JOINT STOCK COMPANY
"BANK "CLEARING HOUSE"

Annual Financial Statements
for the year of
2022
Translation from Ukrainian original

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Statement of financial position
as at December 31, 2022

UAH'000

Item	Note	31.12.2022	31.12.2021
ASSETS			
Cash and cash equivalents	5	3 384 849	595 391
Loans and due from banks	-	-	-
Loans and advances to customers	6	1 277 952	1 590 621
Investment securities	7	97 777	1 179 642
Investment property	8	124 558	188 116
Current income tax receivables		10 323	11 073
Deferred tax assets	21	-	12 960
Fixed and intangible assets	9	136 111	136 375
Other assets	10	124 756	109 241
Total assets		**5 156 326**	**3 823 419**
LIABILITIES			
Due to banks	11	4 315 152	3 038 289
Due to customers	21	3 880	-
Provisions for liabilities	12	489	6 298
Other liabilities	13	26 136	38 313
Total liabilities		**4 345 657**	**3 082 900**
EQUITY			
Share capital	14	510 393	510 393
Financial assistance from shareholders		190 000	190 000
Retained earnings/ (accumulated loss)		40 448	(43 127)
Revaluation reserves	15	69 828	83 253
Total equity		**810 669**	**740 519**
Total liabilities and equity		**5 156 326**	**3 823 419**

Approved for issue and signed on 26.04.2023.

Chair of 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 2022

UAH'000

Item	Note	2022	2021
Interest income	17	493 884	322 321
Interest expense	17	(169 090)	(105 583)
Net interest income		**324 794**	**216 738**
Commission income	18	127 457	118 294
Commission expense	18	(32 658)	(17 563)
Net increase from transactions with financial instruments measured at fair value through profit or loss		(5 056)	7 807
Net increase from transactions with debt financial instruments measured at fair value through other comprehensive income		21	303
Gains less losses from foreign currency transactions		37 338	9 134
Net gain (loss) from foreign currency revaluation		18 951	(317)
Net decrease from revaluation of investment property		(70)	(6 802)
Impairment gain and reversal of impairment loss (impairment loss) of financial assets		(143 616)	(54 353)
Net (increase)/decrease of provisions for liabilities		3 311	(3 001)
Gain arising from derecognition of financial assets measured at amortised cost		76	64 941
Other operating income	19	5 402	6 260
Labour remuneration expense	20.1	(137 522)	(109 686)
Depreciation and amortization	20.2	(11 236)	(12 077)
Administrative and other operating expenses	20.3	(83 080)	(72 487)
Profit before tax		**104 112**	**147 191**
Income tax expense	21	(20 537)	(27 070)
Profit for the year		**83 575**	**120 121**
OTHER COMPREHENSIVE INCOME:			
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Revaluation of debt financial instruments		(16 372)	183
Net change of fair value	15	(16 372)	183
Income tax, related to other comprehensive income to be reclassified to profit or loss	21	2 947	(33)
Other comprehensive income to be reclassified into profit or loss after taxes of the year	15	(13 425)	150
Other comprehensive income after taxes	15	(13 425)	150
Total comprehensive income for the year	15	**70 150**	**120 271**
Profit attributable to:			
Bank owners		83 575	120 121
Total comprehensive income, attributable to:			
Bank owners		70 150	120 271
Net earnings per share from continuing operations, UAH:			
Net earnings per share, UAH	**22**	**1 734,89**	**2 493,53**
Net earnings per share, attributable to owners of the Bank:			
Net and diluted earnings per share for the year, UAH	22	1 734,89	2 493,53

Approved for issue and signed on 26.04.2023.

Chair of Management Board ____________________ V. O. Andreevska

Chief Accountant ____________________ O. O. Markina

Statement of changes in equity
for the year ended 31 December 2022

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 01.01.2021**	**14**	**510 393**	**190 000**	**-**	**83 103**	**(163 248)**	**620 248**
2	Total comprehensive income					150	120 121	120 271
2.1	2021 profit						120 121	120 121
2.2	Other comprehensive income	15				150	-	150
3	**Closing balance as at 31.12.2021**	**14**	**510 393**	**190 000**	**-**	**83 253**	**(43 127)**	**740 519**
4	Total comprehensive income					(13 425)	83 575	70 150
4.1	2022 profit						83 575	83 575
4.2	Other comprehensive income	15				(13 425)	-	(13 425)
5	**Closing balance as at 31.12.2022**	**14**	**510 393**	**190 000**	**-**	**69 828**	**40 448**	**810 669**

Approved for issue and signed on 26.04.2023.

Chair of Management Board ____________________ V. O. Andreevska

Chief Accountant ____________________ O. O. Markina

Statement of cash flows (indirect method)
for the year ended 31 December 2022

UAH'000

Item	Note	2022	2021
OPERATING CASH FLOWS			
Profit before tax		104 112	147 191
Adjustments:			
Depreciation and amortization	20.2	11 236	12 077
Net increase/(decrease) of allowances for ECL		143 715	55 106
Amortization of discount / (premium)		(4 535)	4 976
Results of transactions with other financial instruments measured at fair value through other comprehensive income		(21)	(303)
Result of revaluation of foreign currencies		(18 951)	317
(Accrued income)		(6 403)	24 876
Accrued expenses		5 204	4 805
Net loss/(earnings) from investing activities		(390)	52
Other non-cash flows		(3 959)	(10 347)
Net cash income/(loss) from operating activities before changes in operating assets and liabilities		**230 008**	**238 750**
Changes in operating assets and liabilities:			
Net (increase)/decrease of loans and due from other banks		-	(47)
Net (increase)/decrease of loans and advances to customers		214 903	(400 879)
Net (increase)/decrease of other financial assets		(18 284)	18 595
Net (increase)/decrease of other assets		(4 247)	(830)
Net increase/(decrease) of due to banks		-	(150 000)
Net increase/(decrease) of due to customers		1 261 514	948 462
Net increase/(decrease) of other financial liabilities		(4 168)	3 035
Net increase/(decrease) of other liabilities		(1 407)	3 521
Net cash received from operating activities before income tax expense		**1 678 319**	**660 607**
Income tax paid		-	-
Net cash received from operating activities		**1 678 319**	**660 607**
INVESTING CASH FLOWS			
Purchase of securities		(319 158)	(2 080 452)
Proceeds from sales of investment securities		1 354 257	1 098 313
Proceeds from sale of investment property		63 519	96 115
Acquisition of fixed assets	9	(5 928)	(4 051)
Proceeds from sale of fixed assets		358	101
Purchase of intangible assets	9	(7 469)	(5 475)
Net cash received from/ (used in) investing activities		**1 085 579**	**(895 449)**

FINANCING CASH FLOWS			
Liabilities under lease contracts		(1 995)	(5 641)
Net cash used in financing activities		**(1 995)**	**(5 641)**
Effect of exchange rate changes on cash and cash equivalents		38 132	(7 076)
Effect of ECL on cash and cash equivalents		(10 577)	392
Net increase/(decrease) of cash and cash equivalents		**2 789 458**	**(247 167)**
Cash and cash equivalents – opening balance	5	595 391	842 558
Cash and cash equivalents – closing balance	5	3 384 849	595 391

Approved for issue and signed on 26.04.2023.

