are classified as financial assets with minimal credit risk (stage 1), reserves for expected credit losses are not recognized for these financial assets as of the reporting date.

Note 9. Investment property

Table 9.1. Investment property is valued using the fair value method:

(ths. UAH)

		31.12.2021	31.12.2020
1	**Fair value of investment property at the beginning of the period**	**24 564**	**21 003**
2	Proceeds as a result of foreclosure on the subject of collateral to repay loan debt	168 713	29 721
3	Transfer to the category "Property transferred to the bank as a mortgagee"	(124 082)	-
4	Disposal due to sale	(15 563)	-

5	Losses from revaluation to fair value	(47 372)	(26 160)
6	**Fair value of the investment property at the end of the period**	**6 260**	**24 564**

As at December 31, 2021, investment real estate includes seventeen plots of land with a total area of 109.3743 hectares, which the Bank acquired through foreclosure in order to repay debt under loan agreements and are used by the Bank for lease.

The bank accounts for investment real estate at fair value. As at December 31, 2021, the fair value of investment real estate is determined according to level II of the fair value hierarchy. The Bank regularly monitors the fair value of investment real estate and re-evaluates it at least once a year based on the assessment of independent professional appraisers using comparative, income and cost valuation methods within the limits of assumptions and restrictive conditions as at the date of acquisition on the Bank's balance sheet.

The Bank does not classify or account for shares of real estate as investment real estate in its absence.

In the reporting period, the Bank transferred part of the investment real estate to non-current assets held for sale and carried out their further sale.

In connection with non-compliance with the criteria for investment real estate, during 2021, part of the real estate was transferred to the category "Property transferred to the ownership of the bank as a mortgagee."

Table 9.2. Amounts recognized in the article "Other operating income" of the Statement of profit and loss and other comprehensive income:

(ths. UAH)

		31.12.2021	**31.12.2020**
1	Income from the rental of investment real estate	245	173

Table 9.3. Information on the minimum amounts of future lease payments under a no-failure operating lease, if the bank is the lessor.

(ths. UAH)

		31.12.2021	**31.12.2020**
1	Up to 1 year	245	245
2	From 1 to 5 years	979	979
3	More than 5 years	71	317
4	**Total**	**1 295**	**1 541**

The Bank acts as the lessor of seventeen land plots with a total area of 109.3743 hectares, to which the Bank acquired ownership rights. A separate lease agreement for a period of 7 years has been concluded for each plot. The terms of the contracts provide for early termination of the contracts by both the Lessee and the Lessor, but the Bank has confidence in the operational lease, since the land plots are used for the production of agricultural products. The contracts provide for the preservation of the condition of land plots, their use for their intended purpose. The lessee has a priority right to acquire land plots in the event of their sale.

Note 10. Fixed assets and intangible assets

Table 10.1. Fixed assets and intangible assets

(ths. UAH)

		Buildings, constructions	**Machinery and equipment**	**Vehicles**	**Tools, appliances, inventory (furniture)**	**Other fixed assets**	**Other non-current tangible assets**	**Unfinished capital investments in fixed assets and intangible assets**	**Intangible assets**	**Total**
1	**Book value as at**	**-**	**6 365**	**3 089**	**1 410**	**7 309**	**140**	**4 338**	**14 280**	**36 931**

		Buildings, constructions	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Unfinished capital investments in fixed assets and intangible assets	Intangible assets	Total
	January 1, 2020:									
1.1	**Original (revalued) cost**	**-**	**12 747**	**3 211**	**4 163**	**10 686**	**13 368**	**4 338**	**20 430**	**68 943**
1.2	**Depreciation on January 1, 2020:**	**-**	**(6 382)**	**(122)**	**(2 753)**	**(3 377)**	**(13 228)**	**-**	**(6 150)**	**(32 012)**
2	Earnings	-	3 978	2 144	591	2 183	7 795	22 419	3 107	42 217
3	Improvement of fixed assets and improvement of intangible assets	-	542	-	-	238	152	-	2 871	3 803
4	Disposal of fixed assets and intangible assets	-	(17)	-	-	(65)	-	(60)	-	(142)
4.1	Original (revalued) cost	-	(87)	-	(17)	(140)	(388)	(60)	-	(692)
4.2	Depreciation	-	70	-	17	75	388	-	-	550
5	Reclassification from unfinished capital investments to the corresponding group of fixed assets to intangible assets	-	-	-	-	-	-	(23 684)	-	(23 684)
6	Depreciation deductions	-	(1 782)	(357)	(316)	(1 569)	(6 491)	-	(3 801)	(14 316)
7	**Book value as at December 31, 2020/January 1, 2021**	**-**	**9 086**	**4 876**	**1 685**	**8 096**	**1 596**	**3 013**	**16 457**	**44 809**
7.1	**Original (revalued) cost**	**-**	**17 180**	**5 355**	**4 737**	**12 967**	**20 927**	**3 013**	**26 408**	**90 587**
7.2	**Depreciation on December 31, 2020/January 1, 2021**	**-**	**(8 094)**	**(479)**	**(3 052)**	**(4 871)**	**(19 331)**	**-**	**(9 951)**	**(45 778)**
8	Earnings	30 551	3 232	4 250	1 734	6 445	13 348	118 335	3 361	181 256
9	Improvement of fixed assets and improvement of intangible assets	-	186	17	-	268	38	-	1 690	2 199
10	Disposal of fixed assets and intangible assets	(30 551)	(16)	-	(14)	(47)	-	-	-	(30 628)
10.1	Original (revalued) cost	(30 551)	(327)	-	(35)	(231)	(5 673)	-	-	(36 817)
10.2	Depreciation	-	311	-	21	184	5 673	-	-	6 189
11	Reclassification from unfinished capital investments to the corresponding group of fixed assets to intangible assets	-	-	-	-	-	-	(72 036)	-	(72 036)
12	Depreciation deductions		(1 986)	(662)	(417)	(1 971)	(11 926)	-	(3 437)	(20 399)
13	**Book value as at December 31, 2021**	**-**	**10 502**	**8 481**	**2 988**	**12 791**	**3 056**	**49 312**	**18 071**	**105 201**
13.1	**Original (revalued) cost**	**-**	**20 271**	**9 622**	**6 436**	**19 449**	**28 640**	**49 312**	**31 459**	**165 189**

		Buildings, constructions	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Other fixed assets	Other non-current tangible assets	Unfinished capital investments in fixed assets and intangible assets	Intangible assets	Total
13.2	**Depreciation on December 31, 2021**	-	**(9 769)**	**(1141)**	**(3 448)**	**(6 658)**	**(25 584)**	-	**(13 388)**	**(59 988)**

There are no main means with regard to which there are restrictions on ownership, use and disposal provided by law.

As at December 31, 2021, the bank did not pledge fixed assets and intangible assets.

The bank does not have such fixed assets that are temporarily unused or withdrawn from operation for sale.

The original cost of fully depreciated fixed assets as at December 31, 2021 is 30 260 thousand UAH. (as at December 31, 2020: 27 330 thousand UAH), intangible assets - 5 544 thousand UAH. (as at December 31, 2020: 5 133 thousand UAH). The bank continues to use these assets.

As at the end of the day on December 31, 2021, there were no ownership restrictions on intangible assets in the Bank.

Intangible assets were not created.

There was no increase or decrease during the reporting period that arose as a result of revaluations, as well as a result of impairment losses recognized or reversed directly in equity.

Note 11. Assets with right of use

(ths. UAH)

		31.12.2021	31.12.2020
1	The initial value of the right-of-use asset	212 130	135 025
2	Depreciation of the right-of-use asset	(38 136)	(30 517)
3	**Book value of the right-of-use asset**	**173 994**	**104 508**

Movements in right-of-use assets for the period ended December 31, 2021 were as follows:

(ths.UAH)

Cost	Buildings	Vehicles	Total
January 1, 2021 in accordance with IFRS 16	135 025	-	135 025
Arrival	168 155	1 378	169 533
Disposal	(92 428)	-	(92 428)
December 31, 2021	210 752	1 378	212 130
Accumulated depreciation			
January 1, 2021 in accordance with IFRS 16	(30 517)	-	(30 517)
Charged for the period	(90 889)	(138)	(91 027)
Disposal	83 408	-	83 408
December 31, 2021	(37 998)	(138)	(38 136)
Residual value			

January 1, 2021 in accordance with IFRS 16	104 508	-	104 508
December 31, 2021	172 754	1 240	173 994

Movements in right-of-use assets for the period ended December 31, 2020 were as follows:

(ths. UAH)

Cost	**Buildings**	**Total**
January 1, 2020 in accordance with IFRS 16	94 460	94 460
Arrival	62 920	62 920
Disposal	(22 355)	(22 355)
December 31, 2020	135 025	135 025

Accumulated depreciation		
January 1, 2020 in accordance with IFRS 16	(14 407)	(14 407)
Charged for the period	(40 815)	(40 815)
Disposal	24 705	24 705
December 31, 2020	(30 517)	(30 517)

Residual value		
January 1, 2020 in accordance with IFRS 16	80 053	80 053
December 31, 2020	104 508	104 508

The bank used the option to extend the contract in such a way that the total term of all contracts in accordance with IFRS 16 is 60 months. The option for early termination of contracts was not applied. There is no guarantee of liquidation value and sale of property with subsequent (reverse) lease in the contracts. Leased objects are leased by the Bank for statutory activities.

As at December 31, 2021, according to the Bank's standard, 104 contracts are accounted for, including 4 contracts with variable lease payments that depend on inflation indexation, and 1 contract under which the monthly rent calculation depends on the US dollar exchange rate. When calculating lease obligations under contracts with variable lease payments, the latest officially published inflation index is used for future cash expenditures. The impact of a change in the inflation index on future expected lease obligations is insignificant.

Note 12. Other assets

Table 12.1. Other assets

(ths. UAH)

		Notes	**31.12.2021**	**31.12.2020**
1	*Other financial assets*		*65 919*	*71 447*
1.1	Accounts receivable for transactions with payment cards		6 503	518
1.2	Monetary funds with limited right of use		49 981	62 220
1.3	Accounts receivable for transactions with customers		6 249	6 830
1.4	Accounts receivable for credit transactions		-	500
1.5	Accrued income from banking transactions		3 186	1 379
2	Provision for impairment of other financial assets		(1 082)	(849)
3	***Total other financial assets minus reserves***		***64 837***	***70 598***
4	*Other non-financial assets*		*137 091*	*9 019*
4.1	Accounts receivable for the purchase of assets and prepayment for services		28 137	7 873
4.2	Accounts receivable for business operations		1 653	757

4.3	Reserves	617	389
4.4	Property transferred to the bank as a pledge holder	106 684	-
5	Provision for impairment of other non-financial assets	(2 652)	(1 037)
6	***Total other non-financial assets minus reserves***	***134 439***	***7 982***
7	Total reserve for impairment of other assets	(3 734)	(1 886)
8	**Total other assets minus reserves**	**199 276**	**78 580**

The Bank refers to monetary funds with a limited right of use as amounts of cash coverage placed in JSC «PUMB», JSCB «KONKORD» and the National Bank of Ukraine to ensure settlements for transactions with payment cards.

Table 12.2. Analysis of changes in the provision for impairment of other financial assets for 2021

(ths. UAH)

	Reserve movement	Monetary funds with limited right of use	Accrued income from banking transactions	Accounts receivable for transactions with customers	Total
1	**Balance as at January 1, 2021**	**(508)**	**(219)**	**(122)**	**(849)**
2	(Increase)/decrease in the provision for impairment during the reporting period	91	(337)	-	(246)
3	Exchange rate difference	8	-	5	13
4	**Balance as at December 31, 2021**	**(409)**	**(556)**	**(117)**	**(1 082)**

During the reporting period, bad debt on other financial assets was repaid in the amount of 1 thousand UAH, written off in 2019 at the expense of the reserve, which is reflected by reducing the net loss from the impairment of financial assets in the Statement of Profit and Loss and other comprehensive income

Table 12.3. Analysis of changes in the provision for impairment of other financial assets for 2020

(ths. UAH)

	Reserve movement	Monetary funds with limited right of use	Accrued income from banking transactions	Accounts receivable for transactions with customers	Total
1	**Balance as at January 1, 2020**	**(318)**	**(59)**	**-**	**(377)**
2	(Increase)/decrease in the provision for impairment during the reporting period	(190)	(200)	(122)	(512)
3	Debt write-off	-	40	-	40
4	**Balance as at December 31, 2020**	**(508)**	**(219)**	**(122)**	**(849)**

Table 12.4. Analysis of changes in the provision for impairment of other non-financial assets for 2021

(ths. UAH)

	Reserve movement	Accounts receivable for the purchase of assets and prepayment for services	Accounts receivable for business operations	Total
1	**Balance as at January 1, 2021**	**(601)**	**(436)**	**(1 037)**
2	(Increase)/decrease in the provision for impairment during the reporting	(1 655)	-	(1 655)

	period			
3	Write-off of assets due to reserves	25	-	25
4	Exchange rate difference	-	15	15
5	**Balance as at December 31, 2021**	**(2 231)**	**(421)**	**(2 652)**

Table 12.5. Analysis of changes in the provision for impairment of other non-financial assets for 2020

(ths. UAH)

	Reserve movement	Accounts receivable for the purchase of assets and prepayment for services	Accounts receivable for business operations	Total
1	**Balance as at January 1, 2020**	**(198)**	**-**	**(198)**
2	(Increase)/decrease in the provision for impairment during the reporting period	(403)	(436)	(839)
3	**Balance as at December 31, 2020**	**(601)**	**(436)**	**(1 037)**

Table 12.6. Analysis of the credit quality of other financial assets as at December 31, 2021.

