

**PUBLIC JOINT STOCK COMPANY
"BANK "CLEARING HOUSE"**

Annual Financial Statements
for the year ended 31 December 2021
Translation from Ukrainian original

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Statement of financial position as at December 31, 2021

Item	Note	31.12.2021	31.12.2020
ASSETS			
Cash and cash equivalents	5	595 391	842 558
Loans and due from banks	6	-	-
Loans and advances to customers	7	1 590 621	1 303 163
Investment securities	8	1 179 642	154 130
Investment property	9	188 116	291 186
Current income tax receivables		11 073	11 073
Deferred tax assets	23	12 960	40 063
Fixed and intangible assets	10	136 375	130 942
Other assets	11	109 241	117 345
Total assets		3 823 419	2 890 460
LIABILITIES			
Due to banks	12	-	150 000
Due to customers	13	3 038 289	2 094 100
Provisions for liabilities	14	6 298	3 297
Other liabilities	15	38 313	22 815
Total liabilities		3 082 900	2 270 212
EQUITY			
Share capital	16	510 393	510 393
Financial assistance from shareholders		190 000	190 000
Retained earnings/(accumulated loss)		(43 127)	(163 248)
Revaluation reserves	17	83 253	83 103
Total equity		740 519	620 248
Total liabilities and equity		3 823 419	2 890 460

Approved for issue and signed on 04.11.2022.

Chair of the Management Board

V. O. Andreevska

Chief Accountant

O. O. Markina



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

UAH'000

Item	Note	2021	2020
Interest income	19	322 321	206 486
Interest expense	19	(105 583)	(71 074)
Net interest income		216 738	135 412
Commission income	20	118 294	77 872
Commission expense	20	(17 563)	(12 970)
Net increase from transactions with financial instruments measured at fair value through profit or loss		7 807	3 667
Net increase from transactions with debt financial instruments measured at fair value through other comprehensive income		303	2 644
Gains less losses from foreign currency transactions		9 134	2 884
Net gain (loss) from foreign currency revaluation		(317)	9 271
Net decrease from revaluation of investment property		(6 802)	(6 039)
Impairment gain and reversal of impairment loss (impairment loss) of financial assets		(54 353)	(16 064)
Net (increase)/decrease of provisions for liabilities		(3 001)	(2 775)
Gain arising from derecognition of financial assets measured at amortised cost		64 941	
Other operating income	21	6 260	5 358
Labour remuneration expenses	22.1	(109 686)	(89 246)
Depreciation and amortization	22.2	(12 077)	(8 970)
Administrative and other operating expenses	22.3	(72 487)	(51 815)
Profit before tax		147 191	49 229
Income tax expenses	23	(27 070)	(9 050)
Profit for the year		120 121	40 179
OTHER COMPREHENSIVE INCOME:			
COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Revaluation of fixed and intangible assets	17		23 712
Income tax, related to other comprehensive income items, not to be reclassified to profit or loss			(4 268)
Other comprehensive income not to be reclassified to profit or loss after taxes			19 444
COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS			
Revaluation of debt financial instruments		183	(616)
Net change of fair value	17	183	(616)
Income tax, related to other comprehensive income to be reclassified to profit or loss	23	(33)	110
Other comprehensive income to be reclassified into profit or loss after taxes of the year	17	150	(506)
Other comprehensive income after taxes	17	150	18 938
Total comprehensive income for the year	17	120 271	59 117



Item	Note	2021	2020
Profit attributable to:			
Bank owners		120 121	40 179
Total comprehensive income, attributable to:			
Bank owners		120 271	59 117
Net earnings per share from continuing operations, UAH:			
Net earnings per share, UAH	23	2 493,53	834,04
Net earnings per share, attributable to owners of the Bank:			
Net and diluted earnings per share for the year, UAH	23	2 493,53	834,04

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

UAH'000

Line	Item	Note	Share capital	Financial assistance from shareholders	Reserves and other funds	Revaluation reserve	Retained earnings/(accumulated loss)	Total equity
1	Opening balance as at 01.01.2020	16	510 393	190 000	-	64 165	(203 427)	561 131
2	Total comprehensive income					18 938	40 179	59 117
2.1	2020 profit						40 179	40 179
2.2	Other comprehensive income	17				18 938	-	18 938
3	Closing balance as at the end of the day 31.12.2020	16	510 393	190 000	-	83 103	(163 248)	620 248
4	Total comprehensive income					150	120 121	120 271
4.1	2021 profit						120 121	120 121
4.2	Other comprehensive income	17				150	-	150
5	Closing balance as at the end of the day 31.12.2021	16	510 393	190 000	-	83 253	(43 127)	740 519

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

UAH'000

Item	Note	2021	2020
OPERATING CASH FLOWS			
Profit before taxes		147 191	49 229
Adjustments			
Depreciation and amortization	22.2	12 077	8 970
Net increase/(decrease) of allowances for expected credit losses of financial assets		55 106	21 341
Amortization of discount / (premium)		4 976	(189)
Results of transactions with other financial instruments measured at fair value through other comprehensive income		(303)	(2 644)
Results of transactions with other financial instruments measured at fair value through profit or loss		-	(3 667)
Net gain (loss) from foreign currency revaluation (Accrued income)		317	(9 271)
Accrued expenses		24 876	(15 061)
Net loss/(earnings) from investing activities		4 805	(344)
Other non-cash flows		52	(373)
		(10 347)	11 845
Net cash income/(loss) from operating activities before changes in operating assets and liabilities		238 750	59 836
Changes in operating assets and liabilities			
Net (increase)/decrease of loans and due from other banks		(47)	21 309
Net (increase)/decrease of loans and advances to customers		(400 879)	(618 964)
Net (increase)/decrease of other financial assets		18 595	(87 208)
Net (increase)/decrease of other assets		(830)	2 908
Net increase/(decrease) of due to banks		(150 000)	150 000
Net increase/(decrease) of amounts due to customers		948 462	493 790
Net increase/(decrease) of provisions for liabilities		-	(56)
Net increase/(decrease) of other financial liabilities		3 035	3 916
Net increase/(decrease) of other liabilities		3 521	3 979
Net cash received from/(used in) operating activities before income tax expense		660 607	29 510
Income tax paid		-	-
Net cash received from/(used in) operating activities		660 607	29 510
INVESTMENT CASH FLOWS			
Purchase of securities		(2 080 452)	(935 000)
Proceeds from sales of investment securities		1 098 313	909 053
Proceeds from sale of investment property		96 115	79 866
Acquisition of fixed assets	10	(4 051)	(6 863)
Proceeds from sale of fixed assets		101	272
Purchase of intangible assets	10	(5 475)	(6 260)
Net cash received from/(used in) investing activities		(895 449)	41 068



Item	Note	2021	2020
FINANCING CASH FLOWS			
Liabilities under lease contracts		(5 641)	(2 171)
Net cash received from/ (used in) financing activities		(5 641)	(2 171)
Effect of exchange rate changes on cash and cash equivalents		(7 076)	14 048
Effect of ECL on cash and cash equivalents		392	23
Net increase/(decrease) in cash and cash equivalents		(247 167)	82 478
Cash and cash equivalents – opening balance	5	842 558	760 080
Cash and cash equivalents – closing balance	5	595 391	842 558

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Note 1. Background information

These financial statements of Public Joint-Stock company "Bank CLEARING HOUSE" (hereinafter – the Bank) were prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2021.

The financial statements were prepared in the Ukrainian currency, in thousands of Ukrainian hryvnias.

The full name of the Bank is Public Joint-Stock company "Bank CLEARING HOUSE", and the official abbreviated name is JSB "CLEARING HOUSE".

Registered address and the place of business of the Bank: Borysohlibska Street, building 5, letter A, Kyiv, 04070, Ukraine.

The Bank was incorporated and is domiciled in Ukraine.

The Bank is a public open joint stock company.

The Bank operates under the License to provide banking services No 171 of 13 October 2011 issued by the National Bank of Ukraine under para 3, Art. 47 of the Law of Ukraine *On Banks and Banking Activities*. The services representing foreign currency transactions are provided under the general Permit to exercise foreign currency transactions No 171 of 13 October 2011 issued by the National Bank of Ukraine.

The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional (depository) operations in the stock market:

- ✓ series AE No 263457 as of 01.10.2013 – depository activities of a depository institution;
- ✓ series AE No 263458 as of 01.10.2013 – activities of a custodian of mutual funds;
- ✓ series AE No 263459 as of 01.10.2013 – activities of a custodian of pension fund assets.

The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional activities in the stock market (trading securities):

- ✓ series AE No 185076 from 19.10.2012 – dealer activities;
- ✓ series AE No 185077 from 19.10.2012 – brokerage activities.

A strategic objective of the Bank is to be a versatile and dynamic bank, to strengthen its position, to join the leaders in the financial market of Ukraine, and to increase the market value of the Bank.

The Bank is a member of the Deposit Guarantee Fund (registration No 149 as of 8 November 2012) and operates under the Law of Ukraine *On Individuals Deposits Guarantee Fund* No 4452-VI as of 23.02.2012.

The ultimate owners of material interests in the Bank are:

Liovochkina Yuliia Volodymyrivna who owns in total 60,3453% of shares in the Bank in total, including direct ownership of 0% and indirect ownership of 60.3453%;

Resolution No 154 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank.

Fursin Ivan Hennadiiovych who owns in total 42.6042% of shares in the Bank, including direct ownership of 10.7654% and indirect ownership of 31.8388%.

Resolution No 153 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank. (Decision of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight № 225 of 10.06.2021 (with changes of 02.05.2022 №20/676-рк and 06.06.2022. № 20/750-рк) transferred voting right of Bank shares that belong to Fursin I.H. to trustee – Shlapak Stanislav Valeriyovich).

The Bank is a member of the Independent Banks' Association of Ukraine, the Association of Taxpayers of Ukraine, the Professional Association of the Participants of Capital Market and Derivatives, and the Ukrainian Stock Traders (the self-regulatory organization of professional securities market participants).

The Bank effectively integrated into the international information and payment systems as a member of SWIFT international payment system and of REUTERS international dealing system, and an associate member of VISA international payment system.

Financial position of the Bank is confirmed by external auditor – PKF UKRAINE LLC.

As at 31 December 2021, the Bank has 5 branches.

Note 2. Operating environment of the Bank

The Bank operates in Ukraine, where economic environment is open and considered as market one with certain elements, characteristic for transitional economies. Ukrainian economy highly depends on world prices on raw materials and low liquidity on capital markets. In such situation, banking operations in Ukraine are characterized by increased risks, which are not typical for developed markets.

2021 was the year of preparation of Ukrainian financial system for unprecedented test by full scale russian military aggression. Effective, well-organized and professional work of National Bank, banking and non-banking sectors provided for stable and uninterrupted work of financial system in the war, strong basis for financial defense of the country.

In 2021, Ukrainian economy started to grow in spite of aftereffects of corona crisis: real GDP went up by 3,4% after drop by 4% in 2020. In the 1st quarter of 2021, GDP went down by 2% annual, but went up to 5.7% in the 2nd quarter. In the 3rd quarter of 2021, real GDP increased by 2,7% annual or, compared to previous quarter, by 1,5%, seasonally adjusted. State statistics department stated that increase of real GDP in 2021 reached 3,4%. Difference from predicted figure is the result of late harvesting of grain and technical cultures, decrease of global demand for mining and ore-processing products, as well as high international prices for energy carriers. National currency grew up by 7% against USD compared to beginning of the year in spite of unstable economic situation.

National Bank, maximally using flexibility of inflation targeting, managed to provide a stimulating monetary policies in 2021 to ensure growth of national economy. Consistent proactive, transparent and predictable monetary policies of the National Bank helped, in spite of difficult situation, to reverse the trend of acceleration of consumer prices compared to many other countries: as of October, inflation was gradually reduced down to 10% annual at the end of 2021. Targeted level of inflation was not reached in 2021 mostly through nonmonetary reasons (tariff reforms, international prices, epidemiological costs, etc.) and weak monetary transmission. National Bank responded to increase of inflation risks in 2021, increasing discount rate – by 0,5 b.p. (up to 6,5%) in March, 1,0 b.p. up to 7,5%) in April, 0,5 b.p. (to 8%) in July, 0,5 b.p. (to 8,5%) in September, 0,5 b.p. (to 9%) in December. Timely reaction of National Bank prevented growth of inflation spiral; otherwise monetary policies would have to be much tougher, thus slowing economic growth. These policies, implemented in 2021, made it possible to improve trust to UAH supporting the trend to replace USD in national economy. In 2021, deposits in USD went down from 37,7% to 32,4%, USD loans - from 36,7% to 28,9%, while UAH deposits went up by 21%.

In 2021, banking system continued to be resilient, well capitalized, liquid and profitable. Preliminary data show that profit of banking system in 2021 reached UAH 77,5 billion. This is the record figure and these funds may be used to increase capital and scope of crediting in 2022. Besides, the banks have good liquidity ratio, e.g., all banks comply with short-term liquidity ratio LCR, related to coverage of crisis outflow of funds. Net assets of banking sector went up by 12,7%, reaching UAH 2054 billion. Due to high profit, the banks were able to form capital buffers and actively credit national economy. National Bank supported trust to banking system and provided for financial stability of the country.

Changes in economic environment in 2021 resulted in changes of sovereign credit ratings of the country and increase of its international reserves. In spite of significant payments under external liabilities, international reserves by the end of 2021 reached USD 30.9 billion, highest in nine years. Major purpose of management of international reserves were provision for optimal levels of protection, liquidity and profitability in accordance with the National Bank functions, as set by Ukrainian legislation. In September 2021, international rating agency Standard & Poor's confirmed sovereign credit rating of Ukraine at level «B» with «stable» forecast. In August 2021, international rating agency Fitch Ratings confirmed sovereign credit rating of Ukraine at level «B» with «positive» forecast.

In 2021, the country continued to cooperate with international partners – receiving significant credit support of IMF, EU, World Bank and other international partners. These funds improved external-debt resilience of state finances, helped to unblock access of the country to international financial markets and finance a significant part of budget needs.

In 2021, world economy dynamics improved due to increase of business optimism and improved rate of vaccination in spite of appearance of new coronavirus strains; still, key risk for macro financial stability continues to be length and spread of coronavirus pandemics and strengthening of quarantine measures. Escalation of military conflict in eastern Ukraine, decrease of grain, fruit and vegetable crops through unfavorable weather conditions, increase of volatility of world priced for food products due to global climatic changes, decrease of inflow of foreign capital – realization of these risks may worsen exchange rate and inflation expectations and complicate access to international capital market when peak debt payments are to be made. Deep economic and financial crisis, caused by full-scale war of russia against Ukraine, would have significant negative and long-lasting effect for financial sector. Still, banks successfully withstand war challenges due to significant safety factor, timely reaction of NBU and years of joint work to reform the sector. The Banks are operationally strong, providing daily services to customers in the regions where it was safe for personnel and customers. Still, banks suffered significant losses for operating risk, caused by war.

Russian aggression made a huge strike on Ukrainian economy through large-scale destruction of infrastructure. The war increased anxiety through rapid global sag, increase of inflation and indebtedness and growth of poverty level. Economic effect impacted many channels, including markets of raw materials, financial markets, trade, migration trends, and decrease of trust.

Note 3. Basis of preparation of the financial statements and summary of accounting policies

The basic principles of accounting policies that were used in the preparation of these financial statements are presented below. These principles were applied consistently with regard to all periods presented in the financial statements, unless stated otherwise.

3.1. Consolidated financial statements

As the Bank is not a parent in any group of companies, the consolidated financial statements are not prepared.

3.2. Basis of preparation

For the purposes of accounting and preparation of the financial statements, the assets and the liabilities of the Bank are measured and carried at the cost of their acquisition or creation (at historical cost or at fair value).

When **the historical cost model** is used, assets are recognized in the amount of consideration paid. Liabilities are recorded in the amount of funds required to settle or transfer the liability.

When **the fair value model** is used, the assets are measured at the amount that would be paid to acquire the asset or settle the liability at the measurement date.

3.3. Initial recognition of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly arm-length transaction between market participants at the measurement date. Fair value is measured in accordance with the requirements of IFRS 13 *Fair Value Measurement*.

Historical cost – at the moment of initial recognition of a financial instrument, the Bank discloses income or loss equal to the difference between fair value of a financial asset or financial liability and contract price in correspondence with discount/premium accounts, if the interest rate for the instrument higher or lower than market one. Difference between fair value of a financial asset or financial liability and contract price for transactions with the shareholders of the Bank is posted in the equity at class 5 accounts *Bank Capital* of the Chart of Accounts and included by parts into retained earnings (accumulated loss) during the period, when it is held, or in full at the moment of its disposal.

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is the cost that would have been avoided if the transaction had not taken place. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and stock exchanges, taxes and dues, and other expenses. Transaction costs do not include debt premiums or discounts, or administrative costs.

Amortized cost of a financial asset or a financial liability is the amount at initial recognition net of cash received or paid [principal, interest gain (loss) or other payments related to initiation of a financial asset or financial liability] adjusted for an accrued amortization, calculated using the effective interest rate method, - the difference between the initially recognized amount and the instrument redemption amount, and, in the case of financial assets, adjusted for estimated credit loss allowances.

The effective interest rate method is a method of measuring the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and allocation of interest income or expenses over the relevant period.

The effective interest rate is the rate of discounting of future cash inflows and outflows over the expected life of a financial instrument to its net book value or amortized cost of a financial liability. The Bank calculates effective interest rate based on estimated future cash flows taking into account all terms of a contract for financial asset, net of estimated credit losses.

3.4. Impairment of financial assets

Impaired financial assets are the financial assets, having objective evidence of loss, or characterized by one or several events negatively affecting future cash flows, related to this asset. Impairment of a financial asset is confirmed by the following events:

- Significant financial difficulties of an issuer or borrower;
- Violation of the terms of the contract, e.g., default or late payment;
- Bank's concession to the borrower for economic or contractual terms, related to financial difficulties of the borrower, which were not considered earlier by the bank;
- High probability of a borrower's bankruptcy or financial reorganization;
- Absence of active market for financial asset resulting from financial difficulties;
- Acquisition or creation of a financial asset with significant discount, reflecting credit losses incurred.

The Bank takes into account total effect of several events, if it is not possible to identify a single event, causing impairment of a financial asset.

After initial recognition the Bank measures debt financial asset, based on the business model and characteristics of cash flows, provided for by the contract, at:

- 1) amortized cost;
- 2) fair value with disclosure of revaluation in other comprehensive income;

3) fair value with disclosure of revaluation through profit/loss.

The Bank selects business model at the level of groups of financial assets, managed together for achievement of certain business goal, rather than at the level of a separate asset.

3.5. Derecognition of financial instruments

The Bank derecognizes initial financial asset and recognizes a new financial asset, if reviewed or modified cash flows under the contract cause termination of recognition of initial financial asset. The Bank recognizes new financial asset as at the date of modification, taking into account transaction cost, related to creation of new financial asset (except for new asset, disclosed at fair value with recognition of revaluation through profit/loss) and assesses estimated credit loss during 12-month period.

The Bank recognizes cumulative changes in estimated credit loss (ECL) during the life on a financial instrument, if new financial asset, which is impaired at the initial recognition, is created as a result of modification.

As at each reporting date, the bank recognizes the results of changes in ECL during the life of a financial asset, which is impaired at the initial recognition (including positive changes), through profit/loss as costs/income for establishment/derecognition of estimated loss allowances. Income through derecognition of loss allowances is recognized even if it is higher than earlier loss allowances for the same financial asset.

As at the date of derecognition, the bank recognizes income or expenses from derecognition, equal to difference between carrying value of initial financial asset and fair value of the new financial asset.

As at the reporting date and as at the date of derecognition (repayment, cession of right of claim, sale, write-off at the expense of loss allowances), as well as at the date of changes of terms (modification) of financial instrument, the bank accrues interest income, amortization of premium/discount, fair value revaluation, and analyses changes in ECL for establishment/derecognition of estimated loss allowances.

3.6. Cash and equivalent

Cash and cash equivalents are assets that can be converted into cash at a short notice and which are subject to insignificant risk of changes of value. Cash and cash equivalents include cash in hand, cash balances with the NBU with unrestricted use, and cash balances with other banks. Cash and cash equivalents are carried at amortized cost.

Mandatory reserves with the National Bank of Ukraine are the amounts deposited to a separate account with the National Bank of Ukraine, that are not intended to be used by the Bank in its daily operations. Accordingly, they are not included in cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Bank provides counterparty banks with cash to be repaid on a fixed date, and the Bank has no intention to trade in receivables incurred. These receivables are not related to derivative financial instruments and do not have quoted market prices.

Amounts due from other banks are carried at amortized cost.

For the purposes of the statement of cash flows, cash and cash equivalents also include deposit certificates.

3.7. Transactions with investments measured at fair value through profit or loss

Transactions with investments measured at fair value through profit or loss are recorded as at the settlement date.

The available-for-sale portfolio includes securities and other financial investments purchased for the purpose of resale in the near future to benefit from short-term fluctuations of prices or dealers' margins as well as financial investments classified at initial recognition into a portfolio of collectively managed financial instruments where there is evidence of short-term gain actually earned.

Securities are revalued when their fair value changes. Revaluation is recognized in the accounting records at the balance sheet date.

Discounts or premiums of debt securities in the portfolio of financial investments, valued at fair value through profit or loss, are not amortized.

At initial recognition, the Bank records financial investments at fair value through profit or loss net of transaction costs. The costs of purchase transactions in the case of these financial investments are expensed as incurred.

If the decision to reclassify financial investment, recorded at fair value through profit or loss, into financial investments, valued at fair value through other comprehensive income, is made, the bank continues to record the financial investment at its fair value. As at the date of reclassification, the bank sets the effective interest rate based on the fair value of the financial asset and recognizes estimated loss allowances for ECL (if reclassified financial asset is not impaired).

If the decision to reclassify financial investment, recorded at fair value through other comprehensive income, into financial investments, valued at fair value through profit or loss, is made, the bank continues to record the financial investment at its fair value. Accumulated profit or loss, recognized earlier through other comprehensive income, are reclassified from equity to profit or loss as adjustment reclassified.

Securities, recognized as financial investments at fair value through profit or loss, are recorded at their fair value through profit or loss and disclosed at balance sheet account groups 140, 300 and 301. Analytic accounting of securities at the balance sheet account groups 140, 300 and 301 is based on issuers and issues.

The results of revaluation are recorded at analytic accounts of class 6 as difference between their fair value and carrying value in correspondence to revaluation accounts as at the balance sheet date.

The Bank recognizes interest income on debt securities measured at fair value through profit or loss separately in accordance with the coupon rate set for these securities. The Bank earns dividend income on variable income securities.

The Bank accrues interest income of securities and financial investments at fair value through profit or loss in its available-for-sale portfolio at the revaluation date at least once a month.

If financial investments, recorded at fair value through profit/loss, are sold, profit or loss (difference between selling cost and carrying value) is disclosed at respective analytic class 6 account.

Securities in respect of which a sale agreement with a specified sale price exists are not revalued between the transaction date and the settlement date.

3.8. Loans and advances to customers

Financial instrument is an agreement, generating a financial asset for one business entity and financial liability or equity instrument for other business entity at the same time.

Accounting of transactions with financial instruments is based on the economic essence of the transactions, using balance sheet and off-balance sheet accounts of the Chart of accounts for Ukrainian banks (with changes and amendments), approved by Decree of the Board of NBU № 89 of September 11, 2017 (hereinafter – the Chart).

The Bank discloses sale of assets and services with delayed payment in accordance with their economic essence at loan accounts in accordance with the Chart.

The Bank has a right to use transit accounts, accounts of receivables and payables in accordance with requirements of software used with subsequent recording at respective accounts for certain financial instrument.

Postings of transactions with financial instruments use accounts, grouped in accordance with their purpose (in accordance with the Annex to the above NBU rules).

The bank discloses costs of transaction and other payments, directly related to recognition of financial instrument, at discount/premium accounts for this financial instrument (except for financial instruments measured at fair value through profit/loss).

In accordance with its internal rules, the bank discloses ECL at separate analytic discount/premium account, if they are not disclosed at the loss allowance account.

The bank classifies and measures financial assets, based on business model, used to manage the assets, and characteristics of cash flows to be generated under the agreement.

The bank recognizes interest income under debt financial instruments (accrued interest, amortization of discount/premium), using effective interest rate as at the date of purchase up to the date of derecognition (sale, cession of right of claim, repayment, write-off at the expense of loss allowance), reclassification.

The Bank recognizes interest income under financial assets, recorded at the amortized cost, using effective interest rate for gross carrying value except for:

1) purchased or impaired financial assets created. Effective interest rate, adjusted by credit risk, regarding depreciated cost of the financial instrument, is used for such financial assets as of the date of initial recognition;

2) financial instruments, which were not purchased or impaired financial assets created, turned into impaired financial assets. For such financial assets, the bank uses effective interest rate for amortized cost of financial assets in subsequent reporting periods.

The bank recognizes interest income at effective interest rate for gross carrying value of the financial assets, starting from the next date of interest accrual, if, as a result of some events, the impaired financial asset restores and is not impaired any more.

The bank derecognizes financial asset or group of financial assets (hereinafter – financial asset), if:

1) term of rights to cash flows, generated by the financial asset, as set by the agreement, terminates;

2) transfer of financial asset complies with criteria of derecognition in accordance with p. 15 of section I of the Rules;

3) the asset is written off at the expense of loss allowance.

The bank transfers financial asset, if one of the terms is met:

1) the bank transfers right to cash flows, generated by the asset, as set by the agreement;

2) the bank keeps the right to cash flows, generated by the asset, as set by the agreement on transfer, but undertakes to pay cash flows to one or several recipients under the agreement, complying with the following terms:

- the bank is not liable to pay to end buyers until the respective amounts are received from initial asset;

- terms of agreement do not allow the bank to sell or use the initial financial asset as collateral, except for transfer to end recipients as surety for payment of cash flows;

- the bank has an obligation to transfer any cash flows, received on the instruction of end recipients, without any significant delay. Besides, the bank does not have a right to reinvest these cash flows except for investments in cash or cash equivalents (as set by IAS 7 *Statement of Cash Flows*) within the short term of repayment from the date of collection to the date of transfer to end recipients. Interest, generated by such investments, is transferred to end recipients.

The Bank assesses the range of all risks and benefits of ownership of an asset during transfer of financial asset, taking into account the following:

1) the bank derecognizes financial asset and recognizes rights and liabilities, created or preserved during the transfer, separately as asset or liability, if it transfers predominantly all risks and benefits of ownership of an asset;

2) the bank continues to recognize financial asset, if it keeps predominantly all risks and benefits of ownership of an asset;

3) the bank determines whether it keeps control over financial asset, if it does not transfer or keeps predominantly all risks and benefits of ownership of an asset.

The bank does not have control over transferred asset, if the party, to which the asset is transferred, has a real possibility to sell it to a third party, may sell unilaterally without a need to set additional limitations to the transfer.

The bank derecognizes the asset and recognizes rights and liabilities, generated by or kept during transition, as asset or liability, if it does not control the financial asset. The bank continues to recognize transferred financial assets within the limits of continuing participation in it, if it keeps the control over the financial asset.

The Bank recognizes difference between carrying amount of a financial asset, calculated as at the date of derecognition, and compensation received (including value of new asset received net of liability accepted), as profit or loss from derecognition.

The bank discloses change of terms of agreement or modification of the financial asset, resulting in revaluation of respective cash flows, as:

- 1) derecognition of initial financial asset and recognition of new financial asset at its fair value; or
- 2) continuation of recognition of initial financial asset with the new terms.

The bank recalculates gross carrying amount of financial asset and recognizes profit or loss from modification, if term of agreement is reviewed by the concord of the parties, or if there is any other modification, which does not result in derecognition of initial financial asset.

The bank recalculates new carrying amount as current value of reviewed or modified cash flows, set by the agreement, discounted at initial effective interest rate (or initial effective interest rate, adjusted by credit risk for purchased or impaired created financial assets). The bank includes cost of transaction into carrying amount of modified financial asset and amortizes it during the life of the asset.

The bank recognizes difference between gross carrying amount under initial or modified terms as profit or loss through modification.

3.9. Financial investments, measured at fair value through other comprehensive income

Financial investments, measured at fair value through other comprehensive income, include debt securities, shares and other financial instruments held for sale, and which are not classified as financial investments, measured at fair value through profit/loss, or financial investments, measured at amortized cost.

Financial investments, recognized at fair value through other comprehensive income, include:

- Debt securities, which bank does not intend to and/or is not able to keep until the date of their retirement;
- Debt securities, which the bank is ready to sell because of the change of market interest rates or risks, liquidity needs, existence and profitability of alternative investments, sources or terms of financing, or change of currency risks;
- Shares and other financial investments, which the bank is ready to sell because of change of risks, liquidity needs, existence and profitability of alternative investments.

Financial investments disclosed at fair value through other comprehensive income, must be revalued. All financial investments, disclosed at fair value through other comprehensive income, have to be tested for impairment as at the balance sheet date.

Cost of transactions, related to purchase of debt securities, measured at fair value through other comprehensive income, is posted at accounts for discount (premium) at the moment of initial recognition of these securities.

Financial investments, disclosed at fair value through other comprehensive income, are posted at the balance sheet accounts of groups 141, 143, 310 and 311 of the Chart. Analytic accounting of securities, posted at the balance sheet accounts of groups 141, 143, 310 and 311, is based on issuers and issues.

Financial investments, disclosed at fair value through other comprehensive income, are to be revalued. The result of revaluation is disclosed in equity (analytic account 5102) as at the balance sheet date as the difference between fair value of a security and carrying value as at the date of revaluation.

For debt securities, disclosed at fair value through other comprehensive income, the bank recognizes interest income, including interest income as amortization of discount (premium), using the effective interest rate. The Bank earns dividend income on variable income securities.