Chair of Management Board ____________________ V. O. Andreevska

Chief Accountant ____________________ O. O. Markina

Note 1. Background information

These financial statements of Joint-Stock company "Bank CLEARING HOUSE" (hereinafter – the Bank) were prepared in accordance with International Financial Reporting Standards for the year ended on December 31, 2022.

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

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

On 30.12.2022, the change of the full name of the Bank was registered. Previous name of the Bank was Public Joint-Stock company "Bank CLEARING HOUSE". The financial statements were prepared in the Ukrainian currency, in thousands of Ukrainian hryvnias.

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 private 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, entry № 171 in State register of banks, on the right of legal entity to engage in banking activities, registration number in State register of banks 264, date of registration in State register of banks - 30.12.1996.

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 in financial instruments):

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

The Bank has the licenses of the National Securities and Stock Market Commission to perform sub-brokerage activities at capital markets in accordance with decision № 420 of 23.06.2021.

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 57,4865% of shares in the Bank in total, including direct ownership of 0% and indirect ownership of 57,4865%;

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 24,8002% of shares in the Bank, including direct ownership of 14,8984% and indirect ownership of 9,9018%.

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 Valeriyovych).

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.

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

External auditor confirms financial position of the Bank – PKF UKRAINE LLC.

As at December 31, 2022, the Bank has 5 branches.

As a result of introduction of martial law in Ukraine and impossibility to perform further banking transactions, the Supervisory Board by its decision №24 of 24.02.2022 suspended operations of Boryspil and Severodonetsk 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 defence of the country.

In 2022, Ukrainian economy suffered the hardest losses and damages during the years of its independence, caused by russian federation, scaling its terror, started in 2014, across common border, from byelorussian territory and occupied Crimea. Full-scale russian aggression caused dramatic drop of economic activity in Ukraine. In the early stages of war one third of the entities topped their operations. The reasons are evident – ruining and temporary occupation of several regions, high level of uncertainty and risks, disruption of logistical and production chains, forced mass migration of population.

Ministry of economy of Ukraine measures drop of GDP in 2022 as 30,4% [±2%]. Factually, it is the worst situation in the years of independence, but it is better than expected by most experts in early stages of full-scale aggression, when their estimates of GDP drop were in the range of 40-50% and deeper.

Still, successes of Ukrainian Armed Forces at battlefields, well-coordinated work of government and business, indestructible spirit of population, quick restoration of ruined/damaged objects of critical infrastructure by respective local services and systemic financial support by international partners helped to stabilize economic front and continue Ukrainian mover toward victory.

NBU kept its discount rate at the level of 10% annual at the commencement of full-scale phase of war. Anyhow, as of June 2022, NBU took a decision to increase the discount rate by 15% up to 25%. At the end of 2022 NBU Board approved the decision to keep discount rate at the level of 25% annual and continue to increase ratios of mandatory provisioning by banks. It would lead to a further increase of attractiveness of UAH assets, support of stability of FX-rate and gradual decrease of inflation.

Despite war and high international inflation, factual price growth rate in Ukraine is controlled, while inflation pressure was stabilized in the last months of 2022. In March 2022, consumers' inflation increased to 13,7% per annum (10,7% in February, 10% in January). In June 2022, consumers' inflation increased 21,5% per annum. In September 2022, consumers' inflation increased to 24,6% per annum (23,8% in August). In December 2022, consumers' inflation was 26,6% without any significant changes compared to price growth rates in November (26,5%) and October (26,6%).

Acceleration of inflation in 2022 is mostly related to the effect of full-scale russian aggression, resulting in ruining of factories and infrastructure, violation of production and supply channels, increase of production costs for business, situational stampede for certain goods and services. Indirect effects of war, e.g., FX rates and worsening of expectations of population and business during the year, also played their part.

On August 19, 2022, Standard & Poor's increased long- and short-term sovereign credit rating of Ukraine to level «CCC+/C» from «SD/SD» and confirmed long- and short-term sovereign credit rating of Ukraine in local currency at level «CCC+/C» with forecast «stable».

On August 17, 2022, Fitch Ratings increased default rating of issuer (DRI) in foreign currencies from «RD» to «CC» and confirmed national currency rating as «CCC-». Rating of country ceiling was confirmed as «B-» and short-term DRI in foreign and local currencies as «C».

International reserves of Ukraine as at January 1, 2023, were USD 28,5 billion (USD 28 491,0 billion). During previous year, Ukraine received unprecedented international financial support – close to USD 32,1 billion in accordance with available data. Besides, in 2022, the country received close to USD 3,1 billion by placement of currency government bonds (GB), thus, together with international aid, compensating a significant part of NBU net intervention s through sale of currency, payment for servicing and settlement of currency state debt. In total, international reserves of Ukraine in 2022 decreased by 7,9%.

In 2022, solvent banks received net income of UAH 24,7 billion compared to UAH 77,4 billion in 2021. Profitability of capital sector was 10,9% compared to 35,1% in 2021. The major reason for decrease of profitability was significant increase of allocations to allowance for ECL and actual losses resulting from war.

Net operating income before allocation to allowances increased by 75% during the year. E.g., based on IV quarter results, this index was UAH 41,9 billion compared to UAH 25 billion in IV quarter of 2021. Operating efficiency is the first line of defence for banks to absorb credit losses. NBU expects that financial institutions with viable business models, capable of generating operating income, will succeed in coverage of losses through risks and restoration of capital.

In the situation of continuing war, the banks in 2022 managed to preserve trust of customers, high operating efficiency and profitability. As at January 1, 2023, out of 67 solvent banks 46 banks were profitable with net income of UAH 45,6 billion overlapping loss of 21 of total of UAH 20,8 billion.

Deep economic and fiscal crisis, resulting from full-scale war of russia against Ukraine, would have significant long-term negative effect for financial sector. Still, the banks withstand war challenges due to significant safety factor, timely reaction of NBU and many years of common work to reform the sector.

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 regarding 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 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 considering 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 overdue 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 considers 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, considering 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 a 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, which 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-tern 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-tern 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 though 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

A 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 of 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, because 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, considering 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 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 the 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 though 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 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, 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 plots, 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.

for capital appreciation, and the other part is intended for 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 rent 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 it 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 reviewed in 2022.

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 2022.