(ths. UAH)

		Accounts receivable for transactions with payment cards	Monetary funds with limited right of use	Accounts receivable for transactions with customers	Accrued income from banking transactions	Total
1	Unexpired and unvalued debt:	6 503	49 981	6 132	2 262	64 878
1.1	Small companies	6 503	-	6 132	2 262	14 897
1.2	Indebtedness of financial institutions	-	49 981	-	-	49 981
2	Overdue but unvalued debt	-	-	-	2	2
3	Debt is impaired on a group basis:	-	-	-	596	596
3.1	with payment delay from 0 to 7 days	-	-	-	45	45
3.2	with a payment delay of 8 to 30 days	-	-	-	10	10
3.3	with payment delay from 31 to 60 days	-	-	-	78	78
3.4	with a payment delay of 61 to 80 days	-	-	-	46	46
3.5	with a payment delay of more than 90 days	-	-	-	417	417
4	Debt is written down on an individual basis	-	-	117	326	443
5	All other financial assets before deducting the reserve	6 503	49 981	6 249	3 186	65 919
6	Provision for impairment of other financial assets	-	(409)	(117)	(556)	(1 082)
7	**All other financial assets**	**6 503**	**49 572**	**6 132**	**2 630**	**64 837**

minus the reserve

Table 12.7. Analysis of the credit quality of other financial assets as at December 31, 2020.

(ths. UAH)

		Accounts receivable for transactions with payment cards	Monetary funds with limited right of use	Accounts receivable for transactions with customers	Accrued income from banking transactions	Accounts receivable for credit transactions	Total
1	Unexpired and unvalued debt:	518	62 220	6 708	1 090	500	71 036
1.1	Small companies	518	-	6 708	1 090	500	8 816
1.2	Indebtedness of financial institutions	-	62 220	-	-	-	62 220
2	Overdue but unvalued debt	-	-	-	5	-	5
3	Debt is impaired on a group basis:	-	-	-	257	-	257
3.1	with payment delay from 0 to 7 days	-	-	-	18	-	18
3.2	with a payment delay of 8 to 30 days	-	-	-	14	-	14
3.3	with payment delay from 31 to 60 days	-	-	-	55	-	55
3.4	with a payment delay of 61 to 80 days	-	-	-	2	-	2
3.5	with a payment delay of more than 90 days	-	-	-	168	-	168
4	Debt is written down on an individual basis	-	-	122	27	-	149
5	All other financial assets before deducting the reserve	518	62 220	6 830	1 379	500	71 447
6	Provision for impairment of other financial assets	-	(508)	(122)	(219)	-	(849)
7	**All other financial assets minus the reserve**	**518**	**61 712**	**6 708**	**1 160**	**500**	**70 598**

Table 12.8. Property transferred to the bank as a pledge holder

(ths. UAH)

		31.12.2021	31.12.2020
1	Real Estate	124 082	-
2	Revaluation of property	(17 398)	-
3	**All property that has passed into the ownership of the bank as a pledge holder**	**106 684**	**-**

The property, which became the property of the Bank as a mortgagee, consists of four non-residential real estate objects (garages) with a total area of 76.1 sq.m. with an estimated value of 119 680 thousand UAH and two objects of residential real estate (apartments) with a total area of 395.5 sq.m. with an estimated value of 4 402 thousand UAH for which the Bank has levied foreclosure to repay the debt under the credit agreement.

Property transferred to the Bank as a pledgee is accounted for at net realizable value, which as at December 31, 2021 is 106 684 thousand UAH.

Note 13. Funds of banks

Table 13.1. Funds of banks

(ths. UAH)

		31.12.2021	31.12.2020
1	Funds received from the National Bank of Ukraine	5 360 249	2 080 018
2	**Total funds of other banks**	**5 360 249**	**2 080 018**

To ensure the fulfillment of the Bank's obligations under the refinancing loans received from the National Bank of Ukraine, the Bank provided collateral in the form of a pool of OVDP, the book value of which as at December 31, 2021 is 6 212 252 thousand UAH. (December 31, 2020: 2 353 502 thousand UAH).

Note 14. Customer funds

Table 14.1. Customer funds

(ths. UAH)

		31.12.2021	31.12.2020
1	Other legal entities	7 149 250	2 329 892
1.1	Current accounts	4 770 082	2 062 539
1.2	Term funds	2 379 168	267 353
2	Individuals:	2 079 536	1 564 564
2.1	Current accounts	702 383	404 246
2.2	Term funds	1 377 153	1 160 318
3	**Total customer funds**	**9 228 786**	**3 894 456**

Accrued expenses for interest on current accounts and time deposits of legal entities in the amount of 2 794 thousand UAH are recorded as part of debt to customers. (December 31, 2020: 869 thousand UAH), and individuals in the amount of 10 947 thousand UAH (December 31, 2020: 9 267 thousand UAH).

Remaining funds with limited right of use (seized) amount to 19 954 thousand UAH.

Table 14.2. Distribution of customers' funds by types of economic activity

(ths. UAH)

	Type of economic activity	31.12.2021		31.12.2020	
		amount	%	amount	%
1	Agriculture, forestry and fishing	413 373	4,48%	35 530	0,91%
2	Production of food products, beverages and tobacco products	18 808	0,20%	8 603	0,22%
3	Production of basic pharmaceutical products and pharmaceutical preparations	10 276	0,11%	11 017	0,28%
4	Production of rubber and plastic products, other non-metallic mineral products	40 342	0,44%	215 261	5,53%
5	Production of electrical equipment	118 078	1,28%	9 350	0,24%
6	Production of machines and equipment, not elsewhere specified or included	18 291	0,20%	37 172	0,95%
7	Production of vehicles	88 108	0,96%	166 502	4,28%

8	Supply of electricity, gas, steam and air conditioning	670 253	7,26%	104 318	2,68%
9	Construction	441 277	4,78%	201 941	5,19%
10	Transport, warehousing, postal and courier activities	91 752	1,00%	115 761	2,97%
11	Wholesale and retail trade; repair of motor vehicles and motorcycles	767 057	8,31%	384 673	9,88%
12	Publishing activity, radio broadcasting and television	16 919	0,18%	19 510	0,50%
13	Financial and insurance activities	1 018 865	11,04%	404 492	10,39%
14	Real estate transactions	328 744	3,56%	226 791	5,82%
15	Activities in the field of law, accounting, architecture and engineering, technical testing and research	101 958	1,10%	101 006	2,59%
16	Activities in the field of administrative and auxiliary services	133 385	1,45%	45 579	1,17%
17	Arts, entertainment and recreation	169 662	1,84%	15 177	0,39%
18	Non-resident legal entities	2 377 940	25,77%	73 077	1,87%
19	Individuals	2 079 536	22,53%	1 564 564	40,18%
20	Others	324 162	3,51%	154 132	3,96%
21	**Total customer funds:**	**9 228 786**	**100%**	**3 894 456**	**100%**

Table 14.3. Funds on customer accounts provided to secure liabilities under credit transactions

(ths. UAH)

		31.12.2021	31.12.2020
1	Lending:	17 868	140 615
1.1	funds of individuals	16 818	21 525
1.2	funds of legal entities	1 050	119 090
2	Guarantees:	105 451	70 458
2.1	funds of legal entities	104 586	69 327
2.2	funds of individuals	865	1 131
3	Aval of the promissory note:	10 157	10 157
3.1	funds of legal entities	10 157	10 157
4	**Total**	**133 476**	**221 230**

Note 15. Reserves for liabilities

Table 15.1. Changes in reserves for liabilities in 2021

(ths. UAH)

	Movement of reserves	Credit liabilities	Total
1	**Balance as at January 1, 2021**	**12 346**	**12 346**
2	Formation and/or increase of the reserve	482	482
3	**Balance as at December 31, 2021**	**12 828**	**12 828**

Table 15.2. Changes in provisions for liabilities in 2020

(ths. UAH)

	Movement of reserves	Credit liabilities	Total
1	**Balance as at January 1, 2020**	**5 971**	**5 971**
2	Formation and/or increase of the reserve	6 375	6 375
3	**Balance as at December 31, 2020**	**12 346**	**12 346**

The bank formed reserves for credit liabilities, namely, liabilities for overdraft loans of individuals and legal entities, as well as for guarantees provided to corporate clients.

Note 16. Lease liabilities

Table 16.1. Lease liabilities

(ths. UAH)

		31.12.2021	31.12.2020
1	Recognized lease liabilities	177 260	109 541
2	Accrued interest expenses on lease liabilities	1 329	800
3	**The book value of the lease liabilities at the end of the reporting period**	**178 589**	**110 341**

In the context of the pandemic (COVID-19), lease concessions do not lead to the modification of the right-of-use asset, but only affect the reduction of the recognized lease liabilities under IFRS 16 «Leases». The Bank recognizes the change in the amount of lease payments as «Other operating income» in the Statement of Profits and Losses. As at the end of the day on December 31, 2021, the rental yield is 922 thousand UAH. (31.12.2020: 4 857 thousand UAH).

Note 17. Other liabilities

Table 17.1. Other liabilities

(ths. UAH)

		31.12.2021	31.12.2020
1	***Other financial liabilities***	**99 189**	**32 817**
1.1	Accounts payable for transactions with customers	53 641	24 656
1.2	Accounts payable for transactions with payment cards	40 467	4 836
1.3	Accounts payable for off-balance sheet operations	4 644	2 996
1.4	Accounts payable under leasing (rent)	15	5
1.5	Accrued expenses for bank transactions	422	324
2	***Other non-financial liabilities***	**40 478**	**23 253**
2.1	Accounts payable for settlements with bank employees	29 015	13 320
2.2	Deferred income	4 287	4 448
2.3	Accounts payable for taxes and duties other than income tax	5 407	4 078
2.4	Other non-financial obligations	1 769	1 407
3	**Total other liabilities**	**139 667**	**56 070**

Note 18. Statutory capital and emissive differences (share premium)

The Bank's registered and paid-up share capital as at December 31, 2021 is 284 540 thousand UAH (31.12.2020: 284 540 thousand UAH), it is divided into ordinary registered shares in the amount of 277 600 shares with a nominal value of 1 025 UAH each.

During the reporting period, there were no changes in the Bank's share capital. The share capital of the Bank is presented as follows:

(ths. UAH)

		Number of shares in circulation (thousands of units)	Ordinary shares	Total
1	**Balance as at January 1, 2020**	**242**	**247 592**	**247 592**
2	Issuance of new shares	36	36 948	36 948
3	**Balance as at December 31, 2020/January 1, 2021**	**278**	**284 540**	**284 540**
4	**Balance as at December 31, 2021**	**278**	**284 540**	**284 540**

Note 19. Analysis of assets and liabilities by their maturity dates

(ths. UAH)

		Notes	31.12.2021 Less than 12 months	More than 12 months	Total	31.12.2020 Less than 12 months	More than 12 months	Total
ASSETS								
1	Cash and cash equivalents	6	3 142 051	-	**3 142 051**	1 217 079	-	**1 217 079**
2	Loans and debts of customers	7	1 053 909	440 948	**1 494 857**	1 067 592	309 054	**1 376 646**
3	Investments in securities	8	7 055 182	3 136 743	**10 191 925**	2 370 605	1 252 939	**3 623 544**
4	Investment property	9	-	6 260	**6 260**	-	24 564	**24 564**
5	Deferred tax asset	25	3 576	-	**3 576**	3 105	-	**3 105**
6	Fixed assets and intangible assets	10	-	105 201	**105 201**	-	44 809	**44 809**
7	Right-of-use assets	11	-	173 994	**173 994**	-	104 508	**104 508**
8	Other assets	12	92 592	106 684	**199 276**	78 580	-	**78 580**
9	**Total assets**		**11 347 310**	**3 969 830**	**15 317 140**	**4 736 961**	**1 735 874**	**6 472 835**
LIABILITIES								
10	Bank funds	13	-	5 360 249	**5 360 249**	300 000	1 780 018	**2 080 018**
11	Customer funds	14	9 218 631	10 155	**9 228 786**	3 884 305	10 151	**3 894 456**
12	Current income tax liability		9 507	-	**9 507**	2 071	-	**2 071**
13	Provisions for liabilities	15	12 007	821	**12 828**	11 648	698	**12 346**
14	Lease obligations	16	38 890	139 699	**178 589**	24 714	85 627	**110 341**
15	Other liabilities	17	139 667	-	**139 667**	56 070	-	**56 070**
16	**Total liabilities**		**9 418 702**	**5 510 924**	**14 929 626**	**4 278 808**	**1 876 494**	**6 155 302**

Note 20. Interest income and expenses

(ths. UAH)

		2021	**2020**
INTEREST INCOME CALCULATED AT THE EFFECTIVE INTEREST RATE			
Interest income on financial assets that are accounted for at amortized cost:			
1	Loans and debts of customers	370 608	266 882
2	Deposit certificates of the NBU	32 589	41 189
3	Debt securities	683 570	119 418
4	Funds in other banks	2 372	1 013
5	Correspondent accounts in other banks	398	257

6	**Total interest income on financial assets that are accounted for at amortized cost**	**1 089 537**	**428 759**
Interest income on financial assets that are accounted for at fair value through other comprehensive income			
7	Debt securities	1 648	91
8	Total interest income on financial assets that are accounted for at fair value through other comprehensive income	1 648	91
9	**Total interest income calculated at the effective interest rate**	**1 091 185**	**428 850**
10	**Total interest income**	**1 091 185**	**428 850**
	INTEREST EXPENSES CALCULATED AT THE EFFECTIVE INTEREST RATE		
Interest expense on financial liabilities that are accounted for at amortized cost			
11	Term funds of legal entities	(25 408)	(20 356)
12	Term funds of individuals	(96 868)	(85 975)
13	Term funds of other banks	(327 451)	(36 988)
14	Current accounts	(63 172)	(26 608)
15	Others	(8 700)	(11 635)
16	**Total interest expense calculated at the effective interest rate**	**(521 599)**	**(181 562)**
17	Lease obligations	(18 905)	(14 088)
18	**Total interest expenses**	**(540 504)**	**(195 650)**
19	**Net interest income/(expenses)**	**550 681**	**233 200**