The bank uses effective interest rate method, taking into account the requirements set by rules and regulations of NBU for accounting of income and expenses.

The bank recognizes interest income under financial investments, disclosed at fair value through other comprehensive income, as at the date of revaluation and as at the balance sheet date, but not less than one per month.

If financial investments are impaired, interest income is recognized based on amortized interest rate, used to discount future cash flows during last measurement of losses through impairment.

If terms of issue of securities sets gradual or partial repayment of their nominal value, accrual of interest and calculation of effective interest rate for such securities is based on decrease of this nominal value.

3.10. Sale and repurchase agreements

A sale and repurchase agreement are a two-part securities transaction, in which one general agreement is entered into between market participants on the sale (purchase) of securities for a specified period with a commitment to resell (repurchase) at a specific time or at the request of one party at a predetermined price. A sale and repurchase agreement transaction is, by its economic substance, a credit transaction with securities used as collateral.

Securities issued (received) as collateral are accounted on off-balance sheet accounts 9510 *Underlying collateral* or off-balance sheet account group 950 *Pledge received*.

The difference between the sale (purchase) price and resale (sale) price is interest income (expense). Accrued income is recorded on accounts 6002, 6022, 6015. Accrued expense is recorded at accounts 7002, 7015, 7021.

The Bank reclassifies securities sold under repo transactions, whereby the buyer has the right to sell or pledge them, from the trade portfolio or available-for-sale portfolio to receivables under repo transactions carried at fair value through profit or loss.

Securities purchased under repo agreement with a resale option in the case of their sale to a third party are recorded by the purchaser at fair value as a liability to return the securities on accounts payable under repo transactions carried at fair value through profit or loss.

Revaluation to fair value of securities recorded as repo transactions receivables and payables and the result of the sale to a third party are recorded at account 6223.

3.11. Financial investments measured at amortized cost

This category includes fixed income or definable income debt securities with fixed term of repayment. Debt securities, measured at amortized cost are the financial investments, recognized at amortized cost, if the Bank intends and can hold them until maturity to generate interest income.

The Bank should not initially recognize securities as financial investments, measured at amortized cost, if:

- It intends to hold securities for indefinite period;
- It is ready to sell them in case of change of market interest rates, risks, need for liquidity;
- Terms of issue of sight debt securities provide for interest payments during indefinite period of time (i.e. there is no fixed term of repayment);
- Issuer has a right to pay off securities by the amount much less than their depreciated cost;
- There are no financial resources to finance securities until their pay off;
- There are legal or other limitations, which may prevent bank from its intentions to keep securities until pay off.

Securities, for which issuer provides for pre-term pay off, may be recognized as financial investments, disclosed at amortized cost, if the Bank intends and can hold them until pay off.

Purchased debt securities are disclosed based on the following components: nominal value, discount or premium, interest accumulated as at the date of purchase. Cost of transactions, entered into for purchase of

debt securities, is included into cost of purchase and disclosed at the accounts of discount (premium). After initial recognition, debt securities are disclosed at amortized cost as at the balance sheet date.

The bank recognizes income and amortizes discount (premium) under debt securities not less than once per month using effective interest rate method.

Debt securities in the bank portfolio are to be reviewed for impairment up to the payoff time.

Financial investments, disclosed at amortized cost, are recorded at balance sheet account groups 142, 144 and 321 of the Chart. Analytic accounting of securities of account groups 142, 144 and 321 is based on issuers and issues.

For financial investments, disclosed at amortized cost, the bank recognizes interest income, including depreciation of discount (premium), using accrual principle and effective interest rate method.

The Bank recognizes interest income for debt securities in an amount, equal to product of amortized cost and initial effective interest rate for respective security, including impaired securities.

As at the balance sheet date, debt securities, disclosed at amortized cost, are reviewed for possible impairment based on analysis of estimated cash flows.

Impairment of debt securities, recorded at amortized cost, is disclosed by charging of loss allowance amounting to excess of carrying value of securities over current value of estimated future cash flows, discounted using initial effective interest rate (i.e. effective interest rate, calculated at initial recognition).

Debt securities, not paid off by issuer at the term, set by issuer, are recorded at analytical balance sheet accounts for securities.

3.12. Investments into associated companies

There are no investments into associated companies.

3.13. Investment property

Investment property includes land, buildings or parts of buildings or land and buildings owned by the Bank or received by the Bank under financial lease to earn rentals or for capital appreciation or both rather than for the provision of services or for administrative purposes.

A property can be divided into parts, which are used for different purposes: one part is used to earn rentals or for capital appreciation, and the other part is intended for the use in the course of the Bank's operations or for administrative purposes. If these parts can be sold separately, the part which is used to earn rental or for capital appreciation will be carried as investment property of the Bank. Where these parts cannot be sold separately, a property is recognized as investment property if not more than 15% of the total area of the property are used by the Bank in the course of its operations or for administrative purposes.

As at the year-end, the Bank discloses 10 objects as investment property that are leased out. These objects are carried at fair value. In 2021, the Bank disclosed changes in fair value of investment property, as its carrying value differs from fair value, established by independent experts as at the balance sheet date.

3.14. Goodwill

There is no goodwill.

3.15. Fixed assets

The cost of items classified as fixed assets should exceed UAH 20000. The low-value noncurrent assets include tangible assets with useful life over one year and the cost equal to, or less, than UAH 20000.

If the useful life of a tangible asset is less than one year, it is expensed in the current period regardless of its cost.

Fixed assets are depreciated on a straight-line basis over their useful lives set by the Bank at their initial recognition and stated in the statement of commissioning.

Useful lives of fixed assets are determined by a special commission created by an order of the Bank management and stated in the Statement of acceptance (in-house transfer) of property and equipment when an asset is commissioned.

Useful lives (in months) are as follows:

- buildings and facilities - 600;
- vehicles – 60-84;
- telephone equipment – 24-60;
- equipment (furniture) – 48-180;
- office equipment – 24-60;
- computer equipment – 24-60;
- domestic appliances – 36-120;
- other fixed assets – 24-144.

Useful lives of fixed assets were not revised in 2021.

Fixed assets purchased by the Bank are recognized and carried at cost, which includes all costs of acquisition, delivery, installation and commissioning.

3.16. Intangible assets

Acquired intangible assets are recognized if future economic benefits resulting from its use are expected to flow to the Bank and its value can be measured reliably.

Intangible assets are recognized and measured at cost, which includes all costs of acquisition, delivery and commissioning.

After the initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are carried on an item-by-item basis.

Amortization is charged using the straight-line method based on the initial cost and useful lives of intangible assets. Useful lives of intangible assets are established by the Bank management for each item.

Intangible assets are amortized on a monthly basis. Amortization begins on the first day of the month following the reporting period in which the asset was available for use, and ceases on the first day of the month following the month where intangible assets were derecognized.

Software amortization rates are 11.22-50%.

When estimating useful lives of the intangible assets the Bank takes into consideration technical specifications, current trends in technology, and programs of technical improvement and maintenance of assets.

The Bank did not revalue intangible assets in 2021.

The Bank did not revise amortization rates, useful lives, or historical cost of intangible assets in 2021.

3.17. Lease when the Bank is a Lessor and/or Lessee

3.17.1. Assets leased out under operating lease

Assets transferred by the Bank under operating lease remain on its balance sheet and are carried on a separate analytical account stating that the assets were leased. During the life of the lease, the Bank depreciates non-current assets leased and accrues lease payments.

.17.2 Assets, received under operating lease

If a term of a lease agreement is less than one year (short-term agreement), or basis value of an asset transferred under the lease is less than USD 5000 equivalent as at the day of entering into agreement, the Bank does not recognize the right-of-use asset and lease liability. Lease payments are recognized as expenses on the straight-line basis during the lease term and posted at expense accounts.

In other cases, the Bank recognizes the right-of-use asset at initial cost and lease liabilities as of the day of lease commencement.

Initial cost of the asset includes:

- Initial cost of liabilities under lease agreement;
- Lease payments made at commencement or before commencement of the lease;
- Initial direct costs incurred;
- Estimated costs to be incurred at disposal of the asset.

Initial cost of liability is set as current value of lease payments, not made yet. Lease payments are discounted during the lease term using either interest rate, set by the agreement, or interest rate used to attract funds of individuals for longer than one-year period, used by the Bank as at the date of recognition of lease agreement.

Subsequent valuation of the right-of-use asset is based on the initial cost model; as a result, value of the asset is measured:

- Deducting accumulated depreciation and accumulated impairment losses;
- Taking into account adjusted revaluation of liability under lease agreement.

Depreciation is charged as of the date of commencement of lease agreement until earliest of date of termination of useful life of right-of-use asset or date of termination of lease agreement.

Subsequent measurement of liability under lease agreement includes:

- Increase of carrying amount to disclose interest under lease agreement;
- Decrease of carrying amount to disclose lease payments made;
- Revaluation of carrying amount to disclose revaluation, modification of lease or review of fixed lease payments.

The Bank must remeasure lease liabilities, discounting reviewed lease payments using reviewed discount rate, in any of the following cases:

- Change of lease term. The Bank must review lease payments based on reviewed lease term
- Change of terms of acquisition of underlying asset. The Bank must review lease payments to reflect changes in amounts payable under purchase option.

The Bank recognizes reviewed discount rate as allowable interest rate under lease for the remaining lease term, if this rate can be easily determined, or interest rate used to attract funds of individuals for longer than one-year period, used by the Bank as at the date of revaluation.

The Bank also premeasures lease liability in the following situations:

- Change of amounts expected to be paid under residual value guarantees;
- Change of future lease payments due to change of index or rate, used to determine these payments.

The Bank determines reviewed lease payments for the remaining lease term, using interest rate as at the date of commencement of lease.

3.18. Financial lease

There are no financial leases where the Bank is a lessor and/or lessee.

3.19. Non-current assets held for sale and disposal groups

Non-current assets held for sale are non-current assets held for sale and their carrying amount would be recovered principally through sale transactions rather than through their continuing use. Non-current assets held for sale are posted on account 3408.

As at the end of 2021, the bank has no noncurrent assets held for sale.

3.20. Discontinued operations

The Bank did not discontinue any operations.

3.21. Derivatives

Derivative financial instruments including foreign currency contracts and currency swaps are carried at fair value. All derivatives are carried as assets when their fair value is positive or as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss for the year. The Bank does not use hedge accounting.

3.22. Borrowings

Borrowings are initially recognized at cost that represents the proceeds net of transaction costs. Subsequently borrowings are carried at amortized cost and any difference between net proceeds and the redemption value is recognized in profit or loss and other comprehensive income over the life of borrowings using effective interest rate.

Borrowings at rates different from the market rates are restated at fair value at the time of their receipt. Fair value represents future interest payments and repayment of the principal discounted at market interest rates applicable to similar borrowings.

Any difference between the fair value and the nominal value of borrowings at the time of their receipt is shown in profit or loss and other comprehensive income as income in case liabilities arise at rates lower than market rates or as losses when liabilities are incurred at rates exceeding market rates. Subsequently the carrying amount of borrowings is adjusted for the amortization of revenues (losses) at the time of their receipt and related costs are included in interest expense in profit or loss and other comprehensive income using the effective interest rate method.

3.23. Provisions for liabilities

Provisions are non-financial liabilities of uncertain timing or amount. Provisions are recognized in the financial statements when the Bank has a present legal or constructive obligation as a result of past events the settlement of which is expected to result in an outflow from the Bank of resources embodying economic benefits, and amount of this obligation can be measured reliably.

3.24. Income taxes

These financial statements show taxation in accordance with legal norms, using tax rates and legal requirements that were effective or substantively enacted at the end of the reporting period. Income tax expenses or credits include current tax and deferred tax and are recognized in profit or loss for the year, unless they are to be recognized in other comprehensive income or directly in equity since they relate to transactions recorded in the reporting or in a different period in other comprehensive income or directly in equity.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the current and prior periods.

Under current law, basic income tax rate was **18% in 2020 and 2021**.

The difference between financial accounting profits and profits determined in accordance with current tax legislation result from different methods used to determine profits in financial and tax accounting.

As at the end of the day December 31, 2021, the Bank did not have investments in subsidiaries and associates. During the reporting period, the Bank did not discontinue any operations and, therefore, there is no tax expense, income attributable to profit or loss from discontinued operations.

3.25. Share capital and share premium

Ordinary shares are designated as equity. Accumulated costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

The Bank may declare and pay dividends only in accordance with Ukrainian laws and regulations.

Dividends on ordinary shares are shown as a distribution of retained earnings in the period they were declared.

3.26. Treasury shares

The Bank did not have treasury shares in the reporting period.

3.27. Recognition of income and expenses

Interest income and expenses under all debt instruments are disclosed as accruals using effective interest rate method. This method includes all commission fees, receivable or payable by the parties in agreement, that are an integral part of effective interest rate, expenses under agreement, all other premiums and discounts into interest income and expenses spreading them over the life on the agreement.

Commissions representing an integral part of the effective interest rate include commissions received or paid in respect to the creation or acquisition of a financial asset or the issue of a financial liability (e.g. fees for solvency assessment, assessment and recording of guarantees or collateral, negotiating the terms of an instrument and transaction documents processing). Market interest rate loan origination commissions received by the Bank are an integral part of the effective interest rate if it is probable that the Bank will enter into a specific loan agreement and will not plan to sell the loan shortly after its origination. The Bank does not carry credit-related commitments as financial liabilities carried at fair value through profit or loss.

If recoverability of loans or other debt instruments becomes doubtful, their value is reduced to the present value of expected cash flows, and interest income is recorded thereafter on the basis of the effective interest rate of this instrument used to measure an impairment loss.

All other fees, commissions and other proceeds and expenses are generally recorded on accrual basis depending on the stage of completion of a specific transaction defined as a proportion of services actually provided in the total services to be provided.

3.28. Foreign currency revaluation

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The functional and presentation currency of the Bank's financial statements is the national currency of Ukraine, the Ukrainian hryvnia.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the National Bank of Ukraine at the end of the respective reporting period. Gains and losses from exchange differences resulting from transaction settlements and translation of monetary assets and liabilities into the functional currency at the official exchange rates of the National Bank of Ukraine at the end of the year are recorded as profit or loss for the year (as gains less losses from trading in foreign currency and gains less losses from foreign currency revaluation, respectively). Non-monetary items measured at cost are not translated at year-end exchange rates. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value is determined. Effects of exchange rate changes on non-monetary items measured at fair value are recorded in gains or losses from changes in fair value.

Performance and financial position of the Bank are translated into the presentation currency as follows:

- (i) assets and liabilities presented in the statement of financial position are translated using exchange rates as at the end of the respective reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction);
- (iii) components of equity are translated at historical exchange rates; and
- (iv) all exchange differences arising are recognized as components of other comprehensive income.

As at December 31, the principal rates of exchange used for translating foreign currency balances were as follows:

Currency	Currency code	2021	2020
USD	840	27,2782	28,2746

Currency	Currency code	2021	2020
EUR	978	30,9226	34,7396
GBP	826	36,8392	38,4393
RUB	643	0,36397	0,3782
BYN	933	10,6827	10,8477

3.29. Offsetting assets and liabilities

Offsetting of financial assets and liabilities with subsequent presentation of their net amount in the statement of financial position is allowed only if there is a legal right to offset recognized amounts and there is an intention to settle on the net basis, or to simultaneously realize the asset and settle the liability.

3.30 Information by operating segments

A segment is a separate component of the Bank's business, which supplies services or products (a business segment) or provides services or delivers products within a particular economic environment that is exposed to risks and earns returns that are different from other segments.

A segment should be presented separately if a major portion of its income is generated from banking operations outside the segment, and at the same time, its performance indicators meet the following criterion: revenue of the segment is 10% or more of the total income (including banking activity within the segment).

In preparing this Note and taking the criterion into account, the Bank has established the following reporting segments:

- services to corporate customers;
- services to individuals and SME;
- centralized treasury transactions and unallocated items.

Segment assets and liabilities comprise operating assets and liabilities most of which are presented in the statement of financial position; however, they exclude certain items, e.g. cash and taxation.

Inter-segmental transactions are based on commercial terms. Funds are allocated to segments creating transfer income and expenses, included into operating income (see Exclusion column of Interest Income and Interest expenses item). Interest charged for these funds are calculated based on expenses incurred for financing of the Bank. Adjustments for internal settlements and transfer pricing were disclosed in the results of performance of each segment; there are no other material income and expenses resulting in operations between segments.

Information by geographical segments are not presented, as the Bank does not operate outside Ukraine.

3.31. Related-parties' transactions

In accordance with IAS 24 *Related Party Disclosures*, the parties, as a rule, are considered to be related, if they are under control, joint control, or if a party can control the other party or have a significant influence over financial and operating issues.

Usual operations of the Bank include transactions with the major shareholders, jointly controlled companies and other related parties. Special attention is paid to the essence of relations rather than to their legal form, when considering relations with each probable related party.

Methods of measurement of assets and liabilities, used in recognition of a related party transaction, do not differ from those generally accepted.

Agreements between the Bank and its related parties do not provide for preferential terms compared to agreements with other parties.

3.32. Effect of changes in accounting policies, accounting estimates and adjustment of significant errors

IFRS 16 *Leases*, effective as of January 1, 2019, introduced significant changes to accounting of lease transactions for lessees. As a result, changes were introduced into the Accounting policies of the Bank. These changes are described in p. 3.17 of Note 3 *Basis of preparation of the financial statements and summary of accounting policies* and Note 4 *New and revised standards*.

3.33. Major accounting estimates and judgments applied

Preparation of financial statements requires that management make judgements, estimates, and assumptions that affect the application of accounting policies, amounts of assets and liabilities, earnings and expenses recognized in the financial statements and the disclosure of contingent assets and liabilities. Judgements are being improved continuously and are based on the previous experience of the Bank's employees and on other factors, including forecasting future events deemed reasonable based on existing circumstances.

Professional judgements that have the most significant effect on amounts recognized in the financial statements and estimates that can result in significant adjustments to the carrying amounts of assets and liabilities in subsequent periods include:

Going concern

In late 2021, within the framework of preparation of Plan of recovery the Bank performed stress tests of figures in 2022 Business plan of the Bank for situation of significant deterioration of economic situation on the country.

In case when the situation significantly deteriorates and there is a threat that the Bank might violate capital and liquidity ratios, the Bank would take the following steps:

- nonpayment of dividends to Bank shareholders, use of profit of previous years to increase Bank capital;
- discontinuation of new active transactions, closing of overdraft limits and credit lines;
- decrease of administrative expenses, including software expenses;
- decrease of bonuses related expenses;
- increase of capital through financial assistance of shareholders;
- loan from National Bank of Ukraine to support liquidity;
- active work to attract deposits of individuals.

Bank management assessed existing significant uncertainty caused by continuing hostilities in Ukraine that brought and continue to generate significant negative effect to Ukrainian economy in general and Bank customers in particular, on going-concern assumptions.

The Bank will continue to operate within the framework of its current business model under martial law.

The Bank took the following steps to minimize negative effects of military aggression of Russian Federation in order to provide for uninterrupted operation of the Bank and compliance with the standards set by the National Bank of Ukraine.

1. As of 24.02.2022, the Bank terminated transactions on crediting new customers and worked on repayment of debt under current loans, thus decreasing its loan portfolio from UAH 2 112 million to UAH 1 875 million.

Loan portfolio	23.02.2022	09.05.2022	Changes after 24.02.2022
<i>Debt under corporate loans</i>	1 936 229 656	1 708 986 996	-227 242 660
<i>Debt under loans to individuals</i>	175 693 515	166 248 480	-9 445 035
Total loan portfolio	2 111 923 171	1 875 235 476	-236 687 695

2. The Bank reduced purchases of new equipment and furniture during martial law period.

3. Some part of Bank employees were transferred to part-time work or sent to unpaid vacation; at the same time, the Bank stopped payment of bonuses, thus reducing expenses related to labor remuneration from UAH 14,7 million in January 2022 down to UAH 9,2 million in April 2022.

4. A part of bank servers was reserved in cloud to save Bank and customers' data from physical destruction during the war.

5. As of 24.02.2022, the Bank actively worked with its depositors – individuals, thus making it possible to keep deposits and funds of individuals without any significant drop.

Funds of individuals	23.02.2022	09.05.2022	Changes after 24.02.2022
<i>Funds on demand</i>	929 909 594	1 001 891 372	71 981 778
<i>Term funds</i>	475 751 915	369 101 582	-106 650 333

Implementation of the above steps made it possible for the Bank to continue as going concern after 24.02.2022, meet its liabilities toward its customers, keep ratios within the limits set by National Bank of Ukraine and start to issue purpose loans to individuals and small and medium entities as of June 2022 (although the scope is small yet).

Major ratios of the Bank as at 09.05.2022 (H2, H3 and NSFR - as at 02.05.2022) were higher than NBU requirements reaching:

H1	H2	H3	H7	H8	H9	LCR_BB	LCR_IB	NSFR
527 409 804	22,28%	18,04%	23,77%	256,56%	21,59%	203,57%	340,53%	132,56%

Management Board of the Bank will propose at the meeting of shareholders to channel 2021 income of UAH 120 120 854,60 to reserve fund for subsequent coverage of accumulated losses of previous years that were UAH 163 248 322,49 as at 31.12.2021. Shareholders took such decisions in previous years and they shall be taken until full coverage of losses.

Bank management believes that the Bank has adequate reserves of strength to continue as going concern observing the trend to stabilization of situation in the Bank.

At the same time, Bank management recognized that subsequent operations of the Bank and the whole financial system of the country depends on the situation at fronts, while impossibility to foresee this situation, time of termination of war and its effect on Ukrainian economy, act as a ground for material uncertainty that may cast a significant doubt on ability of the Bank to continue as going concern in future.

Still, Bank management, based on forecasted liquidity ratio, capital adequacy ratio and amount of ECL, believes that there are adequate reasons to use going concern basis of accounting for preparation of these financial statements.

Initial recognition of financial assets and liabilities

Financial assets and liabilities are initially recognized at fair value. After that, the bank measures debt financial instrument based on business model and characteristics of cash flows, set by the agreement, through:

- 1) depreciated cost;
- 2) fair value through other comprehensive income;
- 3) fair value through profit or loss.

The Bank selects business model for groups of financial assets, managed as a whole to reach certain business goal, rather than a separate asset.

The bank regularly reviews the business model, used to manage financial assets in order to generate cash flows. As at the date of review of a business model, the bank takes into account all objective factors, available as at the date:

- 1) efficiency of business model, profitability of financial assets, held within this business model, information received by leading management;

2) risks, influencing business model efficiency, including profitability of financial assets, held within this business model, as well as method of risk management;

3) indices used to define mechanism of remuneration for managers.

The Bank measures and discloses debt financial asset at amortized cost, if both criteria are met:

1) financial asset is held within the business model, aimed at holding of financial assets to receive cash flows, set by agreement;

2) financial asset agreement provides for fixed-dates receipt of cash flows, which are solely payments of principal and interest on non-repaid part of principal.

Impairment of loans and advances to customers

The bank recognizes loss allowances for ECL under debt financial assets, measured at amortized cost, and debt financial assets, recorded at fair value, recognizing revaluation through other comprehensive income.

The bank recognizes provision for financial asset at the first stage of impairment (ECL for 12 months) not later than the nearest reporting date after initial recognition of financial asset. The nearest reporting date regarding charging of loss allowances for ECL under financial instruments is the last day of a month, when financial instrument was recognized.

As at the next reporting date after initial recognition, the bank assesses the level of increase of ECL for financial instrument as of the date of initial recognition.

The bank continues to recognize loss allowances for financial asset at the first stage of impairment, if as at the reporting date level of risk for financial asset did not significantly increase as of the date of initial recognition of an asset, or financial asset has low credit risk as at the reporting date.

The bank recognizes loss allowance for financial asset at the second stage of impairment (ECL during the full life of financial asset), if, as at the reporting date, the risk level significantly increased as of the day of initial recognition.

The bank recognizes loss allowance for financial asset at the third stage of impairment (ECL during the full life of financial asset), if, as at the reporting date, there is objective evidence of impairment of an asset.

The bank does not recognize loss allowance for purchased or created impaired financial assets as at the date of initial recognition. Initial ECL for such financial asset are included into effective interest rate, adjusted by credit risk.

Transition of such asset from third stage of impairment to second or first stage is not possible.

When assessing impairment of financial assets, value of financial assets with non-collectability risk may be decreased by loss allowances, increased by liquidity coefficient and decreased by cost of sales; time, needed for sale of collateral, is also taken into account.

When assessing impairment of financial asset, value of collateral, accepted as pledge, is taken into account, if all of the following principles are met:

- principle of unobstructed collection;
- principle of fair value;
- principle of existence.

Principle of fair value provides for bank evaluation of a collateral at the level, which is not higher than market (fair) value and makes it possible to sell it to a third party. The bank revalues collateral on regular basis, set for each individual type of collateral.

Valuation of fixed assets (land and buildings)

Land and buildings owned by the Bank are classified as property, equipment, and investment property and carried at fair value. For the purposes of fair valuation of its property, the Bank management engages independent appraisers. Properties are fair valued on the basis of the market comparisons method that takes into account the prices of the latest transactions with similar properties, and the income approach. Fair

valuation of buildings requires judgements and assumptions with respect to the comparability of properties and other factors.

Note 4. New and revised standards

Accounting policies used are consistent with the accounting policies used in the previous year, except for the new standards applicable as at January 1, 2021.

The Bank did not use earlier application of any other standards, clarifications or amendments, adopted but not effective yet.

NEW STANDARDS AND INTERPRETATIONS MANDATORY FOR THE BANK AS OF JANUARY 1, 2021

Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021

This amendment offers simplification of practical expedient, as lessees may not need to assess whether Covid-19-related rent concession is modification of lease.

The above simplification is applicable only to rent concessions directly related to Covid-19 only if all criteria below are met:

- The revised consideration for the lease is substantially the same as, or less than the original consideration immediately preceding the;
- Any reduction in payments only affects payments originally due on or before 30 June 2021;
- There are no substantive changes to other terms and conditions of the lease.

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

Stage 1 of the Reform (2020) dealt with the issues affecting financial statements in the period before replacement of existing interest rates by RFR.

Stage 2 of the Reform deals with the issues of replacement of existing basic interest rates by risk-free RFR rates. This final Stage takes place in 2021. The implementation of the Stage would result in replacement of IBOR by risk-free RFR in agreements on financial instruments by December 31, 2021. IBOR data will not be published any more as of 2022. Only US Libor overnight, 1, 3, 6 and 12 months will be published until mid-2023 when most of related contracts would be terminated.

These amendments did not have any significant effect on the financial statement of the Bank.

NEW STANDARDS AND INTERPRETATION THAT WILL BE MANDATORY FOR THE BANK IN THE FUTURE

The following new standards and interpretations were issued that will be mandatory for the Bank in the reporting periods starting on or after 1 January 2022 or at a later date.

The Bank did not apply these standards before the date of mandatory application.

. IAS 16 Property, Plant and Equipment

Amendments prohibit to decrease value of items of property, plant and equipment by proceeds from selling any items, produced while bringing of items of property, plant and equipment into use as of January 1, 2022. These proceeds and cost of production of these items should be recognized in income/loss.

Amendments in IAS 16 related to accounting and disclosure of information regarding proceeds while bringing of items of property, plant and equipment into use.

IFRS 3 Business combinations

As of January 1, 2022, an amendment updates a reference that buyers have to refer to Conceptual Framework, published in 2018, to determine what is an asset or a liability.

As of January 1, 2022, IASB also included an exemption from principle of recognition in IFRS 3 referencing instead to IAS 37 *Provisions, Contingent Liabilities and Contingent Asset*. IASB expects that this exemption would

stay in IFRS 3 as long as definition of liability in IAS 37 differs from definition in the final version of Conceptual Framework. The Board plans to review a possibility of coordination of definitions in the project on targeted improvements of IAS 37.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

As of January 1, 2022, amendments are introduced into p. 68 of IAS 37 stating that costs of contract include all costs directly related to the contracts:

- (a) additional costs, e.g., direct costs related to labor remuneration and raw materials; and
- (b) allocated costs, directly related to fulfilment of contract, e.g., allocated depreciation charges of an item of fixed assets used to fulfil the contract.

The amendments also explain that an entity must recognize impairment loss, related to assets used in fulfilment of the contract rather than assets allocated to the contract before establishing a separate provision for onerous contract.

Note 5. Cash and cash equivalents

Table 5.1. Cash and cash equivalent

Line	Item	UAH'000	
		31.12.2021	31.12.2020
1	Cash in hand	137 430	110 391
2	Amounts with the National Bank of Ukraine (except for mandatory reserves)	4 603	86 591
3	Correspondent accounts, overnight loans and deposits with other banks:	49 100	176 645
3.1	<i>of Ukraine</i>	22 931	31 618
3.2	<i>of other countries</i>	26 169	145 027
4	NBU deposit certificates	405 089	470 154
5	Total cash	606 589	843 781
6	Allowances for expected credit losses	(831)	(1 223)
7	Total cash and cash equivalents	595 391	842 558

Information in Note 5 and Table 5.1, Line 7 is used for the purposes of the statement of financial position (the balance sheet).