The Bank did not revise amortization rates, useful lives, or historical cost of intangible assets in 2022.

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.

3.17.2 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 or 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 2022, 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 2021 and 2022.**
The difference between financial accounting profits and profits determined in accordance with current tax legislation results from different methods used to determine profits in financial and tax accounting.

As at the end of the day December 31, 2022, 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, which 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	2022	2021
USD	840	36,5686	27,2782
EUR	978	38,951	30,9226
CHF	756	39,5636	29,8269
GBP	826	44,0048	36,8392
RUB	643	5,0708	0,36397
BYN	933	13,2919	10,6827

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:

- Corporate business – issuance of loans, servicing of deposits and current accounts of corporate customers;
- Bank at work segment – servicing of deposits, servicing of pay cards, cash transfers and cash and settlement services to individuals and SMEs;
- Private Banking segment – issuance of loans, servicing of deposits and current accounts of VIPs;
- Treasury transactions – trading of financial instruments, transactions at capital market, foreign currency transactions and banknotes, correspondent relations with NBU and other banks;
- Head office and unallocated items – fixed assets, deferred tax assets, advance payments, receivables and payables related to administrative sector.

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 is 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:

- non-payment 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 as at 09.05.2022:

Loan portfolio	23.02.2022	09.05.2022	Changes from 24.02.2022 to 09.05.2022	30.12.2022	Changes from 24.02.2022 to 31.12.2022
Debt under corporate loans	1 936 229 656	1 708 986 996	(227 242 660)	1 746 408 488	(189 821 168)
Debt under loans to individuals	175 693 515	166 248 480	(9 445 035)	163 347 683	(12 345 832)
Total loan portfolio	2 111 923 171	1 875 235 476	(236 687 695)	1 909 756 171	(202 167 000)

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 labour remuneration from UAH 14,7 million in January 2022 down to UAH 9,2 million in April 2022.

4. In order to protect own data and customers' data from possible physical damage during the war, a part of Bank servers was reserved in AWS cloud.

5. As of 24.02.2022, the Bank actively collaborated 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 from 24.02.2022 to 09.05.2022	30.12.2022	Changes from 24.02.2022 to 31.12.2022
Funds on demand	929 909 594	1 001 891 372	71 981 778	939 103 628	9 194 034
Term funds	475 751 915	369 101 582	(106 650 333)	459 331 734	(16 420 181)

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%

Major ratios of the Bank as at 30.12.2022 were also higher than NBU requirements reaching:

H1	H2	H3	H7	H8	H9	LCR_BB	LCR_IB	NSFR
607 234 960	28,23%	25,33%	19,80%	163,05%	19,82%	244,57%	307,95%	251,53%

Management Board of the Bank came forward with proposal as the meeting of shareholders in November 2022 to allocate 2021 profit of UAH 120 120 854,60 to reserve funds to cover losses of previous years of UAH 163 248 322, 49 as at 31.12.2021. The shareholders took similar decisions in the past and would continue to take them until complete coverage of losses of previous years.

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 was 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 to reach certain business goal, rather than a separate asset.

The Bank regularly reviews the business model, used to manage financial assets to generate cash flows. As at the date of review of a business model, the Bank considers 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 considered, 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 based on the market comparisons method that considers the prices of the latest transactions with comparable 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, 2022.

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, 2022

Amendments to IAS 16 Property, Plant and Equipment

As of January 1, 2022, it is not allowed to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced when an entity prepares the asset for its intended use. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Amendments to IAS 16 related to accounting and disclosure of information regarding proceeds under fixed assets during their preparation for intended use.

Amendments to IFRS 3 Business Combinations

As of January 1, 2022, the buyers have to refer to *Conceptual Framework for Financial Reporting* of March 2018 to determine when is an asset or a liability.

Besides, as of January 1, 2022, an exception comes into force regarding certain types of liabilities and contingent liabilities under IFRS 3 have to refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* rather than to Conceptual Framework.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

As of January 1, 2022, amendment was introduced to point 68 IAS 37, stating that costs of fulfilling a contract include all direct costs including:

(a) additional costs to fulfil a contract, e.g., direct labour cost and cost of materials; and

(b) other located costs, directly related to fulfilment of a contract, e.g., allocated share of depreciation charges of a fixed asset used for fulfilment of the contract.

Besides, it is explained that prior to establishment of a separate provision for an onerous contract, an entity should recognize impairment loss under assets used to fulfil the contract rather than assets allocated to the contract.

The amendments would not affect financial statements 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 January 1, 2023. or at a later date.

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

IAS 1 Presentation of Financial Statements

Amendments to IAS 1 *Presentation of Financial statements,* Practical Recommendations № 2 on application of IFRS *Forming of Judgements on Materiality*, and IAS 8 *Accounting Policies, Changes in accounting Estimated and Errors* are aimed at improvement of disclosures in financial statements regarding accounting policies and assistance in understanding of difference in accounting estimates and changes in accounting policies to users of financial statements.

Amendments to IAS 1 *Presentation of Financial statements* regarding classification of liabilities were published in January 2020, being applicable for reporting periods starting not earlier than January 1, 2024.

The amendments explain that liabilities are classified as current or non-current depending on circumstances existing as at the respective date. Classification is not affected by expectations of an entity or subsequent events (e.g., refusal or violation of the contract).

Amendments also explain what IAS 1 *Presentation of Financial statements* means under 'settlement' of liability.

IAS 1 requires classifying a liability as non-current only if an entity has a right to defer settlement of a liability for at least 12 months after reporting date. Still, the possibility to use it would depend on compliance of the entity with the covenants after reporting date. To remove effect of covenants on classification of liabilities the entities shall disclose separately non-current liabilities covered by covenants in the statement of financial position and disclose information on covenants in the Notes to financial statements.

IAS 12 Income Taxes

These amendments relate to deferred assets related to assets and liabilities generated by the same transaction and resulting in the same taxable and deductible temporary differences.

IFRS 17 Insurance Contracts

This standard replaces IFRS 4 *Insurance Contracts* that allows for a wide range of practices for accounting of insurance contracts. IFRS 17 *Insurance Contracts* radically changes the approach to accounting of insurance contracts and investment contracts with discrete participation by insurance companies and groups engaged in insurance business. IASB presented final highly specialized amendments to transitional provisions IFRS 17 *Insurance Contracts* need for which was stressed by preparers of financial statements during their preparation to first-time application of this new standard.