Note 21. Commission income and expenses

(ths. UAH)

		2021	**2020**
COMISSION INCOME:			
1	Settlement and cash transactions	344 998	266 493
2	Credit service	6 525	5 956
3	For operations on the foreign exchange market	70 211	36 158
4	Provided guarantees	16 681	11 691
5	Others	1 451	951
6	**Total commission income**	**439 866**	**321 249**
COMISSION EXPENSES:			
7	Settlement and cash transactions	(41 313)	(20 800)
8	Settlement bank services for PC operations	(11 921)	(9 160)

9	Others	(1 512)	(911)
10	**Total commission expenses**	**(54 746)**	**(30 871)**
11	**Net commission income/expenses**	**385 120**	**290 378**

Note 22. Other operating income

(ths. UAH)

		2021	2020
1	Income from operating leasing (rent) *including income from the rental of investment real estate*	2 040 *245*	1 733 *173*
2	Income from sublease	1 090	992
3	Income from agency agreements	893	942
4	Income from disposal of fixed assets and intangible assets	106	2
5	Compensation for incurred advertising costs	-	85
6	Income from the sale of mortgaged property	2	24
7	Revaluation (depreciation) of the right-of-use asset and the lease obligation, *including lease concession*	6 069 *922*	6 947 *4 857*
8	Income from derecognition of financial liabilities that are accounted for at amortized cost	2 247	2 672
9	Fines, penalties for credit transactions	-	353
10	Others	707	784
11	**Total operating income**	**13 154**	**14 534**

Note 23. Administrative and other operating expenses

Table 23.1. Expenses and employee benefits

(ths. UAH)

		2021	2020
1	Salary and bonuses	359 177	247 397
2	Charges to the wage fund	50 340	36 376
3	Other payments to employees	1 797	1 624
4	**Total expenses for maintaining staff**	**411 314**	**285 397**

Table 23.2. Depreciation expenses

(ths. UAH)

		2021	2020
1	Depreciation of fixed assets	16 963	10 516
2	Depreciation of software and intangible assets	3 437	3 801
3	Depreciation of the right-of-use asset	34 679	21 744
4	**Total depreciation expenses**	**55 079**	**36 061**

Table 23.3. Other administrative and other operating expenses

(ths. UAH)

		2021	2020

1	Expenses for maintenance of fixed assets and intangible assets, telecommunications and other operational services	26 993	19 804
2	Expenses for operational leasing (rent)	2 199	1 515
3	Professional services	4 907	2 284
4	Marketing and advertising expenses	3 106	2 912
5	Insurance costs	43 921	32 954
6	Security costs	2 531	1 860
7	Payment of other taxes and mandatory payments, except for income tax	18 059	10 919
8	Business expenses	7 614	4 312
9	Expenses for communal services	7 478	4 366
10	Costs for collection and transportation of valuables	7 994	7 295
11	Loss on sale of non-current assets held for sale	-	2 800
12	Depreciation of the property transferred to the bank as a mortgagee	17 398	-
13	Expenses under agency agreements	23 405	20 872
14	Royalty	3 662	2 191
15	Fines	33	2 622
16	Cash shortages	127	48 034
17	Other expenses	6 651	5 002
18	**Total administrative and other operating expenses**	**176 078**	**169 742**

Note 24. Income tax expense

Table 24.1. Income tax expenses

(ths. UAH)

		2021	**2020**
1	Current income tax	16 328	5 373
2	Change in deferred income tax related to:	(467)	(1 691)
2.1	arising or writing off temporary differences	(467)	(1 691)
3	**Total income tax expense**	**15 861**	**3 682**

Table 24.2. Reconciliation of the amount of accounting profit (loss) and the amount of tax profit (loss)

(ths. UAH)

		2021	**2020**
1	Profit before taxation	85 867	13 399
2	Theoretical tax deductions at the relevant tax rate	15 456	2 412
ADJUSTMENT OF ACCOUNTING PROFIT (LOSS):			
3	The impact of expenses that are not included in the amount of expenses for the purpose of calculating tax profit, but are recognized in accounting	2 651	4 159
4	The impact of expenses that are included in the amount of expenses for the purpose of calculating tax profit, but are not recognized in accounting	(1 779)	(1 198)
5	**Amount of income tax (loss)**	**16 328**	**5 373**

Table 24.3. Tax Consequences of Recognizing Deferred Tax Assets and Deferred Tax Liabilities for 2021

(ths. UAH)

		Balance as at 01.01.2021	Recognized in earnings/ losses	Recognized in earnings/ losses	Balance as at 31.12.2021
1	Tax impact of temporary differences that reduce (increase) the amount of taxation and tax losses carried forward for future periods	3 105	467	4	3 576
1.1	Fixed assets and intangible assets	626	84	-	710
1.2	Other assets	243	299	-	542
1.3	Other liabilities	2 225	84	-	2 309
1.4	Revaluation of securities at fair value with revaluation through other comprehensive income	11	-	4	15
2	**Net deferred tax asset (liability)**	**3 105**	**467**	**4**	**3 576**
3	**A recognized deferred tax asset**	**3 105**	**467**	**4**	**3 576**

Table 24.4. Tax Consequences of Recognizing Deferred Tax Assets and Deferred Tax Liabilities for 2020

(ths. UAH)

		Balance as at 01.01.2020	Recognized in earnings/ losses	Recognized in earnings/ losses	Balance as at 31.12.2020
1	Tax impact of temporary differences that reduce (increase) the amount of taxation and tax losses carried forward for future periods	1 426	1 691	(12)	3 105
1.1	Fixed assets and intangible assets	283	343	-	626
1.2	Other assets	43	200	-	243
1.3	Other liabilities	1 077	1 148	-	2 225
1.4	Revaluation of securities at fair value with revaluation through other comprehensive income	23	-	(12)	11
2	**Net deferred tax asset (liability)**	**1 426**	**1 691**	**(12)**	**3 105**
3	**A recognized deferred tax asset**	**1 426**	**1 691**	**(12)**	**3 105**

Note 25. Profit/(loss) per ordinary share

Table 25.1. Net and adjusted earnings/(loss) per ordinary share

(ths. UAH)

		2021	2020
1	Profit belonging to the owners of ordinary shares of the bank	70 006	9 717
2	Profit for the reporting period	70 006	9 717
3	Average annual number of ordinary shares in circulation (thousands)*	278	253
4	**Net and adjusted profit per common share**	**252,18**	**38,41**

(in hryvnias per share)

* During 2021, the average annual number of ordinary shares in circulation was 277 600 units.

The bank has no dilutive potential ordinary shares, so the net profit indicator does not differ from the adjusted profit indicator.

Note 26. Operating segments

Information by operating segments:

A segment is a separable component of a bank that provides products or services (operating segment) or is engaged in providing products or services in a separate economic region (geographic segment) and is subject to risks and provides returns different from those inherent in other segments. Information on segments that receive most of their income from third parties and whose income, performance or assets are at least ten percent of all segments is presented separately from other segments.

Within this financial statement, the bank did not display geographical segments, as the bank does not operate outside of Ukraine.

The main format of presentation of information by segments of the bank's activity is presentation of information by operational segments.

The Bank conducts its activities in the following main operating segments:

- Services to clients - individuals - provision of banking services to private clients: maintaining current accounts of individuals, including using payment cards, accepting deposits, safekeeping services, providing loans.
- Servicing of corporate clients – settlement and cash operations on current accounts of legal entities and individual entrepreneurs, acceptance of deposits, provision of overdrafts, loans and other lending services, foreign currency operations, etc.
- Transactions with banks - opening and maintenance of bank correspondent accounts, transactions on the purchase and sale of cash and non-cash foreign currency at the Ministry of Foreign Affairs, transactions on placement (attraction) of funds, purchase and sale of state and other securities from banks, etc.

Assets of a reporting segment are recognized as assets that are used to perform normal activities and that can be directly attributed to this segment or reasonably allocated to this segment. Segment assets do not include income tax assets.

Segment liabilities are liabilities arising from the ordinary activities of the segment that are directly attributable to the segment or can be reasonably allocated to the segment. Segment liabilities do not include income tax liabilities.

Presentation of segment information is based on the method of accrual of income and expenses, as this approach is used in management accounting.

Table 26.1. Revenues, expenses and results of reporting segments for 2021

(ths. UAH)

		The name of the reporting segments			**Other segments and operations**	**Total**
		Services to corporate clients	**Services to individuals**	**Services to banks**	**Unallocated**	
1	Interest income	235 010	135 598	720 577	-	1 091 185
2	Interest expenses	(88 878)	(105 270)	(327 451)	(18 905)	(540 504)
3	Transfer	101 770	88 443	(190 213)	-	-
4	**Net interest income**	**247 902**	**118 771**	**202 913**	**(18 905)**	**550 681**
5	Commission income	229 549	203 020	7 297	-	439 866
6	Commission costs	(13 844)	(34 548)	(6 354)	-	(54 746)
7	Other operating income	3 257	2 122	7 775	-	13 154
8	Net profit/(loss) from operations with derivative financial instruments	-	-	(3 669)	-	(3 669)

9	Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income	-	-	5	-	5
10	Net profit/(loss) from transactions with foreign currency	-	55 506	67 478	-	122 984
11	Net gain/(loss) from foreign currency revaluation	-	(3 851)	2 108	-	(1 743)
12	Net profit/(loss) from revaluation of investment real estate objects	-	-	-	(47 372)	(47 372)
13	Net loss from impairment of financial assets	(280 958)	(7 651)	(4 322)	(331)	(293 262)
14	Net loss/(gain) from increase/(decrease) in provisions for liabilities	(181)	(301)	-	-	(482)
15	Net gain/(loss) on derecognition of financial assets carried at amortized cost	1 205	1 645	72	-	2 922
16	Expenses for employee benefits	(82 662)	(292 803)	(35 849)	-	(411 314)
17	Depreciation and amortization	-	-	-	(55 079)	(55 079)
18	Other administrative and other operating expenses	(51 545)	(108 345)	(16 188)	-	(176 078)
19	**SEGMENT RESULT: Profit before tax**	**52 723**	**(66 435)**	**221 266**	**(121 687)**	**85 867**

Table 26.2. Revenues, expenses and results of reporting segments for 2020

(ths. UAH)

		The name of the reporting segments			**Other segments and operations**	**Total**
		Services to corporate clients	**Services to individuals**	**Services to banks**	**Unallocated**	
1	Interest income	161 684	105 199	161 967	-	428 850
2	Interest expenses	(52 995)	(91 579)	(36 988)	(14 088)	(195 650)
3	Transfer	6 436	52 081	(58 517)	-	
4	**Net interest income**	**115 125**	**65 701**	**66 462**	**(14 088)**	**233 200**
5	Commission income	194 243	126 062	944	-	321 249
6	Commission costs	(4 741)	(23 693)	(2 437)	-	(30 871)
7	Other operating income	3 842	2 407	922	7 363	14 534
8	Net profit/(loss) from operations with derivative financial instruments	-	-	(23 234)	-	(23 234)
9	Net profit/(loss) from transactions with debt financial instruments accounted for at fair value through other comprehensive income	-	-	468	-	468
10	Net profit/(loss) from transactions with foreign currency	-	53 630	29 838	-	83 468

11	Net profit/(loss) from foreign currency revaluation	-	(3 656)	32 012	-	28 356
12	Net profit/(loss) from revaluation of investment real estate objects	-	-	-	(26 160)	(26 160)
13	Net loss from impairment of financial assets	(86 616)	(25 750)	(1 870)	(282)	(114 518)
14	Net loss/(gain) from increase/(decrease) in provisions for liabilities	(6 204)	(171)		-	(6 375)
15	Net profit/(loss) on derecognition of financial assets carried at amortized cost	531	946	23 005	-	24 482
16	Expenses for employee benefits	(64 919)	(186 459)	(34 019)	-	(285 397)
17	Depreciation and amortization	-	-	-	(36 061)	(36 061)
18	Other administrative and other operating expenses	(52 943)	(98 841)	(17 958)	-	(169 742)
19	**SEGMENT RESULT: Profit before tax**	**98 318**	**(89 824)**	**74 133**	**(69 228)**	**13 399**

Table 26.3. Assets and liabilities of reporting segments as at December 31, 2021

(ths. UAH)

		The name of the reporting segments			Other segments and operations / Unallocated	Total
		Services to corporate clients	Services to individuals	Services to banks		
SEGMENT ASSETS						
1	Segment assets	1 119 395	375 462	12 445 845	1 376 438	15 317 140
2	**Total assets**	**1 119 395**	**375 462**	**12 445 845**	**1 376 438**	**15 317 140**
SEGMENT LIABILITIES						
3	Segment liabilities	7 161 214	2 080 400	5 360 249	327 763	14 929 626
4	**Total liabilities**	**7 161 214**	**2 080 400**	**5 360 249**	**327 763**	**14 929 626**

Table 26.4. Assets and liabilities of reporting segments as at December 31, 2020

(ths. UAH)

		The name of the reporting segments			Other segments and operations / Unallocated	Total
		Services to corporate clients	Services to individuals	Services to banks		
SEGMENT ASSETS						
1	Segment assets	1 100 392	276 254	4 380 082	716 107	6 472 835
2	**Total assets**	**1 100 392**	**276 254**	**4 380 082**	**716 107**	**6 472 835**
SEGMENT LIABILITIES						

3	Segment liabilities	2 341 675	1 565 127	2 080 018	168 482	6 155 302
4	**Total liabilities**	**2 341 675**	**1 565 127**	**2 080 018**	**168 482**	**6 155 302**

Note 27. Financial risk management

In PJSC «CB «ACCORDBANK» has been created a risk management system that corresponds to the size, business model, scale of operations, types, and complexity of the bank's operations and provides detection, measurement (estimation), monitoring, reporting, control and mitigation of all significant bank risks in order to determine the amount of capital required by the bank to cover all significant risks inherent in its activities.