Table 5.2 Changes in allowances for expected credit losses for cash and cash equivalents

Line	Item	UAH'000			
		Stage 1	Stage 2	Stage 3	Total
1	Allowance for ECL as at 01.01.2020	(1 246)	-	-	(1 246)
2	(Increase)/decrease of the allowance during the period	23	-	-	23
3	Allowance for ECL as at the end of the day of 31.12.2020	(1 223)	-	-	(1 223)
4	(Increase)/decrease of the allowance during the period	395	(3)	-	392
5	Allowance for ECL as at the end of the day of 31.12.2021	(828)	(3)	-	(831)

Table 5.3 Analysis of credit quality of cash and cash equivalents as at 31.12.2021

Line	Item	Cash in hand	Amounts with the NBU	Correspondent accounts	NBU deposit certificates	UAH'000
						Total
1	Cash and cash equivalents at first stage of impairment	137 430	4 603	49 019	405 089	596 141
1.1	Cash and cash equivalents without delayed payment	137 430	4 603	49 019	405 089	596 141
2	Cash and cash equivalents at second stage of impairment			81		81
2.1	Cash and cash equivalents without delayed payment			81		81
3	Total cash	137 430	4 603	49 100	405 089	596 141
4	Allowance for ECL	-	-	(831)	-	(831)
5	Total cash less allowance for ECL	137 430	4 603	48 269	405 089	595 391

Table 5.4 Analysis of credit quality of cash and cash equivalents as at 31.12.2020

Line	Item	Cash in hand	Amounts with the NBU	Correspondent accounts	NBU deposit certificates	UAH'000
						Total
1	Cash and cash equivalents at first stage of impairment	110 391	86 591	176 645	470 154	843 781
1.1	Cash and cash equivalents without delayed payment	110 391	86 591	176 645	470 154	843 781
2	Total cash and cash equivalents	110 391	86 591	176 645	470 154	843 781
3	Allowance for ECL	-	-	(1 223)	-	(1 223)
4	Total cash less allowance for ECL	110 391	86 591	175 422	470 154	842 558

Note 6. Loans and due from banks
Table 6.1 Loans and due from banks

Line	Item	UAH'ooo	
		31.12.2021	31.12.2020
1	Loans and due from banks at amortized cost	-	-
2	Total loans and due from banks less allowances for expected credit losses	-	-

Information in Note 6 and Table 6.1, Line 2 is used for the purposes of the statement of financial position (the balance sheet).

Table 6.2 Loans and due from banks measured at amortized cost

		UAH'000	
Line	Item	31.12.2021	31.12.2020
1	Deposits in other banks	-	-
1.1	Short-term	-	-
1.2	Long-term	-	-
2	Allowances for expected credit losses for deposits in other banks	-	-
3	Loans to other banks	-	7 148
3.1	Short-term	-	-
3.2	Long-term	-	7 148
4	Allowances for expected credit losses for loans to other banks	-	(7 148)
5	Total loans and due from other banks measured at amortized cost	-	-

Information of Note 6 and Table 6.2, Line 5 is used for the purposes of the statement of financial position (the balance sheet).

Table 6.3 Change of allowances for expected credit losses of loans and due from banks, measured at amortized cost

						UAH'000
Line	Changes in allowances for expected credit losses	Stage 1	Stage 2	Stage 3	Total	
1	Balance as at 01.01.2020	(826)	-	(17 000)	(17 826)	
2	(Increase)/decrease of the allowance during the period	826	-	9 852	10 678	
3	Balance as at 31.12.2020	-	-	(7 148)	(7 148)	
4	(Increase)/decrease of the allowance during the period	-	-	7 148	7 148	
5	Balance as at 31.12.2021	-	-	-	-	

Table 6.5. Credit quality of due from other banks as at 31.12.2020

				UAH'000	
Line	Item	Stage 3	Total		
1	Loans to other banks	7 148	7 148		
1.1	Defaulted assets	7 148	7 148		
2	Total gross carrying amount of loans to other banks	7 148	7 148		
3	Allowance under loans to other banks	(7 148)	(7 148)		
4	Total loans less allowance	-	-		

Note 7. Loans and advances to customers

Table 7.1 Loans and advances to customers

				UAH'000	
Line	Item	31.12.2021	31.12.2020		
1	Loans and advances to customers measured at amortized cost	1 590 621	1 303 163		
2	Total loans and advances to customers less allowances for expected credit losses	1 590 621	1 303 163		

Information in Note 7 and Table 7.1, Line 2 is used for the purposes of the statement of financial position (the balance sheet).

Table 7.2 Loans and advances to customers measured at amortized cost

Line	Item	UAH'000	
		31.12.2021	31.12.2020
1	Corporate loans	1 746 409	1 674 368
2	Mortgage loans to individuals	11 750	13 959
3	Consumer loans to individuals	151 598	86 791
4	Allowances for expected credit losses	(319 136)	(471 955)
5	Total loans less allowances for expected credit losses	1 590 621	1 303 163

Information in Note 7 and Table 7.2, Line 5 is used for the purposes of the statement of financial position (the balance sheet).

Table 7.3 Analysis of changes in allowances for expected credit losses of loans and advances to customers in 2021

Line	Changes	UAH'000			
		Stage 1	Stage 2	Stage 3	Total
1	Balance as at 01.01.2021	(14 478)	(9 505)	(447 972)	(471 955)
2	(Increase)/decrease of allowances for expected credit losses during the period	(4 852)	(8 157)	(41 024)	(54 033)
3	Recognition of profit/loss through allowances for expected credit losses accounts	-	-	(13 957)	(13 957)
4	Consumption of allowance due to sale of loans	-	-	205 470	205 470
5	Adjustment of interest income measured at amortized cost	-	-	15 528	15 528
6	Transfer to stage 1	(12)	12	-	-
7	Transfer to stage 2	2 419	(2 419)	-	-
	Transfer to stage 3	977	1 877	(2 854)	-
8	Exchange rate differences	(35)	(15)	(139)	(189)
9	Balance as at the end of the day 31.12.2021	(15 981)	(18 207)	(284 948)	(319 136)

Table 7.4 Analysis of changes in allowances for expected credit losses of loans and advances to customers in 2020

Line	Changes	UAH'000			
		Stage 1	Stage 2	Stage 3	Total
1	Balance as at 01.01.2020	(23 474)	(9 166)	(420 793)	(453 433)
2	(Increase)/decrease of allowances for expected credit losses during the period	9 801	(1 161)	(35 439)	(26 799)
3	Recognition of profit/loss through allowances for expected credit losses accounts	-	-	(1 135)	(1 135)
4	Write-off of bad debts	-	-	6 698	6 698
5	Adjustment of interest income measured at amortized cost	-	-	1 168	1 168
6	Transfer to stage 1	(1 022)	1 003	19	-
7	Transfer to stage 2	212	(214)	2	-
8	Exchange rate differences	5	33	1 508	1 546
9	Balance as at the end of the day 31.12.2020	(14 478)	(9 505)	(447 972)	(471 955)

Table 7.5 Analysis of changes in gross carrying amount of loans and advances to customers, measured at amortized cost, in 2021

					UAH'000
Line	Changes	Stage 1	Stage 2	Stage 3	Total
1	Opening gross carrying amount	762 434	536 053	476 631	1 775 118
2	Acquired/initiated financial assets and other changes	821 995	310 485	8 504	1 140 984
3	Derecognized or paid-back financial assets (except for written-off)	(360 378)	(420 537)	(3 373)	(784 288)
4	Transfer to stage 1	44 085	(44 083)	(2)	
5	Transfer to stage 2	(35 727)	35 727		
6	Transfer to stage 3	(5 303)	(6 253)	11 556	
7	Write-off of financial assets			(205 470)	(205 470)
8	Exchange rate differences	(9 933)	(17 420)	(524)	(27 877)
9	Other changes	(9 763)	12 248	8 805	11 290
10	Closing gross carrying amount	1 207 410	406 220	296 127	1 909 757

Table 7.6 Analysis of changes in gross carrying amount of loans and advances to customers, measured at amortized cost, in 2020

					UAH'000
Line	Changes	Stage 1	Stage 2	Stage 3	Total
1	Opening gross carrying amount	331 933	348 186	474 624	1 154 743
2	Acquired/initiated financial assets and other changes	405 452	430 110	2 820	838 382
3	Derecognized or paid-back financial assets (except for written-off)	(160 301)	(100 912)	(6 977)	(268 190)
4	Transfer to stage 1	163 876	(161 189)	(2 687)	-
5	Transfer to stage 2	(13 737)	13 758	(21)	-
6	Transfer to stage 3	(722)	-	722	-
7	Write-off of financial assets	-	-	(6 699)	(6 699)
8	Exchange rate differences	15 632	38 764	4 211	58 607
9	Other changes	20 301	(32 664)	10 638	(1 725)
10	Closing gross carrying amount	762 434	536 053	476 631	1 775 118

Table 7.7 Loan portfolio structure by economic sectors

		31.12.2021		31.12.2020	
Nº	Economic sector	amount	%	amount	%
1	Production and distribution of electricity, gas and water	203 966	10,68 %	141 052	7,95%
2	Real estate transactions, lease, engineering and provision of services	7 958	0,42%	4 959	0,28%
3	Trade, car repairs, domestic appliances and personal appliances	1 289 663	67,53 %	1 148 871	64,72%
4	Agriculture, hunting and forestry	102 018	5,34%	67 880	3,82%
5	Construction	79 127	4,14%	214 451	12,08%

№	Economic sector	31.12.2021		31.12.2020	
		amount	%	amount	%
6	Private security companies	516	0,03%	61	0,01%
7	Landscaping	6 664	0,35%	2 555	0,14%
8	Ore mining	24 999	1,31%	24 366	1,37%
9	Leasing	7 970	0,42%	10 537	0,59%
10	Insurance	991	0,05%	4 996	0,28%
11	Financial market management	12 289	0,64%	40 792	2,30%
12	Provision of financial services, except for insurance and pension plans	7 000	0,37%		
13	Other	3 247	0,17%	13 849	0,78%
14	Individuals	163 348	8,55%	100 749	5,68%
15	Total loans and advances to customers less allowances for expected credit losses	1 909 757	100%	1 775 118	100%

Table 7.8 Loans by the types of collateral as at 31.12.2020

UAH'000					
Line	Changes	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Unsecured loans	61 033		106 860	167 893
2	Loans secured by:	1 685 376	11 750	44 738	1 741 864
2.1	cash deposits	12 211		2 036	14 247
2.2	securities				
2.3	property	111 868	8 691	23 580	144 139
2.3.1	including residential property	10 800	8 691	23 427	42 918
2.4	guarantees and sureties	705 706	3 059	4 351	713 116
2.5	other assets	855 591		14 771	870 362
3	Total loans and advances to customers less allowances for expected credit losses	1 746 409	11 750	151 598	1 909 757

Table 7.9 Loans by the types of collateral as at 31.12.2020

UAH'000					
Line	Changes	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Unsecured loans	19 367	-	39 158	58 525
2	Loans secured by:	1 655 001	13 959	47 633	1 716 593
2.1	cash deposits	10 574	-	10 994	21 568
2.2	securities	14 588	-	-	14 588
2.3	property	98 528	9 094	1 608	109 230
2.3.1	including residential property	23 570	9 047	1 242	33 859
2.4	guarantees and sureties	798 642	4 865	17 886	821 393
2.5	other assets	732 669	-	17 145	749 814
3	Total loans and advances to customers less allowances for expected credit losses	1 674 368	13 959	86 791	1 775 118

Table 7.10 Analysis of credit quality of the loan portfolio as at 31.12.2021

UAH'000					
Line	Changes	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Loans at 1 st stage of impairment:	1 089 077	10 855	107 478	1 207 410
1.1	Not overdue	1 033 073	10 797	101 960	1 145 830
1.2	Overdue up to 31 day	56 004	58	5 516	61 578
1.3	32 to 92 days overdue			2	2
2	Loans at 2 nd stage of impairment:	385 843		20 377	406 220
2.1	Not overdue	366 284		14 274	380 558
2.2	Overdue up to 31 day	19 559		36	19 595
2..3	32 to 92 days overdue			6 067	6 067
3	Loans at 3 rd stage of impairment:	271 489	895	23 743	296 127
3.1	Not overdue	249 315		7	249 322
3.2	Overdue up to 31 day	16 342		9	16 351
3.3	32 to 92 days overdue			126	126
3.4	93 – 183 days overdue			5 654	5 654
3.5	184 to 365 (366) days overdue	5 832	45	7 487	13 364
3.6	over 366 (367) days overdue		850	10 460	11 310
4	Total loans before allowances	1 746 409	11 750	151 598	1 909 757
5	Allowances for expected credit losses	(282 699)	(1 652)	(34 785)	(319 136)
6	Total loans less allowances for expected credit losses	1 463 710	10 098	116 813	1 590 621

Table 7.11 Analysis of credit quality of the loan portfolio as at 31.12.2020

UAH'000					
Line	Changes	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Loans at 1 st stage of impairment:	709 101	2 912	50 421	762 434
1.1	Not overdue	709 101	2 912	47 807	759 820
1.2	Overdue up to 31 day	-	-	2 614	2 614
2	Loans at 2 nd stage of impairment:	511 758	-	24 295	536 053
2.1	Not overdue	511 758	-	23 338	535 096
2.2	Overdue up to 31 day	-	-	25	25
2..3	32 to 92 days overdue	-	-	932	932
3	Loans at 3 rd stage of impairment:	453 509	11 047	12 075	476 631
3.1	Not overdue	255 984		30	256 014
3.2	32 to 92 days overdue	-	722	46	768
3.3	93 – 183 days overdue	-	-	1 681	1 681
34	184 to 365 (366) days overdue	-	48	2 331	2 379

Line	Changes	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
3.5	over 366 (367) days overdue	197 525	10 277	7 987	215 789
4	Total loans before allowances	1 674 368	13 959	86 791	1 775 118
5	Allowances for expected credit losses	(443 594)	(10 231)	(18 130)	(471 955)
6	Total loans less allowances for expected credit losses	1 230 774	3 728	68 661	1 303 163

Table 7.12 Effect of collateral value on the loan quality as at 31.12.2021

Line	Item	Carrying amount	Collateral value	Collateral effect
1	Corporate loans	1 746 409	5 842 218	(4 095 809)
2	Mortgage loans to individuals	11 750	17 483	(5 733)
3	Consumer loans to individuals	151 598	132 555	19 043
4	Total loans	1 909 757	5 992 256	(4 082 499)

Table 7.13 Effect of collateral value on the loan quality as at 31.12.2020

Line	Item	Carrying amount	Collateral value	Collateral effect
1	Corporate loans	1 674 368	5 766 862	(4 092 494)
2	Mortgage loans to individuals	13 959	23 391	(9 432)
3	Consumer loans to individuals	86 791	142 464	(55 673)
4	Total loans	1 775 118	5 932 717	(4 157 599)

Note 8. Investment securities

Table 8.1 Investment securities

Line	Item	31.12.2021	31.12.2020
1	Securities at amortized cost	-	-
2	Securities at fair value through other comprehensive income	1 162 605	154 130
3	Securities at fair value through profit or loss *	17 037	-
4	Total securities	1 179 642	154 130

Information in Note 8 and Table 8.1, Line 4 is used for the purposes of the statement of financial position (the balance sheet).

* These securities were acquired by the Bank through realization of the right of mortgagor; the Bank holds them for less than one year, carrying amount of these securities is not included into calculation of investment ratio.

Table 8.2 Investment securities at fair value through other comprehensive income

		UAH'000	
Line	Item	31.12.2021	31.12.2020
1	Debt securities	1 162 605	154 130
1.1	Government bonds	1 162 605	154 130
2	Shares of entities and other securities with non-fixed income:	-	-
3	Total securities at fair value through other comprehensive income	1 162 605	154 130

As at December 31, 2021, bank portfolio includes shares of UMVB PrJSC of UAH 10 thousand. Fair value of the shares is 0 UAH.

Table 8.3 Investment securities at fair value through profit or loss

		UAH'000	
Line	Item	31.12.2021	31.12.2020
1	Shares of entities and other securities with non-fixed income:	17 037	-
1.1	With fair value set by calculation	17 037	-
2	Total securities at fair value through profit or loss	17 037	-

For the purposes of the statement of cash flows, saving (deposit) certificates issued by the NBU are classified as cash.

Impairment of debt securities issued by NBU and Ministry of Finance of Ukraine is not recognized. These investments are treated as non-risk, allocated to first stage of impairment and are not impaired.

The Bank portfolio does not contain securities used as a pledge under refinancing loan from National Bank of Ukraine as at December 31, 2021.

Bank portfolio does not have securities, used for repo transactions, as at December 31, 2021.

Note 9. Investment property

Table 9.1 Investment property measured at fair value in the reporting period

		UAH'000	
Line	Item	31.12.2021	31.12.2020
1	Fair value of investment property as at the beginning of period	291 186	376 990
2	Acquisitions	-	-
3	Disposals	(96 268)	(79 765)
4	Losses from revaluation to fair value	(6 802)	(6 039)
5	Fair value of investment property as at the end of period	188 116	291 186

Information in Note 9 and Table 9.1, Line 5 is used for the purposes of the statement of financial position (the balance sheet).

All investment properties were acquired by the Bank as a result of collateral foreclosure.

In 2019, one object of investment property was divided into 16 objects, thirteen of which were sold.

Disposal of investment property resulted from its sale.

With respect to investment properties with carrying value of UAH 174 180 thousand, sales agreements with approved payment schedules were signed on 14.11.2017. Prepayments in the amount of UAH 225,5 thousand were received within the framework of these agreements as at 01.01.2021. Along with this, superficies

agreements were signed were signed for the period till the final settlements for these properties and their transfer to the buyers, which envisage a monthly income of UAH 145 thousand, including VAT, and a compensation of the Bank's expenses in the amount of UAH 5,5 thousand, including VAT.

With respect to investment properties with carrying value of UAH 13 935 thousand, sales agreements with approved payment schedules were signed on 30.11.2021. Prepayments in the amount of UAH 1 222,8 thousand were received within the framework of these agreements as at 01.01.2022. Besides, a lease contract was signed for this item until final settlement and transfer to the buyer with monthly income of UAH 2 thousand, including VAT.

B In accordance with the results of valuation of investment property as at 01.11.2021, carried out by appraisers *Antey Realty* LLC (EDRPOU code 34190057) and *Ostriv Consulting Company* LLC (EDRPOU code 38506047), value of two investment property items went up by UAH 134 thousand, while four items were devalued by UAH 6 936 thousand with one of them sold in December.

Table 9.2 Amounts disclosed in the statement of profit and loss and other comprehensive income (statement of financial performance)

№	Income and expenses	UAH'000	
		2021	2020
1	Lease income from investment property	1 841	2 772
2	Direct operating expenses (including repairs and maintenance) from investment property that does not generate lease income	(1 894)	(1 835)

Table 9.3 Future minimum lease payments under non-cancellable operating leases where the Bank is the lessor

Line	Operating lease term	UAH'000	
		31.12.2021	31.12.2020
1	Up to 1 year	1 479	2 251
2	1-5 years	1 827	4 708
3	Total	3 306	6 959

Note 10. Fixed and intangible assets

											UAH'000
Line	Item	Buildings, structures and transmitting equipment	Machines and equipment	Vehicles	Instruments, devices and furniture	Other fixed assets	Right-of- use asset	Other non- current tangible assets	Capital investments into fixed and intangible assets in progress	Intangible assets	Total
1	Carrying amount as at 01.01.2020	86 761	5 073	5 587	635	54	3 913	-	3 557	1 765	107 345
1.1	Historical (revalued) value	115 001	18 736	8 447	4 182	469	5 816	4 219	3 557	6 902	167 329
1.2	Depreciation and amortization opening balance of previous period	(28 240)	(13 663)	(2 860)	(3 547)	(415)	(1 903)	(4 219)	-	(5 137)	(59 984)
2	Acquisition	-	1 167	545	35	-	476	401	1 275	9 024	12 923
3	Disposal	-	(146)	(697)	(275)	(4)	(6)	(105)	(4 075)	(969)	(6 277)
3.1	Write-off of depreciation and amortization	-	146	697	275	4	6	105	-	945	2 178
4	Depreciation and amortization charges	(2 325)	(1 619)	(1 360)	(183)	(20)	(2 087)	(401)	-	(975)	(8 970)
5	Revaluation	23 712					31				23 743
5.1	Historical value	32 205					43				32 248
5.2	Depreciation and amortization	(8 493)					(12)				(8 505)
6	Carrying amount as at 31.12.2020	108 148	4 621	4 772	487	34	2 333	-	757	9 790	130 942
6.1	Historical (revalued) value	147 206	19 757	8 295	3 942	465	6 329	4 515	757	14 957	206 223
6.2	Depreciation and amortization closing balance of the period	(39 058)	(15 136)	(3 523)	(3 455)	(431)	(3 996)	(4 515)		(5 167)	(75 281)
7	Acquisition	1 157	1 446	1 277	83		3 975	825		5 475	14 238
8	Disposal		(561)	(196)	(46)	(4)	(9 501)	(50)	(737)	(406)	(11 501)
8.1	Write-off of depreciation and amortization		561	196	46	4	6 388	50		406	7 651
9	Depreciation and amortization charges	(2 925)	(1 805)	(1 600)	(141)	(9)	(3 160)	(825)		(1 612)	(12 077)
10	Revaluation						7 122				7 122
10.1	Historical value						8 978				8 978
10.2	Depreciation and amortization						(1 856)				(1 856)
11	Carrying amount as at 31.12.2021	106 380	4 262	4 449	429	25	7157	-	20	13 653	136 375
11.1	Historical (revalued) value	148 363	20 642	9 376	3 979	461	9 781	5 290	-	20 026	217 938
11.2	Depreciation and amortization closing balance of the period	(41 983)	16 380	(4 927)	(3 550)	(436)	(2 624)	(5 290)	-	(6 373)	(81 563)

As at December 31, 2020, historical (revalued) value of fully depreciated property and equipment is UAH 20 828 thousand (UAH 20 151 thousand as at 31.12.2020). The Bank has no property and equipment with legally restricted usage and disposal. In 2021, fixed and intangible assets were not pledged.

Buildings are carried at revaluation represented by the fair value net of subsequently accumulated depreciation. As at December 31, 2020, the management obtained evaluations from independent professional appraisers for the purposes of the building's fair valuation. The method used for the fair valuation of buildings includes comparison with the data of recent sales of similar buildings. Principal assumptions relate to the state, quality and location of buildings that were compared. As at December 31, 2021, the carrying amount of buildings, included into financial statements, would have been UAH 18115 thousand, were the building disclosed at purchase price less accumulated depreciation (UAH 18906,00 thousand - 2020).

As at December 31, 2021, the Bank has 13 lease contracts accounted for in accordance with requirements of IFRS 16, for which the Bank recognizes right-of-use assets and lease liabilities, including 7 leases of vehicles and 6 leases of facilities. Purpose of contracts on lease of vehicles was their use by the Bank, while purpose contracts on lease of facilities was placement of branches and departments of the Bank.

As at December 31, 2020, the Bank had 13 lease contracts accounted for in accordance with requirements of IFRS 16, for which the Bank recognizes right-of-use assets and lease liabilities, including 7 leases of vehicles and 6 leases of facilities. Purpose of contracts on lease of vehicles was their use by the Bank, while purpose contracts on lease of facilities was placement of Bank branches, departments and a vehicle/.

Table 10.2 Value of right-of-use assets by types of underlying assets

				UAH'000
Line	Item	Facilities	Vehicles	Total
1	Carrying amount as at 01.01.2020	3 901	12	3 913
1.1	Historical (revalued) value	5 793	23	5 816
1.2	Depreciation - opening balance of previous period	(1 892)	(11)	(1 903)
2	Acquisition	339	137	476
3	Disposal	-	(6)	(6)
3.1	Write-off of depreciation	-	6	6
4	Depreciation charges	(2 042)	(45)	(2 087)
5	Revaluation	12	19	31
5.1	Historical value	24	19	43
5.2	Depreciation	(12)	-	(12)
6	Carrying amount as at 31.12.2020	2 210	123	2 333
6.1	Historical (revalued) value	6 156	173	6 329
6.2	Depreciation - opening balance of previous period	(3 946)	(50)	(3 996)
7	Acquisition	3 975	-	3 975
8	Disposal	(9 494)	(7)	(9 501)
8.1	Write-off of depreciation	6 381	7	6 388
9	Depreciation charges	(3 104)	(56)	(3 160)
10	Revaluation	7 136	(14)	7 122
10.1	Historical value	8969	9	8 978
10.2	Depreciation	(1 833)	(23)	(1 856)
11	Carrying amount as at 31.12.2021	7104	53	7157
11.1	Historical (revalued) value	9 606	175	9 781
11.2	Depreciation - closing balance of the period	(2 502)	(122)	(2 624)

Note 11. Other assets

Table 11.1 Other assets

		UAH'000	
Line	Item	31.12.2021	31.12.2020
1	Other financial assets:	104 712	113 338
1.1	Receivables for transactions with payment cards	26 187	2 848
1.2	Restricted cash	289 230	323 551
1.3	Other financial assets	15 342	2 078
1.4	Allowances for expected credit losses of other financial assets	(226 047)	(215 139)
2	Other assets:	4 529	4 007
2.1	Receivables under asset sale	899	729
2.2	Advances for services	3987	3 371
2.3	Other assets	536	629
2.4	Allowances for impairment of other assets	(893)	(722)
3	Total other assets	109 241	117 345

Information in Note 11 and Table 11.1, Line 3 is used for the purposes of the statement of financial position (the balance sheet).

Other assets of the Bank do not contain significant financing component; so, ECL are recognized during the life of an asset irrespective of asset quality, i.e. analysis of changes in credit risk and determination of impairment stage are not necessary.

Table 11.2 Analysis of changes in loss allowances for expected credit losses for other financial assets

		UAH'000		
Line	Changes	Restricted cash	Other financial assets	Total
1	Balance as at 01.01.2020	(213 356)	(609)	(213 965)
2	(Increase)/decrease of allowances for expected credit losses for other financial assets in 2020	(323)	(851)	(1 174)
3	Balance as at 31.12.2020	(213 679)	(1 460)	(215 139)
4	Increase)/decrease of allowances for expected credit losses for other financial assets in 2021	(7 606)	(3 302)	(10 908)
5	Balance as at 31.12.2021	(221 285)	(4 762)	(226 047)

Table 11.3 Credit quality analysis of other financial assets as at 31.12.2021

		UAH'000			
Line	Item	Receivables for transactions with payment cards	Restricted cash	Other financial assets	Total
1	Neither past due nor impaired	26 187	-	10 367	36 554
2	Individually impaired debt overdue for	-	219 003	4 468	223 471
2.1	less than 31 days	-	-	135	135
2.2	32-92 days	-	-	536	536
2.3	93-183 days	-	-	983	983
2.4	184-365 (366) days	-	-	1 964	1 964
2.5	over 366 (367) days	-	219 003	850	219 853

Line	Item	Receivables for transactions with payment cards	Restricted cash	Other financial assets	Total
3	Individually impaired debt not overdue	-	70 227	507	70 734
4	Total other financial assets before deducting allowance	26 187	289 230	15 342	330 759
5	Allowances for expected credit losses for other financial assets	-	(221 285)	(4 762)	(226 047)
6	Total other financial assets less allowances for expected credit losses	26 187	67 945	10 580	104 712

Table 11.4 Credit quality analysis of other financial assets as at 31.12.2020

Line	Item	Receivables for transactions with payment cards	Restricted cash	Other financial assets	Total
1	Neither past due nor impaired	2 848	-	-	2 848
2	Individually impaired debt overdue for	-	211 855	870	212 725
2.1	less than 31 days	-	-	62	62
2.2	32-92 days	-	-	57	57
2.3	93-183 days	-	-	54	54
2.4	184-365 (366) days	-	-	112	112
2.5	over 366 (367) days	-	211 855	585	212 440
3	Individually impaired debt not overdue	-	111 696	1 208	112 904
4	Total other financial assets before deducting allowance	2 848	323 551	2 078	328 477
5	Allowances for expected credit losses for other financial assets	-	(213 679)	(1 460)	(215 139)
6	Total other financial assets less allowances for expected credit losses	2 848	109 872	618	113 338

Table 11.5 Changes of allowance for impairment of other assets

Line	Changes in allowance	Receivables under acquisition of assets	Prepayment for services
1	Balance as at 01.01.2020	-	(484)
2	Decrease/increase of allowance during the period	(361)	123
3	Balance as at 31.12.2020	(361)	(361)
2	Decrease/increase of allowance during the period	(84)	(87)
3	Balance as at 31.12.2021	(445)	(448)

Note 12. Due to banks

Table 12.1 Due to banks

Line	Item	UAH'000	
		31.12.2021	31.12.2020
1	Due to National Bank of Ukraine	-	150 000
2	Total due to banks	-	150 000

Information in Note 12 and Table 12.1, line 2 is used for the purposes of the statement of financial position (the balance sheet).

The Bank pledged the following pool of assets to National Bank of Ukraine as collateral:

- Government bond ДОУ UA4000204069 – UAH 14 507 550,00
- Government bond ДОУ UA4000207898 – UAH 42 886 665,00
- Government bond ДОУ UA4000213219 – UAH 48 901 500,00
- Foreign currency - USD 1 965 000,00 placed by the Bank in National Bank of Ukraine as interest-free guarantee deposit.

Note 13. Due to customers

Table 13.1 Amounts due to customers

Line	Item	UAH'000	
		31.12.2021	31.12.2020
1	Other legal entities	1 625 206	921 251
1.1	Current accounts	1280 988	575 422
1.2	Term deposits	344 218	345 829
2	Individuals	1 413 083	1 172 849
2.1	Current accounts	953 751	719 151
2.2	Term deposits	459 332	453 698
3	Total amounts due to customers	3 038 289	2 094 100

Information in Note 13, table 13.1, line 4 is used for the purposes of the statement of financial position (the balance sheet).