Note 5. Cash and cash equivalents

Table 5.1. Cash and cash equivalent

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Cash in hand	223 750	137 430
2	Amounts with the National Bank of Ukraine (except for mandatory reserves)	194 297	4 603
3	Correspondent accounts, overnight loans and deposits with other Banks:	272 347	49 100
3.1	*of Ukraine*	*264 330*	*22 931*
3.2	*of other countries*	*8 017*	*26 169*
4	NBU deposit certificates	2 703 403	405 089
5	Total cash	3 393 797	596 222
6	Allowances for expected credit losses	(8 948)	(831)
7	**Total cash and cash equivalents**	**3 384 849**	**595 391**

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

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

UAH'000

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Allowance for ECL as at 01.01.2021**	**(1 223)**	**-**	**-**	**(1 223)**
2	(Increase)/decrease of the allowance during the period	395	(3)	-	392
3	**Allowance for ECL as at the end of the day of 31.12.2021**	**(828)**	**(3)**	**-**	**(831)**
4	(Increase)/decrease of the allowance during the period	(8 114)	(3)		(8 117)
5	**Allowance for ECL as at the end of the day of 31.12.2022**	**(8 942)**	**(6)**	**-**	**(8 948)**

Table 5.3 Analysis of credit quality of cash and cash equivalents as at 31.12.2022

UAH'000

Line	Item	Cash in hand	Amounts with the NBU	Correspondent accounts	NBU deposit certificates	Total
1	Cash and cash equivalents at first stage of impairment	223 750	194 297	272 155	2 703 403	3 393 605
1.1	Cash and cash equivalents without delayed payment	223 750	194 297	272 155	2 703 403	3 393 605
2	Cash and cash equivalents at second stage of impairment	-	-	192	-	192
2.1	Cash and cash equivalents without delayed payment	-	-	192	-	192
3	Total cash	223 750	194 297	272 347	2 703 403	3 393 797
4	Allowance for ECL	-	-	(8 948)	-	(8 948)
5	**Total cash less allowance for ECL**	**223 750**	**194 297**	**263 399**	**2 703 403**	**3 384 849**

Table 5.4 Analysis of credit quality of cash and cash equivalents as at 31.12.2021

UAH'000

Line	Item	Cash in hand	Amounts with the NBU	Correspondent accounts	NBU deposit certificates	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	596 222
4	Allowance for ECL	-	-	(831)	-	(831)
5	**Total cash less allowance for ECL**	**137 430**	**4 603**	**48 269**	**405 089**	**595 391**

Note 6. Loans and advances to customers

Table 6.1 Loans and advances to customers

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Loans and advances to customers at amortized cost	1 277 952	1 590 621
2	**Total loans and advances to customers less allowances for expected credit losses**	**1 277 952**	**1 590 621**

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

Table 6.2 Loans and advances to customers at amortized cost

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Loans to legal entities	1 586 371	1 746 409
2	Mortgage loans to individuals	6 657	11 750
3	Consumer loans to individuals	119 675	151 598
4	Allowance for ECL	(434 751)	(319 136)
5	**Total loans less allowances**	**1 277 952**	**1 590 621**

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

Table 6.3 Change of allowances for expected credit losses of loans and advances to customers in 2022

UAH'000

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Balance as at 01.01.2022**	**(15 981)**	**(18 207)**	**(284 948)**	**(319 136)**
2	(Increase)/decrease of the allowance during the period	(1 673)	8 287	(124 232)	(117 618)
3	Recognition of gain/loss from impairment at reserve accounts	-	-	(19 595)	(19 595)
4	Adjustment of interest income measured at amortized cost	-	-	19 570	19 570
5	Transfer to stage 1	(2 054)	2 052	2	-
6	Transfer to stage 2	192	(192)	-	-
7	Transfer to stage 3	1 902	4 207	(6 109)	-
8	Effect of translation into currency of presentation	11	91	1 926	2 028
9	**Balance as at the end of the day of 31.12.2022**	**(17 603)**	**(3 762)**	**(413 386)**	**(434 751)**

Table 6.4 Change of allowances for expected credit losses of loans and advances to customers in 2021

UAH'000

Line	Item	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 the allowance during the period	(4 852)	(8 157)	(41 024)	(54 033)
3	Recognition of gain/loss from impairment at reserve accounts	-	-	(13 957)	(13 957)
4	Consumption of allowance as a result of 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)	-	-
8	Transfer to stage 3	977	1 877	(2 854)	-
9	Effect of translation into currency of presentation	(35)	(15)	(139)	(189)
10	**Balance as at the end of the day of 31.12.2021**	**(15 981)**	**(18 207)**	**(284 948)**	**(319 136)**

Table 6.5 Changes of in gross carrying amount of loans and advances to customers, measured at amortized cost, in 2022

UAH'000

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Opening gross carrying amount**	**1 207 410**	**406 220**	**296 127**	**1 909 757**
2	Acquired/initiated financial assets and other changes	476 777	649	6 092	483 518
3	Derecognized or paid-back financial assets (except for written-off)	(547 700)	(206 571)	(14 031)	(768 302)
4	Transfer to stage 1	105 828	(105 720)	(108)	-
5	Transfer to stage 2	(39 635)	39 635	-	-
6	Transfer to stage 3	(32 177)	(82 880)	115 057	-
7	Write-off of financial assets	-	-	(178)	(178)
8	Exchange rate differences	110 883	15 159	4 889	130 931
9	Other changes	(89 195)	6 196	39 976	(43 023)
10	**Closing gross carrying amount**	**1 192 191**	**72 688**	**447 824**	**1 712 703**

Table 6.6 Changes of in gross carrying amount of loans and advances to customers, measured at amortized cost, in 2021

UAH'000

Line	Item	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 6.7 Loan portfolio structure by economic sectors

UAH'000

№	Economic sector	31.12.2022		31.12.2021	
		amount	%	amount	%
1	Production and distribution of electricity, gas and water	74 541	4,35%	203 966	10,68%
2	Real estate transactions, lease, engineering and provision of services	13 906	0,81%	7 958	0,42%
3	Trade, car repairs, domestic appliances and personal appliances	1 199 221	70,02%	1 289 663	67,53%
4	Agriculture, hunting and forestry	168 549	9,84%	102 018	5,34%
5	Construction	91 787	5,36%	79 127	4,14%

№	Economic sector	31.12.2022 amount	31.12.2022 %	31.12.2021 amount	31.12.2021 %
6	Private security companies	968	0,06%	516	0,03%
7	Landscaping	10 920	0,64%	6 664	0,35%
8	Ore mining	17 215	1,01%	24 999	1,31%
9	Leasing	-	-	7 970	0,42%
10	Insurance	-	-	991	0,05%
11	Financial market management	2 162	0,13%	12 289	0,64%
12	Provision of financial services, except for insurance and pension plans	7 102	0,41%	7 000	0,37%
13	Other	-	-	3 247	0,17%
14	Individuals	126 332	7,37%	163 348	8,55%
15	**Total loans and advances to customers less allowances for expected credit losses**	**1 712 703**	**100%**	**1 909 757**	**100%**