The process of risk management consists in identifying (identifying) risks, assessing their magnitude, controlling risk positions, as well as continuous monitoring of risks to ensure timely response in view of their dynamics.

Risk management in the Bank is based on the following basic principles:

- efficiency – ensuring an objective assessment of the size of the bank's risks and the completeness of risk management measures with optimal use of financial resources, personnel and information systems for the bank's risk management;
- timeliness – ensuring timely (at an early stage) detection, measurement, monitoring, control, reporting and mitigation of all types of risks at all organizational levels;
- structuredness – a clear distribution of functions, responsibilities and risk management powers between all structural units and employees of the bank, and their responsibilities in accordance with such distribution;
- segregation of duties (separation of the control function from the execution of bank operations) – avoiding a situation in which the same person carries out bank operations and performs control functions;
- versatility and comprehensiveness – coverage of all types of bank activity at all organizational levels and in all its structural divisions, assessment of the mutual impact of risks;
- proportionality – compliance of the risk management system with the bank's business model, its systemic importance, as well as the level of complexity of operations carried out by the bank;
- independence – freedom from circumstances that pose a threat to the impartial performance of the risk management unit and the compliance control unit of their functions;
- confidentiality – restricting access to information that must be protected from unauthorized access;
- transparency – disclosure by the bank of information on the risk management system and risk profile.

The internal regulatory framework for risk management, which meets internal and external requirements for modern risk management, is based on domestic and foreign practice and is constantly updated. The main task of the internal regulatory framework for risk management is the formation of a methodological basis for the implementation of risk management in the Bank.

The organizational structure of the Bank's risk management system is based on the division of responsibilities between the Bank's divisions using the model of three lines of protection:

1) **on the first line of defense** are the bank's business units and support units. They are the owners of all risks arising in the area of their responsibility. These divisions are responsible for identifying and assessing risks, taking management measures and reporting on such risks;

2) **on the second line of defense**, the Department of Risk Management and the Department of Control over Observance of Norms (Compliance), which manage risks;

3) **on the third line of defense**, the Internal Audit Office assesses the effectiveness of the risk management system by units of the first and second levels of protection.

The organizational structure of the risk management system in the Bank is defined in the internal document «Regulations on the organizational structure of the risk management system of PJSC «CB «ACCORDBANK», which defines the distribution of functions, responsibilities and powers of risk management between all subjects of the risk management system and other employees Bank, and the order of interaction between them.

The system of identification and assessment of certain types of risks assumed by the Bank is based on uniform principles for certain types of risks and modern risk assessment methodology. The main task of the system of identification and assessment of certain types of risks is to ensure timely detection of risks and assessment of their level as an information base for making management decisions regarding risk management. The system includes methods and procedures for identification and assessment of certain types of risks, methods of stress testing of certain types of risks.

The Bank carries out a comprehensive assessment of the following significant types of risks inherent in its activities:

- credit risk;
- liquidity risk;
- interest rate risk of the bank book;
- market risk;
- operational risk;
- compliance risk;
- strategic risk.

A system of risk reporting, control and monitoring, the main tasks of which are:

- regularly informing the Bank's management about the level of risks;
- determination of the Bank's tolerance levels for certain types of risks, which is expressed in the establishment of a system of normative values of indicators or their limits, and their constant updating;
- ensuring compliance with internal risk regulations and NBU regulations through appropriate risk control and monitoring mechanisms.

Limits are set and the departments responsible for their implementation are determined at the ALMC meeting based on the proposals of the Risk Management Department. Approval of these limits is carried out at the meeting of the Supervisory Board of the Bank at the request of the Committee of the Supervisory Board on Risk Management.

Risk management is the basis of banking business and an essential component of banking operations. The main risks inherent in the Bank's operations are risks related to granting loans, liquidity, market fluctuations of interest rates and exchange rates, as well as operational risks.

Credit risk

As the main risk, the Bank identifies and accepts credit risk, namely the risk of the Bank incurring losses as a result of non-performance, untimely or incomplete performance by the debtor/counterparty of financial obligations to the Bank in accordance with the terms of the contract. Credit risk in the Bank is determined and managed on the basis of internal bank regulations, credit risk assessment models, including those developed in accordance with the standards of the Basel Committee on Banking Supervision, in accordance with the requirements of NBU Resolution No. 351 (Basel II standards), NBU Resolution No. 64.

In the process of credit risk management of the Bank, the following are involved: Supervisory Board, Supervisory Board Committee on Risk Management, Management Board, Asset and Liability Management Committee, Credit Committee, Risk Management Department, Internal Audit Department, Treasury Operations Department, Credit Department, Corporate Products Department and service, Department of Marketing and Development of Retail Business, Department of Investment Business, Department of Security, Department of Financial Monitoring, units responsible for accounting and reporting.

The credit risk management system is governed by the Bank's Credit Risk Management Policy, the Regulation on the Procedure for Calculation of the Amount of Credit Risk Based on Active Banking Operations, the Methodology for Assessing the Financial Condition and Determining the Class of the Bank's Debtor (Counterparty) and other internal bank documents

During credit risk management, the Bank:

- calculates the amount of credit risk by assets on an individual and group basis;
- determines the value of each of the credit risk components (PD, LGD and EAD);
- determines quantitative indicators of risk appetite for credit risk;
- measures the risk of concentration;
- establishes credit acceptance criteria;
- establishes the value of credit risk limits;
- applies internal control mechanisms;
- defines a clear process of making credit decisions, taking into account the powers of collegial bodies to make relevant decisions;
- determines the list of documents and information necessary for making credit decisions;
- creates documentation for each credit decision;
- grants loans to persons associated with the Bank on terms that do not differ from the terms of granting such types of loans to other persons;
- does not involve members of the Supervisory Board of the Bank or collegial bodies who have the right to make a credit decision, but who are related persons to the borrower, in the approval of the decision on granting loans.

The Bank's credit risk management process is continuous and based on the following principles:

- compliance with credit risk standards established by the National Bank of Ukraine;
- distribution of functions and responsibilities for risk management;
- formation of reporting on credit risk on an ongoing basis;

- establishment of normative values of risk indicators and regular monitoring of their compliance;
- regularity of revision of credit risk standards (at least once a year);
- regularity of informing the bank's management about the level of credit risk;
- development of a system for estimating and forecasting expected credit losses (NBU Resolution No. 351), formation of necessary reserves for expected credit losses (IFRS);
- regularity of stress testing of the credit portfolio.

When managing credit risk, the Bank is guided by the following approaches:

- when assessing credit risk, it is divided into individual and portfolio;
- a separate analysis of the risk of concentration of assets;
- analytical validity of decisions on granting loans;
- adequacy of the information base for adequate administration and monitoring of loans;
- proper work with problem assets.

The bank uses the following credit risk management methods:

- risk prevention as a method of credit risk management allows you to protect yourself from possible random events by taking preventive actions;
- risk identification – recognition and understanding of existing risks or risks that may arise in connection with new business initiatives;
- risk measurement is the basis for risk control and monitoring. Risk assessment tools must be adequate to the complexity and level of risks assumed by the bank;
- risk control is carried out by establishing restrictions and bringing them to the executors by means of provisions, standards and/or procedures that determine the duties and powers of employees;
- risk monitoring to ensure timely tracking of risk levels and exceptions to certain rules.

The maximum indicators of credit risk for the articles of the Statement of Financial Position are reflected as accurately as possible in their book value:

(ths. UAH)

	31.12.2021	31.12.2020
Financial statement		
Balances on bank accounts at the NBU and banks	**2 211 327**	**697 384**
Customer credits and debts	**1 974 916**	**1 568 716**
Investments in securities	**10 191 925**	**3 623 544**
Other financial assets	**65 919**	**71 447**
	14 444 087	**5 961 091**
Off-balance sheet items		
Credit liabilities	**1 438 463**	**2 157 895**

In order to control the level of portfolio credit risk, the bank has established internal limits for the structure of the loan portfolio, the quality of the loan portfolio, the structure of collateral for loans, the structure of lending industries, and others. As at December 31, 2021, their actual values are as follows:

	Limit value	31.12.2021	31.12.2020
1. Limits of the credit portfolio structure			
- specific weight of overdrafts in the loan portfolio	**< 20%**	**16,59%**	**11,9%**
- specific weight of the provided guarantees in the loan portfolio	**< 25%**	**19,43%**	**23,6%**
2. Credit portfolio quality limits			
– the share of expected losses (losses) on active banking operations due to the realization of credit risk	**< 30%**	**15,5%**	**5,4%**
– the share of negatively classified assets (NPA) in the loan portfolio	**< 20%**	**13,4%**	**3,0%**
– the maximum volume of NPA in % of the corresponding portfolio of loans in terms of types of economic activity	**No limit**	**100,0%**	**2,2%**
3. Limits of the loan collateral structure			

– specific weight of blank loans in the Bank's loan portfolio	**< 55%**	**53,33%**	**40,03%**
– including the specific weight of blank loans of **legal entities** in the Bank's loan portfolio	**< 30%**	**35,67%**	**27,37%**
– including the specific weight of blank loans of **individuals** in the Bank's loan portfolio	**< 25%**	**17,66%**	**12,66%**
–the specific weight of loans with collateral in the form of goods in circulation	**< 30%**	**0,00%**	**0,00%**
– specific weight of loans secured by movable property	**< 40%**	**20,30%**	**16,38%**
– specific weight of loans secured by real estate	**< 80%**	**25,58%**	**22,09%**
4. Concentration limits by branch structure of the credit portfolio			
– the specific weight of loans to trade enterprises in the Bank's loan portfolio	**< 40%**	**39,9%**	**25,3%**
– specific weight of loans to construction enterprises in the Bank's loan portfolio	**< 15%**	**3,4%**	**7,3%**
– the specific weight of loans to industrial enterprises in the Bank's loan portfolio	**< 40%**	**17,7%**	**20,2%**
– specific weight of loans to individuals in the Bank's loan portfolio	**<30%**	**18,5%**	**13,4%**
– the maximum volume of geographical concentration of the loan portfolio as a percentage of the total volume of the loan portfolio	**<15% CP (except Kyiv)**	**4,3%**	**3,6%**
5. Limits of maximum credit risk of borrowers			
– the maximum risk for one borrower or a group of related borrowers	**< 25% RC**	**16,6%**	**21,07%**
- the maximum volume of large loans	**< 300% RC**	**174,5%**	**266,6%**
– the total maximum risk of borrowers associated with the Bank	**< 25% RC**	**6,5%**	**10,5%**
– the maximum amount of debt for one debtor/group of related counterparties, in % of the total amount of the loan portfolio	**< 7% CP**	**4,0**	**3,6%**
- the maximum volume of the loan portfolio by loan products as a percentage of the total volume of the loan portfolio	**No limit**	**77,0**	**83,5%**
6. Limits of active investments			
– the share of the portfolio of securities in assets (except for government securities and certificates of deposit of the NBU)	**< 10%**	**0,9%**	**2,0%**
– the share of receivables in assets	**< 5%**	**0,2%**	**0,2%**

As at December 31, 2021, the values of the main economic standards (according to the data of 01 file) were:

- H7 (the norm of the maximum amount of credit risk per counterparty) was 16.57% (2020: 21.07%), with a norm not higher than 25%;
- H8 (the norm of large credit risks) was 174.5% (2020: 266.6%), with a norm not higher than 800%.
- H9 (the norm of the maximum amount of credit risk for transactions with persons related to the bank) was 6.5% (2020: 10.5%), with a norm not higher than 25% of the regulatory capital

Among the methods of credit risk coverage, the Bank uses the following in its activities - obtaining security (collateral/mortgage, cash coverage, sureties).

As at December 31, 2021, provision for the total amount of 2 479 602 thousand UAH is recorded on off-balance sheet accounts. (2020: 2 952 205 thousand UAH)

In accordance with the requirements of internal bank regulatory documents, in order to implement a comprehensive system for working with collateral/mortgage, the following measures are implemented:

- assessment of the market (fair) value of collateral at the stage of making a decision regarding the implementation of an active transaction;
- registration of bank encumbrances on mortgaged property in relevant state registers;
- periodic revaluation of the market value of the pledge/mortgage on a periodic basis;

- monitoring the availability and condition of the property before making a decision on the implementation of an active operation and during the entire period of lending on a periodic basis;
- property insurance in an insurance company accredited by the bank for the term and conditions agreed by the bank.

Work with pledged property must comply with the following principles:

- the principle of unimpeded recovery;
- the principle of fair assessment;
- the principle of preservation;
- the principle of availability;
- the principle of proper protection of the bank's interests as a creditor.

The limits of the loan collateral structure have been established and are being followed. In particular, as at December 31, 2021, the specific weight of loans secured by movable property is 20.3% (2020: 16.4%), with a limit of no more than 40%; the specific weight of loans secured by real estate is 25.6% (2020: 22.1%), with a limit of no more than 80%; the specific weight of blank loans in the Bank's loan portfolio is 53.3% (2020: 40.0%), with a limit of no more than 55%.

The main principles and conditions of acceptance, assessment, reassessment and monitoring of property offered (accepted) to support active operations in the bank are regulated by the Policy on Pledged Property Management of PJSC «CB «ACCORDBANK».

Credit quality by asset class related to credit-related statement of financial position items based on external ratings and the Bank's credit rating system is disclosed in Notes 6 and 7.

The Bank estimates expected credit losses on a financial instrument in a way that reflects: an objective and probability-weighted amount determined by evaluating a certain range of possible outcomes, taking into account the time value of money, contains reasonably necessary and verifiable information about past events, current conditions and forecasts of future economic conditions that can be obtained without undue cost or effort as at the reporting date.