Table 13.2 Amounts due to customers by economic sectors

Line	Economic sector	UAH'000			
		31.12.2021		31.12.2020	
1	Public sector	-	-	-	-
2	Production and distribution of electricity, gas and water			193 663	9,25%
3	Real estate transactions, lease, engineering and provision of services	123 596	4,07%	27 842	1,33%
4	Public sector	181 768	5,98%	140 921	6,73%
5	Production and distribution of electricity, gas and water	7 614	0,25%	15 083	0,72%
6	Real estate transactions, lease, engineering and provision of services	1 373 626	45,21%	1 198 450	57,23%
7	Public sector	1 351 685	44,49%	518 141	24,74%
	Production of chemicals	6 878	0,23%	57 390	2,74%
	Architecture and engineering; testing and research. R&D. Advertising and market studies. Other professional, research and technical activities	26 572	0,87%	9 336	0,45%

Line	Economic sector	31.12.2021		31.12.2020	
	Construction of buildings and facilities, specialized construction	75 807	2,49%	113 403	5,41%
	Financial services, insurance, related financial services and insurance	402 255	13,24%	196 296	9,37%
	Production of machinery and equipment	34 373	1,13%	44 979	2,15%
	Power, gas, steam and conditioned air supply	595 021	19,58%		
	Law and accounting	6 611	0,22%	7 055	0,34%
	Soft drinks, textiles, production of dress, hide processing, production of goods from leather and other materials			1 981	0,09%
	Warehousing and auxiliary transportation-related services	14 990	0,49%	5 136	0,25%
	Software development, consulting and related activities	23 909	0,79%	20 272	0,97%
	Administrative and auxiliary office services, other auxiliary services	13 001	0,43%	7 398	0,35%
8	Total due to customers	3 038 289	100%	2 094 100	100%

Note 14 Provisions for liabilities

Table 14.1 Changes in provisions for liabilities in 2021

Line	Changes	Liabilities of credit nature	Total
1	Balance as at January 1, 2021	3 297	3 297
2	Provision	3 001	3 001
3	Commission fee received under guarantees issued	(3 914)	(3 914)
4	Amortization of commission fee under guarantees issued, disclosed in Profit and Loss and Other Comprehensive Income Statement	3 914	3 914
5	Balance as at December 31, 2021	6 298	6 298

Information in Note 14, table 14.1, line 5 is used for the purposes of the statement of financial position (the balance sheet).

Table 14.2 Changes in provisions for liabilities in 2020

Line	Changes	Liabilities of credit nature	Total
1	Balance as at January 1, 2020	522	522
2	Provision	2 775	2 775
3	Commission fee received under guarantees issued	2 020	2 020
4	Amortization of commission fee under guarantees issued, disclosed in Profit and Loss and Other Comprehensive Income Statement	(2 020)	(2 020)
5	Balance as at December 31, 2020	3 297	3 297

Information in Note 14, table 14.2, line 5 is used for the purposes of the statement of financial position (the balance sheet).

Note 15. Other liabilities

UAH'000

Line	Item	31.12.2021	31.12.2020
1	Other financial liabilities	18 139	8 274
1.1	Lessee liabilities*	7 467	2 477
1.2	Payables under pay-cards transactions	7 462	4 868
1.3	Other financial liabilities	3 210	929
1.4	Derivative financial liabilities in trade portfolio	-	-
2	Other liabilities	20 174	14 541
2.1	Payables under taxes and dues, except for corporate income tax	940	883
2.2	Payables under due to Deposit Guarantee Fund	2 490	2 076
2.3	Payables to Bank employees	7 494	6 823
2.4	Payables under asset purchase/sales	1 495	552
2.5	Deferred income	7 430	4 202
2.6	Other payables	325	5
3	Total other liabilities	38 313	22 815

Information in Note 15, line 3 is used for the purposes of the statement of financial position (the balance sheet).

* Disclosure of lease-related liabilities by maturity:

				UAH'000
Line	Item	31.12.2021	31.12.2020	
1	Up to 1 year	5 579	2 204	
2	1 - 5 years	1 888	273	
3	Over 5 years	-	-	
4	Total lease-related liabilities	7 467	2 477	

Interest expenses under lease-related liabilities are disclosed in the Note 19 to the financial statements, being equal to UAH 432 thousand.

Expenses, related to lease of low-value assets, are presented in Table 22.3 of Note 22, being equal to UAH 209 thousand.

Income of UAH 41 thousand from lease modification is disclosed as a component of other income in Note 19.

Expenses of UAH 97 thousand from lease modification are disclosed in Note 22.3.

The Bank does not have short-term lease contracts.

There were no lease concessions caused by COVID-19 pandemics, in 2020 and 2021.

Note 16. Share capital and share premium

					UAH'000
Line	Item	Shares outstanding (thousands)	Ordinary shares (UAH thousands)	Total	
1	Opening balance as at 01.01.2020	48,173	510 393	510 393	
2	Closing balance as at 31.12.2020 (opening balance of reporting period)	48,173	510 393	510 393	
3	Closing balance as at 31.12.2021	48,173	510 393	510 393	

Information in Note 16, Line 3 is used for the purposes of the statement of financial position (the balance sheet) and the statement of changes in equity.

- a) no shares declared for issue;
- b) no shares issued and paid or issued and partially paid;

- c) face value of a share as at 01.01.2020 is UAH 10,595.00 (ten thousand five hundred and ninety-five);
- d) face value of a share as at 31.12.2020 is UAH 10,595.00 (ten thousand five hundred and ninety-five);
- e) face value of a share as at 31.12.2021 is UAH 10,595.00 (ten thousand five hundred and ninety-five);
- f) all shareholders of the Bank have the same rights and privileges, and there are no restrictions;
- g) there are no shares reserved for issue under options and sale contracts

Profit from the Bank's operations in 2020 in the amount of UAH 40 179 thousand was used to cover losses of previous periods.

Note 17. Changes of revaluation reserves (components of other comprehensive income)

Line	Item	2021	UAH'000 2020
1	Opening balance	83 103	64 165
2	Revaluation of investment debt securities disclosed at fair value through other comprehensive income	183	(616)
2.1	Revaluation to fair value	183	(616)
2.2	Sales income (expenses), reclassified into profit or loss in the reporting period	-	-
3	Revaluation of fixed and intangible assets	-	23 712
3.1	Revaluation to fair value	-	23 712
4.	Income tax, related to:	(33)	(4 158)
4.1	Change of reserve for investment debt securities, disclosed at fair value through other comprehensive income	(33)	110
4.2	Change of reserve for revaluation of fixed and intangible assets	-	(4 268)
5	Total changes in revaluation reserves (other comprehensive income) less income tax	150	18 938
6	Total revaluation reserves (other comprehensive income) less income tax	83 253	83 103

Information in Note 17, Line 6 is used for the purposes of the statement of financial position (the balance sheet).

Note 18. Assets and liabilities by maturities

Line	Item	Note	31.12.2021		Total	31.12.2020		Total
			< 12 months	> 12 months		< 12 months	> 12 months	
ASSETS								
1	Cash and cash equivalent	5	595 391	-	595 391	841 410	1 148	842 558
2	Loans and due from banks	6	-	-	-	-	-	-
3	Loans and advances to customers	7	1 496 720	93 901	1 590 621	1 250 172	52 991	1 303 163
4	Investment debt securities, disclosed at fair value through other comprehensive income	8	1 162 605	-	1 162 605	154 130	-	154 130

Line	Item	Note	31.12.2021			31.12.2020		
			< 12 months	> 12 months	Total	< 12 months	> 12 months	Total
5	Investment debt securities, disclosed at fair value through profit or loss	8	17 037	-	17 037	-	-	-
6	Investment property	9	-	188 116	188 116	-	291 186	291 186
7	Current income tax receivables		11 073	-	11 073	11 073	-	11 073
8	Deferred tax assets	22	12 960	-	12 960	-	40 063	40 063
9	Fixed and intangible assets	10	-	129 218	129 218	-	128 609	128 609
10	Right of use assets	10	7 157	-	7 157	-	2 333	2 333
11	Other financial assets	11	36 680	68 032	104 712	109 432	3 906	113 338
12	Other assets	11	4 529	-	4 529	4 007	-	4 007
13	Total assets		3 344 152	479 267	3 823 419	2 370 224	520 236	2 890 460
LIABILITIES								
14	Due to banks	12				150 000	-	150 000
15	Due to customers	13	3 020 834	17 455	3 038 289	2 066 516	27 584	2 094 100
16	Provisions for liabilities	14	6 270	28	6 298	3 297	-	3 297
17	Other financial liabilities	15	17 039	1 100	18 139	8 274	-	8 274
18	Other liabilities	15	18 726	1 448	20 174	7 858	6 683	14 541
19	Total liabilities		3 062 869	20 031	3 082 900	2 235 945	34 267	2 270 212

Note 19. Interest income and expenses

Line	Item	2021	2020
UAH'000			
Interest income on financial assets at amortized cost			
1	Loans and advances to customers	224 588	158 985
2	Debt securities measured at amortized cost	66 079	3 912
3	Due from other banks	396	2 788
4	Correspondent accounts with other banks	13	122
5	Interest income under impaired financial assets	11 610	11 612
6	Total interest income for financial assets, disclosed at amortized cost	302 686	177 419
Interest income on financial assets measured at fair value through other comprehensive income			
7	Debt securities disclosed at fair value through other comprehensive income	19 635	29 067
8	Total interest income for financial assets, disclosed at fair value through other comprehensive income	19 635	29 067
9	Total interest income	322 321	206 486
Interest expense on financial liabilities at amortized cost			
10	Corporate term deposits	(10 431)	(10 142)
11	Debt securities in issue		
12	Lease-related liabilities	(432)	(467)
13	Term deposits of individuals	(23 968)	(25 631)

Line	Item	2021	2020
14	Term deposits of other banks	(1 392)	(1 673)
15	Current accounts	(69 360)	(33 161)
16	Total interest expense	(105 583)	(71 074)
17	Net interest income	216 738	135 412

Information in Note 19, lines 9 and 16, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 20. Commission income and expenses

Line	Item	2021	2020
UAH'000			
Commission income			
1	Settlement and cash transactions	78 401	56 345
2	Collection	79	92
3	Securities transactions	2 177	2 122
4	Other	19 757	13 210
5	Fiduciary management transactions	20	24
6	Guarantees issued	17 860	6 079
7	Total fee and commission income	118 294	77 872
Commission expense			
8	Settlement and cash transactions	(14 615)	(11 622)
9	Other	(2 948)	(1 348)
10	Total fee and commission expense	(17 563)	(12 970)
11	Net fee and commission income	100 731	64 902

Information in Note 20, Lines 7 and 10, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 21. Other operating income

Line	Item	2021	2020
UAH'000			
1	Operational lease income	4 378	4 842
2	Sub-lease income	-	14
3	Gain on disposal of property, equipment and intangible assets	101	248
4	Other*	1 781	254
5	Total operating income	6 260	5 358

Information in Note 21, Line 5, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

* Details of line 4 for the reporting period:

Item no.	Account	2021
1	Penalties and fines received by the Bank	7
2	Income from compensation of refund value of keys	23
3	Income from making entries to and obtaining extracts from the State Registry on Encumbrances of Movable Property	52
4	Fee for attraction of customers and clients	62
5	Overpaid loans	401
6	Compensation of litigation costs	298
7	Return of advance payment for court enforcement action	4
8	Income from derecognition of financial liabilities	841
9	Income from lease modification	41
10	Other	52
11	Total:	1 781

* Details of line 4 for the previous period:

Item no.	Account	2020
1	Penalties and fines received by the Bank	13
2	Income from compensation of refund value of keys	10
3	Income from making entries to and obtaining extracts from the State Registry on Encumbrances of Movable Property	43
4	Income from compensation of utilities cost	3
5	Fee for attraction of customers and clients	18
6	Income from payment card transactions after the protest term expiry	25
7	Sale of land plots	101
8	Return of advance payment for court enforcement action	8
9	Other	33
10	Total:	254

Note 22. Administrative and other operating expenses

Table 22.1 Expenses and payments to employees

Line	Item	UAH'000	
		2021	2020
1	Salaries and bonuses	(90 936)	(74 024)
2	Payroll charges	(18 196)	(14 553)
3	Other payments to employees	(554)	(669)
4	Total personnel costs	(109 686)	(89 246)

Information in Table 22.1, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 22.2 Depreciation and amortization charges

Line	Item	UAH'000	
		2021	2020
1	Depreciation of fixed assets	(7 305)	(5 908)
2	Amortization of software and intangible assets	(1 612)	(975)
3	Depreciation of the right-of-use	(3 160)	(2 087)
4	Total depreciation and amortization charges	(12 077)	(8 970)

Information in Table 22.2, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 22.3 Other administrative and operating expenses

Line	Item	UAH'000	
		2021	2020
1	Cost of maintenance of fixed and intangible assets, telecommunications and other related services	(38 695)	(27 910)
2	Operating lease expenses	(209)	(177)
3	Other fixed-assets related expenses	(97)	
4	Professional services	(977)	(625)
5	Marketing and promotion	(2 048)	(2 325)
6	Insurance expenses	(6 943)	(5 664)
7	Other taxes and dues, excluding income tax	(10 363)	(8 136)
8	Other*	(13 155)	(6 978)
9	Total administrative and other operating expenses	(72 487)	(51 815)

Information in Table 22.3, line 9, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

* Details of line 8 for the reporting period:

Item no.	Account	2021
1	Cost of collection and transportation of cash	(224)
2	Cost of consulting services	(157)
3	Fines and penalties paid	(171)
4	Travel expenses	(49)
5	Entertainment expenses	(815)
6	Sponsorship and charity	(246)
7	Legal costs	(123)
8	Information services	(676)
9	Membership dues	(302)
10	Depository services	(403)
11	Cost of customers' hunting services	(5 631)
12	Head hunting costs	(1 187)
13	Other	(3 171)
14	Total:	(13 155)

* Details of line 8 for the previous:

Item no.	Account	2020
1	Cost of collection and transportation of cash	(221)
2	Cost of consulting services	(1 345)
3	Fines and penalties paid	(9)
4	Travel expenses	(39)
5	Entertainment expenses	(583)
6	Legal costs	(62)
7	Cost of IT security testing	(384)
8	Membership dues	(199)
9	Depository services	(399)
10	Cost of search of buyers for a property object	(2 043)
11	Cost of transaction's settlements	(286)
12	Head hunting costs	(281)
13	Other	(1 127)
14	Total:	(6 978)

Note 23. Income tax expense

Table 23.1. Income tax expenses

Line	Item	2021	2020
1	Current income tax	-	-
2	Changes of deferred income tax	(27 070)	(9 050)
3	Total income tax expenses	(27 070)	(9 050)

Information in Note 23, line 3, is used for the purpose of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 23.2. Reconciliation of accounting profit (loss) and taxable profit (loss)

Line	Item	2021	2020
1	Profit before income tax	147 191	49 229
2	Theoretical tax charge at the applicable statutory rate	(26 494)	(8 861)
3	Adjustments of accounting profit (loss) Non-deductible expenses recognized in statutory accounting (to be specified)	(805)	(594)

Line	Item	2021	2020
3.1	Adjustment of provision	(540)	(499)
3.2	Non-deductible depreciation and amortization	(233)	(95)
3.3	Fines and penalties	(32)	
4	Deductible expenses not recognized in accounting (to be specified)	229	405
4.1	Partial 2019 loss carry forward to decrease 2020 results	-	405
4.2	Partial 2020 loss carry forward to decrease 2021 results	229	-
5	Other adjustments		-
6	Income tax expenses	(27 070)	(9 050)

Table 23.3 Tax implications of deferred tax asset and deferred tax liability recognized in 2021

UAH'000

Line	Item	Balance as at 01.01.2021	Recognized in profit/loss	Recognized in other comprehensive income	Balance as at 31.12.2021
1	Tax implications of temporary differences that reduce (increase) taxation and tax losses carried forward	40 063	(27 070)	(33)	12 960
1.1	Fixed assets	(7 186)	197	-	(6 989)
1.2	Tax loss carry forward	47 252	(27 267)	-	19 985
1.3	Securities revaluation	(3)		(33)	(36)
2.	Net deferred tax assets (liabilities)	40 063	(27 070)	(33)	12 960
3.	Deferred tax assets recognized	47 252	(27 267)	-	19 985
4.	Deferred tax liabilities recognized	(7 189)	197	(33)	(7 025)

Table 23.4 Tax implications of deferred tax asset and deferred tax liability recognition in 2020

UAH'000

Line	Item	Balance as at 01.01.2020	Recognized in profit/loss	Recognized in other comprehensive income	Balance as at 31.12.2020
1	Tax implications of temporary differences that reduce (increase) taxation and tax losses carried forward	53 271	(9 050)	(4 158)	40 063
1.1	Fixed assets	(3 323)	405	(4 268)	(7 186)
1.2	Tax loss carry forward	56 707	(9 455)	-	47 252
1.3	Securities revaluation	(113)		110	(3)
2.	Net deferred tax assets (liabilities)	53 271	(9 050)	(4 158)	40 063
3.	Deferred tax assets recognized	56 707	(9 455)	-	47 252
4.	Deferred tax liabilities recognized	(3 436)	405	(4 158)	(7 189)

Note 24. Earnings per share

		UAH'000	
Line	Item	2021	2020
1	Profit/(loss) that attributable to ordinary equity holders of the Bank	120 121	40 179
2	Profit/(loss) for the year	120 121	40 179
3	Weighted average number of ordinary shares outstanding during the period (thousands)	48,173	48,173
4	Net basic and diluted earnings per share, UAH	2 493,53	834,04

Information in Note 24, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 25. Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (the Board of the Bank), and for which discrete financial information is available.

The Bank identified four operational segments for management purposes:

- **Corporate customers:** crediting, deposit and current account services to corporate customers;
- **Bank at work customers** – servicing of deposits, crediting, servicing of pay cards cash transfers and cash and settlement services for individuals and small and medium-sized entities;
- **Private Banking customers** – crediting, deposit and current account services to wealthy customers;
- **Centralized, treasury transactions and unallocated items:** this segment includes trade in financial instruments, capital market transactions, transactions in foreign currencies and with banknotes, correspondent relations with the NBU and other banks, property and equipment, deferred tax assets, prepayments, accounts receivable and payable related to the business and administrative operations.

Centralized, treasury transactions and unallocated items: this segment includes trade in financial instruments, capital market transactions, transactions in foreign currencies and with banknotes, correspondent relations with the NBU and other banks, property and equipment, deferred tax assets, prepayments, accounts receivable and payable related to the business and administrative operations.

Administrative and other operating expenses for each segment include direct costs of this segment and indirect costs allocated. For the purposes of management decisions, the results of the segments are assessed using various performance indicators, including profit before tax.

Management monitors the performance of each segment to make managerial decisions on the allocation of resources and to assess its operating results. Management inspects financial information regarding each operational segment, including assessment of operating results, assets and liabilities.

The Bank has no revenue from a single customer that comprises more than 10% of its total revenue.

The Bank changed the format of presentation of management reporting.

For management reporting the Bank uses internal reporting data, reviewed by Bank decision makers. These data differ from those presented in the statement of profit and loss and other comprehensive income.

Table 25.1 Income, expense and financial results of reporting segments in 2021

Line	Item	Corporate business	Reporting segments			Total
			Private Banking	Bank at work	Centralized, treasury transactions and unallocated items	
						UAH'000
1	Net interest income	104 142	31 388	48 925	33 468	217 923
2	Interest income	192 617	10 093	35 214	85 150	323 074
	Transferred income	85 831	56 016	42 042	205 805	389 694
3	Interest expense	(60 184)	(27 950)	(15 625)	(1 392)	(105 151)
	Transferred expense	(114 122)	(6 771)	(12 706)	(256 095)	(389 694)
4	Net commission income	49 297	28 374	35 868	(3 779)	109 760
5	Commission income	49 298	30 497	37 867	521	118 183
6	Commission expenses	(1)	(2 123)	(1 999)	(4300)	(8 423)
7	Trading	(221)	7 363	748	8 734	16 624
8	Other operating income	945	1 799	1 032	2 467	6 243
9	Other income	294	9	753	152	1 208
10	Operating income	154 457	68 933	87 326	41 042	351 758
11	Other operation expenses and general administrative expenses	(47 829)	(46 999)	(57 853)	(59 871)	(212 552)
12	Operating income of segments	106 628	21 934	29 473	(18 829)	139 206
13	Allocation to allowances	28 144	3 440	(22 868)	23	8 739
14	Adjustment of impairment of loans	(675)	(55)	(997)	973	(754)
15	Income/(loss) before taxes	134 097	25 319	5 608	(17 833)	147 191
16	Income tax				(27 070)	(27 070)
17	Income after taxes	134 097	25 319	5 608	(44 903)	120 121

Table 25.2 Assets and liabilities of reporting segments as at 31.12.2021

Line	Item	Corporate business	Reporting segments			Total
			Private Banking	Bank at work	Centralized, treasury transactions and unallocated items	
						UAH'000
1	Segment assets	1 429 094	53 973	124 830	2 215 521	3 823 419
2	Total assets	1 429 094	53 973	124 830	2 215 521	3 823 419
3	Segment liabilities	1 369 967	1 112 333	565 628	34 972	3 082 900
4	Total liabilities	1 369 967	1 112 333	565 628	34 972	3 082 900
5	Capital investments	-	-	-	14 238	14 238
6	Depreciation and amortization	-	-	-	(12 077)	(12 077)

Table 25.3 Income, expense and financial results of reporting segments in 2020

Line	Item	Corporate business	Reporting segments			Centralized, treasury transactions and unallocated items	Total
			Private Banking	Bank at work			
							UAH'000
1	Net interest income	48 260	25 003	22 785	39 814	135 862	
2	Interest income	148 716	13 333	8 530	35 889	206 468	
	Transferred income	55 246	43 169	33 091	160 260	291 766	
3	Interest expense	(32 804)	(22 034)	(14 095)	(1 673)	(70 606)	
	Transferred expense	(122 898)	(9 465)	(4 741)	(154 662)	(291 766)	
4	Net commission income	27 684	18 591	28 781	(3 659)	71 397	
5	Commission income	27 684	19 858	30 078	196	77 816	
6	Commisssion expenses	-	(1 267)	(1 297)	(3 855)	(6 419)	
7	Trading	-	4 329	375	11 117	15 821	
8	Other operating income	113	1 557	505	6 367	8 542	
9	Other income	-	6	130	431	567	
10	Operating income	76 057	49 486	52 576	54 070	232 189	
11	Other operation expenses and general administrative expenses	(36 610)	(38 591)	(35 130)	(53 592)	(163 923)	
12	Operating income of segments	39 447	10 894	17 446	477	68 266	
13	Allocation to allowances	(16 826)	(7 623)	(4 653)	10 048	(19 054)	
14	Adjustment of impairment of loans	259	(54)	(188)	-	17	
15	Income/(loss) before taxes	22 880	3 218	12 605	10 526	49 229	
16	Income tax				(9 050)	(9 050)	
17	Income after taxes	22 880	3 218	12 605	1 476	40 179	

Table 25.4 Assets and liabilities of reporting segments as at 31.12.2020

Line	Item	Corporate business	Reporting segments			Centralized, treasury transactions and unallocated items	Total
			Private Banking	Bank at work			
1	Segment assets	1 187 850	71 129	44 802	1 586 679	2 890 460	
2	Total assets	1 187 850	71 129	44 802	1 586 679	2 890 460	
3	Segment liabilities	783 120	905 732	407 226	174 134	2 270 212	
4	Total liabilities	783 120	905 732	407 226	174 134	2 270 212	
5	Capital investments				12 923	12 923	
6	Depreciation and amortization				(8 970)	(8 970)	

Note 26. Financial risk management

Credit risk

Credit risk is assessed at two levels: at the individual level, i.e. at the level of a particular borrower, and at the portfolio level based on a total debt of the Bank for transactions with inherent credit risk. The main credit risk management procedures include detection, identification, assessment (including the assessment of the capital adequacy to cover credit risk), monitoring, provisioning, setting limits, diversification, control and development of preventive measures. The Bank manages the customer risk as:

- pre-settlement risk, as it changes depending on changes of fair value of an instrument, creating this risk for the Bank;
- settlement risk.

The Bank manages pre-settlement risk by establishment of limits for a counterpart and their control, and development of procedures in case of default of a counterpart under the contract. The Bank reduced pre-settlement risk by:

- implementation of safety margin;
- receipt of counterpart's collateral for the amount of possible pre-settlement risk;
- inclusion of provisions into a contract regarding the right of the Bank to unilateral pre-term termination of a contract without fines or penalties in case of inadequate collateral compared to pre-settlement risk;
- entering into contract on netting of counterclaims.

To evade settlement risk, the Bank has a right to enter into contracts under the terms of prepayments or advance supply by a counterpart, or supply against payment to central counterpart.

Quantitative parameters for identification and controlling of credit risks are:

- maximum credit risk exposure per counterparty limit (H7);
- large credit risks limit (H8);
- limit of maximum credit risk exposure in related party transactions (H9);
- non-performing assets (net of allowances for impairment) to total assets ratio;
- loan loss allowances due from customers ratio.

As at 31.12.2021, the Bank complied with prudential requirements of NBU regarding credit risks (H7, H8, H9 limits are complied with).

The Bank uses the following quantitative indices of risk appetite to credit risk:

- maximum growth of credit portfolio in present of its size as at the beginning of the year;
- maximal debt of a single debtor / group of related counterparts as percent of total loan portfolio and share capital of the Bank;
- maximal scope of industry and geographic concentration of loan portfolio as percent of total loan portfolio;
- maximal scope of credit products portfolio as percent of total loan portfolio;
- maximal scope of non-performing assets as percent of respective loan portfolio.

The bank sets the credit risk limits regarding:

- powers of Credit committee of the Bank on approval of credit decisions for loan portfolio in general and for a single debtor or group of related counterparts;
- single debtors and groups of related counterparts;
- risk of concentration (maximal debt) per single debtor or group of related counterparts, debtors of common type of business and debtors of same geographical region;
- risk of a counterpart by each one;
- maximal scope of pledged assets, which may be collected by the bank, if the bank realizes its rights as holder of pledge.

When approving decision on crediting, the bank analyses information and assesses the risk, taking into account the following factors:

- purpose of loan and sources of repayment;
- credit history and current solvency of a debtor, based on financial trends of previous periods and forecast of cash flows for different scenarios;
- viability of business model of a debtor – legal entity, private entrepreneur and availability of their competence and resources for its implementation;
- behavioral model of debtors – natural persons (applicational, behavioral scoring);
- practical business experience of a debtor, situation in the industry where the debtor operates, debtor's position, markets for sales of products / services, produced or offered by debtor, and debtor's competitiveness;
- acceptability and adequacy of pledge, possibility to sell it;
- additional terms of a loan contract, aimed at limitation of credit risk growth in future;
- assumptions on the size of loan allowances to be established for ECL and scope of credit risk as at the moment of issuance of credit;
- debtor's reputation and ability / readiness to undertake legal obligations and cooperate with the bank regarding any matter that may arise during the crediting period;
- structure of group of related counterparts, credit history and current solvency of these counterparts;
- decisions of persons, controlling the legal entity, on getting a credit, their powers as to making such decision;
- soundness and adequacy of legal position of the bank regarding terms of a loan contract, pledge / collateral contracts to provide for proper cooperation with debtors / counterparts / pledgers.

The bank has a low risk appetite regarding credit risks, applies conservative approach to credit risk management and uses credit practices, ensuring high probability that loans will be repaid.

Market (currency) risk

Market risk is the probability of losses or additional costs, or receipt of less than planned revenues resulting from unfavorable exchange rates, interest rates, value of financial instruments. The bank evades risks inherent to trade book instruments (zero risk appetite of default risk, interest risk of trade book, risk of credit spread, risk of volatility, stock market and commodity risk), and does not enter into transactions with trade book financial instruments, including those with securities, which meet the below criteria:

- no legal limitations on sale or full hedging;
- daily fair value revaluation through profit / loss;
- keeping the financial instruments in trade book for resale within the short term, gains from short-term price fluctuations; fixing of arbitrary income or hedging of risks of keeping the instruments for the above purpose.

The bank manages, as part of market risks, the foreign currency risk (existing or potential risk for receipts and equity, created by unfavorable exchange rate fluctuations and prices of bank metals) for instruments in the bank book, and does not design policies and procedures to manage market risks, inherent to trade book instruments (risk of default, interest risk of trade book, risk of credit spread, risk of volatility, stock market and commodity risk).

Foreign currency risk management is the process of control over foreign-currency transactions of the bank with simultaneous control over open foreign currency positions, taking into account hedging of foreign currency risk. The Bank applies the following to assess and measure foreign currency risk:

- analysis of compliance with limits for open currency position, set by NBU;
- analysis of compliance with internal limits of foreign currency risk;

- analysis of situation on currency and cash markets to assess the risk of probable change of exchange rates and its effect on the bank results;
- VaR method with probability of not less than 99% and size of statistical sample of not less than 250 observations during the period not less than one calendar year;
- Stress testing of foreign currency risk

The Bank sets the following limits for foreign currency risk:

- Maximal Value-at-Risk (VaR) or maximal Expected Shortfall during 10 business days as of the date of settlement with probability not less than 99% (if currency positions are kept at the factual level as at the beginning of a business day when settlement takes place);
- Scope of open currency positions in meaningful currencies as percent of bank capital (meaningful currency is a currency, composing more than five percent of Bank liabilities as at the date of analysis).

The Bank uses one of the following methods or their combination to assess influence of foreign currency risk sources at its level: analysis of sensitivity of assets portfolio to change of risk factors; analysis of scenarios; reversed stress testing.