Table 6.8. Loans by the types of collateral as at 31.12.2022

UAH'000

Line	Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Unsecured loans	31 889	-	83 434	115 323
2	Loans secured by:	1 554 482	6 657	36 241	1 597 380
2.1	cash deposits	5 000	-	-	5 000
2.2	Property	381 062	4 240	13 622	398 924
2.2.1	Including residential	5 072	4 186	13 248	22 506
2.3	guarantees and sureties	496 902	2 417	6 886	506 205
2.4	other assets	671 518	-	15 733	687 251
3	**Total loans and advances to customers less allowances for expected credit losses**	**1 586 371**	**6 657**	**119 675**	**1 712 703**

Table 6.9. Loans by the types of collateral as at 31.12.2021

UAH'000

Line	Item	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	Property	111 868	8 691	23 580	144 139
2.2.1	Including residential	10 800	8 691	23 427	42 918
2.3	guarantees and sureties	705 706	3 059	4 351	713 116
2.4	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 6.10. Analysis of credit quality of the loan portfolio as at 31.12.2022

UAH'000

Line	Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Loans at 1st stage of impairment:	1 135 764	4 136	52 291	1 192 191
1.1	Not overdue	1 091 875	4 136	50 442	1 146 453
1.2	Overdue up to 31 days	43 889	-	1 849	45 738
2	Loans at 2nd stage of impairment:	63 856	-	8 832	72 688
2.1	Not overdue	47 604	-	8 123	55 727
2..2	32 to 92 days overdue	16 252	-	709	16 961
3	Loans at 3rd stage of impairment:	386 751	2 521	58 552	447 824
3.1	Not overdue	1 328	1 422	19 268	22 018
3.2	Overdue up to 31 day	-	-	168	168
3.3	32 to 92 days overdue	-	-	1	1
3.4	93 – 183 days overdue	20 210	54	3 545	23 809
3.5	184 to 365 (366) days overdue	359 268	-	15 057	374 325
3.6	over 366 (367) days overdue	5 945	1 045	20 513	27 503
4	Total loans before allowances	1 586 371	6 657	119 675	1 712 703
5	Allowances for expected credit losses	(384 367)	(2 292)	(48 092)	(434 751)
6	**Total loans less allowances for expected credit losses**	**1 202 004**	**4 365**	**71 583**	**1 277 952**

Table 6.11. Analysis of credit quality of the loan portfolio as at 31.12.2021

UAH'000

Line	Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
1	Loans at 1st 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 2nd 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 3rd 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

Line	Item	Corporate loans	Mortgage loans to individuals	Consumer loans to individuals	Total
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 6.12 Effect of collateral value on the loan quality as at 31.12.2022

UAH'000

Line	Item	Gross carrying amount	Collateral value	Collateral effect
1	Corporate loans	1 586 371	5 539 042	(3 952 671)
2	Mortgage loans to individuals	6 657	15 227	(8 570)
3	Consumer loans to individuals	119 675	131 127	(11 452)
4	**Total loans**	**1 712 703**	**5 685 396**	**(3 972 693)**

Table 6.13 Effect of collateral value on the loan quality as at 31.12.2021

UAH'000

Line	Item	Gross 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)**

Note 7. Investments in securities

Table 7.1 Investments in securities

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Securities at fair value through other comprehensive income	84 684	1 162 605
2	Securities at fair value through profit or loss	13 093	17 037
3	**Total securities**	**97 777**	**1 179 642**

Information in Note 7 and Table 7.1, Line 3 is used for the purposes of the statement of financial position.

Table 7.2 Investment securities at fair value through other comprehensive income

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Debt securities	87 483	1 162 605
1.1	Government bonds	87 483	1 162 605
2	Shares and other securities with floating income:	10	-
2.1	Fair value measured by calculation	10	-
3	Allowance under debt securities at fair value through other comprehensive income	(2 809)	-
4	**Total securities at fair value through other comprehensive income**	**84 684**	**1 162 605**

As at December 31, 2022, Bank portfolio includes shares of PJSC UICE of UAH 10 thousand. Fair value of the shares is 0 UAH.

Table 7.3 Investment securities at fair value through profit or loss

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Shares and other securities with floating income:	13 093	17 037
1.1	Fair value measured by calculation	13 093	17 037
2	**Total securities at fair value through profit or loss**	**13 093**	**17 037**

Table 7.4 Changes of allowance under securities at fair value through other comprehensive income

UAH'000

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	**Allowance for ECL as at the end of the day 31.12.2021**	**-**	**-**	**-**	**-**
2	(Increase)/decrease of allowance for ECL during the period	(2 809)	-	-	(2 809)
3	**Allowance for ECL as at the end of the day 31.12.2022**	**(2 809)**	**-**	**-**	**(2 809)**

Table 7.5 Credit quality of securities at fair value through other comprehensive income

UAH'000

Line	Item	Stage 1	Stage 2	Stage 3	Total
1	Debt securities at fair value through other comprehensive income	87 483	-	-	87 483
1.1	Minimal credit risk	87 483	-	-	87 483
2	Total gross carrying amount of debt securities at amortized cost	87 483	-	-	87 483
3	Allowance for ECL under debt securities at amortized cost	(2 809)	-	-	(2 809)
4	**Total debt securities at amortized cost**	**84 684**	**-**	**-**	**(2 809)**

For the purpose of statement of cash flows NBU deposit certificates are included into cash.

Impairment of investments into debt securities issued by NBU is not recognized. These investments are treated as non-risky, being at stage 1 of impairment of financial assets, unimpaired and disclosed as cash and cash equivalents.

Bank portfolio does not have securities, used for repo transactions, as at December 31, 2022, and December 31, 2021.

Note 8. Investment property

Table 8.1 Investment property measured at fair value in the reporting period

UAH’000

Line	Item	31.12.2022	31.12.2021
1	Fair value of investment property – opening balance	188 116	291 186
2	Acquisition	-	-
3	Disposal	(63 488)	(96 268)
4	Loss from revaluation to fair value	(70)	(6 802)
5	Fair value of investment property – closing balance	124 558	188 116

Information in Note 8 and Table 8.1, 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, fourteen of which were sold.

Disposal of investment property resulted from its sale.

With respect to investment properties with fair value of UAH 110 371 180 thousand, sales agreements with approved payment schedules were signed on 14.11.2017. As at 01.01.2023, advance payment of UAH 225,5 thousand under these contracts was received. Besides, 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 92 thousand, including VAT, and a compensation of the Bank's expenses in the amount of UAH 3 thousand, including VAT.

With respect to investment properties with carrying value of UAH 14 187 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 01.01.2023. 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.

In accordance with the results of valuation of investment property as at 01.11.2022, conducted 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 252 thousand, while ten items were devalued by UAH 322 thousand.