Introduction during 2020-2021 by most countries, including Ukraine, long-term and repeatedly applied preventive measures (lockdown, quarantine, other restrictions) due to the spread of the COVID-19 pandemic in the world had a negative impact on economic activity, in particular, some industries were forced to almost completely stop their activities for a long period of time.

As a result of the above-mentioned negative changes, there was a significant reduction in production volumes in 2020 (according to the results of 2020, the real GDP of Ukraine decreased by 4.2%), the deterioration of the conditions of cooperation between economic entities, a reduction in profits, an increase in the level of unemployment, as well as a loss of income by individuals - entrepreneurs. On the other hand, during 2021, the real GDP of Ukraine increased by 3.2%, which was a consequence of the adaptation of the country's economy to new challenges.

Expected credit losses are measured by the Bank based on the risk of default according to one of two time horizons, depending on whether the borrower's credit risk has significantly increased since the initial recognition of the financial asset. Expected credit losses (valuation allowance) for those financial assets whose credit risks have not significantly increased since initial recognition (the first stage of impairment, **«Stage 1»**) are based on 12-month expected credit losses. Expected credit losses (estimation reserve) for such financial assets that have experienced a significant increase in credit risk («Stage 2» and «Stage 3») are based on expected credit losses during the entire life of the financial asset.

Stage 2 – Financial instruments with a significant increase in credit risk, but without signs of default, on which credit losses are calculated for the entire term of their validity;

Stage 3 – Financial instruments in default, based on which expected credit losses are calculated for the entire term of their validity (including credit-impaired financial assets - **ROSI**).

The bank defines the risk of a financial asset as low if the debtor-counterparty has a high ability to fulfill its contractual obligations in the short term, the probability of changes (including objective and subjective) that will negatively affect the received cash flows, is assessed as not having a clearly expressed character, while the risk of default is low.

Signs indicating a significant increase in credit risk, and at the same time a condition for transition to Stage 2, are:

- restructuring (except for financial restructuring) of the debt of the counterparty debtor, related to the debtor's financial difficulties, including carried out without complying with the requirement regarding the previous full repayment of credit debt on the date of restructuring. Restructuring related to the extension of the general credit term (does not apply to individual tranches), reduction of the interest rate by more than 15% of the original rate;
- the presence of overdue debt on a financial asset: 31 or more calendar days for debtors – legal entities (except banks) and individuals, 5 or more calendar days for debtor banks;

- presence of negative dynamics of financial performance indicators of debtors - legal entities (except banks). Such indicators, in particular, should include the presence of a loss (or a negative EBIDTA value), the absence of "net" income on the accounts of debtors - legal entities (except banks) and individual entrepreneurs, or their insignificant amount (does not exceed 1.5 times the amount credit debt; the total amount of "net" income is calculated for the 12 calendar months preceding the calculation), etc.;
- assignment of the counterparty debtor to classes 9-10 (debtors - legal entities, except for banks, budgetary institutions and legal entities - debtors under a loan for an investment project) / to classes 4-5 (other debtors) in accordance with Regulation 351 (as amended and additions) and internal bank regulatory documents on credit risk assessment, taking into account the possibility of a situation where, based on the results of the assessment/reassessment, the class determined by the bank for one debtor for several financial assets differs (change for one of the assets). At the same time, the bank determines the class of such a debtor/counterparty based on the lowest (worst) of them for all financial assets – credit risk growth;
- a significant decrease in the value of the provided security during the period of existence of the financial asset and/or the presence of other encumbrances (except for the Bank's encumbrances) on the security during the period of existence of this asset. Materiality is determined by each type of security, including immovable property - decrease in property value by more than 35%, movable property - by more than 50%;
- negative dynamics of external ratings determined by the agencies Standard & Poor's, Fitch Ratings, Moodys Investors Service and additionally by the Credit-Rating agency - for resident banks.

Qualitative and quantitative indicators developed by the Bank are taken into account when assessing the occurrence of an event of default on the obligations of the debtor/counterparty of the Bank.

Signs of asset impairment (presence of at least one of the following factors), which is a condition for moving to Stage 3:

- overdue credit debt for a financial asset: 91 or more calendar days for debtors – legal entities (except banks) and individuals, 91 or more calendar days for debtor banks;
- the presence of any overdue debt on the restructured financial asset, which on the date of restructuring was classified as NPL (in accordance with the requirements of Regulation 351);
- the availability of information in the Bank regarding the occurrence of default events, in particular, the debtor/counterparty has declared bankruptcy, the debtor/counterparty has been declared bankrupt/the procedure for liquidation (termination) of a legal entity has been initiated in accordance with the procedure established by law/the debtor bank has been classified as insolvent by the decision of the National Bank/ the banking license has been revoked, the rating of the debtor banks is defined as RD and/or D;
- debt restructuring (taking into account the indications of assigning the asset to Stage 2), related to the financial difficulties of the debtor-counterparty, which includes, in particular:
  - ✓ remission of part of the debt;
  - ✓ capitalization or replacement of accrued and unpaid interest (commissions) with another asset;
  - ✓ extension of the general term of lending, carried out with worsening conditions for the creditor, and without zeroing the debt;
  - ✓ changes in the interest rate under the credit agreement by more than 30% from the initial rate.

The signs of termination of default are considered to be the elimination of all the above-mentioned signs of impairment, and the fulfillment of contractual obligations by the client within at least 180 calendar days after the elimination of all signs of default.

For Stage 1 loans, the bank calculates a reserve based on 12-month expected credit losses at the individual and portfolio level. To calculate the reserve, the Bank divides the portfolio of financial instruments into groups with similar characteristics. Expected credit losses are determined by taking into account the following information: losses in the portfolio over a 12-month horizon in previous periods, current economic conditions, the corresponding period of time until the moment of possible loss in the future.

For loans belonging to Stage 2, Stage 3 and/or credit-impaired loans (primarily impaired), the Bank determines the amount of the reserve for expected credit losses, taking into account the signs of materiality and the specific type of lending individually or on a portfolio basis. The following factors are relevant: current economic conditions, availability of prerequisites for the implementation of the business plan, analysis of forecasted cash flows, receipt of funds from the sale of collateral, losses in the portfolio during previous periods.

Risks related to the COVID-19 pandemic have been included in the assessment of expected credit losses in order to ensure a sufficient level of provisioning. The Bank's experts identified the most vulnerable industry segments of the credit portfolio, including consumer lending, and made changes to the forecast of expected credit losses. Thus, to take into account the potential impact of COVID-19, an increasing factor has been introduced as a multiplier to the existing level of expected credit losses:

- for all borrowers of the retail credit portfolio;
- in foreign currency for corporate business clients for the affected sectors of the economy;

Among other things, the following measures were taken by the Bank in 2021:

- 180 loans with a total debt of 101 258.9 thousand UAH were restructured. (including 89 730.2 thousand UAH - for legal entities, 11 528.7 thousand UAH - for natural persons);
- the Bank's clients were analyzed and those that were significantly affected by the COVID-19 pandemic, including those restructured/refinanced by the bank, were downgraded to Stage 2.

The general risk situation regarding the impact of the consequences of the COVID-19 pandemic on the Bank's activities can be characterized as controlled.

Credit risk management constantly analyzes reserves for expected credit losses in accordance with internal bank regulatory documents.

Market risk

Market risk management is carried out with the aim of limiting the amount of possible losses on open positions that may be incurred by the bank over a specified period of time with a specified probability due to an unfavorable change in currency rates, securities quotations, interest rates, by establishing a system of appropriate limits for each type of transactions carried out, and monitoring compliance with the established system of limits.

The main types of market risk:

- currency risk – the probability of losses associated with an unfavorable exchange rate movement in the presence of an open currency position;

- price risk – the probability of losses associated with an unfavorable change in prices on the stock market, commodity and other markets (if there is an open position);

- interest rate risk – risk of possible losses as a result of unfavorable dynamics of interest rates. Interest rate risk arises when assets and liabilities differ in terms of maturity/revision of rates, a general change in the interest rate curve, a change in interest and placement rates relative to each other, a change in payment flows due to the presence of options (explicit and those embedded in financial instruments).

Control over market risk is carried out through a system of limits and restrictions depending on the type of portfolio and the financial instruments included in it. Based on these indicators, a system of reporting on the amount of market risk is formed.

The authority to make decisions regarding the approval of market positions of relevant persons and units is entrusted in accordance with the principles of currency risk management and interest rate risk management.

- ***currency risk***

By currency risk, the Bank understands the existing or potential risk to profit and capital, which arises as a result of unfavorable changes in exchange rates and prices for bank metals.

The Bank's main tool for currency risk management is limiting. The bank applies this tool by setting limits on:

- the total open currency position of the bank as a whole, in terms of subdivisions and operations;
- the amount of possible losses from exchange rate changes;
- treasury operations (trade operations, non-trade)

Table 27.1. Analysis of currency risk

(ths. UAH)

		31.12.2021			31.12.2020		
		monetary assets	**monetary liabilities**	**net position**	**monetary assets**	**monetary liabilities**	**net position**
1	USD	1 161 172	(1 143 373)	17 799	549 345	(566 904)	(17 559)
2	EURO	967 976	(969 931)	(1 955)	390 684	(389 969)	715
4	Others	19 575	(14 398)	5 177	11 106	(6 543)	4 563
5	Total	**2 148 723**	**(2 127 702)**	**21 021**	**951 135**	**(963 416)**	**(12 281)**

Table 27.2. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies established at the reporting date, provided that all other variable characteristics remain fixed

The calculation is made for cash balances in currencies different from the functional currency.

(ths. UAH)

	31.12.2021	31.12.2020

		impact on profit/ (loss)	impact on equity	impact on profit/ (loss)	impact on equity
1	Strengthening of the USD (by 40% in 2021, 40% in 2020)	7 120	7 120	(7 024)	(7 024)
2	20% weakening of the USD	(3 560)	(3 560)	3 512	3 512
3	Strengthening of the EURO (by 40% - 2021, 40% - 2020)	(782)	(782)	286	286
4	20% weakening of the EURO			(143)	(143)
5	Strengthening of other currencies and bank metals by 10%	391	391	456	456
6	Weakening of other currencies and bank metals by 20%	518	518	(913)	(913)

Table 27.3. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia to foreign currencies, which is set as a weighted average rate, provided that all other variable characteristics remain fixed

(ths. UAH)

		Average weighted exchange rate of 2021		Average weighted exchange rate of 2020	
		impact on profit/ (loss)	impact on equity	impact on profit/ (loss)	impact on equity
1	Strengthening of the USD (by 40% in 2021, 40% in 2020)	7 121	7 121	(6 697)	(6 697)
2	20% weakening of the USD	(3 561)	(3 561)	3 348	3 348
3	Strengthening of the EURO (by 40%-2021, 40%-2020)	(817)	(817)	254	254
4	20% weakening of the EURO	409	409	(127)	(127)
5	Strengthening of other currencies and bank metals by 10%	540	540	415	415
6	Weakening of other currencies and bank metals by 20%	(1080)	(1080)	(830)	(830)

- interest rate risk of the banking book

Interest rate risk of the banking book arises due to:

- the difference in terms of repayment of assets and liabilities and revaluation of the rate;
- the risk of changing the yield curve;
- the absence of a sufficiently close connection between the adjustment of rates received and paid for different instruments;
- the risk of the right to choose, which arises in the event of the right to refuse the execution of the agreement.

Interest rate risk is measured as the sensitivity of the value of portfolios to changes in the interest rate, that is, as a change in the market value of instruments and portfolios as a result of a parallel shift of the yield curve by a certain number of basis points. Interest rate sensitivity is measured based on scenarios that assume a shift in interest rate curves by a certain amount regardless of instruments or currency. The interest rate risk limit is set based on the sensitivity of the value of the portfolios when the yield curve changes by +/-100 basis points.

Also, interest rate risk management tools are:

- adequate and effective risk assessment procedures - the main assessment methods are the method of coefficients (consists of maintaining a system of indicators that reflect the relationship between the volumes of operations and the correspondingly received/paid revenues and expenses), the method of assessing gaps based on GAP analysis with an assessment of the maximum drop in net interest income (ΔNII) under 5 scenarios of changes in interest rates and assessment of the fall in the economic value of capital (ΔEVE) under 6 scenarios of changes in interest rates;
- risk management control tools - setting limits and restrictions in accordance with the level of the bank's tolerance for this type of risk;
- adequate information system;
- a reporting system for the bank's management bodies regarding interest rate risk.

Table 27.4. General analysis of interest rate risk

(ths. UAH)

		On demand and less than 1 month	**From 1 to 12 months.**	**More than 1 year**	**Total**
	2021 year				
1	Total financial assets	3 058 556	7 336 563	3 657 814	14 052 933
2	Total financial liabilities	3 365 530	5 699 300	5 370 457	14 435 287
3	**Net interest rate gap at the end of the period**	**(306 974)**	**1 637 263**	**(1 712 643)**	**(382 354)**
	2020 year				
4	Total financial assets	912 694	3 347 532	1 573 682	5 833 908
5	Total financial liabilities	1 623 124	4 270 434	10 177	5 903 735
6	**Net interest rate gap at the end of the period**	**(710 430)**	**(922 902)**	**1 563 505**	**(69 827)**

The analysis of the interest rate risk of the banking book in 2021 was carried out on the basis of the GAP analysis according to the A7X file, which shows that the interest gaps, estimates of the decline in net interest income (ΔNII) and the economic value of capital (ΔEVE) are at an acceptable level, all the established limits of interest rate risk complied with

The interest rate risk was also assessed using the ratio method, within which the net interest margin, the bank's net spread, and the dynamics of the profitability of interest-bearing assets and the value of interest-bearing liabilities are calculated. Net interest margin 6.3% p.a. (2020 - 8.5%), net spread 12.8% p.a. (2020 - 12.1%) are at a high level, yield on interest-bearing assets and cost of interest-bearing liabilities have stable dynamics.