Table 26.1. Foreign currency risk analysis

Line	Currency	Reporting period				Previous period				UAH'000
		31.12.2021				31.12.2020				
		Monetary assets	Monetary liabilities	Derivatives	Net position	Monetary assets	Monetary liabilities	Derivatives	Net position	
1	US dollars	821 865	811 983	-	9 882	716 484	701 063	-	15 419	
2	Euro	290 233	295 235	-	(5 002)	290 821	307 850	-	(17 029)	
3	GBPs	7 724	8 311	-	(587)	2 571	2 375	-	197	
4	Other	4 350	4 912	-	(562)	6 128	6 549	-	(421)	
5	Total	1 124 172	1 120 441	-	3 731	1 016 004	1 017 837	-	(1 834)	

Table 26.2. Change of profit and loss and equity resulting from possible changes in the official exchange rate of UAH against foreign currencies set at the reporting date, all other variables being fixed

Item	As at the reporting date		As at the reporting date		UAH'000
	31.12.2021		31.12.2020		
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity	
Appreciation of USD by 40%	3 953	3 953	6 168	6 168	
Depreciation of USD by 40%	(3 953)	(3 953)	(6 168)	(6 168)	
Appreciation of EUR by 40%	(2 001)	(2 001)	(6 812)	(6 812)	
Depreciation of EUR by 40%	2 001	2 001	6 812	6 812	
Appreciation of GBP by 40%	(235)	(235)	79	79	
Depreciation of GBP by 40%	235	235	(79)	(79)	
Appreciation of other currencies and banking metals	(225)	(225)	(168)	(168)	
Depreciation of other currencies and banking metals	225	225	168	168	

When measuring foreign currency risk, the bank uses reasonable, complete and documented assumptions,

complying with its business plan, historical market and Bank own statistics. The bank assesses risk appetite to foreign currency risk as low.

Table 26.3 Analysis of financial assets and liabilities by currencies in 2021

Line	Item	UAH	EUR	USD	UAH'000 Other
Assets					
1	Cash and cash equivalents	461 704	53 077	68 536	12 074
2	Securities	867 519	99 041	213 082	-
3	Due from banks	-	-	-	-
4	Loans and advances to customers:	980 240	119 648	490 733	0
4.1	Individuals	126 868	0	44	0
4.2	Corporate	853 372	119 648	490 689	0
5	Other financial assets	36 731	18 467	49 514	-
6	Total financial assets	2 346 194	290 233	821 865	12 074
Liabilities					
7	Due to banks	-	-	-	-
8	Due to customers:	1 917 848	295 235	811 983	13 223
8.1	Individuals	657 471	215 360	530 871	11 826
8.2	Corporate	1 260 377	79 875	281 113	1 396
9	Other financial liabilities	18 139	-	-	-
10	Total financial liabilities	1 935 987	295 235	811 983	13 223

Table 26.4 Analysis of financial assets and liabilities by currencies in 2020

Line	Item	UAH	EUR	USD	UAH'000 Other
Assets					
1	Cash and cash equivalents	603 056	44 126	186 676	8 700
2	Securities	49 207	10 716	94 207	-
3	Due from banks	-	-	-	-
4	Loans and advances to customers:	741 772	192 612	368 779	0
4.1	Individuals	70 557	0	1 832	0
4.2	Corporate	671 215	192 612	366 947	0
5	Other financial assets	3 150	43 368	66 820	-
6	Total financial assets	1 397 185	290 822	716 482	8 700
Liabilities					
7	Due to banks	150 000	-	-	-
8	Due to customers:	1 076 263	307 850	701 064	8 923
8.1	Individuals	494 845	205 404	468 962	6 115
8.2	Corporate	581 418	102 446	232 102	2 809
9	Other financial liabilities	8 274	-	-	-
10	Total financial liabilities	1 234 537	307 850	701 064	8 923

Bankbook interest risk

Bankbook interest risk is the probability of losses or additional costs, or receipt of less than planned revenues resulting from unfavorable interest rates affecting bankbook. Interest rate risk affects economic value of Bank capital and net interest income of the bank.

Major purpose of interest rate risk management is decrease of effect of interest rates on the capital through limitation and decrease of amount of possible losses that bank open positions may suffer from the changes of financial market situations.

Bankbook interest rate risk includes the following risks:

- Risk of gaps, generated by difference between terms of repayment (for instruments with fixed interest rate) or change of interest rate index (for instruments with floating interest rate) of assets, liabilities and off-balance sheet positions in the bankbook. The bank calculates risk of gaps, taking into account whether interest rates change sequentially for all profitability curve (parallel risk) or differentially by periods with respective changes of slope and form of profitability curve (non-parallel risk);
- Basis risk resulting from absence of close relationship between adjustments of rates, received and paid under different instruments, all other characteristics of which are similar regarding revaluation;
- Risk of options, resulting from Bank transactions with options (automatic risk of options) or existence of in-built options in bank's standard products (behavioral risk of options).

The Bank applies the following methods of interest rate risk management depending on its type:

1) risk of gaps: decrease of short-term interest rate gaps if the bank assumes transition of profitability curve into inverted curve (increase of interest rates within 6-month period);

2) basis risk:

- Referencing floating interest rate for active transactions to the same benchmark¹, as used for attracted resources;
- Use of resourced, received under floating interest rates, solely for crediting with floating interest rate with similar regularity of reviews;
- Placement of resources with fixed interest rate taking into account the term of similar debt resources;

3) risk of options:

- Use of minimal interest rate for clients' deposits keeping in mind possibility of pre-term withdrawal of funds (if withdrawal is permitted by terms of deposit);
- Inclusion of procedures of calculation and payment of penalties for pre-term repayment of loans into contracts with corporate clients;
- Use for credits, issued as renewable credit lines (where a customer has an option to get / repay loan at any time), special transfer rate - FTP-ask, including additional margin, covering Bank risk (thus, minimizing possibility of a customer to use such loan to generate arbitrary revenue: get funds during the period of high rates and place them into other bank for interest rate higher than interest rate under the loan, fixed at the moment of signing of the contract, with subsequent repayment at decreased market rates);
- Issuance of overdraft credits solely under the term that the bank has an option for regular (not less than once per quarter) review of interest rate depending on changes of market indicators.

The Bank measures interest rate risk based on at least four scenarios of interest rate changes:

¹ Interest rate used at bank market as basis for selection of interest rate for assets / liabilities with floating interest rate (e.g., LIBOR, EURIBOR, MosPrime, UIIR, UIRD)

- Similar rates of increase of interest rates for all terms (parallel shock up);
- Similar rates of decrease of interest rates for all terms (parallel shock down);
- Increase of rates only for 6 months (including) term (short rates shock up);
- Decrease of rates only for 6 months (including) term (short rates shock down).

The Bank uses the following instruments to assess the interest rate risk:

- GAP analysis – to evaluate changes in net interest income of the bank;
- Modified duration method – to evaluate changes in economic value of bank capital;
- Analysis of compliance with internal limits of interest rate risk;
- Analysis of cash market situation to assess the risk of possible interest rate changes and their effect on NII and EVE;
- Stress testing of interest rate risk.

Table 26.5. Monitoring of interest rates under financial instruments

%

Item	Reporting period 31.12.2021			Previous period 31.12.2020		
	UAH	USD	EUR	UAH	USD	EUR
Assets						
1 Cash and cash equivalent	1,64	0,00	0,00	5,17	0,00	0,00
2 Due from banks	4,89	0,00	0,00	14,30	0,11	0,22
3 Loans and advances to customers	15,84	6,63	6,54	15,11	7,53	10,32
4 Debts securities in sales portfolio	8,16	3,51	0,00	8,45	3,90	0,00
Liabilities						
5 Due to banks	6,07			6,50		
6 Due to customers:	5,25	1,15	0,54	5,83	1,74	0,81
6.1 Current accounts	4,46	0,56	0,11	4,05	0,84	0,24
6.2 Term deposits	9,34	1,67	1,51	11,66	2,55	2,39

Table 26.6. General analysis of interest rate risk

Item	UAH'000					
	Reporting period 31.12.2021			Previous period 31.12.2020		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
1 Total financial assets	3 341 651	128 715	3 470 366	2 355 144	58 045	2 413 189
2 Total financial liabilities	3 006 283	50 145	3 056 428	2 224 790	27 584	2 252 374
3 Net interest gap at the year end	335 368	78 570	413 938	130 354	30 461	160 815

Based on the net interest gap as at 31.12.2021, the following conclusions about an impact of interest rates changes on the Bank's financial results can be made:

UAH'000

Effect of interest rate change on bank revenue	Reporting period 31.12.2021			Previous period 31.12.2020		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Interest rate change: +1%	3 354	786	4 139	1 304	305	1 608
Interest rate change: -1%	(3 354)	(786)	(4 139)	(1 304)	(305)	(1 608)

Geographic risk

Geographic risk is the existing or potential risk of losses for the Bank resulting from the clients' or counterparties' failure to perform under contracts when the clients or counterparties operate in a specific country and, as a result, are exposed to risks inherent to that country.

Geographic risk is not inherent in the Bank's operations as the Bank has no branches or outlets in other countries and operates only in Ukraine except for correspondent accounts with other banks required to meet its obligations to its customers.

Table 26.7. Analysis of geographic concentration of financial assets and liabilities in 2021

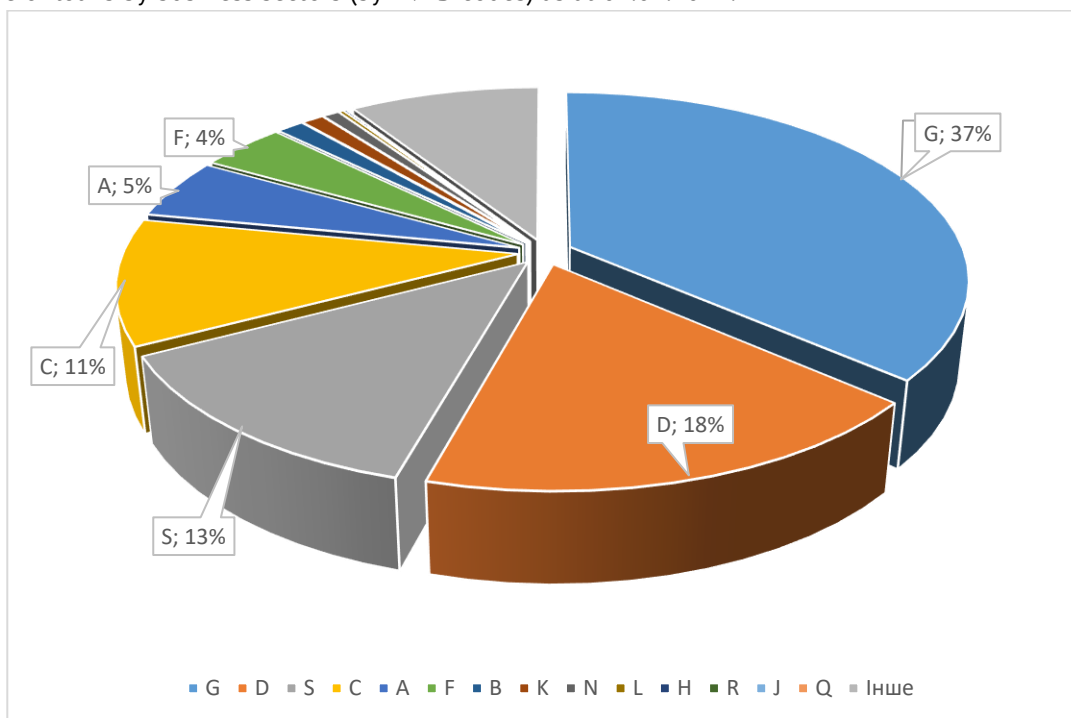
Line	Item	Ukraine	OECD	Other	UAH'000. Total
Assets					
1	Cash and cash equivalents	569 308	26 004	79	595 391
2	Loans and advances to customers	1 433 677	156 944		1 590 621
3	Securities in sale portfolio	1 162 605			1 162 605
	Other financial assets at fair value through profit or loss	17 037			17 037
4	Other financial assets	104 703	1	8	104 712
5	Total financial assets	3 287 330	182 949	87	3 470 366
Liabilities					
6	Due to other banks				
7	Amounts due to customers	2 978 065	15 711	44 513	3 038 289
8	Other financial liabilities	18 139			18 139
9	Total financial liabilities	2 996 204	15 711	44 513	3 056 428
10	Net position on financial instruments	291 126	167 238	(44 426)	413 938
11	Loan commitments	739 950			739 950

Table 26.8. Analysis of geographic concentration of financial assets and liabilities in 2020

Line	Item	Ukraine	OECD	Other	UAH'000 Total
Assets					
1	Cash and cash equivalents	687 524	153 673	1 361	842 558
2	Loans and advances to customers	1 178 477	124 685	1	1 303 163
3	Securities in sale portfolio	154 130			154 130
4	Assets	113 338	-	-	113 338
5	Cash and cash equivalents	2 133 469	278 358	1 362	2 413 189
	Loans and advances to customers				
6	Due to other banks	150 000	-	-	150 000
7	Amounts due to customers	2 035 543	7 602	50 955	2 094 100
8	Other financial liabilities	8 274	-	-	8 274
9	Total financial liabilities	2 193 817	7 602	50 955	2 252 374
10	Net position on financial instruments	(60 348)	270 756	(49 593)	160 815
11	Loan commitments	742 880	-	-	742 880

Other risks concentration

Structure of loans by business sectors (by KVED codes) as at 01.01.2022:



As at 01.01.2022, structure of loan portfolio of the bank is not adequately diversified, as it significantly depends on Wholesale and retail trade, car and motorcycles repairs – section G (covering 36,39% of total loan portfolio), so, the risk of concentration, based on this aspect, is higher. The way to minimize it is to attract new customers through introduction of attractive and competitive programs of services in other industries, at the same time keeping the profitability of assets at the necessary level.

Liquidity risk

Liquidity risk is existing or potential risk of losses or receipt of less than expected profit, generated by bank inability to provide for financing of increase of assets and/or compliance with its liabilities within the proper terms.

The bank uses the following instruments to assess and measure the liquidity risk:

- Analysis of compliance with liquidity and mandatory provisioning ratios, set by NBU;
- GAP analysis, reflecting time difference between claims and liabilities of the bank (both balance sheet and off-balance sheet) based on contractual or expected terms of repayment;
- Analysis of concentration of bank liabilities by meaningful groups of counterparts, tools / products (rates of concentration in liabilities portfolio);
- Comparison of assets and liabilities in every meaningful currency, including comparison of strategic time intervals;
- Monitoring of available unsecured high-liquid assets (liquidity buffer), held as possible provision in case of realization of stress scenarios, including loss or deterioration of terms of attraction of unsecured and accessible under normal conditions sources of financing by types and meaningful currencies;

- Estimation of scope of available funds to finance operations in case of loss of access to unstable funding;
- Analysis of information on situation at stock market and financial sector, market characteristics of securities included into the list of high-liquid assets (HLA); calculation of excess liquidity index – excess of actual size of liquidity buffer over minimally needed (planned) size;
- Calculation of index of risk of cash flow changes resulting from possible decrease of scope of funding, which may be received using the liquidity buffer (e.g., as a result of adjustment of market value of HLA elements);
- Calculation of indicators of early detection of liquidity crisis;
- Analysis of Bank liquidity risk within one business day.

The bank also uses the following methods to assess liquidity risk:

- Analysis of liquidity cover ratio (LCR) in accordance with Decree of NBU Board №13 of 15.02.2018 *On Introduction of Liquidity Cover Ratio (LCR)*;
- Analysis of net stable financing ratio (NSFR) in accordance with Decree of NBU Board №158 of 24.12.2019 *On Introduction of Net Stable Financing RATIO (NSFR)*.

The bank sets the following limits to control liquidity risk:

- Limit of cumulative GAP between claims and liabilities of the bank for time periods of up to one year, calculated based on GAP analysis;
- Limits of concentration of bank financing by five and ten biggest depositors and other bank creditors / groups of related counterparts, aimed at diversification of sources of funding.

During 2021, the bank complied with liquidity ratios, set by NBU. Liquidity ratios as at 31.12.2021:

- Short-term liquidity ratio (H6) was 86,69% with NBU ratio of not less than 60%;
- Current liquidity ratio in all currencies (liquidity coverage ratio – LCR_{BB}) was 174,84% with NBU ratio of not less than 100%;
- Current liquidity ratio in foreign currency (liquidity coverage ratio – LCR_{iB}) was 252,46% with NBU ratio of not less than 100%;
- Net stable financing ratio (NSFR) was 139,37% with NBU ratio of not less than 90%.

The bank uses non-discounted flows when calculating gaps between terms of assets and liabilities, reflecting terms of repayments in accordance with the contracts, for analysis of liquidity risk.

Table 26.9. Financial assets and liabilities by types of customers in 2021

Item	Corporate customers	Private entrepreneurs	Individuals	UAH'000	
				Self-employed customers	Banks
Assets					
1	Cash and cash equivalents	-	-	-	595 391
2	Securities	1 179 642	-	-	-
3	Due from banks	-	-	-	-
4	Loans and advances to customers	1 463 710	-	126 911	-
5	Other financial assets	46	2	26 120	(0)
6	Total financial assets	2 643 398	2	153 031	0
					673 935

	Item	Corporate customers	Private entrepreneurs	Individuals	Self-employed customers	Banks
Liabilities						
7	Due to banks	-	-	-	-	-
8	Due to customers	1 580 648	42 113	1 414 100	1 428	-
9	Other financial liabilities	3 684	1	8	-	14 446
10	Total financial liabilities	1 584 332	42 115	1 414 107	1 428	14 446

Table 26.10. Financial assets and liabilities by types of customers in 2020

	Item	Corporate customers	Private entrepreneurs	Individuals	Self-employed customers	Banks	UAH'000
Assets							
1	Cash and cash equivalents	-	-	-	-	842 558	
2	Securities	154 130	-	-	-	-	
3	Due from banks	-	-	-	-	-	
4	Loans and advances to customers	1 230 774	-	72 389	-	-	
5	Other financial assets	527	1	1 647	-	111 163	
6	Total financial assets	1 385 431	1	74 036	0	953 721	
Liabilities							
7	Due to banks	-	-	-	-	150 000	
8	Due to customers	884 824	33 958	1 174 851	467	-	
9	Other financial liabilities	853	-	160	-	7 261	
10	Total financial liabilities	885 678	33 958	1 175 011	467	157 261	

A major portion of liabilities of CLEARING HOUSE JSCB represents corporate funds. Therefore, significant amounts of highly liquid funds are kept on correspondent accounts to maintain liquidity. Furthermore, continuous monitoring of balances on demand accounts allows to calculate the volatility of this indicator and identify the portion of funds that, for the purposes of liquidity risk analysis are classified as 'stable balances'. Most corporate term deposits are also of acceptable stability and, based on historic data, their term may be considered longer than the contractual term. It is highly probable that these deposits would be extended.

Table 26.11. Financial liabilities by maturities during the reporting period (31.12.2021)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	12 months to 5 years	Over 5 years	Total	UAH'000
1	Due to banks							
2	Due to customers:	2 547 747	241 551	323 023	18 552		3 130 873	
2.1	Individuals	1 054 361	141 828	236 685	18 345		1 451 218	

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	12 months to 5 years	Over 5 years	Total
2.2	Other	1 493 386	99 722	86 339	208		1 679 655
3	Other financial liabilities	366	9 318	7 355	1 100		18 139
3.1	Including lease liabilities		6	6 472	989		7 467
4	Other loan commitments	739 950					739 950
5	Total potential future payments under financial liabilities	3 288 062	250 868	330 378	19 652		3 888 961

Table 26.12. Financial liabilities by maturities during the previous period (31.12.2020)

Line	Item	On demand and less than 1 month	1-3 months	3-12 months	12 months to 5 years	Over 5 years	Total
1	Due to banks	-	158 998	-	-	-	158 998
2	Due to customers:	1 110 446	262 339	748 676	38 649	2 204	2 162 314
3	Other financial liabilities	8 274	-	-	-	-	8 274
4	Other loan commitments	742 880	-	-	-	-	742 880
5	Total potential future payments under financial liabilities	1 861 600	421 337	748 676	38 649	2 204	3 072 466

Analysis of financial assets and liabilities by maturities based on estimated maturities is based on cumulative gap, showing deficit (negative value) or excess (positive value) of funds. Still, the fact of existence of gap is not necessarily indicator of misbalance, leading to loss of capital. Certain range of gaps does not create an increased risk for the Bank, as Bank can cover these gaps using the methods that do not result in loss of capital. Committee on management of assets and liabilities approves ratios (cumulative gap to total assets), that are limits for the Bank. If there are changes in economic situation, balance sheet structure or other significant factors, the above committee adjusts the above ratios.

The bank has low-level risk appetite to liquidity risk. The bank has adequate reserves of liquid funds to meet its liabilities. Potential loss (income less than planned) from keeping of required level of high liquid assets is realized through decrease of NII of the bank and is reflected in risk appetite to interest rate risk.

Note 27. Capital management

Capital is one of the most important indicators for the Bank's operations. Its main purpose is to cover any adverse consequences of various risks accepted by the Bank in the course of its operations, and to protect deposits, financial stability and sustainability of the Bank.

In order to minimize potential negative impacts of risks on the amount of regulatory capital, in the course of its operations the Bank, on a continuous basis:

- monitors the diversification of its assets;
- invests on the basis of prudence and profitability principles;
- assesses the quality of all assets and off-balance sheet credit commitments (objective and consistent valuation of assets is based on transparent standards and accounting practices, and can be enhanced by expert reviews);
- creates allowances for potential loan losses;
- develops promotional events and programs to attract cheaper resources;

- analyses interest rates on assets and liabilities, compliance with established interest margins, monitors interest rates of other banks;
- controls its currency position, sufficiency of resources mobilized for active operations for each type of currency;
- monitors applicable Ukrainian laws.

The Bank uses the following capital management methods in its operations:

- financial planning consisting of several stages: approval of the budget for the next year (by the year end), supervision on the budget implementation (quarterly), and monthly planning of financial results of the Bank;
- capitalization of the Bank. In order to implement strategic goals of the Bank and taking into account economic performance of Ukraine as a whole, the issue of the share capital increase and the use of dividends to form reserves in the amount that exceeds statutory minimum is submitted to the general meeting of the Bank's shareholders;
- assessment of the Bank's capital adequacy;
- development and approval of new banking products, expansion of the customer base by type of services;
- assessment of shocks impact (scenario analysis) on the decrease in the equity market value in order to assess the total loss and losses by the type of assets should extraordinary events occur, as well as the Bank's potential to compensate these losses, assess the state of its equity and the quality of its risk management techniques.

The following issues are considered in the course of capital adequacy assessment:

- sufficiency, adequacy, reliability and objectivity of existing allowances and provisions;
- compliance with legal requirements of the NBU.

As at 01.01.2022, the regulatory capital adequacy was 21,22%, which is 11,22% higher than the adequacy required.

As at 01.01.2022, actual regulatory capital amounted to UAH 505 637 570,21, which is UAH 305 637 570,21 more than required by existing standards.

Note 28. Contingent liabilities

- a) As at 01.01.2021, there is no litigation where the Bank is a defendant;
- b) The Bank has no contingent tax liabilities;
- c) The Bank has no capital investment commitments;
- d) Lease liabilities:

The Bank has 32 operating-lease contracts: no operating lease contracts with lease term of one month or less, 19 lease contracts on lease of low-value assets, where right-of-use assets and lease liabilities are not recognized, while lease payments are recognized as expenses by a straight-line basis during term of lease and posted at expense accounts, and 13 lease contracts, accounted in accordance IFRS 16.

Deferred expenses under lease of low-value assets are UAH 215 thousand.

Deferred settlement of lease liabilities under lease contracts is UAH 4 669 thousand:

- Repayable within 1 year – UAH 2 341 thousand
- Repayment within 1 – 5 years – UAH 2 328 thousand.

Table 28.1 Deferred settlement of lease liabilities under lease contracts

Line	Item	UAH'000	
		31.12.2021	31.12.2020
1	Up to one year	2 341	3 184
2	1 – 5 years	2 328	96
3	Total	4 669	3 280

The bank has four lease contracts, three of which relate to lease of investment property.

In accordance with contracts on lease of investment property the Bank leases out five objects, owned by the Bank: four land plots and one property complex.

The Bank leases out one car under lease contract.

Table 28.2 Structure of loan commitments

Line	Item	UAH'000	
		31.12.2021	31.12.2020
1	Unused credit lines	2 082 651	1 182 262
2	Guarantees issued	750 719	741 898
3	Provisions for loan commitments	-	-
4	Total credit related commitments less provisions	2 833 370	1 924 160

Table 28.3 Loan commitments by currencies

Line	Item	31.12.2021	31.12.2020
1	UAH	2 662 709	1 754 738
2	US dollars	58 662	30 398
3	Euro	111 999	139 024
4	Other	-	-
5	Total	2 833 370	1 924 160

The Bank has no irrevocable commitments.

Note 29. Disclosure of fair value

Fair value is the price that can be received during sale of an asset paid under liability at usual transaction between market participants as at the date of measurement. If the price of a quoted instrument were available, fair value measurement would be based on this price. The Bank calculates fair value of financial instruments based on available market information (if any), using respective measurement methods.

The best confirmation of fair value of financial instrument at initial recognition is contractual price. Estimated fair value of instruments with floating interest rate, which is not quoted at active market, is equal to their carrying amount.

As to loans and advances to corporate customers, the Bank uses assumption on interest rate, under which the counterparts may get new borrowings and advances. Carrying amount of retail loans is considered to be their fair value, as there no official market quotations for interest rate. Regarding term liabilities of corporate customers, the Bank uses assumption that market interest rate are the contractual rates that are the closest to market rates of attraction of term funds from individuals.

The Bank discloses securities at market value as the fair value of securities is equals their carrying amount.

Results of fair value valuation are analyzed and allocated to hierarchy levels of fair value in the following way: Level 1 relates to values quoted (without any adjustments) at active markets for identical assets and liabilities, Level 2 relates to values, received by methods of valuation, where all material input data, directly or indirectly,

are observable for an asset or liability (e.g., prices), while Level 3 relates to values, which are not based on observable market data (i.e., they are based on non-observable input data). Management uses professional judgement to allocate financial instruments to respective categories.

Fair value of financial instruments was estimated by the Bank using available market information and the applicable valuation methodologies. The best evidence of the fair value of a financial instrument is a quoted market price. As there is no readily available market for the majority of financial instruments, the Bank has to use a number of assumptions while measuring fair value based on current economic conditions and specific risks attributable to these financial instruments.

The estimates presented herein are not always indicative of amounts the Bank could receive as a result of market exchange of all financial instruments of a particular type. Available market information was used for fair valuation of financial instruments.

Table 29.1 Fair value disclosure as at 31.12.2021

	Measurement date	Level of inputs used for fair valuation			Total fair value	UAH'000
		Level 1	Level 2	Level 3		Total carrying amount
Assets measured at fair value						
Government bonds	31.12.2021	-	1 162 605	-	1 162 605	1 162 605
Shares	31.12.2021	-	17 037	-	17 037	17 037
Property – buildings	01.11.2021	-	-	106 380	106 380	106 380
Investment property	01.11.2021	-	-	188 116	188 116	188 116
Assets for which fair values are disclosed						
Cash and cash equivalents	31.12.2021	-	605 758	-	605 758	605 758
Loans and advances to customers	31.12.2021	-	-	1 590 621	1 585 659	1 590 621
Other financial assets	31.12.2021	-	-	104 712	104 712	104 712
Liabilities with fair value disclosed						
Due to customers	31.12.2021	-	3 038 289	-	3 029 511	3 038 289
Cash on demand	31.12.2021	-	2 234 739	-	2 234 739	2 234 739
Term deposits	31.12.2021	-	803 550	-	794 773	803 550
Other financial liabilities	31.12.2021	-	-	18 139	18 139	18 139

Table 29.2 Fair value disclosure as at 31.12.2020

	Measurement date	Level of inputs used for fair valuation			Total fair value	UAH'000
		Level 1	Level 2	Level 3		Total carrying amount
Assets measured at fair value						
Government bonds	31.12.2020	-	154 130	-	154 130	154 130
Shares	31.12.2020	-	-	-	-	-
Property – buildings	01.11.2020	-	-	108 148	108 148	108 148
Investment property	01.11.2020	-	-	291 186	291 186	291 186

	Measurement date	Level of inputs used for fair valuation			Total fair value	Total carrying amount
		Level 1	Level 2	Level 3		
Assets for which fair values are disclosed						
Cash and cash equivalents	31.12.2020	-	842 558	-	842 558	842 558
Loans and advances to customers	31.12.2020	-	-	1 354 766	1 354 766	1 303 163
Other financial assets	31.12.2020	-	-	113 338	113 338	113 338
Liabilities with fair value disclosed						
Due to banks	31.12.2020	-	-	150 403	150 403	150 000
Due to customers	31.12.2020	-	2 097 917	-	2 097 917	2 094 100
Other financial liabilities	31.12.2020	-	-	8 274	8 274	8 274

Note 30 Presentation of financial instruments by measurement categories

Table 30.1 Financial assets by measurement categories in 2021

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	UAH'000 Total
Assets					
1	Cash and equivalent	595 391	-	-	595 391
2	Loans and advances to customers:	1 590 621	-	-	1 590 621
2.1	Corporate loans	1 746 408	-	-	1 746 408
2.2	Mortgage loans to individuals	11 750	-	-	11 750
2.3	Consumer loans to individuals	151 597	-	-	151 597
2.4	Allowances for expected credit losses	(319 136)	-	-	(319 136)
3	Investment securities at fair value through profit or loss	-	-	17 037	17 037
4	Investment debt securities at fair value through other comprehensive income	-	1 162 605	-	1 162 605
5	Other financial assets:	104 712	-	-	104 712
5.1	Receivables under transactions with payment cards	26 187	-	-	26 187
5.2	Restricted cash	63 183	-	-	63 183
5.3	Other financial assets	4 975	-	-	4 975
6	Total financial assets	2 290 724	1 162 605	17 037	3 470 366

Table 30.2 Financial assets by measurement categories in 2020

Line	Item	Amortized cost	Fair value through other comprehensive income	Total
UAH'000				
Assets				
1	Cash and equivalent	842 558	-	842 558
2	Loans and advances to customers:	1 303 163	-	1 303 163
2.1	Corporate loans	1 674 368	-	1 674 368
2.2	Mortgage loans to individuals	13 959	-	13 959
2.3	Consumer loans to individuals	86 791	-	86 791
2.4	Allowances for expected credit losses	(471 955)	-	(471 955)
3	Investment debt securities at fair value through other comprehensive income		154 130	154 130
4	Other financial assets:	113 338	-	113 338
4.1	Receivables under transactions with payment cards	2 848	-	2 848
4.2	Restricted cash	108 412	-	108 412
4.3	Other financial assets	2 078	-	2 078
5	Total financial assets	2 259 059	154 130	2 413 189

Table 30.3 Financial liabilities by measurement categories in 2021

Line	Item	Amounts due to customers and accounts payable	Total
UAH'000			
Liabilities			
1	Due to banks	-	-
2	Due to customers	3 038 289	3 038 289
2.1	Due to corporate customers	1 622 761	1 622 761
2.2	Due to individuals	1 415 528	1 415 528
3	Other financial liabilities	18 139	18 139
3.1	Other financial liabilities	18 139	18 139
4	Total financial liabilities	3 056 428	3 056 428

Table 30.4 Financial liabilities by measurement categories in 2020

Line	Item	Amounts due to customers and accounts payable	Total
UAH'000			
Liabilities			
1	Due to banks	150 000	150 000
2	Due to customers	2 094 100	2 094 100
2.1	Due to corporate customers	921 251	921 251
2.2	Due to individuals	1 172 849	1 172 849
3	Other financial liabilities	8 274	8 274
3.1	Other financial liabilities	8 274	8 274
4	Total financial liabilities	2 252 374	2 252 374

Note 31 Related party transactions

The ultimate owners of the Bank are Liovochkina Yuliya Volodymyrivna (57,4844% interest in the Bank) and Fursin Ivan Hennadiiovych (24,8002% interest in the Bank).