Table 8.2 Amounts disclosed in the statement of profit and loss and other comprehensive income (statement of financial performance)

UAH’000

№	Income and expenses	2022	2021
1	Lease income from investment property	1 430	1 841
2	Direct operating expenses (including repairs and maintenance) from investment property that does not generate lease income	(1 098)	(1 894)

Table 8.3 Future minimum lease payments under non-cancellable operating leases where the Bank is the lessor

UAH’000

Line	Operating lease term	31.12.2022	31.12.2021
1	Up to 1 year	1 124	1 479
2	1-5 years	569	1 827
3	Total	1693	3 306

Note 9. Fixed and intangible assets

UAH'000

Line	Item	Bindings, structures and transmitters	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 01.01.2021**	**108 148**	**4 621**	**4 772**	**487**	**34**	**2 333**	**-**	**757**	**9 790**	**130 942**
1.1	Historical (revalued) value	147 206	19 757	8 295	3 942	465	6 329	4 515	757	14 957	206 223
1.2	Depreciation and amortization opening balance of previous period	(39 058)	(15 136)	(3 523)	(3 455)	(431)	(3 996)	(4 515)		(5 167)	(75 281)
2	Acquisition	1 157	1 446	1 277	83		3 975	825		5 475	14 238
3	Disposal		(561)	(196)	(46)	(4)	(9 501)	(50)	(737)	(406)	(11 501)
3.1	Write-off of depreciation and amortization		561	196	46	4	6 388	50		406	7 651
4	Depreciation and amortization charges	(2 925)	(1 805)	(1 600)	(141)	(9)	(3 160)	(825)		(1 612)	(12 077)
5	Revaluation						7 122				7 122
5.1	Historical value						8 978				8 978
5.2	Depreciation and amortization						(1 856)				(1 856)
6	**Carrying amount as at 31.12.2021**	**106 380**	**4 262**	**4 449**	**429**	**25**	**7157**	**-**	**20**	**13 653**	**136 375**
6.1	Historical (revalued) value	148 363	20 642	9 376	3 979	461	9 781	5 290	20	20 026	217 938
6.2	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)
7	Acquisition	154	4 892	424			4	458	579	6 890	13 401
8	Disposal		(10)	(597)		(11)	(4 040)	(21)		(407)	(5 086)
8.1	Write-off of depreciation and amortization		10	597		11	2 188	21		407	3 234
9	Depreciation and amortization charges	(2 942)	(1 838)	(1 561)	(134)	(8)	(2 140)	(458)		(2 155)	(11 236)
10	Revaluation						(577)				(577)
10.1	Historical value						5 719				5 719
10.2	Depreciation and amortization						(6 296)				(6 296)
11	**Carrying amount as at 31.12.2022**	**103 592**	**7 316**	**3 312**	**295**	**17**	**2 592**	**-**	**599**	**18 388**	**136 111**
11.1	Historical (revalued) value	148 517	25 524	9 203	3 979	450	11 464	5 727	599	26 509	231 972
11.2	Depreciation and amortization closing balance of the period	(44 925)	(18 208)	(5 891)	(3 684)	(433)	(8 872)	(5 727)	-	(8 121)	(95 861)

As at December 31, 2022, historical (revalued) value of fully depreciated property and equipment is UAH 20 210 thousand (UAH 20 828 thousand as at 31.12.2021). The Bank has no property and equipment with legally restricted usage and disposal. In 2022, 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, 2022, 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, 2022, the carrying amount of buildings, included into financial statements, would have been UAH 17 324 thousand, were the building disclosed at purchase price less accumulated depreciation (UAH 18 115 thousand - 2021).

As at December 31, 2022, the Bank has 8 lease contracts accounted for in accordance with requirements of IFRS 16, for which the Bank recognizes right-of-use assets and lease liabilities, including 6 leases of vehicles and 2 leases of facilities. The 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 a result of russian military aggression against Ukraine and introduction of martial law in the country, taking into account the inability to get the access to leased premises in Lugansk oblast through occupation of the area, absence of communications with the lessors and discontinuation of operation of Severodonetsk branch under contract on lease of premises from Severodonetsk NDIHIMMASH PrJSC (contract №02/63 of 06.12.2021) contract on lease of garage from Severodonetsk NDIHIMMASH PrJSC (contract №02/64 of 31.12.2021), the above right-of-use assets were impaired.

As a result of discontinuation of operations of Boryspil airport, a lessor of premises for Boryspil branch of JSB "CLEARING HOUSE", locates at Hall of official delegation SE, airport, Boryspil-7. Kyiv oblast, (contract №02/19 of 26.11.2019), discontinuation of operation of the branch and termination of contract on lease of premises, the right-of use asset was impaired.

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.

Table 9.2 Value of right-of-use assets by types of underlying assets

UAH'000

Line	Item	Facilities	Vehicles	Total
1	**Carrying amount as at 01.01.2021**	2 210	123	**2 333**
1.1	Historical (revalued) value	6 156	173	6 329
1.2	Depreciation - opening balance of previous period	(3 946)	(50)	(3 996)
2	Acquisition	3 975	-	3 975
3	Disposal	(9 494)	(7)	(9 501)
3.1	Write-off of depreciation	6 381	7	6 388
4	Depreciation charges	(3 104)	(56)	(3 160)
5	Revaluation	7 136	(14)	7 122
5.1	Historical value	8969	9	8 978
5.2	Depreciation	(1 833)	(23)	(1 856)
6	**Carrying amount as at 31.12.2021**	7104	53	**7157**
6.1	Historical (revalued) value	9 606	175	9 781

Line	Item	Facilities	Vehicles	Total
6.2	Depreciation – closing balance or reporting period	(2 502)	(122)	(2 624)
7	Acquisition	-	4	4
8	Disposal	(4 025)	(15)	(4 040)
8.1	Write-off of depreciation	2 173	15	2 188
9	Depreciation charges	(2 079)	(61)	(2 140)
10	Revaluation	(609)	32	(577)
10.1	Historical value	5 687	32	5 719
10.2	Depreciation	(6 296)	-	(6 296)
11	**Carrying amount as at 31.12.2022**	2 571	21	**2 592**
11.1	Historical (revalued) value	11 414	50	11 464
11.2	Depreciation – closing balance or reporting period	(8 843)	(29)	(8 872)

Note 10. Other assets

Table 10.1 Other assets

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Other financial assets:	117 519	104 712
1.1	Receivables for transactions with payment cards	29 262	26 187
1.2	Restricted cash	305 066	289 230
1.3	Other financial assets	24 447	15 342
1.4	Allowances for expected credit losses of other financial assets	(241 256)	(226 047)
2	Other assets:	7 237	4 529
2.1	Receivables under asset sale	1 700	899
2.2	Advances for services	7 130	3987
2.3	Other assets	699	536
2.4	Allowances for impairment of other assets	(2 292)	(893)
3	**Total other assets**	**124 756**	**109 241**

Information in Note 10 and Table 10.1, Line 3, is used for the purposes of the statement of financial position.