Table 27.5. Monitoring of interest rates on financial instruments

(% annual)

		2021			**2020**		
		UAH	**USD**	**EURO**	**UAH**	**USD**	**EURO**
	Assets						
1	Funds in other banks	0.2	-	-	0.1	-	-
2	Loans granted to other banks	8.1	-	-	5.2	-	-
3	FIs refinanced by the NBU	11.2	3.5	2.1	9.9	-	-
4	Customer loans and debts	20.5	8.7	9.2	24.8	10.8	7.2
	Liabilities						
5	Bank funds	8.9	-	-	6.0	-	-
6	Customer funds:	3.5	0.8	0.3	5.5	1.9	1.3
6.1	current accounts	3.2	0.1	0.01	2.9	0.1	0.1
6.2	term funds	3.9	1.7	2.2	11.5	2.8	2.3

Interest on all the above items of assets and liabilities is calculated at a fixed rate. The Bank has no financial assets and liabilities with a floating interest rate, except for refinancing loans, the rate of which changes in accordance with changes in the National Bank's discount rate.

- other price risk

Price risk management is carried out with the aim of limiting the amount of possible losses on open positions that may be incurred by the bank over a specified period of time with a specified probability due to unfavorable changes in currency rates, securities quotations, interest rates, by establishing a system of appropriate limits for each type of transactions. and monitoring compliance with the established system of limits.

The VaR methodology is used to estimate the price market risk. The basis for risk assessment is the dynamics of rates and prices of instruments for a set period of time in the past. In parallel with the application of the VaR methodology, the bank is considering conducting an assessment of market risk based on alternative approaches, adequate for rapidly changing market conditions, with the aim of their possible use in further work.

Geographic risk

At this stage, the Bank operates in 22 regions of Ukraine. In the future, it is planned to expand activities within Ukraine using a client-oriented approach. The expansion of activities will be accompanied by analytical data on geographic concentrations in the relevant reporting, which will be regularly provided to the Bank's management.

Table 27.6. Analysis of geographic concentration of financial assets and liabilities for 2021

(ths. UAH)

		Ukraine	**OECD**	**Other countries**	**Total**
	Assets				
1	Cash and cash equivalents	2 978 581	137 033	26 437	3 142 051
2	Customers loans and debts	1 494 857	-	-	1 494 857
3	Investments in securities	10 191 925	-	-	10 191 925
4	Other financial assets	64 631	96	110	64 837
5	**Total financial assets**	**14 729 994**	**137 129**	**26 547**	**14 893 670**
	Liabilities				
6	Bank funds	5 360 249	-	-	5 360 249
7	Client funds	6 822 055	2 107 271	299 460	9 228 786
8	Lease obligations	178 589	-	-	178 589
9	Other financial liabilities	99 163	12	14	99 189
10	**Total financial liabilities**	**12 460 056**	**2 107 283**	**299 474**	**14 866 813**
11	Net balance sheet position for financial instruments	2 269 938	(1 970 154)	(272 927)	26 857
12	Credit obligations	1 438 463	-	-	**1 438 463**

Table 27.6. Analysis of geographic concentration of financial assets and liabilities for 2020

(ths. UAH)

		Ukraine	**OECD**	**Other countries**	**Total**
	Assets				
1	Cash and cash equivalents	1 140 288	68 688	8 103	1 217 079
2	Customers loans and debts	1 376 646	-	-	1 376 646
3	Investments in securities	3 623 544	-	-	3 623 544
4	Other financial assets	70 574	14	10	70 598
5	**Total financial assets**	**6 211 052**	**68 702**	**8 113**	**6 287 867**
	Liabilities				
6	Bank funds	2 080 018	-	-	2 080 018

7	Client funds	3 790 268	81 462	22 726	3 894 456
8	Lease obligations	110 341	-	-	110 341
9	Other financial liabilities	32 525	-	292	32 817
10	**Total financial liabilities**	**6 013 152**	**81 462**	**23 018**	**6 117 632**
11	Net balance sheet position for financial instruments	197 900	(12 760)	(14 905)	170 235
12	Credit obligations	2 157 895	-	-	**2 157 895**

Concentration of other risks

Concentrations of other risks are within the established limit values.

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to fulfill its payment obligations when they fall due under normal or unforeseen conditions. Liquidity risk includes the inability to manage unplanned reductions or changes in funding sources. Liquidity risk also arises from the inability to recognize or account for changes in market conditions that affect the ability to quickly realize assets with minimal loss of value.

Liquidity risk management involves the structuring of the bank's assets and liabilities, in which it would be able to fulfill its obligations in due time and in full.

The bank's liquidity risk management process is continuous and based on the following principles:

- compliance with liquidity standards established by the National Bank of Ukraine;
- division of the risk management process into immediate and long-term liquidity management;
- continuity of instant liquidity management during the operating day;
- assessment of prospective liquidity - based on the analysis of future cash flows in accordance with the real terms of realization of assets and liabilities;
- reporting on liquidity risk on a daily basis;
- establishment of normative values of risk indicators and daily monitoring of their compliance;
- distribution of functions and responsibilities for risk management;
- regular review of the action plan for maintaining liquidity in case of crisis circumstances;
- regularity of revision of internal liquidity standards (at least once a year);
- regularity of informing the bank's management (Supervisory Board, Management Board, ALMC) about the level of liquidity risk.

The liquidity risk management mechanism is based on the methods of GAP analysis and construction of future cash flows. The implementation of GAP-analysis involves the calculation of gaps between assets and liabilities with the corresponding final repayment terms in terms of individual currencies, as well as the establishment of normative values of such gaps and ensuring their implementation. The construction of future cash flows is also carried out on a daily basis by currency, with the calculation of cumulative cash flows for certain time intervals, for which the threshold values for daily execution are also set.

For the purposes of determining liquidity risk, the Bank discloses information on assets and liabilities grouped by terms from the reporting date to the maturity date. Grouping and analysis of maturities of assets and liabilities provides an opportunity to assess sources of funding for active operations and the Bank's ability to maintain liquidity at a level sufficient to fulfill its obligations to depositors and clients.

Table 27.8. Analysis of financial assets and liabilities by maturity based on expected maturity on a discounted basis for 2021

(ths. UAH)

		On demand and less than 1 month	**From 1 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Total**
	Assets					
1	Cash and cash equivalents	3 142 051	-	-	-	3 142 051
2	Customers loans and debts	183 159	870 750	436 947	4 001	1 494 857
3	Investments in securities	538 439	6 516 743	3 136 743	-	10 191 925
4	Other financial assets	12 202	52 635	-	-	64 837
5	**Total financial assets**	**3 875 851**	**7 440 128**	**3 573 690**	**4 001**	**14 893 670**
	Liabilities					
6	Bank funds	-	-	5 360 249	-	5 360 249
7	Client funds	6 009 222	3 209 408	10 156	-	9 228 786
8	Lease obligations	3 014	35 876	139 699	-	178 589

9	Other financial liabilities	89 751	8 286	1 152	-	99 189
10	**Total financial liabilities**	**6 101 987**	**3 253 570**	**5 511 256**	**-**	**14 866 813**
11	Net liquidity gap at the end of the day on December 31	(2 226 136)	4 186 558	(1 937 566)	4 001	26 587
12	Aggregate liquidity gap at the end of the day on December 31	(2 226 136)	1 960 421	22 856	26 587	-

Table 27.9. Analysis of financial assets and liabilities by maturity based on expected maturity on a discounted basis for 2020

(ths. UAH)

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total
	Assets					
1	Cash and cash equivalents	1 217 079	-	-	-	1 217 079
2	Customers loans and debts	197 116	875 857	291 133	12 540	1 376 646
3	Investments in securities	15 202	2 355 404	1 252 938	-	3 623 544
4	Other financial assets	8 398	62 200	-	-	70 598
5	**Total financial assets**	**1 437 795**	**3 293 461**	**1 544 071**	**12 540**	**6 287 867**
	Liabilities					
6	Bank funds	-	300 000	1 780 018	-	2 080 018
7	Client funds	2 316 669	1 567 636	10 151	-	3 894 456
8	Lease obligations	2 573	22 141	85 627	-	110 341
9	Other financial liabilities	27 502	3 319	1 996	-	32 817
10	**Total financial liabilities**	**2 346 744**	**1 893 096**	**1 877 792**	**-**	**6 117 632**
11	Net liquidity gap at the end of the day on December 31	(908 949)	1 400 365	(333 721)	12 540	170 235
12	Aggregate liquidity gap at the end of the day on December 31	(908 949)	491 416	157 695	170 235	-

Table 27.10. Analysis of financial liabilities by maturities based on expected maturities on an undiscounted basis for 2021

(ths. UAH)

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	Total
	Liabilities				
1	Bank funds	45 959	495 171	6 871 391	7 412 521
2	Client funds	6 019 062	3 240 356	10 464	9 269 882
3	Lease obligations	3 014	35 876	139 699	178 589
4	Other financial liabilities	89 751	8 286	1 152	99 189
5	**Total financial liabilities**	**6 157 786**	**3 779 689**	**7 022 706**	**16 960 181**

Table 27.11. Analysis of financial liabilities by maturities based on expected maturities on an undiscounted basis for 2020

(ths. UAH)

		On demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	Total

	Liabilities				
1	Bank funds	10 599	398 272	2 182 500	2 591 371
2	Client funds	2 324 844	1 598 185	10 636	3 933 665
3	Lease obligations	2 573	22 141	85 627	110 341
4	Other financial liabilities	27 502	3 319	1 996	32 817
5	**Total financial liabilities**	**2 365 518**	**2 021 917**	**2 280 759**	**6 668 194**

Note 28. Capital management

The Bank manages capital to ensure that it will be able to function as a going concern while maximizing shareholder returns by optimizing the ratio of borrowed funds to equity.

The bank covers credit, market and operational risks at the expense of its own funds (capital) in order to ensure financial stability and limit the risk of insolvency.

The capital adequacy ratio is defined as the ratio of the size of own funds to assets weighted by the level of risk.

Capital adequacy calculation is carried out by the Consolidated Balance Sheet and Reporting Department, monitored by the Risk Management Department and provided to the bank's management for decision-making.

Based on the reports and conclusion of the Risk Management Department, the ALMC makes the following decisions:

- about the need to reduce the risks (or the possibility of accepting additional risks) inherent in operations on the credit and financial markets by establishing the following restrictions and limits once a quarter:
    - the ratio of the volume of negatively classified assets to the regulatory capital;
    - the ratio of the amount of involved deposits of individuals to the regulatory capital;
    - the ratio of accrued but actually unpaid revenues to regulatory capital;
- about the need to change the structure of assets to improve the efficiency of capital use;
- about the need to change the authorized capital of the bank.

In the event of a decision on the need for capital increase, the ALMC and/or the Bank's Management Board formulate appropriate proposals for the Bank's Supervisory Board.

Capital increase can be carried out:

- at the expense of internal sources (increase in income from operations, sale of assets with a profit);

- at the expense of external sources (increase in investments in the bank's authorized capital, attracting subordinated debt).

As at the end of the day on December 31, 2021 and, accordingly, on December 31, 2020, the Bank has the following indicators of regulatory capital, calculated in accordance with the requirements of the Instruction on the Procedure for Regulating the Activities of Banks in Ukraine, approved by Resolution of the Board of the NBU dated August 28, 2001 No. 368, on the basis of the daily balance (01x file):

- the amount of regulatory capital is 416 836 thousand UAH (2020: 345 318 thousand UAH), with a regulatory value of at least 200 million UAH;

- regulatory capital adequacy (H2 - solvency) is 13.28% (2020: 13.48%), with a regulatory value of at least 10%);

- capital adequacy - 8.65% with a normative value of at least 7%.

During the current year, the Bank did not violate the capital sufficiency (adequacy) standards established by the National Bank of Ukraine, did not experience a shortage of funds, settled its obligations in a timely manner, and smoothly executed payment orders of clients.

Table 28. Structure of regulatory capital

The structure of regulatory capital is provided in accordance with the elements included in the calculation of regulatory capital (primary and additional) in accordance with the requirements of the current regulations of the National Bank of Ukraine.

(ths. UAH)

		2021	2020
1.1	**Basic capital (capital of the 1st level):**	**271 375**	**272 303**

1.1.1	The registered authorized capital is actually paid	284 540	284 540
1.1.2	Opened reserves created or increased due to retained earnings	5 634	5 148
1.1.3	Reduction of fixed capital:	(18 799)	(17 385)
1.1.3.1	Intangible assets minus the amount of depreciation	(17 444)	(15 807)
1.1.3.2	Capital investments in intangible assets	(1 355)	(1 578)
1.2	**Additional capital (capital of the 2nd level):**	**145 461**	**73 015**
1.2.1	Estimated profit of the current year	118 053	54 838
1.2.2	Retained earnings of previous years	27 408	18 177
	Total regulatory capital	**416 836**	**345 318**

The bank does not operate at the international level, it does not report on the full consolidation method, and therefore it does not compile the capital structure calculated on the basis of the Basel Capital Agreement.

Note 29. Potential liabilities of the bank

Consideration of cases in court

In the course of its current activities, the Bank from time to time has to appear as a defendant in lawsuits submitted to judicial authorities in relation to the Bank. During 2021, 4 lawsuits were filed against the Bank, the consideration of which is ongoing; according to three presented in the previous year, the satisfaction of claims against the Bank was refused during the consideration of cases in 2021, the consideration of another claim, initiated in 2020, is ongoing. The predominant nature of the lawsuits is the collection of money, invalidation of the contract or clause of the contract. According to the bank's assessment, consideration of these court cases does not entail a negative risk for the bank's financial condition and stability.