Other owners have insignificant interest in the Bank (less than 10%).

The total amount of loans granted to related parties comprises 0,03% of the Bank's regulatory capital.

The total amount of funds received from the related parties comprises 4,37% of the Bank's liabilities.

Table 31.1 Outstanding balances with related parties as at 31.12.2021

Line	Item	Shareholders of the Bank	Key management personnel	UAH'000	
				Associated entities	Other related parties
1	Investment securities	-	-	17 037	-
2	Loans and due from customers (contractual interest rate: 16,5% - 35%)	100	61	-	-
3	Allowances for expected credit losses	(8)	(5)	-	-
4	Customers' fund (contractual interest rate: 0.5% - 27%)	73 151	1 593	54 817	5 076
5	Other assets	15	-	-	2

Table 31.2 Outstanding balances with related parties as at 31.12.2020

Line	Item	Shareholders of the Bank	Key management personnel	UAH'000	
				Associated entities	Other related parties
1	Loans and due from customers (contractual interest rate: 16,5% - 35%)	179	152	-	-
2	Allowances for expected credit losses	(179)	(12)	-	-
3	Customers' fund (contractual interest rate: 1% - 35%)	72 654	3 355	81 190	7 414
4	Other assets	-	-	7	-

Table 31.23 Outstanding balances with related parties as at 31.12.2021

Line	Item	Shareholders of the Bank	Key management personnel	UAH'000	
				Associated entities	Other related parties
1	Interest income	32	16	0	0
2	Interest expense	(2 165)	(33)	(1 165)	(208)
3	Changes in allowances for expected credit losses of loans to customers and due from other banks	203	14	2	0
4	Commission income	163	37	251	47
	Revaluation of other financial instruments at fair value through profit or loss	-	-	(221)	-

Table 31.4 Income and expenses from transactions with related parties in 2020

Line	Item	Shareholders of the Bank	Key management personnel	UAH'000	
				Associated entities	Other related parties
1	Interest income	46	17	2 484	14
2	Interest expense	(1 658)	(29)	(1 684)	(105)
3	Changes in allowances for expected credit losses of loans to customers and due from other banks	(225)	(18)	10 905	90
4	Commission income	229	44	336	36

Table 31.5 Total amount of loans granted to and repaid by related parties in 2021

Line	Item	Shareholders of the Bank	Key management personnel	UAH'000	
				Other related parties	
1	Loans granted to related parties in the reporting period	104	3 918	-	
2	Loans repaid by the related parties in the reporting period	180	4 005	-	

Table 31.6 Total amount of loans granted to and repaid by related parties in 2020

Line	Item	Shareholders of the Bank	Key management personnel	UAH'000	
				Other related parties	
1	Loans granted to related parties in the reporting period	172	3 326	-	
2	Loans repaid by the related parties in the reporting period	4	3 268	90	

Table 31.7 Compensation of key management personnel

Line	Item	2021		2020	
		Expenses		Expenses	
		Accruals	Expenses	Accruals	Expenses
1	Current employee benefits	17 128	1 321	16 583	1 556

Note 32. Subsequent events

In February 2022, there were changes in material interests of the ultimate owners of the Bank.

As a result of input of 9,9018% of Bank shares into stated capital of VISTAKI VENTURES LIMITED company, as at 22.02.2022 Fursin I.H. own total share in the Bank of 24,8002%, including directly 14,8984% and indirectly 9,9018%.

As a result of military aggression of Russian Federation against Ukraine on February 24, 2022, President of Ukraine issued a Decree № 64/2022 *On Introduction of Martial Law in Ukraine*, approved by Law of Ukraine № 2102-1 *On Approval of Decree of President of Ukraine On Introduction of Martial Law in Ukraine*.



In order to provide for sale and uninterrupted work of banking system and its stable functioning under martial law, National Bank of Ukraine approved anti-crisis decisions and measured to organize continuous work of Ukrainian banking system, introducing:

- limitations for currency and stock market,
- limitations on withdrawal of cash, provision for cash support of the banks,
- possibility of blank crediting within the scope of 30% of portfolio of individual deposits as at 23.02.2022.

In spite of all measures and step taken, there is a significant growth of exchange rates of foreign currencies in relation to UAH; besides, National Bank of Ukraine increase the discount rate from 10% to 25%.

In the framework of the above limitations, Management Board of the Bank took certain steps to minimize negative effect of military aggression of Russian Federation against Ukraine and provide for continuation of stable and safe work of the Bank, namely:

- as of 24.02.2022, the Bank ceased crediting of new customers,
- the Bank works on settlement of liabilities under active loans, thus making it possible to decrease loan portfolio as of the start of military aggression up to 01.05.2022 by UAH 237 million,
- the Bank reduced acquisition of new equipment and furniture to bare minimum,
- the Bank decreases labor costs in March and April by UAH 5.5 million by transfer of some employees to part-time job and sending some employees to unpaid vacations,
- the Bank actively communicates with individual depositors to prevent drastic outflow of deposits.

Liquidity of the Bank is adequate, and the Bank complies with all ratios, coefficients and indices of liquidity, as well as standards of mandatory reserves, set by the National Bank of Ukraine.

Approved for issue and signed on 04.11.2022.

Chair of the Management Board

V. O. Andreevskya

Chief Accountant

O. O. Markina



**PUBLIC JOINT STOCK COMPANY
"BANK "CLEARING HOUSE"**

**Management Report
2021**

Translation from Ukrainian original

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1. Background information

Public Joint-Stock company "Bank "CLEARING HOUSE" operates on Ukrainian financial market as of 1996, offering full range of banking services for business and individuals.

The Bank operates through Head office and 5 branches:

- Head office (address: 5a, Borysohlibska str., Kyiv);
- Private banking centre (address: 5/2, Zankovetskoy str., Kyiv);
- Dnipropetrovsk regional department branch (address: 4, Sichovyh Striltsiv str., Dnypro);
- Odessa regional department branch (address: 29, Uspenska str., Odessa);
- Severodonetsk branch (address: 59, Central avenue, Severodonetsk);
- Boryspilsk branch (address: 1st floor, premises of *Hall of Official Delegations SE*, airport, Boryspil, Kyiv oblast).

The Bank team includes over 250 employees, sharing Bank values, being true professionals, caring for offering high-quality services to the clients.

The Bank operates under the License to provide banking services No 171 of 13 October 2011 issued by the National Bank of Ukraine p. 3, Art. 47 of the Law of Ukraine *On Banks and Banking Activities*. The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional (depository) operations in the stock market:

- series AE No 263457 as of 01.10.2013 – depository activities of a depository institution;
- series AE No 263458 as of 01.10.2013 – activities of a custodian of mutual funds;
- series AE No 263459 as of 01.10.2013 – activities of a custodian of pension fund assets.

The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional activities in the stock market (trading securities):

- series AE No 185076 from 19.10.2012 – dealer activities;
- series AE No 185077 from 19.10.2012 – brokerage activities;
- decision №420 of 01.07.2021 – sub-brokerage.

The Bank is a member of the Deposit Guarantee Fund (registered on February 14, 2002, registration no. 149 as of 8 November 2012) and operates under the Law of Ukraine *On Individuals Deposits Guarantee Fund* No 4452-VI of 23.02.2012.

Resolutions No 153 and 154 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight, provided the consent to the acquisition of a qualifying shareholding in the Bank.

The Bank is a member of the Independent Banks' Association of Ukraine, the Association of Taxpayers of Ukraine, the Professional Association of the Participants of Capital Market and Derivatives, and the Ukrainian Stock Traders (the self-regulatory organization of professional securities market participants).

The Bank is effectively integrated into the international information and payment systems as a member of SWIFT international payment system and of Bloomberg international dealing system, an associate member of VISA international payment system. The Bank also offers the access to Apple Pay and Google Pay systems.

2. Strategic mission and goal

Bank's mission

The Bank is modern and stable financial institution, its missions is to offer high-quality personalized banking services to its clients, thus assisting in economic and social growth of the country.

The Bank strives to be a reliable partner of the customers, financial adviser and assistant, understanding needs and intentions of the customers, and offering them efficient solutions.

Strategic goal of the Bank is to maintain reliable-partner status for all parties interested in cooperation - have a balanced growth, focusing on development of relations and business in segments of medium corporate clients and individuals, offering services of highest possible quality.

3. Development strategy

Major attributes of the Bank's financial model are:

Clients. The Bank focuses its attention on attraction and development of relations with its clients from target segments, complying with requirements to reputation and financial position.

Products. Bank's products are selected based on current and prospective needs of clients from target segments. Pricing and tariff policies are based on market figures providing for adequate level of profitability.

Technologies. The Bank closely follows innovative processes in financial sector and implements modern technologies if they are effectively used by the market leaders.

Risk management. The Bank uses risk management system, based on segregation of duties between departments, using advanced three protection-lines model. Major purpose of risk management system is to ensure financial sustainability of the Bank and efficient use of available resources to optimize risk/profitability ratio.

Personnel. The Bank creates comfort conditions for employees building strong, united and loyal team of professionals, improving their skills and professional competences, thus advancing the Bank.

The Bank uses segmented approach to improve and develop its relations with the clients.

The Bank focuses its attention on cooperation with three target sectors:

- Corporate – large business entities. Almost 700 entities engaged the Bank for provision of banking services in 2021.
- Private banking – wealthy individuals. The Bank is a stable partner for more than 2200 premium clients, offering them exclusive servicing in specialized offices.
- Bank at work – individuals and SME, comprising over almost 27 000 individuals and SMEs, growing together with the Bank.

Identification of a client as a target client of the Bank is based on:

- Requirements to services and bank products
- Client's interests.

Effective work with a client is based on:

- Development of respective services and channels for each business segment
- Planning and analysis of business targets for each segment and synergy of cooperation of businesses.

The Bank aims at long-term financial stability and efficiency, so, its major benchmarks are:

1. Profitability of operations.

- Maintaining profitability of assets at the level not less than **3.5%**
 - Maintaining profitability of assets at the level not less than **15%**
2. Financial stability and adequacy of capital
- Maintaining enough adequacy of capital at the level not less than **13%**.

4. Ratings and awards

RURIK National Rating Agency recognized long-term credit rating of the Bank at uaAA level of investments category with forecast 'stable' in 2021.

Long-term credit rating of the Bank at uaAA level of investments category with forecast 'stable' of Public Joint-Stock company «Bank «CLEARING HOUSE» was once again confirmed in 2021 (decision №210826-01-CLDIM-KPP-010-OH of 26.08.2021), thus demonstrating high solvency compared to other Ukrainian borrowers or debt instruments. Forecast 'stable' confirms absence of grounds for rating changes in close future.

Besides, RURIK National Rating Agency by its decision of 26.08.2021 recognized rating of deposits in Public Joint-Stock company «Bank «CLEARING HOUSE» at r4+ level, meaning high reliability, while the Bank is characterized by moderate dependence on financial and economic situation and market environment. Repayment of deposits is highly probable. Sign «+» shows intermediate level compared to basic levels.

Key factors affecting increase of credit rating level:

- Adequate level of protection of assets by the equity.
- Adequate liquidity ratios.
- Proper currency structure of loan portfolio by borrowers.
- High concentration of loan portfolio by major borrowers.
- Adequate and efficient operating indices.

Financial Club financial analytic group included Public Joint-Stock Company «Bank CLEARING HOUSE» into 50 leading Ukrainian banks – 2021 rating:

- **number 9** in *PREMIUM BANKING* nomination;
- **number 10** in *Classical deposit* nomination;
- **number 7** in *Saving deposit* nomination;
- **number 10** in *Overdraft (services to legal entities)* nomination.

Besides, based on its performance, JSB "CLEARING HOUSE" went up by one position higher compared to previous year holding position 32 of the 50 leading Ukrainian banks.

50 leading Ukrainian banks project is the annual independent review of Ukrainian banking sector, selecting 50 leading Ukrainian banks and Top 10 banks in different sectors and lines of banking services. The purpose of this rating is to demonstrate best banks in products and services, disclosing their most promising projects and portfolios to big, medium and small business, as well as individuals. The review covers all banks operating in Ukraine, excluding insolvent ones. Methodology of the review is based on assigning of points to the banks in different segments of banking services.

Besides, JSB "CLEARING HOUSE" was one of TOP 5 nominates in Bank of the year rating of Financial Club in the category Retail Bank with Ukrainian Capital of Big Banks.

Consideration was based on the reporting data of the banks as at January 1, 2022, published by National Bank. Key parameters were dynamics of assets, deposit and loan portfolios of corporate customers and individuals, income and dynamics of pay card portfolio. Banks with Ukrainian capital, state banks and banks with foreign capital were analysed separately. Besides, banks with Ukrainian

capital and banks with foreign capital were separated into two groups (big and medium sized) depending on scope of their assets (over UAH 2.5 billion or less) and dynamics of increase of assets during the reporting period. So, the banks with assets below UAH 2,5 billion, having high growth rate during the year, were included into the group of big banks.

5. Corporate governance report

Corporate governance of Public Joint-Stock company «Bank «CLEARING HOUSE» is based on the provisions, set by Civil and Business Codes of Ukraine, Laws of Ukraine *On Banks and Banking Activities, On Joint Stock Companies, On Securities and Stock Exchange Market*, other laws, rules and regulations of NBU, National Committee of securities and stock exchange, Statute, Code of corporate governance of Public Joint-Stock company «Bank «CLEARING HOUSE», decisions of general meeting of shareholders, Supervisory Board and the Board of the Bank.

Code of corporate governance of Public Joint-Stock Company «Bank CLEARING HOUSE» is published at the website of the Bank:

https://www.clhs.com.ua/storage/app/media/docs/about/Informatsiia_Emitenta/kod%D0%B5ks_korporatyvnoho_upravlinnia.pdf

In 2021, the Bank fully complied with principles of the Code of corporate governance without any deviations from the requirements of the Code.

Major methods of corporate governance in the Bank are:

- Rational and clear segregation of powers between management and control bodies, organization of their efficient functioning;
- Setting of strategic goals for the Bank and control over their implementation (including introduction of efficient systems of planning, risk management and internal control);
- Control over prevention, detection and settlement of conflicts of interests, which may arise between shareholders, members of Supervisory Board or the Board, employees, creditors, depositors, other clients and counterparts;
- Setting of rules and procedures to ensure compliance with the professional ethics principles;
- Setting of rules and control over disclosure of Bank-related information.

Share capital and shareholders

Share capital of the Bank is UAH 510 392 935,00.

Share capital of the Bank is comprised of 48 173 registered shares, or 100% of their total quantity, par value of share is UAH 10 595,00.

Form of shares is paperless.

As at January 1, 2021, 7 legal entities and 3 natural persons are the shareholders of the Bank. Legal entities – shareholders own 68,2623% of share capital of the Bank, while natural persons – shareholders own 31,7377% of share capital.

The ultimate owners of material interests in the Bank as at December 31, 2021, are:

Liovochkina Yuliia Volodymyrivna – controller of the Bank who indirectly owns in total 57,4844% of Bank's shares.

Resolution No 154 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank.

Fursin Ivan Hennadiiovych who directly owns in total 24,8002% of shares in the Bank, including direct ownership of 24,8002% and indirect ownership of 0%.

Resolution No 153 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank. (Decision of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight № 225 of 10.06.2021 (with changes of 02.05.2022 №20/676-пк and 06.06.2022. № 20/750-пк) transferred voting right of Bank shares that belong to Fursin I.H. to trustee – Shlapak Stanislav Valeriyovych).

Governance and controlling bodies of the Bank are:

- General meeting of shareholders of the Bank;
- Supervisory Board;
- Management Board.

Controlling departments of the Bank are:

- Internal audit department;
- Risk management department;
- Compliance department

General meeting of shareholders

Highest governance body of the Bank is General meeting of shareholders.

General meeting of shareholders conducts general governance of Bank activities, setting objectives and strategy of development of the Bank.

The sole competence of General meeting of shareholders of the Bank includes decisions on:

- 1) setting major lines of business and approving reports on their implementation;
- 2) introduction and changes and amendments into Statute of the Bank;
- 3) revocation of shares;
- 4) change of type of joint-stock company;
- 5) placement of Bank shares, placement of other securities with the value higher than 25% of the value of the Bank's assets;
- 6) increase of stated capital of the Bank;
- 7) decrease of stated capital of the Bank;
- 8) splitting or consolidation of shares;
- 9) approval of regulations on General meeting of shareholders, Supervisory Board, the Board, remuneration of Supervisory Board members, as well as introduction of changes and amendments into those regulations;
- 10) approval of annual results of Bank operations, Supervisory Board report, Board report, external audit conclusions and approval of measures to be taken based on results of deliberation over the above reports and conclusions;
- 11) distribution of profit and coverage of losses of the Bank;
- 12) redemption of stock by the Bank;
- 13) approval of annual dividends;
- 14) election of Chairman and members of Supervisory Board, approval of civil-law or labour contracts to be signed with them, setting their remuneration, including incentives and compensations, appointment of a person authorized to sign contracts with members of

- Supervisory Board of the Bank, approval of report on remuneration of Supervisory Board members;
- 15) termination of powers of Chairman and members of Supervisory Board;
 - 16) termination and liquidation of the Bank, appointment of liquidation committee, approval of rules, procedures and terms of liquidation, rules of distribution of assets, remained after meeting of creditors' claims, and approval of liquidation balance sheet;
 - 17) taking decisions based on deliberation over reports of Supervisory Board and the Board of the Bank;
 - 18) approval of principles (code) of corporate governance of the Bank;
 - 19) appointment of Bank termination committee;
 - 20) based on appeal of Supervisory Board of the Bank, taking decision on entering into a material agreement, if market value of assets or services under the agreement are higher than 25 % of the value of Bank's assets in accordance with latest financial statements of the Bank;
 - 21) taking decision on non-use of preferential right of shareholders to purchase shares of additional issue during their placement;
 - 22) appointment of members of counting board, taking decisions on termination of their powers;
 - 23) other issues of sole competence of General meeting in accordance with the Statute or regulations of General meeting of shareholders of the Bank, brought by Supervisory Board or the Board of the Bank for consideration of the General Meeting of shareholders, except for those, which under the law or Statute of the Bank, are the sole competence of the Supervisory Board of the Bank.

In 2021, General meetings of shareholders took decisions on the following issues:

- Setting major lines of business for the JSB "CLEARING HOUSE";
- Review of report of the Management Board on the performance of Public Joint-Stock company «Bank «CLEARING HOUSE» in 2020;
- Review of report of the Supervisory Board on the performance of Public Joint-Stock company «Bank «CLEARING HOUSE» in 2020;
- Review and approval of the reports and independent auditor's report and the measures to be taken based of the results of review of audit firm report;
- Review and approval of 2020 annual financial statements of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Distribution of 2020 profit and loss;
- Termination of powers of Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Election of members of Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Approval of terms of civil-law contracts to be signed with members of Supervisory Board, election of a person to be authorized for signing of civil-law contracts with members of Supervisory Board;
- Approval of new version of Regulation on remuneration members of Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Election of members of counting board for General Meeting;
- Approval of matters of procedures doe regular General Meeting of shareholders.

Supervisory Board

Supervisory Board of the Bank is governing and controlling body, protecting interests of depositors, other creditors and Bank shareholders, which, within the framework of their competence, set by Statute and Ukrainian law, governs the Bank, controls and regulates the Board of the Bank.

Supervisory Board takes all necessary measures to prevent the conflict of interests in the Bank and assists in their settlement. Supervisory Board informs NBU on the conflict of interests in the Bank, if any, and provides for actual cooperation with NBU.

In accordance with decision of General meeting of shareholders №43 of 28.04.2021, Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE» was elected for 3-year period, consisting of:

Chair of Supervisory Board:

- Viktor V. Vorobiov – representative of a shareholder – MONIER INDUSTRIAL GROUP LLC

Members of Supervisory Board:

- Iryna P. Koleda - representative of a shareholder – MONIER INDUSTRIAL GROUP LLC;
- Volodymyr L. Krotiuk - representative of a shareholder – MONIER INDUSTRIAL GROUP LLC;
- Oleksandr V. Kyrychenko - independent member of Supervisory Board;
- Hanna T. Karcheva - independent member of Supervisory Board;
- Nadia P. Stadnik - independent member of Supervisory Board.

The sole competence of Supervisory Board includes:

- 1) approval of strategy of the Bank's development in accordance with major lines of business, stated by General meeting of shareholders of the Bank;
- 2) approval of Bank's budget, including budget of internal audit department;
- 3) approval of business plan for Bank's development;
- 4) development and approval of strategy and policies of risk management, procedures of risk management, list of risks and their limits;
- 5) provision for functioning of internal controls system and control over its efficiency;
- 6) control of efficiency of risk management system;
- 7) approval of the plan of restoration of Bank's operations;
- 8) determination of sources of capitalization and other financing of the Bank;
- 9) establishment of credit policies of the Bank;
- 10) provision for timely presentation (publication) of reliable information on Bank's operations by the Bank in accordance with Ukrainian law;
- 11) selection of organizational structure of the Bank, including structure of internal audit department;
- 12) approval and introduction of changes into internal rules, regulating work of structural departments of the Bank;
- 13) calling of General meeting, preparation of its agenda, taking decision on its date and inclusion of proposals into agenda of General meeting;
- 14) information of shareholders on General meeting, including the date of preparation of the list of Bank's shareholders, who must be informed about General meeting and have the right to take part in the meeting;
- 15) taking decision on regular and extraordinary General meetings at the request of shareholders or at the proposal of the Board;
- 16) taking decision on sale of redeemed shares;

- 17) taking decision on issuance of other securities by the Bank;
- 18) taking decision on redemption of other securities by the Bank;
- 19) approval of market value of assets in cases, set by Ukrainian law;
- 20) control over operations of the Board, offer of proposals to improve it;
- 21) appointment and discharge of Chairman and members of the Board;
- 22) approval of terms of civil-law labour contracts to be signed with members of the Board, amount of their remuneration, including incentives and compensations;
- 23) taking decision of suspension (temporary) of Chairman of the Board from his/her powers and election of a person to act as Chairman of the Board, members of the Board;
- 24) appointment and discharge of heads of internal audit department, risk management department, compliance department of the Bank;
- 25) approval of terms of civil-law, labour contracts to be signed with heads of internal audit department, risk management department, compliance department of the Bank, amount of their remuneration, including incentives and compensations;
- 26) approval of rules and procedures and plans of work of internal audit department, and control over its work;
- 27) control over work of risk management department and compliance department;
- 28) appointment of audit firm to perform external audit of the Bank, approval of terms of the contract on audit, determination of the service fee;
- 29) deliberation over conclusions of external auditor of the Bank and development of recommendations for General meeting regarding decision on auditor's conclusions;
- 30) control over correction of deficiencies, identified by NBU and other state bodies, which, within the limits of their competence, oversee Bank's operations, internal audit department and audit firm. Based on the results of independent audit;
- 31) determination of the date of preparation of lists of persons, entitled to dividends, procedures and terms of payment of dividends within the time limits, set by law;
- 32) decisions on participation of the Bank in bank groups, unions and associations, establishment of other legal entities;
- 33) decisions on merger, acquisition, division, segregation or reorganization of the Bank;
- 34) decision on entering into significant contract, if market value of assets and services, covered by the contract, is 10 - 25 % of assets' value as per latest annual financial statements of the Bank;
- 35) decision on entering into a contract of interest;
- 36) determination of probability of insolvency of the Bank, resulting from its acceptance of liabilities or compliance with them, including payment of dividends or redemption of shares;
- 37) decision on selection of appraiser of Bank's assets and approval of term of the contract to be signed with the appraiser and service fee;
- 38) decision on selection (replacement) of depository and/or clearing entity and approval of term of the contract to be signed and service fee;
- 39) in cases, set by law, sending offers to Bank's shareholders on purchase of their shares;
- 40) decision on engagement of appraiser during transactions with securities, issued by the Bank;
- 41) decision on establishment, reorganization or liquidation of affiliates, branches and representative offices of the Bank, approval of their statutes and regulations;
- 42) approval or rules and procedures of transactions with the related parties;
- 43) other functions, as set by Ukrainian law.

Issues of the sole competence of Supervisory Board may not be solved by other bodies of the Bank, except for General meeting and in cases, set by Ukrainian law.

Supervisory Board of the Bank has a right to include any issue within its sole competence, as set by law or Statute, into agenda of General meeting.

Competence of Supervisory Board includes:

- Appointment and discharge of manager responsible for internal financial monitoring for prevention and counteraction of legalization (money laundering) of illegal revenues, financing of terrorism, financing of proliferation of mass destruction weapon, in accordance with NBU rules and regulations. The candidate for the position shall be agreed with NBU;
- Decision on maximal number of employees and payroll of the Bank;
- Appointment of registration committee and the secretary of General meeting of shareholders, called by Supervisory Board;
- Authorization of relevant person to chair General meeting of shareholders;
- Development of terms of contracts on merger (acquisition) or plans of division (segregation, reorganization) of the Bank and approval of the project;
- Preparation of explanations of terms of contracts on merger (acquisition) or plans of division (segregation, reorganization) of the Bank and approval of the project;
- Approval of draft statute of the Bank to be established by merger;
- Other powers delegated by General meeting of shareholders.

Supervisory Board may establish committees, consisting of its members, to study the issues within its competence and prepare them for consideration at its meetings, e.g., Supervisory Board committees on appointments, remuneration, risks, audit, etc.

In 2021, there were 97 meetings of Supervisory Board.

Supervisory Board considered the following:

- Review and approval of new versions / amendments of top-level regulations on risk management;
- Review of PKF UKRAINE LLC independent auditor's report and 2020 management report;
- Review and approval of updated limits for major risks for the Bank,
- Review and approval of amendments to Rules of related-party transactions of JSB "CLEARING HOUSE";
- Review of 2020 Annual report of the Issuer;
- Approval of significant changes in Bank operations due to Concept of development of digital banking in JSB "CLEARING HOUSE";
- Approval of 2022 – 2024 Business plan of the Bank;
- Approval of 2022 Bank budget;
- Approval of Program of financing of JSB "CLEARING HOUSE";
- Approval of new version of Plan of financing of JSB "CLEARING HOUSE» in critical situations;
- Approval of plans of audits by internal audit service;
- Review and approval of new version of JSB "CLEARING HOUSE" Policies of prevention and counteraction of legalization (money laundering) of illegal revenues, financing of terrorism, financing of proliferation of mass destruction weapon;
- Approval of Timetable of implementation of recommendations CRESTON G.C.G LLC issued by the results of external evaluation of quality of work of internal audit department;

- Approval of Rules of rewards based on performance of JSB "CLEARING HOUSE" employees;
- Review and approval of new version of Policies of management reporting of JSB "CLEARING HOUSE";
- Review and approval of amendments in internal risk management regulations of the Bank;
- Review and approval of internal regulations on going concern management policies of JSB "CLEARING HOUSE";
- Review and approval of changes in *Plan of actions on implementation of recommendations and compensatory measures, stated in Report on inspection of JSB "CLEARING HOUSE" by National Bank of Ukraine in 2019*;
- Review and approval of 2021 Report on compliance of the Chair and members of Supervisory Board of JSB "CLEARING HOUSE" with eligibility criteria, independent directors with independence requirements; 2021 Report on compliance of the Chair and Members of Management Board (including the official responsible for financial monitoring), Chief accountant and deputy Chief accountant of JSB "CLEARING HOUSE" with eligibility criteria; 2020 Report on compliance of head of Internal audit service, head of risk-management department, head of compliance department of JSB "CLEARING HOUSE" with eligibility criteria;
- Updating current and approval of new internal Bank regulations in accordance with Supervisory Board competence;
- Review and approval reports on Bank operations and compliance with Bank budgets in 2020;
- Review of reports Bank internal audit department;
- Review of reports of compliance risks;
- Review of reports on internal control system monitoring;
- Review of reports on risk monitoring;
- Review of reports on Implementation of Operational plan of non-performing asset management for 2020-2022
- Approval of changes in Corporate structure of the Bank;
- Review and approval of new internal Bank regulations regarding powers of the Supervisory Board;
- Approval of agenda of regular General meetings of shareholders, format and texts of bulletins, and decisions of other issues of Bank operations.