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 10.2 Changes in allowances for expected credit losses for other financial assets

UAH'000

Line	Changes	Restricted cash	Other financial assets	Total
1	**Balance as at 01.01.2021**	**(213 679)**	**(1 460)**	**(215 139)**
2	Increase)/decrease of allowances for expected credit losses for other financial assets in 2021	(7 606)	(3 302)	(10 908)
3	**Balance as at 31.12.2021**	**(221 285)**	**(4 762)**	**(226 047)**
4	Increase)/decrease of allowances for expected credit losses for other financial assets in 2022	(627)	(14 582)	(15 209)
5	**Balance as at 31.12.2022**	**(221 912)**	**(19 344)**	**(241 256)**

Table 10.3 Credit quality analysis of other financial assets as at 31.12.2022

UAH'000

Line	Item	Receivables for transactions with payment cards	Restricted cash	Other financial assets	Total
1	Neither past due nor impaired	29 262	-	-	29 262
2	Individually impaired debt overdue for	-	219 003	14 351	233 354
2.1	less than 31 days	-	-	32	32
2.2	32-92 days	-	-	55	55
2.3	93-183 days	-	-	88	88
2.4	184-365 (366) days	-	-	6 804	6 804
2.5	over 366 (367) days	-	219 003	7 372	226 375
3	Individually impaired debt not overdue	-	86 063	10 096	96 159
4	Total other financial assets before deducting allowance	29 262	305 066	24 447	358 775
5	Allowances for expected credit losses for other financial assets	-	(221 912)	(19 344)	(241 256)
6	Total other financial assets less allowance	29262	83 154	5 103	117 519

Table 10.4 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
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 allowance	26 187	67 945	10 580	104 712

Table 10.5 Changes of allowance for impairment of other assets

UAH'000

Line	Changes in allowance	Receivables under acquisition of assets	Prepayment for services
1	**Balance as at 01.01.2021**	**(361)**	**(361)**
2	Decrease/increase of allowance during the period	(84)	(87)
3	**Balance as at 31.12.2021**	**(445)**	**(448)**
2	Decrease/increase of allowance during the period	(881)	(518)
3	**Balance as at 31.12.2022**	**(1 326)**	**(966)**

Note 11. Due to customers

Table 11.1 Due to customers

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Other legal entities	2 924 154	1 625 206
1.1	Current accounts	1 639 933	1280 988
1.2	Term deposits	1 284 221	344 218
2	Individuals	1 390 998	1 413 083
2.1	Current accounts	1 021 851	953 751
2.2	Term deposits	369 147	459 332
3	**Total due to customers**	**4 315 152**	**3 038 289**

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

Table 11.2 Amounts due to customers by economic sectors

UAH'000

Line	Economic sector	31.12.2022		31.12.2021	
1	Public sector	-	-	-	-
2	Production and distribution of electricity, gas and water	-	-	-	-
3	Real estate transactions, lease, engineering and provision of services	634 545	14,70%	123 596	4,07%
4	Trade, repair of vehicles, household appliances and personal belongings	466 415	10,81%	181 768	5,98%
5	Agriculture, hunting, forestry	23 639	0,55%	7 614	0,25%
6	Individuals	1 359 301	31,50%	1 373 626	45,21%
7	Other, including:	1 831 252	42,44%	1 351 685	44,49%
	Production of chemicals and chemical products	15 475	0,36%	6 878	0,23%
	Architecture and engineering; testing and research. R&D. Advertising and market studies. Other professional, research and technical activities	-	-	26 572	0,87%
	Construction of buildings and facilities, specialized construction	50 334	1,17%	75 807	2,49%
	Financial services, insurance, related financial services and insurance	-	-	402 255	13,24%
	Production of machinery and equipment	38 027	0,88%	34 373	1,13%

Line	Economic sector	31.12.2022		31.12.2021	
	Power, gas, steam and conditioned air supply	1 103 312	25,57%	595 021	19,58%
	Law and accounting	31 718	0,74%	6 611	0,22%
	Production of beverages	52 142	1,21%	-	-
	Warehousing and auxiliary transportation-related services	-	-	14 990	0,49%
	Software development, consulting and related activities	325 092	7,53%	23 909	0,79%
	Administrative and auxiliary office services, other auxiliary services	-	-	13 001	0,43%
8	**Total due to customers**	**4 315 152**	**100%**	**3 038 289**	**100%**

Note 12 Provisions for liabilities

Table 12.1 Changes in provisions for liabilities in 2022

UAH'000

Line	Changes	loan-related liabilities	Total
1	**Balance as at January 1, 2022**	**6 298**	**6 298**
2	Provision	(5 809)	(5 809)
3	Commission fee received under guarantees issued	(1 913)	(1 913)
4	Amortization of commission fee under guarantees issued, disclosed in Profit and Loss and Other Comprehensive Income Statement	1 913	1 913
5	**Balance as at December 31, 2022**	**489**	**489**

Information in Note 12, table 12.1, line 5, is used for the purposes of the statement of financial position.

Table 12.2 Changes in provisions for liabilities in 2021

UAH'000

Line	Changes	loan-related liabilities	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 12, table 12.2, line 5, is used for the purposes of the statement of financial position.

Note 13. Other liabilities

UAH'000

Line	Item	31.12.2022	31.12.2021
1	**Other financial liabilities**	**4 416**	**18 139**
1.1	Lessee liabilities*	2 947	7 467
1.2	Payables under pay-cards transactions	-	7 462
1.3	Other financial liabilities	1 469	3 210

Line	Item	31.12.2022	31.12.2021
2	**Other liabilities**	**21 720**	**20 174**
2.1	Payables under taxes and dues, except for corporate income tax	742	940
2.2	Payables under due to Deposit Guarantee Fund	2 538	2 490
2.3	Payables to Bank employees	11 832	7 494
2.4	Payables under asset purchase/sales	1 448	1 495
2.5	Deferred income	4 700	7 430
2.6	Other payables	460	325
3	**Total other liabilities**	**26 136**	**38 313**

Information in Note 13, line 3, is used for the purposes of the statement of financial position.

* Disclosure of lease-related liabilities by maturities:

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Up to 1 year	2 111	5 579
2	1 - 5 years	836	1 888
3	Over 5 years	-	-
4	Total lease-related liabilities	2 947	7 467

Interest expenses under lease-related liabilities are disclosed in Note 17 to the financial statements, being equal to UAH 380 thousand.

Expenses, related to lease of low-value assets, are presented in Table 20.3 of Note 20, being equal to UAH 174 thousand.

Income of UAH 23 thousand from lease modification is disclosed as a component of other income in Note 20.