Tax law

Currently, the Tax Code is in force in Ukraine, which includes income tax, value added tax, personal income tax, as well as other taxes and fees. The basis for determining the taxable profit is the financial result determined according to accounting rules in accordance with IFRS. The sections governing these taxes change frequently and their provisions are often unclear. There is also insufficient judicial precedent on these issues. There are different points of view regarding the interpretation of legal norms among government ministries and organizations (for example, the fiscal service and the Ministry of Finance), which causes general uncertainty and creates grounds for conflict situations. The correctness of the preparation of tax declarations, as well as other issues of compliance with the law, are subject to verification and study by a number of regulatory bodies, which are authorized by law to impose fines and penalties in significant amounts. The listed factors determine the presence of tax risks in Ukraine that are significantly greater than those in countries with a more developed tax system.

Management believes that the Bank's activities are carried out in full compliance with the current legislation governing its activities, and that the Bank has calculated all relevant taxes. In cases where there is uncertainty regarding the amounts of taxes to be paid, the calculation is made based on the estimates of the Bank's management based on the analysis of the information at its disposal.

For the calculation of income tax, from January 1, 2014, an income tax rate of 18% is applied.

Lending obligations

Table 29.1. The structure of lending obligations

(ths. UAH)

		31.12.2021	**31.12.2020**
1	Obligations for "overdraft" lending provided	232 397	175 527
2	Unused lines of credit	593 063	1 169 746
3	Guarantees issued	592 689	790 785

4	Avali provided	20 314	21 837
5	Reserve for obligations related to lending	(12 828)	(12 346)
6	**Total liabilities related to lending, minus the reserve**	**1 425 635**	**2 145 549**

As at December 31, 2021, the bank had no contingent liabilities related to lending.

Table 29.2 Analysis of credit quality of lending commitments as at December 31, 2021

(ths. UAH)

		Stage 1	Stage 2	Stage 3	**Total**
1	Lending obligations	**1 417 479**	**20 747**	**237**	**1 438 463**
2	Minimal credit risk	254 933	-	-	**254 933**
3	Low credit risk	362 889	-	-	**362 889**
4	Average credit risk	799 657	20 722	-	**820 379**
5	High credit risk	-	25	-	**25**
6	Default assets	-	-	237	**237**
7	Total lending obligations	**1 417 479**	**20 747**	**237**	**1 438 463**
8	Provisions for impairment of lending obligations	(12 795)	(5)	(28)	**(12 828)**
9	**Total lending obligations minus reserves**	**1 404 864**	**20 742**	**209**	**1 425 635**

Table 29.3 Analysis of credit quality of lending commitments as at December 31, 2020

(ths. UAH)

		Stage 1	Stage 2	Stage 3	**Total**
1	Lending obligations	**2 096 092**	**59 038**	**2 765**	**2 157 895**
2	Minimal credit risk	1 039 009	-	-	**1 039 009**
3	Low credit risk	106 261	390	-	**106 651**
4	Average credit risk	950 822	57 938	-	**1 008 760**
5	High credit risk	-	710	2 642	**3 352**
6	Default assets	-	-	123	**123**
7	Total lending obligations	**2 096 092**	**59 038**	**2 765**	**2 157 895**
8	Provisions for impairment of lending obligations	(11 759)	(33)	(554)	**(12 346)**
9	**Total lending obligations minus reserves**	**2 084 333**	**59 005**	**2 211**	**2 145 549**

Table 29.4. Analysis of changes in provisions for impairment of lending obligations for 2021

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	**Reserve for impairment as at January 1, 2021**	**(11 759)**	**(33)**	**(554)**	**(12 346)**
2	Loan commitments provided	(6 025)	-	(1)	**(6 026)**
3	Lending obligations, the recognition of which has been suspended or the term of which has expired (except for written-off)	5 709	27	534	**6 270**
4	The general effect of the transfer between stages:	(720)	1	(7)	**(726)**
4.1	transfer to stage 1	(719)	-	-	**(719)**
4.2	transfer to stage 2	-	1	-	**1**
4.3	transfer to stage 3	(1)	-	(7)	**(8)**
5	**Reserve for impairment as at December 31, 2021**	**(12 795)**	**(5)**	**(28)**	**(12 828)**

Table 29.5. Analysis of changes in provisions for impairment of lending obligations for 2020

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	**Reserve for impairment as at January 1, 2021**	**(5 712)**	**(1)**	**(258)**	**(5 971)**
2	Loan commitments provided	(7 318)	(36)	(551)	**(7 905)**
3	Lending obligations, the recognition of which has been suspended or the term of which has expired (except for written-off)	1 726	6	259	**1 991**
4	The general effect of the transfer between stages:	(455)	(2)	(4)	**(461)**
4.1	transfer to stage 1	(452)	(2)	(2)	**(456)**
4.2	transfer to stage 3	(3)	-	(2)	**(5)**
5	**Reserve for impairment as at December 31, 2020**	**(11 759)**	**(33)**	**(554)**	**(12 346)**

Table 29.6 Analysis of the change in the gross book/nominal value for the impairment of lending obligations, for 2021

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2021**	**2 096 092**	**59 038**	**2 765**	**2 157 895**
2	Loan commitments provided	846 097	27	147	**846 271**
3	Lending obligations whose recognition has been suspended or whose term has expired (except for written-off)	(1 640 033)	(53 763)	(2 710)	**(1 696 506)**
4	Transfer to stage 1	39 448	-	2	**39 450**
5	Transfer to stage 2	76 000	15 445	0	**91 445**
6	Transfer to stage 3	20	-	33	**53**
7	Exchange rate differences	(145)	-	-	**(145)**
8	**Gross book value as at December 31, 2021**	**1 417 479**	**20 747**	**237**	**1 438 463**

Table 29.7 Analysis of the change in the gross book/nominal value for the impairment of lending obligations, for 2020

(ths. UAH)

		Stage 1	Stage 2	Stage 3	Total
1	**Gross book value as at January 1, 2020**	**564 045**	**65 560**	**8 803**	**638 408**
2	Loan commitments provided	2 620 467	7 026	2 649	**2 630 142**
3	Lending obligations whose recognition has been suspended or whose term has expired (except for written-off)	(1 131 307)	(1 459)	(9 711)	**(1 142 477)**
4	Transfer to stage 1	42 826	1 510	1 015	**45 351**
5	Transfer to stage 2	-	(13 714)	-	**(13 714)**
6	Transfer to stage 3	11	-	9	**20**
7	Exchange rate differences	50	115	-	**165**
8	**Gross book value as at December 31, 2020**	**2 096 092**	**59 038**	**2 765**	**2 157 895**

Table. 29.8. Credit obligations in terms of currencies

(ths. UAH)

		31.12.2021	31.12.2020
1	UAH	1 402 452	2 098 976
2	USD	35 732	57 531

3	EURO	279	1 388
4	**Total**	**1 438 463**	**2 157 895**

Pledged assets and assets subject to restrictions on possession, use and disposal

Table. 29.9 Assets pledged without suspension of recognition

(ths. UAH)

		31.12.2021		**31.12.2020**	
		Pledged assets	Secured liability (related to these assets)	Pledged assets	Secured liability (related to these assets)
1	Financial assets accounted for at amortized cost	6 256 109	5 360 249	2 414 702	2 080 018
1.1	Financial coverage at JSC «PUMB» to ensure settlements with a tax credit	48 881	-	61 200	-
1.2	OVDP pool	6 207 228	5 360 249	2 353 502	2 080 018
2	Financial assets accounted for at fair value through other comprehensive income	5 024	-	-	-
2.1	OVDP pool	5 024	-	-	-
3	**Total**	**6 261 133**	**5 360 249**	**2 414 702**	**2 080 018**

The fair value of government bonds issued to ensure the fulfillment of the Bank's obligations under refinancing loans received from the National Bank of Ukraine as at December 31, 2021 is 6 366 363 thousand UAH.

Note 30. Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The best evidence of fair value is the market price of a financial instrument.

The Bank calculates the fair value of financial instruments based on available market information (if any) and using appropriate valuation methods.

Financial instruments that are accounted for at fair value or whose fair value is disclosed

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments in accordance with the valuation model:

Level 1: market quotations (without adjustments) of identical assets or liabilities in active markets;

Level 2: valuation techniques that use data from open markets, which are obtained directly or indirectly, as basic data affecting fair value;

Level 3: valuation techniques that use non-market data as underlying data affecting fair value.

The fair value estimate at levels 2 and 3 of the fair value hierarchy was calculated using the discounted cash flow method.

- assets whose fair value is approximately equal to the book value

The Bank believes that the fair value of liquid assets, such as cash and cash equivalents, is approximately equal to their book value.

- debts of other banks and to other banks

For assets with a term of up to three months, the fair value is approximately equal to the book value due to the relative short-term nature of these financial instruments.

- investments in securities that are accounted for at fair value

When determining the fair value of securities accounted for at fair value through other comprehensive income, the bank used all available market information.

- financial assets and financial liabilities that are accounted for at amortized cost

The fair value of quoted bonds is based on quotations on the reporting date. The fair value of instruments that are not quoted and the fair value of which does not approach the balance sheet, namely loans to customers, long-term debt to other banks, long-term debt to other banks, customer funds, is estimated by the method of discounting future cash flows using the rates existing at that moment in debts with similar conditions, types of currencies, credit risk and maturity.

Table 30.1. Fair value and hierarchy levels of inputs used for asset and liability valuation techniques in 2021

(ths. UAH)

		Fair value under different valuation models			Totally fair value	Total book value
		market quotes (level 1)	estimation model using observational data (level 2)	valuation model using indicators not supported by market data (level 3)		
ASSETS						
1	Cash and cash equivalents	-	2 740 108	401 943	3 142 051	3 142 051
1.1	cash		937 703	-	937 703	937 703
1.2	funds in the National Bank	-	52 105	-	52 105	52 105
1.3	deposit certificates of the National Bank of Ukraine	-	1 750 300	-	1 750 300	1 750 300
1.4	correspondent accounts, deposits and overnight loans in banks	-	-	401 943	401 943	401 943
2	Loans accounted for at amortized cost	-	-	1 651 712	1 651 712	1 494 857
2.1	loans to legal entities	-	-	1 097 048	1 097 048	1 062 430
2.2	loans to individual entrepreneurs	-	-	728	728	632
2.3	mortgage loans	-	-	72 330	72 330	60 276
2.4	loans for current needs to individuals	-	-	481 606	481 606	371 519
3	Investments in securities		10 212 114	-	10 212 114	10 191 925
3.1	Domestic state loan bonds		10 074 842	-	10 074 842	10 054 809
3.2	Local loan bonds		137 272	-	137 272	137 116
4	other financial assets	-	-	64 837	64 837	64 837
4.1	receivables for transactions with payment cards	-	-	6 503	6 503	6 503
4.2	funds with a limited right to use the bank	-	-	49 572	49 572	49 572
4.3	other financial assets	-		8 762	8 762	8 762
5	Investment Property	-	6 260	-	6 260	6 260
6	Property transferred to the bank as a pledge holder	-	106 684	-	106 684	106 684
7	**Total assets**		**13 065 166**	**2 118 492**	**15 183 658**	**15 006 614**
LIABILITIES						
8	Bank funds	-	5 360 249	-	5 360 249	5 360 249
8.1	loans received from the National Bank of Ukraine		5 360 249	-	5 360 249	5 360 249
9	Customer funds		9 102 193	-	9 102 193	9 228 786
9.1	other legal entities	-	7 022 506	-	7 022 506	7 149 250
9.2	individuals	-	2 079 687	-	2 079 687	2 079 536
10	Lease obligations			178 589	178 589	178 589
11	Other financial liabilities	-	-	99 189	99 189	99 189
11.1	accounts payable for transactions with payment cards	-	-	40 467	40 467	40 467
11.2	other financial obligations	-	-	58 722	58 722	58 722
12	**Total liabilities**	**-**	**14 462 442**	**277 778**	**14 740 220**	**14 866 813**

Table 30.2. Fair value and hierarchy levels of inputs used for asset and liability valuation techniques in 2020

(ths. UAH)

		Fair value under different valuation models			Totally fair value	Total book value
		market quotes (level 1)	estimation model using observational data (level 2)	valuation model using indicators not supported by market data (level 3)		
ASSETS						
1	Cash and cash equivalents	-	1 117 559	99 520	1 217 079	1 217 079

1.1	cash		522 253	-	522 253	522 253
1.2	funds in the National Bank	-	5 225	-	5 225	5 225
1.3	deposit certificates of the National Bank of Ukraine	-	590 081	-	590 081	590 081
1.4	correspondent accounts, deposits and overnight loans in banks	-	-	99 520	99 520	99 520
2	Loans accounted for at amortized cost	-	-	1 502 577	1 502 577	1 376 646
2.1	loans to legal entities	-	-	1 062 538	1 062 538	1 043 658
2.2	loans to individual entrepreneurs	-	-	909	909	776
2.3	mortgage loans			66 759	66 759	57 045
2.4	loans for current needs to individuals	-	-	372 371	372 371	275 167
3	Investments in securities		3 809 210	-	3 809 210	3 623 544
3.1	Domestic state loan bonds		3 665 606	-	3 665 606	3 480 464
3.2	Local loan bonds		143 604	-	143 604	143 080
4	other financial assets	-	-	70 598	70 598	70 598
4.1	receivables for transactions with payment cards	-	-	518	518	518
4.2	funds with a limited right to use the bank	-	-	61 712	61 712	61 712
4.3	other financial assets	-		8 368	8 368	8 368
5	Investment Property	-	24 564	-	24 564	24 564
6	**Total assets**		**4 951 333**	**1 672 695**	**6 624 028**	**6 312 431**
LIABILITIES						
7	Bank funds	-	2 080 018	-	2 080 018	2 080 018
7.1	loans received from the National Bank of Ukraine		2 080 018	-	2 080 018	2 080 018
8	Customer funds		3 897 548	-	3 897 548	3 894 456
8.1	other legal entities	-	2 330 235	-	2 330 235	2 329 892
8.2	individuals	-	1 567 313	-	1 567 313	1 564 564
9	Lease obligations			110 342	110 342	110 342
10	Other financial liabilities	-	-	32 817	32 817	32 817
10.1	accounts payable for transactions with payment cards	-	-	4 836	4 836	4 836
10.2	other financial obligations	-	-	27 981	27 981	27 981
11	**Total liabilities**	**-**	**5 977 566**	**143 158**	**6 120 724**	**6 117 632**

Periodic fair value estimates are estimates required or permitted by IFRS in the statement of financial position at the end of each reporting period. The tables below show the levels of the fair value hierarchy to which periodic fair value measurements apply:

Table 30.3. Periodic fair value estimates for 2021

(ths. UAH)

Assets measured at fair value	**level 1**	**level 2**	**level 3**	**Total**
Investments in securities at fair value through other comprehensive income	-	25 351	-	25 351
Investment Property	-	6 260	-	6 260
Property transferred to the bank as a pledge holder	-	106 684	-	106 684
Total fair value of assets evaluated on a periodic basis	**-**	**138 295**	**-**	**138 295**

Table 30.4. Periodic fair value estimates for 2020

(ths. UAH)

Assets measured at fair value	**level 1**	**level 2**	**level 3**	**Total**
Investment Property	-	24 564	-	24 564
Total fair value of assets evaluated on a periodic basis	**-**	**24 564**	**-**	**24 564**

During the reporting period, the Bank did not make transfers between levels of the fair value hierarchy.