Management Board of the Bank

Management Board manages everyday operations of the Bank, formation of the funds, accumulation of fixed assets, necessary for operations of the Bank in accordance with its statute, being responsible for efficiency of the Bank in accordance with rules and principles set by Statute, decisions of General meeting of shareholders and Supervisory Board of the Bank.

Number of members of Management Board is set by Supervisory Board of the Bank, and it cannot have less than 5 (five) members. Composition of the Board is approved by Supervisory Board of the Bank based on proposals of Chair of Management Board.

Management Board of the Bank comprises:

- Viktoria O. Andreevska – Chair;
- Natalia G. Bryzhnik – deputy Chair;
- Mykola I. Onyschenko – deputy Chair;
- Liudmila L. Melenchuk – deputy Chair;

- Oleksandra O. Markina – Chief accountant;
- Pavlo Ye. Bassak – member of Board – head of financial monitoring function.

As at January 1, 2022, officials of the Bank do not own shares of Public Joint-Stock Company «Bank «CLEARING HOUSE».

Management Board is accountable to General meeting of shareholders, Supervisory Board and provides for implementation of their decisions. Management Board operates in accordance with Statute of the Bank and Regulations of Management Board.

Management Board takes steps to develop and implement Regulation of processes of determination of related parties of Public Joint-Stock company «Bank «CLEARING HOUSE», approved by Supervisory Board of the Bank.

Management Board takes decisions on all issues of everyday operations of the Bank, except for those within the competence of General meeting of shareholders and Supervisory Board, namely:

- 1) development of draft budget of the Bank, strategy and business plans of development of the Bank for approval by Supervisory Board;
- 2) implementation of strategy and business plan of Bank's development;
- 3) determination of the form and rules of monitoring of Bank activities;
- 4) implementation of strategy and risk-management policies, approved by Supervisory Board, provision for implementation of procedures of identification, assessment, control and monitoring of risks;
- 5) formation of organizational structure of the Bank, approved by Supervisory Board, selection and training of personnel, management of structural and separated segments of the Bank;
- 6) development of provisions, regulating activities of structural and separated segment of the Bank in accordance with its strategy of development;
- 7) provision of security of Bank's IT systems and systems, used to safeguard clients' assets;
- 8) communication of information on Bank's performance, identified violation of laws, internal rules of the Bank and any deterioration of Bank's financial position or a threat of deterioration, level of risks, arising during Bank's operations, to Supervisory Board;
- 9) conduct of Bank operations, entering into interbank or other contracts in accordance with Statute of the Bank, NBU general license on currency transactions, accounting, reporting and organization of internal controls;
- 10) implementation of decisions of General meeting of shareholders, Supervisory Board, own decisions and orders;
- 11) provision of compliance with current laws, rules and regulations of NBU and National Committee on Securities and Stock Exchange by Bank employees;
- 12) approval of rules, programs, regulations, plans, instructions and all other internal regulatory documents of the Bank, approval of which is not the sole competence of General meeting and Supervisory Board.

Chair of Management Board is appointed by Supervisory Board.

Chair of Management Board has a right to act in the name of the Bank without Power of Attorney, including representation of Bank interests, in the name of the Bank sign contracts, which are not prohibited by Ukrainian law, Statute of the Bank and are not within the sole competence of General meeting of shareholders or Supervisory Board of the Bank, issue orders and commands, mandatory for all personnel of the Bank, issue Powers of Attorney to other persons, who under Ukrainian law may act as Bank representatives.

Chair of Management Board organizes work of Management Board, calls its meetings, ensures keeping of minutes of Management Board meetings.

Chair of Management Board has a right to take part in meetings of Supervisory Board with advisory vote.

Management Board establishes standing committees to manage risks, namely, credit committee, assets and liabilities management committee, and other committees.

In 2021, Management board of the Bank held 227 meetings.

Management Board considered the following:

- review of Bank performance in 2020;
- control of performance of the Bank and compliance with 2021 budget;
- development of Business plan of the Bank for 2022-2024;
- review of 2022 budget of the Bank;
- approval of Concept of development of digital banking;
- review of reports on results of monitoring of business risks of the Bank and results of monitoring of efficiency of Bank internal control system;
- review of reports of internal audit service and implementation of recommendations based on audits;
- approval of the list of related parties of the Bank;
- updating current and approval of new internal Bank regulations;
- introduction of new Bank products and changes into existing products;
- approval of job descriptions for Bank employees;
- approval of updated and new internal Bank regulations on powers of Management board;
- development of Rules of rewards based on performance of JSB "CLEARING HOUSE" employees;
- decision to sell property owned by the Bank;
- decisions on alienation and acquisition of property and decisions on other issues of Bank operations.

Rules of appointment and discharge of Bank officials

Election and termination of powers of members of Supervisory Board is based on decision of General meeting of shareholders. In accordance with Law of Ukraine *On Joint Stock Companies*, members of Supervisory Board are elected by cumulative vote, while termination of powers and election of Chair of the Supervisory Board of the Bank is based on majority of votes of shareholders, registered for participation at the general meeting, who are owners of voting shares.

Election and termination of powers/discharge of Chair and members of Management Board of the Bank (including deputy Chairs) is the sole competence of Supervisory Board of the Bank. Decisions are taken by simple majority of votes of members of Supervisory Board with voting power, taking part at the session. If the votes of members of Supervisory Board are equal, the vote of the Chair of Supervisory Board is decisive.

Internal audit department

Internal audit department of the Bank is a standing department, which is a component of internal control system of the Bank. Professional qualifications of the head and employees of the department must comply with NBU requirements.

Internal audit service operates in accordance with approved internal regulations of the Bank. The service reports to NBU on its work twice a year and once a year – to Supervisory Board. Work of internal audit service in 2021 was recognized as satisfactory.

In accordance with Regulation on organization of risk management system in Ukrainian banks and bank groups, approved by Decree of NBU Board N 64 of June 11, 2018, and Regulation on organization of internal control system in Ukrainian banks and bank groups, approved by Decree of NBU Board N 88 of July 2, 2019, internal audit service of the Bank is the subject of risk management system and subject of internal control system of the Bank. In three-line protection model, internal audit service of the Bank is the third line, providing for review and evaluation of efficiency of functioning of risk-management system; independent evaluation of efficiency of functioning first and second protection lines, as well as overall evaluation of efficiency of internal control system.

Internal audit department, acting as third protection line:

- 1) reviews and evaluates processes underlying bank operations, including those with potential risk that are performed by contracted legal entities and individuals (outsourcing);
- 2) evaluates efficiency and adequacy of corporate management of the Bank, internal control system, Bank management processes, their correspondence to Bank size, complexity, scope types and nature of Bank transactions, structure and risk profile of the Bank, organization of internal system of counteraction to money laundering/financing of terrorism, system of management of risks of money laundering/financing of terrorism;
- 3) reviews Bank management processes, process of measurement of adequacy of capital, adequacy of liquidity, provision of safekeeping of Bank assets, taking into account Bank risks;
- 4) reviews correctness and reliability of accounting and financial reporting, as well as other reports issued by the Bank, their completeness and timeliness to filing to National Bank, respective state bodies that oversee Bank operations within the limits of their powers;
- 5) makes independent evaluation of control system implemented by Bank management, in particular:
 - compliance of managers and employees of the Bank providing banking and other financial services with legal requirements, including rules and regulations of National Bank and internal regulations of the Bank, performance of professional obligations and rules, set by Statute of the Bank and Bank internal documents, including those related to compliance and risk management;
 - identification and analysis of violation of legal requirements, professional standards, internal rules, regulating Bank activities, by Bank employees;
 - timely correction of deficiencies identified by National Bank and other state bodies that oversee Bank operations within the limits of their powers;
- 6) independently assesses reliability, efficiency and integrity of management of IT systems and processes of the Bank (including relevance, accuracy, completeness, accessibility, confidentiality and integration of data);
- 7) reviews financial and business activities of the Bank;
- 8) evaluates efficiency and adequacy of Plan of rehabilitation of the Bank (if any);
- 9) evaluates work of risk-management and compliance-risk departments, committees set by the Bank (core committees) and quality of reports on risks presented to Supervisory and Management Boards of the Bank;
- 10) identifies and reviews cases of abuse of authorities by Bank officers and conflict of interests in the Bank;
- 11) provides consulting services within the Bank. If there is no threat to independence, performs other functions related to supervision and control over Bank activities;
- 12) performs other functions, as set by Ukrainian law.

Internal audit department is accountable to Supervisory Board, acting on the basis of regulations approved by Supervisory Board.

Internal audit service offered recommendations to management, based on the results of audits performed, on improvements in internal-control and risk-management systems, corporate governance, internal control systems, Bank management processes, organization of internal system of counteraction to money laundering/financing of terrorism, systems of management of risks of money laundering/financing of terrorism. Reports on results of audits were presented to Supervisory and Management Boards of the Bank.

Organization of internal control system

Taking into account recommendations of Basel committee on banking supervision, rules and regulations of National Bank of Ukraine, the Bank provided for functioning of integral, efficient and adequate internal control system.

Internal control system is integrated into corporate management system of the Bank through:

- establishment of respective organizational structure;
- establishment of powers, subordination, accountability and segregation of duties of persons, engaged in functioning of internal control system, their responsibilities and procedures of interactions in internal documents, regulations on collegial bodies and structural departments of the Bank.

Internal control system of the Bank:

- includes the following components: control environment; inherent Bank risk management, including compliance risk; control activity in the Bank; control over information flows and communications of the Bank; monitoring of efficiency of internal control system of the Bank;
- provides for achievement of operating, information, compliance goals of Bank operations;
- is implemented at each organizational level of the Bank.

Internal control system of the Bank is based on segregation of duties between bank departments except for functions within the sole competence of Supervisory and Managements Boards of the Bank, Bank committees in accordance with Ukrainian laws, rules and regulations of National Bank of Ukraine and internal Bank regulations.

This segregation is based on three-line protection model, namely:

- first protection line – at the level of business and support departments of the Bank. These departments initiate, execute or disclose transactions, accept risk in their work process being responsible for current management of these risks and performing control measures within their competence;
- second protection line – at the level of Risk management department and Compliance service minimal requirements to which are set by Regulation on organization of internal control system in Ukrainian banks and bank groups, approved by Decree of the Board of National Bank of Ukraine № 64 of 11.06.2018. These departments provide assurance to Bank management that risk-control and management measures, done by first protection line and designed and operate properly;
- third protection line – at the level of Internal audit service, independently evaluating efficiency and adequacy of functioning of risk-management and internal-control systems, functioning of risk-management and compliance risk, taking into account

requirements, set by Regulation on organization on internal audit in Ukrainian banks, approved by Decree of the Board of National Bank of Ukraine №311 of 10.05.2016.

General strategy, principles and approaches to organization and design of internal control system are set by Policies of internal control system of Public Joint-Stock company «Bank «CLEARING HOUSE», approved by Supervisory Board of the Bank.

Organization of risk management system

Taking into account recommendations of Basel committee on banking supervision, rules and regulations of National Bank of Ukraine, the Bank provided for functioning of integral, efficient and adequate risk management system.

The Bank makes an integral assessment of the defined material risks, inherent to Bank activities: credit risk, liquidity risk, interest rate risk, market risk, operating risk (including information risk) and compliance risk. When assessing all types of risks, the Bank takes into account risk of concentration.

Major goals of risk management system are:

- Identification and assessment of risk level of materiality;
- Assessment, aggregating and forecast of risk levels;
- Setting limits of the risks;
- Monitoring and control of scope of risk accepted, implementation of measures to reduce the risk in order to keep it within present internal / external range;
- Compliance with mandatory norms and limits set by regulator;
- Assessment of adequacy of financial resources to cover significant risks, inherent in Bank business (taking into account realization of stress scenarios);
- Strategic planning, taking into account the level of accepted risk;
- Informing Supervisory Board, Board, committees and other collegial bodies, established by Bank Board, departments, engaged in risk acceptance/management process, on significant risks and adequacy of Bank capital;
- Development of risk culture and competences regarding risk management.

Risk management uses both centralized and decentralized approach. Risk management policies are integral part of business planning and budgeting of Bank, aimed at:

- Ensuring / maintaining proper level of risk within the range of approved level of risk appetite and / or other limits and ranges;
- Provision of adequacy of capital to cover significant risks;
- Ensuring financial stability of the Bank and minimization of potential financial losses;
- Ensuring effective allocation of resources to optimize risk / profitability ratio;
- Ensuring going concern and planning of optimal business management of the Bank, taking into account possible stress situations;
- Prevention of cases of untimely and / or incomplete meeting of Bank obligations towards creditors and depositors;
- Improvement of risk management system, taking into account laws and regulations, internal and external factors, influencing Bank activities;
- Optimization of risk management processes at all organizational levels, ensuring timely detection of all significant risks;
- Assessment of risks and introduction of respective limiting measures;
- Effective cooperation of Bank departments in risk management processes and formation of provisions for possible losses;
- Compliance with internal procedures and powers in decision-making.

Organizational structure of the Bank foresees distribution of functions, duties, powers and responsibilities between Bank departments in accordance with principle of 'three lines of defence'; for this purpose, the Bank uses continuous process of exchange / receipt / provision of necessary information from internal and external sources. Continuity of the process implies use of the following mechanisms to support risk management processes:

- Information, analytical and technological systems as source of information and means of its transfer;
- Internal and external communications regarding Bank risk management;
- Regular reporting to Supervisory Board, Board and committees of the Bank, established by the Board, in line with their lines of risk-related responsibilities, on results of operations and compliance with risk management culture of the Bank.

Bank management, standing committees of the Bank and working groups are regularly informed on the level of risks, accepted by the Bank and facts of violation of approved procedures of risk management, limits and ranges.

The Bank maintains a set mechanism of exchange / transfer of information on risk management 'down-upward' (from employees to managers) and 'top-downward' (from managers to employees) for whole organizational structure of the Bank and assesses the risks by 2 major parameters: probability of risk realization and level of risk influence. Quantitative and qualitative methods and tools of risk assessment are selected depending on type of risk, based on internationally accepted practices, when the Bank assesses the risks individually and as a group, taking into account interactions of risks and their concentration.

Disposition to financial/non-financial risks

The Bank regularly reviews its level of disposition to risks and sets risk appetite as an aggregate for all type of risks and as individual index for separate risks, defined in advance, within the range of admissible risk, covered by the Bank decision on expediency of compliance with them in order to achieve strategic goals and implement business plan of the Bank.

Significant risk factors, affecting the financial institution during the year were:

- High concentration of deposits of largest creditors in Bank liabilities;
- Short-term placement funds of clients dominate in resource base of the Bank;
- Introduction of quarantine and limiting antiepidemic measures by Cabinet of Ministers of Ukraine in order to prevent spread of acute COVID-19 disease, caused by coronavirus SARS-CoV-2, in Ukraine.

During the reporting period, the Bank complied with prudential requirements of National Bank of Ukraine. No violations of internal limits for major quantitatively measurable risks were identified.

The Bank has low aggregated risk appetite, as confirmed by results of stress testing by types of inherent material risks of the Bank.

Information on facts of violations internal rules by members of Supervisory and Management Boards, resulting in losses of the Bank or Bank clients

There were no facts of violations internal rules by members of Supervisory and Management Boards, resulting in losses of the Bank or Bank clients.

Fines and penalties applied to the Bank, including members of Supervisory and Management Boards by state bodies

In 2021, the Bank was fined by UAH 170,0 thousand for violation of rules of disclosure of information on structure of ownership and filing of improper information on structure of ownership by Decision №416 of Committee on oversight and regulation of banks' activities and oversight of payment systems of National Bank of Ukraine of 07.10.2021.

Besides, the Decision №222 of Committee on oversight and regulation of banks' activities and oversight of payment systems of National Bank of Ukraine of 10.06.2021 temporarily prohibited, until violation is corrected, to use voting right.

In 2021, no fines and penalties were applied members of Supervisory and Management Boards of the Bank.

Protection of rights of consumers of financial services

Public Joint-Stock company «Bank «CLEARING HOUSE» approved the rules of office work with appeals of citizens, setting the respective procedures, to ensure protection of rights of consumers of financial services.

Review and settlements of clients' appeals, replies based on the results of review is the responsibility of a structural department of the Bank, which competence covers the respective issue.

The Bank implemented a mechanism of confidential notification on improper conduct, said mechanism being set by Rules of confidential notification on improper conduct in the bank (whistleblowing policy mechanism), approved by Minutes of the meeting of Supervisory Board of the Bank №43 of June 29, 20219.

Appeals with notification on improper conduct are reviewed by Compliance department, while other departments may be also engaged, if necessary.

The Bank recognizes each appeal as a possibility to further improve its work, quality of services and level of satisfaction of clients.

There were no complaints or appeals of the clients to the Bank in 2021.

As at the end of 2021, there were no court appeals by the clients against the Bank caused by provision of financial services.

The Bank steadily complies with legal requirements to protection of consumers' rights, implementing requirements of Regulation on provision of information on bank and other financial services by banks, approved by Decree of the Board of National Bank of Ukraine № 141 (with changes) of November 28, 2019.

Other information on governing and managing bodies of the Bank

Remuneration of members of Supervisory Board and Management Board of the Bank in 2021 was UAH 15,3 million.

There were no facts of violation of internal regulations by members of Supervisory Board and Management Board in 2021, resulting in losses of the Bank or its depositors or other creditors, and facts of application of penalties for violation of banking laws and laws on prevention and counteraction of legalization (money laundering) of illegal revenues, financing of terrorism, financing of proliferation of mass destruction weapon, rules and regulations of NBU, or engagement in risky activities, threatening interests of depositors or other creditors of the Bank, and/or stability of banking system by state bodies (in particular, National Bank of Ukraine, over members of Supervisory Board and Management Board of the Bank. Besides, there were no decisions of the committees or decrees of the NBU Board on non-compliance of members of Supervisory Board and the Board of the Bank with requirements as to business reputation, independent directors and / or requirements of independence, or other violations by Bank officers, set by art. 42 of Law of Ukraine *On Banks and Banking Activities*.

Transactions with related parties are disclosed in Note 31 to 2021 annual financial statements of Public Joint-Stock Company «Bank «CLEARING HOUSE».

There were no facts of alienation and purchase-sale of assets during the year over the scope, set by Statute of the Bank.

There were no facts of issuance of derivatives or entering into contracts on derivatives by issuer in 2021.

There is no information on any limitations of rights of participation or voting rights of shareholders at general meetings of the Issuer.

External auditor

Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE» (minutes of Supervisory Board № 70 of 08.10.2021), appointed PKF UKRAINE LLC as the external auditor.

PKF UKRAINE Limited Liability Company operates in the audit-services market for 15 years. PKF UKRAINE Limited Liability Company provides audit services to the Bank for 6, including the reporting years.

PKF UKRAINE LLC is registered in *Subjects of audit activities, having the right to act as statutory auditor of public interest entities* section of the Register of auditors and subjects of audit activities. Registration number in the Register is 3886.

Other audit services, provided by PKF UKRAINE LLC to the Bank during the year in addition to statutory audit of annual financial statements, included:

- sustainability assessment (assets quality review and acceptability of collateral under credit operations) as at 01.01.2021 in accordance with Decree of NBU Board № 141 of December 22, 2017, *On Assessment of Sustainability of Banks and Banking System of Ukraine* (with changes and amendments).

External auditor applied the following recommendations:

- art. 127 of Law of Ukraine On Capital and Organized Commodities Markets
- art. 12² of Law of Ukraine On Financial Services and State Regulation of Financial Services Market;
- On application of and compliance with requirements of Decision of SCSSE № 555 of 22.07.2021 On Approval of Requirements to information related to audit or review of financial statements of participants at capital and organized commodities markets, overseen by National commission on securities and stock exchange;
- On application of and compliance with requirements of Decree of NBU Board №90 *On Approval of Regulations On Rules of Filing of Auditor's Report Based on Results of Audit of Annual Financial Statements by Banks* of August 2, 2018;
- On application of and compliance with requirements of Decree of NBU Board №373 *On Approval of Regulations on Preparation and Publication of Financial Statements by Ukrainian Banks* of October 24, 2011.

Rotation of auditors of the financial institution during last five years complied with requirements of Ukrainian law.

There were no penalties imposed on the auditor by Chamber of Auditors of Ukraine in reporting year. There were no facts of filing of misstated financial statements, confirmed by auditor's opinion, identified by regulators of financial services markets.

There were no cases of conflict of interests and/or combining functions of internal auditor.

6. Economic environment

The Bank operates in Ukraine, where economic environment is open and viewed as market with certain characteristics of transitional economies. Ukrainian economy greatly depends on world prices for raw materials and has low liquidity on capital markets. In this situation, banking in Ukraine is characterized by increased risks, which are not typical for advanced markets.

The year of 2021 happened to be the period of preparation of Ukrainian financial system to unprecedented test by full-scale of Russian military aggression. Effective, well-coordinated and professional work of NBU team, banking and non-banking sectors was the source of stable and uninterrupted work of financial system during the war and strong foundation of strong financial defence of Ukraine.

In 2021, Ukrainian economy continued to grow despite difficult conditions related to aftereffects of coronavirus pandemics: the actual growth of real GDP reached 3,4% after 4% drop in 2020.

In the 1st quarter of 2021, GDP went down by 2% annual, increasing to 5.7% in the 2nd quarter of 2021. In the 3rd quarter of 2021 real GDP of Ukraine went up by 2,7%, or, compared to previous quarter – by 1,5% adjusted seasonally. State statistical agency shows that in 2021 total increase of real GDP was 3,4%. Difference from forecast is the result of slow harvesting of late grain and technical crops and decrease of global demand for ore-and-metal products, as well as high international prices for energy sources.

Despite of instability of economic environment in 2021, national currency strengthened by 7% compared to USD compared to the beginning of the year.

NBU, using maximally flexible inflation targeting mode in 2021, conducted stimulating monetary policies to assist comeback of Ukrainian to growth trend.

Consistent proactive, transparent and predictable monetary policies of NBU resulted in break of trend of increase of consumer prices compared to many other countries in spite of complex situation: as of October, inflation gradually reduced to 10% annual as at the end of 2021. Still, the results of 2021 show that targeted level of inflation was not reached mostly through nonmonetary reasons of its growth (reforming of tariffs, world prices, epidemiological costs, etc.) and limited monetary transmission.

NBU reacted to increase of inflation risks as of start of 2021, increasing discount rate by 0,5 b.p. (to 6,5%) in March, 1,0 b.p. (to 7,5%) in April, 0,5 b.p. (to 8%) in July, 0,5 b.p. (to 8,5%) in September, 0,5 b.p. (to 9%) in December. Timeliness of NBU reaction prevented the unwinding of inflation spiral. Were it not so, monetary policies might have been much tougher thus affecting economic growth. These policies in 2021 helped to keep confidence to UAH and continue the trend to decrease use of USD. In 2021, deposits in USD went down from 37,7% to 32,4%, loans – from 36,7% to 28,9%, while UAH deposits went up by 21% during the year.

In 2021, banking system continued to be resilient, well capitalized, liquid and profitable. Preliminary data show that profit of banking system in 2021 reached UAH 77,5 billion. This is the record figure, and these funds may be used to increase capital and scope of crediting in 2022. Besides, the banks have good liquidity ratio, e.g., all banks comply with short-term liquidity ratio LCR, related to coverage of crisis outflow of funds. Net assets of banking sector went up by 12,7%, reaching UAH 2054 billion. Due to high profit, the banks were able to form capital buffers and actively credit national economy. National Bank supported trust to banking system and provided for financial stability of the country.

Due to high profits, the banks managed to form buffers of capital for active crediting of national economy. NBU provided for continuation of trust in banking system and financial stability.

Changes in economic environment in 2021 resulted in changes of sovereign credit ratings of the country and increase of its international reserves. Despite of significant payments under external liabilities, international reserves by the end of 2021 reached USD 30.9 billion, highest in nine years. Major purpose of management of international reserves were provision for optimal levels of protection, liquidity and profitability in accordance with the National Bank functions, as set by Ukrainian legislation.

In September 2021, international rating agency Standard & Poor's confirmed sovereign credit rating of Ukraine at level «B» with «stable» forecast. In August 2021, international rating agency Fitch Ratings confirmed sovereign credit rating of Ukraine at level «B» with «positive» forecast.

In 2021, the country continued to cooperate with international partners – receiving significant credit support of IMF, EU, World Bank and other international partners. These funds improved external-debt resilience of state finances, helped to unblock access of the country to international financial markets and finance a significant part of budget needs.

In 2021, world economy dynamics improved due to increase of business optimism and improved rate of vaccination in spite of appearance of new coronavirus strains; still, key risk for macro financial stability continues to be length and spread of coronavirus pandemics and strengthening of quarantine measures. Escalation of military conflict in eastern Ukraine, decrease of grain, fruit and vegetable crops through unfavourable weather conditions, increase of volatility of world priced for food products due to global climatic changes, decrease of inflow of foreign capital – realization of these risks may worsen exchange rate and inflation expectations and complicate access to international capital market when peak debt payments are to be made. Deep economic and financial crisis, caused by full-scale war of Russia against Ukraine, would have significant negative and long-lasting effect for financial sector. Still, banks successfully withstand war challenges due to significant safety factor, timely reaction of NBU and years of joint work to reform the sector. The Banks are operationally strong, providing daily services to customers in the regions where it was safe for personnel and customers. Still, banks suffered significant losses for operating risk, caused by war.

Russian aggression made a huge strike on Ukrainian economy through large-scale destruction of infrastructure. The war increased anxiety through rapid global sag, increase of inflation and indebtedness and growth of poverty level. Economic effect impacted many channels, including markets of raw materials, financial markets, trade, migration trends, and decrease of trust.

7. Operating results

Year of 2021 was the year of growth of financial stability and efficiency for Public Joint-Stock Company «Bank «CLEARING HOUSE»

The Bank keeps high level of capitalization.

As at the end of 2021, actual regulatory capital amounted to **UAH 505,6 million**, which is significantly higher than required by existing standards, set by National Bank of Ukraine, thus providing for adequacy of capital at the level of **21,2%** while the minimal level is 10%. Basic capital is **UAH 429,4 million** or more than **85%** of total regulatory capital.

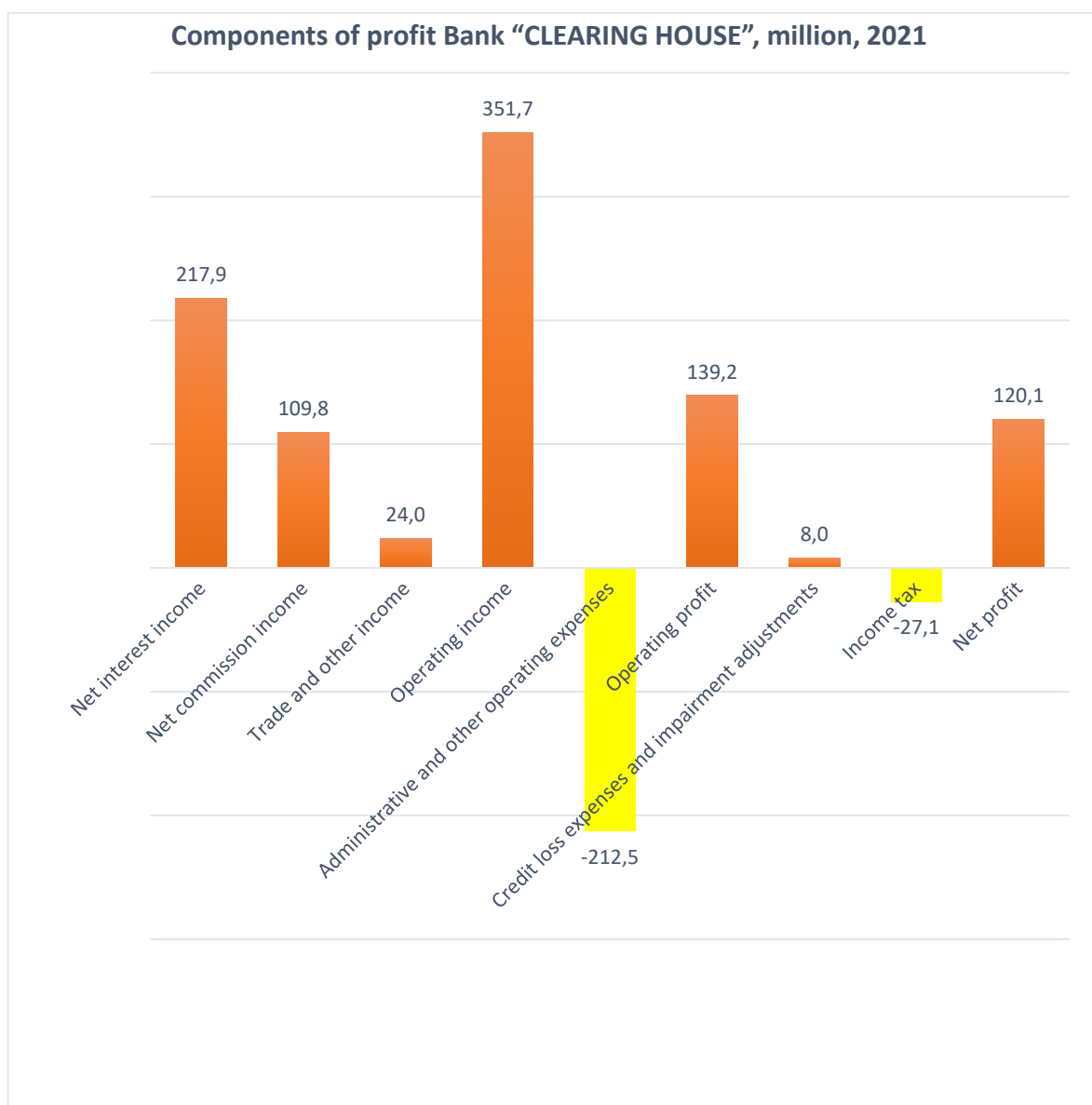
Increase of profitability

Public Joint-Stock company «Bank «CLEARING HOUSE» is profitable commercial bank, getting net financial result of **UAH 120,1 million**.

Operating profit of the Bank in 2021 was **UAH 139,2 million**, including:

- Corporate: **UAH 106,6 million;**
- Individual and SME: **UAH 51,4 million**, including:
 - Private Banking: UAH 21,9 million
 - Individuals and SME (Bank at work): UAH 29,5 million
- Centralized, treasury transactions and non-allocated items: **UAH: 18,8 million.**

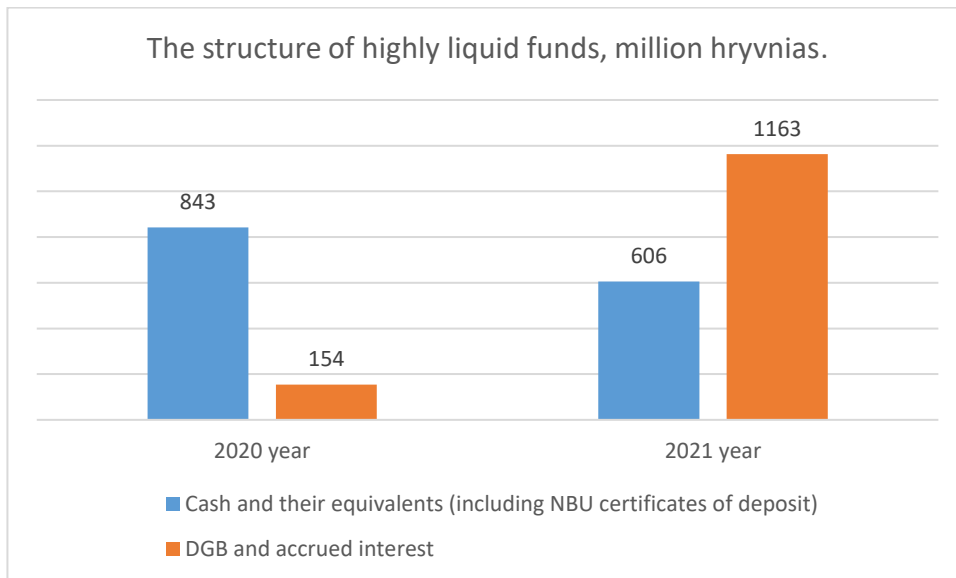
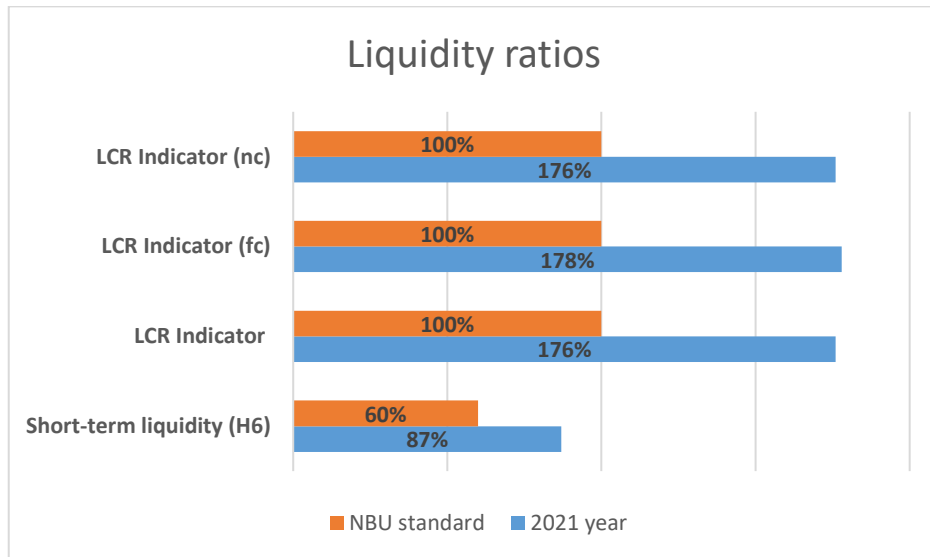
Effective performance of the Bank made it possible to improve its capital by creation of additional reserves for continuing growth and development in the process of implementation of EU directives and introduction of *Basel III* rules in Ukraine.



Indicators of liquidity confirm stability of Bank positions, being higher than NBU requirements.

Indicators of liquidity confirm that the Bank has adequate funds to cover its liabilities towards its clients.

Indicators of liquidity are much higher than NBU requirements.

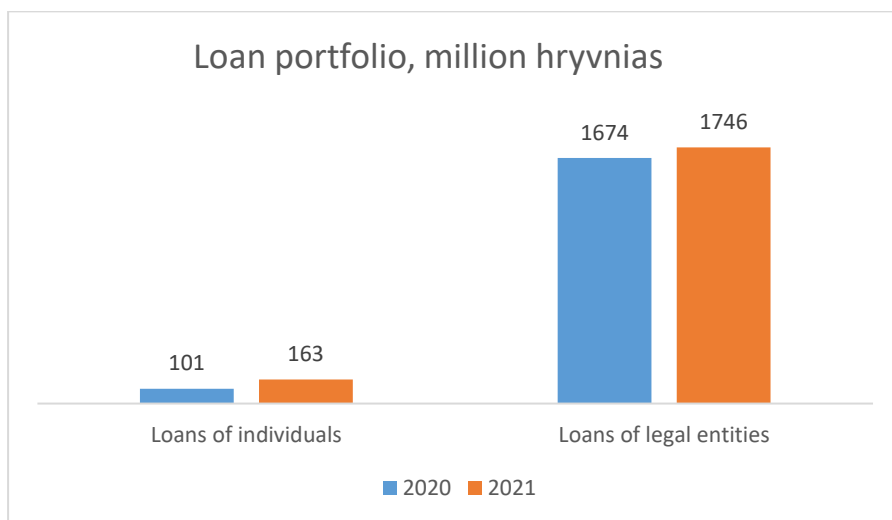


Loan portfolio management

As at the end of 2021, the Bank reached level of NPA in credit portfolio of **15,6%**, or **12.p.p.** less than as at 01.01.2021 and **12.4 p.p.** better than average for Ukrainian banking system (as at the end of 2021, NPA share on loan portfolio of the banking system was **30%**).

Loan portfolio of new customers – legal entities – increased by **UAH 72,0 million**, while total number of borrowers reached 80 customers as at the end of 2021.

In 2021, loan portfolio of private individuals increased by **UAH 72,6 million**, with the growth rate of portfolio of **62,1%**. Major input into growth of such loan portfolio was increase of consumers' loans.



Efficiency indices grew up:

- ROE – ratio of net profit and bank capital
- ROA – ratio of net profit and bank assets
- Cost to income – ratio of administrative expenses and operation income
- Net interest margin – ratio of net interest income and amount of interest-generating assets.

ROA and ROE reached **3,4%** and **17,2%** respectively.

In 2021, Cost to income ratio of the Bank reached **59,5%**.

Net interest margin reached **6.6%** by 2021 results.

Major drivers for growth of efficiency of work with interest bearing resources and assets were significant decrease of costs of attraction of funds, increased efficiency of work with high liquid funds and increase of interest income through providing loans to new corporate clients and individuals.

Depository activities

Public Joint-Stock company «Bank «CLEARING HOUSE» has 22 years of positive experience of work as depository with well-established and experienced team of experts at national stock market.

Public Joint-Stock company «Bank «CLEARING HOUSE» as a depository is a client of National Depository of Ukraine, NBU Depository, member of Professional association of members of capital and derivatives market (PARD).

In 2021, the Bank served close to 149 thousand accounts of securities and 576 issues of securities of local issuers, including state ones. Total nominal value of securities, services by the depository, is UAH 10 billion. Besides, the Bank provides services on safekeeping of assets of joint investment institutions and assets of private pension funds.

Depository operates in accordance with the license of National committee of securities and stock exchanges to professionally operate at stock market – depository activities on safekeeping of assets of joint investment institutions and assets of private pension funds.

Advantages of the Bank as depository include: many years of experience, active position at stock market, personalized and qualified approach to every client, optimal tariffs for depository services and full range of depository services.

Operations and IT strategy

In 2021, departments of Centre of information technologies continue to operate along priority lines of IT strategy and modern IT challenges. Major aspects of IT strategies of the Bank include introduction of modern innovative technologies, automation of business processes, improvement of IT culture and transition to modern hard- and software.

Special attention was focused on project of replacement of major banking system (ABS), taking into account all requirements of users to channels of interaction with banking sector.

In order to improve its position in competitive environment and following the trends of banking services market in 2021, the Bank actively developed Mybank365 mobile payment systems. In 2021, the Bank introduced:

- replenishment of deposits;
- settlement of loans;
- service of bills and statements.

Introduction of ABC and mobile app MyBank365 improved interaction with the Bank, making it more comfortable and quicker, improving Bank's competitive position on the market and making it possible to add new services and optimize processing of bank products and their after-sale servicing in 2022.

Integral part of work of IT department is improvement of protection of IT systems, quality of which sets the level of safe and accessible services for clients and employees of the Bank.

8. Corporate

Corporate business of the Bank demonstrates stable development and high results for quite a few consecutive years, thus confirming efficiency of selected business model of this sector.

Major goals for 2021 were maintenance of existing clients' base and initiation of cooperation with new clients, whose business complies with Bank requirements to compliance with laws and regulations and risk profile.

Over 800 corporate clients use financial services and products of the Bank in 2021.

Number of transactions on settlements with counterparts by Bank clients in 2021 was over **367 thousand**, covering over **UAH 110 billion**.

Cooperation with partners and clients is based on the following values:

- Personalization;
- Exclusivity;
- Confidentiality;
- Integrity and transparency;
- Long-term relations;
- Openness and experience of personnel.

In 2021, the Bank focused on work with Corporate segment customers representing entities of fuel and energy sector, wholesale trade, including grain crops, agriculture using adapted bank products.

Total loan portfolio of main debts is close to **UAH 1422 million**. Loan portfolio of new clients in 2021 went up by more than **UAH 62,4 million**, while the number of borrowers increased by **13%**.

Total amount of opened overdrafts as at the end of 2021 was over UAH 600 million.

Due to customers are over UAH **1 355 million**.

Commission income under bank guarantees issued reached UAH **17,9 million**.

In 2021, the Bank offered to its corporate customers a full range of services, starting from different programs and products to finance business development, effective placement of temporarily free funds, servicing of corporate cards and salary cards, issue of bank guarantees under such products as Express Guarantee, Guarantees of UKRENERGO NJSC and Guarantees of GTS OPERATOR OF UKRAINE LLC, depository services and other documentary transactions.

Operating income of corporate business in 2021 was more than **UAH 154,5**, including non-interest income close to **UAH 50,3 million**.

Operating profit in 2021 reached value close to **UAH 106,6 million**.

Major products and services

Cash flow management:

- opening and servicing current accounts;
- centre of financial control of a company and controlled entities;
- international payments;
- budgeting;
- collection of cash;
- servicing of corporate cards and salary projects.

Free cash-flow management:

- classic term deposit;
- short-term treasury deposits, up to 30 days;
- overnight placement of funds;
- transactions with government bonds.
- Special decisions

Financing of business:

- financing of circulating capital;
- multipurpose credit line;
- crediting of agricultural entities;
- classic overdraft (for legal entities);
- overdraft with differentiated interest rates;
- trade financing and documentary transactions (including bank guarantees, import letters of credit, documentary collection, settlements under promissory notes).

Depository services:

- opening and servicing securities accounts;
- servicing of non-documentary securities circulation on stock and off-stock exchange markets, including compliance with principle 'delivery of securities against payment';
- safekeeping of securities;
- blocking (pledge with liabilities) of securities and crediting against pledge of securities;
- servicing of joint investing institutions and private pension funds.
- immobilization of securities.

9. Private Banking

Development of cooperation with wealthy clients is one of major drivers of business model of the Bank.

The Bank creates an atmosphere that helps to unite people and values of a wealthy client.

Year by year number of clients in Private banking sector increases, confirming strong position of the Bank as a player in this segment of banking services in Ukraine.

In 2021, more than 2.2 thousand wealthy clients preferred to cooperate with offices of Public Joint-Stock Company «Bank «CLEARING HOUSE».

Cooperation with partners and clients is based on such values, as:

- Personalization;
- Exclusivity;
- Confidentiality;
- Integrity and clarity;
- Long-term relations;
- Openness and expertise of personnel.

Relations are developed through separate aspects of lives of wealthy clients:

- Family and home
- Friends and partners
- Business
- Personal interests.

In 2021, the Bank focused on improvement of its competitiveness in Private Banking sector, based on its strong points – personalized services and flexibility.

The Bank closely monitors the development of services in Private banking both locally and internationally, introducing products, meeting the need of clients of this segment.

As a result, **operating income** of Private banking business in 2021 was **UAH 68,9 million**, including non-interest income of **UAH 37.5 million**, while operating profit in 2021 reached level close to **UAH 21,9 million**.

Recognition of the efficient work of the Bank with Private banking clients is reflected in award for services to wealthy clients by national financial publication:

- **Number 9** in *PREMIUM BANKING* nomination based on rating of *50 LEADING UKRAINIAN BANKS -2021* by Financial Club financial analytic group.

Major products and services

Free funds management:

- Deposit with individual terms of the term, currency, accrual and payment of revenue, increase or partial draw of funds;
- Classic term deposits;
- Securities, etc.

Bank services:

- Servicing of current financial needs (tariff plans based on premium VISA cards);
- Increased number of premium cards, namely, introduction of new premium BIN – Visa Signature;
- Provision of integral bank services to customers. Solution packages makes it possible for customers to use multicurrency cards issued for accounts in different currencies (up to six currencies), accumulate funds (accumulating accounts in 3 currencies), decrease a financial load by directing salaries and similar payments to accounts where accrued interest is not taxed;
- Opening and servicing of current accounts;
- Lease of individual deposit boxes;
- Special terms for maximally safe sale or purchase of property;
- Sale and purchase of foreign currency cash;
- Online transfers;

- Channels of remote servicing;
- Collection, etc.

Other services:

- Centre of financial control of family funds;
- Development of financial culture of kids and youngsters;
- *Appreciation* bonus program
- Concierge service 24/7;
- MPS premium services;
- Mobile app MyBank365 with wide range of transactions available.

Financing:

- Credit cards with grace period;
- Crediting under cash deposits as collateral;
- Use of funds within credit limits;
- Overdraft.

10. Bank-at-work (individuals and SMEs)

The Bank pays adequate attention to development of relations with clients of mass-affluent/mass segment and clients of small and medium business (Bank at work) to reach maximal synergy effect of servicing key business lines.

The Bank develops its services and assists each client to reach their goals and overcome difficulties.

Values of cooperation with the clients of major business lines are the integral part of Bank's corporate culture, so the Bank offers high-quality and high-level services its clients in Bank-at-work segment.

In 2021, Bank products were used by close to **26 000** individuals and close to **800** clients (number of clients increased by close to **4 thousand**), representing small and medium businesses.

Relations with clients are implemented through the following attributes:

- Family and home.
- Friends.
- Realization of goals.
- Private interests.

In 2021, the Bank improved its position in servicing acting and new clients – natural persons. In 20120, the Bank reviewed he whole line of card packages for the clients of Bank-at-work sector and increased cooperation with partners regarding attraction of new clients.

Non-interest income from servicing of the clients in 2021 reached over UAH 55 million, or close to UAH **25** million more than in 2020.

In 2021, the Bank reached its goal to increase number of cashless transactions of the clients through use of pay cards and improve its position in financial life of the clients. Thus, the results of this line of business (Interchange) increased by **46%**.

More than **800** SME customers used Bank services in 2021, making it possible to keep proper level of customers' funds' portfolio – **UAH 221,2 million** by the end of 2021.

Portfolio of clients' funds reached close to UAH **552** million during the year (**71.6%** growth rate during the year).

Operating income of Bank-at-Work business in 2021 was close to **UAH 87,3 million**, where non-interest income amounted close to UAH **38,4 million**.

2021 operating profit is over **UAH 29,5 million**.

Recognition of efficient work with Bank-at-work customers is confirmed by the fact that CLEARING HOUSE JSB was included into TOP 5 nominates of *Bank of the Year-2021* rating by Financial Club in the category *Retail Bank with Ukrainian Capital in the Big Banks*.

As of middle 2019, the Bank started to offer consumer loans to individuals who are not employees of the entities with salary projects, not services by the Bank.

In 2021, the Bank developed partner networks and sales channels in points of sale, adjustment of internal processes (selection and training of personnel, interfacing of specialized software with major Bank system).

The Bank offers two major lines of consumer crediting:

- Purchase of goods in points of sale, where purpose of the loan is purchase of goods from the Bank's partner;
- Cash loans where purpose of the loan is improvement of quality of life of a borrower.

E.g., as at 01.01.2022, the Bank cooperates with more than 100 partners working in more than 100 points of sale under agent agreement and more than 350 point of sale as credit broker. The Bank intends to number of partners by 200 points of sale that can generate cash and in-kind crediting flows.

Besides, in 2021 the Bank plans to introduce the system of remote identification of customers and significantly increase remote services' functions, thus increasing the possibilities to attract more customers.

In 2021, the Bank used **over UAH 125 million** for customer loans of close to **5 000 individuals**.

Major products and services

Management of free funds:

- Classic term deposit;
- Accumulation of funds with the possibility to add or draw funds;
- Treasury short-term (up to 30 days) deposit (for legal entities);
- Special decisions.

Management of financial life:

- Opening and servicing current accounts;
- Servicing salary cards;
- Cashless transfers and payments;
- Purchase and sale of foreign currency cash;
- Rent of individual deposit boxes.

Management of cash flows (for legal entities):

- Opening and servicing current accounts;
- International payments;
- Collection of cash receipts;
- Servicing of corporate cards and payroll card projects.

Financing:

- Overdraft for salary card;
- Credit line with renewable limit;
- Credit card with grace period;
- Mortgage crediting for purchased of property on primary market;
- Consumer's credits;
- Financing of circulating capital (for legal entities);
- Classic overdraft (for legal entities);
- Overdrafts with differentiated interest rates (for legal entities).



11. Synergy

Synergy is a component of the business model of Public Joint-Stock Company «CLEARING HOUSE».

The Bank actively cooperates with Corporate segment clients to develop internal synergy, offering products for their owners, managers and employees.

E.g., total number of payroll projects in Corporate segment increased by 16 clients. In 2021, the Bank focused on increase of efficiency of servicing payroll projects, thus making it possible to increase income, generated by this product, by 9%.

In general, in 2021, 241 companies entrusted the Bank to services their employees to channel salaries to the card account.

In 2021, Treasury was traditionally active on Ukrainian interbank market, participating in operations in all segments: cash, currency, securities, etc.

The Bank is active player on interbank loan market, having a flawless reputation of reliable partner, making it possible to generate significant interest income through resource transactions on the market rather than just to support its liquidity.

Priority line of business for treasury is efficient management of free funds and achievement of optimal balance between liquidity, risk and profit.

Many years of experience and high work standards are the linchpin of successful management of liquidity and compliance with flawless payment discipline. One of the goals of treasury of the Bank is strict compliance with all necessary limits, liquidity standards, and mandatory provision standards, set by the regulator.

Approved for issue and signed on 04.11.2022.

Chair of the Management Board




V. O. Andreevskaya

Chief Accountant


O. O. Markina

INDEPENDENT AUDITOR'S REPORT

To the:

**Shareholders and Supervisory Board of
Public Joint Stock company «Bank «CLEARING HOUSE»**

National Bank of Ukraine

National Securities and Stock Market Commission

Report on audit of financial statements**Opinion**

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

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

Basis for Opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 32 in the financial statements, which indicates that as of February 24, 2022 operations of the Bank and its counterparts are significantly affected by continuing full-scale military invasion of Ukraine by Russian Federation, while subsequent developments, time of termination of invasions and its impact are uncertain.

As stated in Note 3 these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
<i>Judgements and estimates of loans and advances to customers</i>	
<p>The recognition and measurement of expected credit losses ('ECL') is highly complex and involves the use of significant judgment and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objectives of IFRS 9 <i>Financial Instruments</i>. Accordingly, this matter required significant attention from us during the audit.</p> <p>In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The accuracy of the assumptions used in the models, including the macroeconomic scenarios, impacts the level of impairment provisions.</p> <p>Management exercises judgment in making estimations that require the use of assumptions, which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions.</p> <p>We identified the issue of impairment of loans and advances to customers as key audit matter due to the materiality of the loan balances, the high complexity and subjective nature of the ECL calculation.</p> <p>We refer to Note 3, disclosing information on significant accounting policies, while Note 7 and 11 for disclosures and detailed information on the methods and models used and the level of the impairment allowances.</p>	<p>The controls management established to support their ECL calculations were reviewed during our audit procedures.</p> <p>We also assessed whether the impairment methodology used by the Bank is in line with requirements of IFRS 9 <i>Financial Instruments</i>. Particularly we assessed the approach of the Bank regarding application of Significant increase in credit risk ('SICR') criteria, definition of default, The Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') and incorporation of forward-looking information in the calculation of ECL.</p> <p>We have focused on assessing the Bank's assumptions and the expert adjustments applied in the model taking into account the empirical data and the existing credit and monitoring processes.</p> <p>For significant loans and advances assessed for impairment on an individual basis we applied our professional judgement for selection the sample taking into account different risk criteria.</p> <p>For selected loans and advances we checked the stage classification with assessing factors that affect the credit risk, while for selected impaired loans and advances (Stage 3) we tested the assumptions used in the ECL calculation, particularly expected scenarios and probabilities assigned to them and the timing and amount of expected cash flows, including cash flows from repayments and realization of collaterals.</p> <p>For individually insignificant loans and advances which are assessed for impairment on a portfolio basis we performed such procedures as testing the reliability of key data inputs and related management controls, examination of key management's judgements and assumptions, including the macro-economic scenarios and the associated probability weights, analysing of impairment coverage of credit portfolio and its changes.</p>

Key audit matter
How our audit addressed the key audit matter

Fair value measurement of investment property and fixed assets (real property)

The valuation of investment property and fixed assets is important for our audit, due to the materiality of such property and the subjective nature of the valuations.

In line with IAS 40, Bank values its investment property at fair value and in line with IAS 16 Bank values its fixed assets (real property) at fair value.

The process of revaluation of the investment property and fixed assets is performed on a regular basis, in which each property is valued by an independent real estate valuation expert. At least annually the Bank performs an external evaluation of such assets.

We refer to the financial statements note 3 for information on principal accounting policies. The valuation of the investment property is disclosed in note 9 and fixed assets in note 10.

We have performed procedures for assessing the risks of material misstatement in the Bank's accounting estimates based on our testing procedures. We examined whether the fair value of the relevant properties as of 31 December 2021 was consistent with the valuation reports of the independent appraisers.

We have performed procedures to determine the quality and objectivity of independent real estate valuation experts, the appropriateness of the parameters used and the correct recording of the revaluation.

Other information

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

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

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

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

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

Responsibilities of Management and the Supervisory Board for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also:

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

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

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

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

REPORT ON OTHER LEGISLATIVE AND REGULATORY REQUIREMENTS

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

(This section of the independent auditor's report is included in accordance with Requirements to information related to audit or review of financial statements of participants at capital and organized

commodities markets, overseen by National commission on securities and stock exchange, approved by Decision of National commission on securities and stock exchange N 555 of 22.07.2021, hereinafter – Requirements 555).

Information in line with p. 10 of section I of Requirements 555 is presented in Information on audit entity performing audit of financial statements section of independent auditor's report.

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

Introduction

- 1) Full name (in the meaning of Civil Code of Ukraine) of legal entity (applicant or participants at capital and organized commodities markets):
 - Public Joint Stock company «Bank «CLEARING HOUSE»
- 2) In our opinion, the Bank complies with requirements, set forward by Regulation on form and content of ownership structure, approved by Order of Ministry of finances of Ukraine N 163 of March 19, 2021, registered by Ministry of Justice of Ukraine on June 8, 2021, registration number 768/36390, regarding completeness of disclosure on information on ultimate beneficiary owner and structure of ownership;
- 3) a) the Bank is not a controller/participant of non-banking financial group;
b) the Bank is Public Interest Entity;
- 4) The Bank has no parent/subsidiary companies;
- 5) NCSSE rules and regulations does not state prudential indicators for the industry where the Bank operates, therefore auditor's opinion on correctness of calculation of respective prudential was not expressed.

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

Report on corporate governance report

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

The Board of the Bank is responsible for Corporate governance report and its preparation in accordance with part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets* and Art. 12² of Law of Ukraine *On Financial Services and State Regulation of Financial Services Market*.

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

Opinion

Corporate governance report is prepared, and the information there is disclosed in accordance with requirements of part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets* and Art. 12² of Law of Ukraine *On Financial Services and State Regulation of Financial Services Market*. Information, stated in p.p. 5 – 9 of part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets*, namely, description of major characteristics of internal-control and risk-management systems of the Bank; list of persons, who directly or indirectly own a significant share in the Bank; information on any limitations of right to participate and vote at general meeting of the Bank; rules and procedures of appointment and dismissal, and powers of Bank officials, presented in Corporate governance report, does not contradict to information gained during our audit of financial statements and complies with requirements of Law of Ukraine *On Capital and Organized Commodities Markets*.

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

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

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

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

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

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

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

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

We have identified specific facts of inconsistency (unreliable disclosure) of data included in file A7X, to the relevant terms of the contracts and the circumstances of the operations, namely, allocation of assets by maturities, e.g.:

- some balances of accounts for accrued interest income under debt securities investments are allocated to time intervals of redemption of these securities rather than to time intervals of repayment of accrued interest incomes as issuance conditions of respective securities. Total amount of this accrued interest income is UAH 11 684 thousand, of which UAH 6 908 thousand should be assigned to the time interval "From 32 to 92 days", but not "From 184 to 274 days", and UAH 4 776 thousand should be assigned to the time interval "From 93 to 183 days" but not "From 275 to 365 (366) days";
- in process of allocation fair value revaluation for shares classified as investments in securities in the total amount of UAH 15 155 thousand, the Bank disclosed such revaluation with the allocation of UAH 1 882 thousand according to the time interval "On demand or overdraft" (in the amount of the nominal value of the shares), and the balance in the amount of UAH 13 273 thousand has been assigned to the time interval "Maturity according to the contract has expired (overdue)". In accordance with regulatory requirements, assets/liabilities whose maturity date is overdue are allocated into the time interval "Maturity according to the contract has expired

(overdue)". In addition, such an element of the carrying amount of a financial asset as a revaluation cannot have a different maturity than the underlying financial asset.

Meanwhile, these specific facts do not improve Bank's liquidity ratios. As of the date of this report, the Bank corrected these matters.

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

- internal control

In our opinion, the internal control system, except for certain facts, which are stated above regarding the allocation of the bank's assets and liabilities by maturity in the file A7X "Data structure of assets and liabilities by time buckets", in general corresponds to scope of Bank transactions, risks, faced by the Bank, and complies with regulatory requirements.

- internal audit

In our opinion, Banks' internal audit complies with regulatory requirements. At the same time, based on the tasks that are arranging to the Internal Audit Department, the scope of planned inspections, the support of the external audit engagements, and the tasks received from the Supervisory Board, available resources of IAD are insufficient.

- measurement of credit risk for active banking operations

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

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

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

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

As at December 31, 2021 (end of the day), regulatory capital of the Bank, as calculated in accordance with requirements of Instruction about the order of regulation of banks activity in Ukraine (approved by NBU Board Resolution No 368 of August 28, 2001, No. 368), calculated on the basis of daily balance, is UAH 505 638 thousand.

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

- accounting

During our audit, we identified certain deficiencies related to accounting. So, the Bank recognizes as part of commission income elements, which are interest income by the substance. Such income is regularly accrued by the bank as compensation for the use of funds (loans) provided to borrowers as a component of the total cost of such loans and is not accrued as a result of the providing of separate services (which is the essence of commission income).

Except for the mentioned above, nothing has come to our attention that causes us to believe that the accounting of the Bank does not comply with legal requirements of National bank of Ukraine.

Information on audit entity performing audit of financial statements

Full name of legal entity in accordance with constituent documents:

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

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

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

Address of the legal entity and factual place of business:

- 52, B.Khmelnytskoho Str., the 4th floor, Kyiv, 01054, Ukraine

Webpage/website of the audit entity:

- www.pkf.kiev.ua

Date and number of the audit agreement:

- agreement № 64 of 26.10.2021 and additional agreement №1 from 26.10.2021

Beginning and closing dates of the audit:

- Date of beginning: 29.11.2021
- Date of closing: 04.11.2022

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

We have been appointed for statutory audit of the annual financial statements of the Bank by decision of the Supervisory Board from 08.10.2021. The total duration of our audit engagements with the Bank is 6 years, including the reporting year.

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

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

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

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

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

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

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

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

The engagement partner on the audit (key audit partner) resulting in this independent auditor's report is Sviatoslav Biloblovskiy, certified auditor of Ukraine.

Engagement partner on the audit
(Registration Number in the Register of Auditors and Auditing Entities 100190)

Sviatoslav BILOBLOVSKIY

On behalf of PKF UKRAINE LLC

Director

Kyiv, Ukraine

Iryna KASHTANOVA

November 04, 2022