Table 30.5. Valuation methods and inputs used in fair value estimation as at December 31, 2021

(ths. UAH)

Assets measured at fair value	**Fair value**	**Evaluation method**	**Used input data**
Investments in securities at fair value through other comprehensive income	25 351	Market method	Prices of quoted OVDPs on the market for similar OVDPs
Investment Property	6 260	Market method	Independent evaluator's opinion

Property transferred to the bank as a pledge holder	106 684	Market method	Independent evaluator's opinion
Total estimated fair value on a periodic basis	**138 295**		

Table 30.6. Valuation methods and inputs used in fair value estimation as at December 31, 2020

(ths. UAH)

Assets measured at fair value	Fair value	Evaluation method	Used input data
Investment Property	24 564	Market method	Independent evaluator's opinion
Total estimated fair value on a periodic basis	**24 564**		

Note 31. Presentation of financial instruments by rating category

Table 31.1. Financial assets by rating categories as at December 31, 2021

(ths. UAH)

		Financial assets at amortized cost	Financial assets at fair value with recognition of revaluation as part of other comprehensive income	Total
	ASSETS			
1	Cash and cash equivalents	3 142 051	-	3 142 051
2	Loans and debts of customers:	1 494 857	-	1 494 857
2.1	loans to legal entities	1 062 430	-	1 062 430
2.2	loans to individuals - entrepreneurs	632	-	632
2.3	mortgage loans	60 276	-	60 276
2.4	loans for current needs to individuals	371 519	-	371 519
3	Investments in securities	10 166 574	25 351	10 191 925
4	Other financial assets:	64 837	-	64 837
4.1	receivables for transactions with payment cards	6 503	-	6 503
4.2	funds with limited right of use	49 572	-	49 572
4.3	other financial assets	8 762	-	8 762
5	**Total financial assets**	**14 868 319**	**25 351**	**14 893 670**

Table 31.2. Financial assets by rating categories as at December 31, 2020

(ths. UAH)

		Financial assets at amortized cost	Financial assets at fair value with recognition of revaluation as part of other comprehensive income	Total
	ASSETS			
1	Cash and cash equivalents	1 217 079	-	1 217 079
2	Loans and debts of customers:	1 376 646	-	1 376 646

2.1	loans to legal entities	1 043 658	-	1 043 658
2.2	loans to individuals - entrepreneurs	776	-	776
2.3	mortgage loans	57 045	-	57 045
2.4	loans for current needs to individuals	275 167	-	275 167
3	Investments in securities	3 623 544	-	3 623 544
4	Other financial assets:	70 598	-	70 598
4.1	receivables for transactions with payment cards	518	-	518
4.2	funds with limited right of use	61 712	-	61 712
4.3	other financial assets	8 368	-	8 368
5	**Total financial assets**	**6 287 867**		**6 287 867**

All financial obligations of the Bank are recorded at amortized cost.

Note 32. Related party transactions

IAS 24 «Disclosure of information about related parties» provides disclosure in the financial statements of an economic entity of information necessary to draw attention to the possible impact on the financial condition and on the profit or loss of an economic entity caused by the existence of related parties, and as well as transactions and debt balances, including obligations between such parties.

Related parties — parties are considered related if one party has the ability to control the other or exercise significant influence over the other party's financial and operational decisions. A related party transaction is an exchange of resources or liabilities between related parties, whether or not a price is assigned.

When considering the relationship of each possible related party, special attention is paid to the substance of the relationship, and not just to its legal form.

Table 32.1. Balances for transactions with related parties as at December 31, 2021

(ths. UAH)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Customer loans and debts (contract interest rate 26%)	-	-	346
2	Customer funds (contract interest rate 4.99 %)	23 248	34 873	19 413
3	Provisions for liabilities	-	7	1
4	Other liabilities	-	3	2

Interest rates on loans granted to senior management personnel and other related parties, raised with funds from shareholders, senior management personnel and other related persons, were set at the level of ordinary interest rates for the corresponding credit product and rates for raising funds from individuals.

Table 32.2. Income and expenses from transactions with related parties for 2021

(ths. UAH)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Interest income	-	13	29
2	Interest expenses	(690)	(243)	(895)
3	Commission income	331	168	172
4	Net profit/(loss) from transactions with foreign currency	(4)	(50)	-

5	Net loss from impairment of financial assets	-	32	(26)
6	Net profit/(loss) from increase/(decrease) in provisions for liabilities	-	(4)	2
7	Other operating income	-	5	10
8	Administrative and other operating expenses	(6 825)	(94 237)	(14 560)

Table 32.3. Other rights and liabilities under transactions with related parties as at December 31, 2021

(ths. UAH)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Unutilized credit lines	-	601	35
2	Other liabilities	-	3	2

Table 32.4. Total amount of loans granted to related parties and repaid by related parties for 2021

(ths. UAH)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	The amount of loans granted to related parties for the reporting period.	-	-	323
2	Amount of loans repaid by related parties during the reporting period.	-	230	130

Table 32.5. Balances for transactions with related parties as at December 31, 2020

(ths. UAH)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Customers loans and debts (contractual interest rate 26%)	-	230	153
2	Other assets	-	-	2
3	Customer funds (contract interest rate 4.84%)	10 634	17 222	36 788
4	Provisions for liabilities	-	3	3
5	Other liabilities	-	4	4

Table 32.6. Income and expenses from transactions with related parties for 2020

(ths. UAH)

		The largest participants (shareholders) of the bank	**Leading management staff**	**Other related parties**
1	Interest income	-	61	52
2	Interest expenses	(1 418)	(1 237)	(1 473)
3	Net profit/(loss) from transactions with foreign currency	(45)	-	(23)
4	Commission income	64	51	406

5	Net loss from impairment of financial assets	-	4	6
6	Net profit/(loss) from increase/(decrease) in provisions for liabilities	-	(1)	(1)
7	Other operating income	-	15	8
8	Administrative and other operating expenses	(3 543)	(49 498)	(9 930)

Table 32.7. Other rights and liabilities under transactions with related parties as at December 31, 2020

(ths. UAH)

		The largest participants (shareholders) of the bank	Leading management staff	Other related parties
1	Unutilized credit lines	-	274	165
2	Other liabilities	-	4	4

Table 32.8. Total amount of loans granted to related parties and repaid by related parties for 2020

(ths. UAH)

		The largest participants (shareholders) of the bank	Leading management staff	Other related parties
1	The amount of loans granted to related parties during 2020.	-	50	4
2	The amount of loans repaid by related parties during 2020.	-	129	64

Table 32.9. Payments to senior management personnel

(ths. UAH)

		2021		2020	
		costs	accrued liability	costs	accrued liability
1	Current employee benefits (10 people)	94 237	9 328	34 492	815
2	Payments at the time of dismissal (1 person)	106	-	15 006	-

Note 33. Subsequent events

Between the date of the Balance Sheet and the date of approval of the Bank's financial statements for the year ended December 31, 2021, the russian federation began military operations against Ukraine, and in accordance with the Decree of the President of Ukraine No. 64/2022 of February 24, 2022, martial law was introduced in Ukraine. In the conditions of large-scale armed aggression and the introduction of martial law in Ukraine, ensuring the reliable and stable functioning of the country's banking and financial system, as well as the maximum provision of Ukraine's defense needs, uninterrupted functioning of the public finance system and critical infrastructure facilities, is of primary importance. This event does not require the adjustment of financial statements but may affect the economic decisions of users due to a significant increase in the level of all risks that affect the stability of the financial system.

In the conditions of the war, in order to ensure the reliability and preservation of the financial stability of the banking system in Ukraine, the National Bank implemented a number of measures for the smooth operation of banks and adopted anti-crisis decisions, in particular: suspension/restriction of the currency and stock markets, forced temporary fixation of the exchange rate, introduction of restrictions on withdrawals of cash, uninterrupted provision of banks with cash, expansion of available volumes and terms (up to 1 year with the possibility of extension) of bank refinancing by providing for the possibility of blank lending, and also increased the discount rate to 25%.

In February 2022, the Bank received a blank loan to support liquidity, which was later returned. In addition, after the National Bank of Ukraine made a decision to increase the discount rate to 25%, which in turn led to an increase in the cost of refinancing loans obtained from the NBU against the collateral of government securities, the Bank is gradually reducing such credit debt to the National Bank by repaying previously received loans and timely and in full pays interest for the use of these funds.

As at October 10, 2022 balances under refinancing loans received from the National Bank under the guaranty of state securities decreased by a total of 2 550 million UAH, while balances under state securities decreased by 4 375 million UAH.

After February 24, 2022, the Bank has implemented a number of measures to ensure the continuity of the Bank's activities and compliance with the standards established by the National Bank of Ukraine.

As at February 24, 2022, all transactions for issuing new consumer and card loans to individuals were suspended (lending resumed from July 2022 within the limits of the new approved limits); from the issuance of new loans to business entities and the issuance of new tranches within the framework of existing credit lines and funds within the limits of "overdraft" loans is partially limited (lending has been resumed from May 2022 within the revised limits); work was carried out with borrowers regarding the repayment of debts under existing loans, which allowed the Bank to reduce the loan portfolio by 427 887 thousand UAH. (changes are presented in the table below).

Credit portfolio (ths. UAH)

Loan debt	**Aa of**		**Changes (+,-)***
	24.02.2022	**01.10.2022**	
Legal entities, including Individual entrepreneur	1 865 301	1 533 733	-331 568
Individuals	452 570	356 251	-96 319
TOTAL	**2 317 871**	**1 889 984**	**-427 887**

* for the purpose of comparing information, the hryvnia equivalent of foreign currency loans as at February 24, 2022 is converted at the NBU rates as at October 1, 2022

The Bank negotiated with the lessors of real estate and movable property leased by the Bank for branch operations and agreed on a reduction in monthly lease payments (the lease concession was granted from 30% to 100% of the monthly payment).

Employees of the Bank who do not work directly with clients continued to provide the Bank's activities remotely, some of them were transferred to part-time work. Employees of departments whose work was temporarily suspended from March 1, 2022. until May 1, 2022 in the territories of the country where active hostilities were taking place and in the temporarily occupied territories, were sent to prison with payment in accordance with the current legislation. However, from May 2, 2022, the Bank not only resumed the operation of branches (except for the closed 4 located in the temporarily occupied territories - Kherson, Mariupol, Melitopol, Severodonetsk), but also opened more than 30 new branches.

After the beginning of the russian aggression against Ukraine, there was an outflow of clients' funds, but thanks to the Bank's active work with its depositors from the summer of 2022, the situation not only stabilized, but also improved, especially this is observed with the funds of individuals, the increase of which amounted to 313 million UAH.

Customer funds (ths. UAH)

Customer funds balances	**As at**		**Changes (+,-)***
	24.02.2022	**01.10.2022**	
Legal entities, including Individual entrepreneur	6 337 177	5 659 304	-677 873
Individuals	2 059 000	2 371 979	+312 979
TOTAL	**8 396 177**	**8 031 283**	**-364 894**

* for the purpose of comparing information, the hryvnia equivalent of currency funds as at February 24, 2022 was converted at the NBU rates as at October 1, 2022

The measures carried out by the Bank in the conditions of martial law allowed the Bank to ensure uninterrupted activity, to stably and fully fulfill obligations according to customer calculations, to maintain liquidity at a high level (taking into account the presence of the majority of assets that were formed at the expense of OVDP, deposit certificates of the NBU, cash and their equivalents, which made up 87% of the Bank's assets as at December 31, 2021) and comply with the standards established by the Regulator.

The main norms of the Bank as at the date of approval of this financial statement exceed the values established by the National Bank.

As at the date of approval of the financial statements, hostilities continue in Ukraine, part of the territories of the south and east are temporarily occupied, the struggle for which continues. The bank has branches in the temporarily occupied territories in Kherson, Mariupol, Melitopol, and Severodonetsk. As at 01.10.2022 the share of assets of branches located in temporarily occupied territories is insignificant and amounts to 0.03%.

Events related to the military aggression of the russian federation are not corrective for the purposes of preparing the bank's financial statements for 2021, and will be taken into account when preparing financial statements for the following reporting periods.

Approved for release and signed

«11» November 2022

Chairman of the Board __________ Rudnev Oleksii

Chief Accountant __________ Litosh Oksana

Україна
м.Київ
Публічне акціонерне товариство
КОМЕРЦІЙНИЙ БАНК
АКОРДБАНК
Ідентифікаційний код 35960913