The Bank does not have short-term lease contracts.

There were no lease concessions caused by COVID-19 pandemics, in 2021 and 2022.

Note 14. Share capital and share premium

UAH'000

Line	Item	Shares outstanding (thousands)	Ordinary shares	Total
1	Opening balance as at 01.01.2021	48,173	510 393	510 393
2	Closing balance as at 31.12.2021 (opening balance of reporting period)	48,173	510 393	510 393
3	**Closing balance as at 31.12.2022**	**48,173**	**510 393**	**510 393**

Information in Note 14, Line 3, is used for the purposes of the statement of financial position 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) par value of a share as at 01.01.2021 is UAH 10,595.00 (ten thousand five hundred and ninety-five);

d) par value of a share as at 31.12.2021 is UAH 10,595.00 (ten thousand five hundred and ninety-five);

e) par value of a share as at 31.12.2022 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.

By decision of Committee on banking oversight and regulation, and oversight of pay systems of NBU № 225 of 10.06.2021 (with changes of 02.05.2022 №20/676-рк and 06.06.2022 № 20/750-рк) voting right of Bank shares owned in aggregate by I.G. Fursin, are temporarily, until correction of violation, are transferred to a proxy – S.V. Shlapak. There are no other limitations;

g) there are no shares reserved for issue under options and sale contracts.

Profit from the Bank's operations in 2021 in the amount of UAH 120 121 thousand was used to cover losses of previous periods.

Note 15. Changes of revaluation reserves (components of other comprehensive income)

UAH'000

Line	Item	2022	2021
1	**Opening balance**	**83 253**	**83 103**
2	Revaluation of investment debt securities disclosed at fair value through other comprehensive income	(16 372)	183
2.1	Revaluation to fair value	(16 372)	183
2.2	Sales income (expenses), reclassified into profit or loss in the reporting period	-	-
3	Revaluation of fixed and intangible assets	-	-
3.1	Revaluation to fair value	-	-
4.	Income tax, related to:	2 947	(33)
4.1	Change of reserve for investment debt securities, disclosed at fair value through other comprehensive income	2 947	(33)
4.2	Change of reserve for revaluation of fixed and intangible assets	-	-
5	Total changes in revaluation reserves (other comprehensive income) less income tax	(13 425)	150
6	**Total revaluation reserves (other comprehensive income) less income tax**	**69 828**	**83 253**

Information in Note 15, Line 6, is used for the purposes of the statement of financial position.

Note 16. Assets and liabilities by maturities

UAH'000

Line	Item	Note	31.12.2022			31.12.2021		
			< 12 months	> 12 months	Total	< 12 months	> 12 months	Total
	ASSETS							
1	Cash and cash equivalent	5	3 384 849	-	3 384 849	595 391	-	595 391
2	Loans and advances to customers	6	1 249 554	28 398	1 277 952	1 496 720	93 901	1 590 621
3	Investment debt securities, disclosed at fair value through other comprehensive income	7	53 587	31 097	84 684	1 162 605	-	1 162 605

Line	Item	Note	31.12.2022 < 12 months	31.12.2022 > 12 months	31.12.2022 Total	31.12.2021 < 12 months	31.12.2021 > 12 months	31.12.2021 Total
4	Investment debt securities, disclosed at fair value through profit or loss	7	13 093	-	13 093	17 037	-	17 037
5	Investment property	8	-	124 558	124 558	-	188 116	188 116
6	Current income tax receivables		10 323	-	10 323	11 073	-	11 073
7	Deferred tax assets	21	-	-	-	12 960	-	12 960
8	Fixed and intangible assets	9	-	133 519	133 519	-	129 218	129 218
9	Right of use assets	9	-	2 592	2 592	7 157	-	7 157
10	Other financial assets	10	28 917	88 602	117 519	36 680	68 032	104 712
11	Other assets	10	7 227	10	7 237	4 529	-	4 529
12	**Total assets**		**4 747 550**	**408 776**	**5 156 326**	**3 344 152**	**479 267**	**3 823 419**
	LIABILITIES							
13	Due to customers	11	4 301 664	13 488	4 315 152	3 020 834	17 455	3 038 289
14	Deferred tax liabilities	21	-	3 880	3 880	-	-	-
15	Provisions for liabilities	12	464	25	489	6 270	28	6 298
16	Other financial liabilities	13	1 590	2 826	4 416	17 039	1 100	18 139
17	Other liabilities	13	20 272	1 448	21 720	18 726	1 448	20 174
18	**Total liabilities**		**4 323 990**	**21 667**	**4 345 657**	**3 062 869**	**20 031**	**3 082 900**

Note 17. Interest income and expense

UAH'000

Line	Item	2022	2021
	Interest income on financial assets at amortized cost		
1	Loans and advances to customers	247 245	224 588
2	Debt securities measured at amortized cost	52 490	66 079
3	Due from other Banks	224	396
4	Correspondent accounts with other Banks	2 415	13
5	Interest income under impaired financial assets	19 678	11 610
6	Total interest income for financial assets, disclosed at amortized cost	322 052	302 686
	Interest income on financial assets measured at fair value through other comprehensive income		
7	Debt securities disclosed at fair value through other comprehensive income	171 832	19 635
8	Total interest income for financial assets, disclosed at fair value through other comprehensive income	171 832	19 635
9	**Total interest income**	**493 884**	**322 321**
	Interest expense on financial liabilities at amortized cost		

Line	Item	2022	2021
10	Corporate term deposits	(31 735)	(10 431)
11	Debt securities in issue		
12	Lease-related liabilities	(380)	(432)
13	Term deposits of individuals	(22 085)	(23 968)
14	Term deposits of other Banks	-	(1 392)
15	Current accounts	(114 890)	(69 360)
16	**Total interest expense**	**(169 090)**	**(105 583)**
17	**Net interest income**	**324 794**	**216 738**

Information in Note 17, 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 18. Commission income and expense

UAH'000

Line	Item	2022	2021
	Commission income		
1	Cash and settlement services	86 217	78 401
2	Collection	53	79
3	Securities transactions	1 942	2 177
4	Other	25 424	19 757
5	Fiduciary management transactions	18	20
6	Guarantees issued	13 803	17 860
7	**Total commission income**	**127 457**	**118 294**
	Commission expense		
8	Cash and settlement services	(24 746)	(14 615)
9	Other	(7 912)	(2 948)
10	**Total commission expense**	**(32 658)**	**(17 563)**
11	**Net commission income**	**94 799**	**100 731**

Information in Note 18, 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 19. Other operating income

UAH'000

Line	Item	2022	2021
1	Operational lease income	3 568	4 378
2	Sub-lease income	-	-
3	Gain on disposal of property, equipment and intangible assets	358	101
4	Other*	1 476	1 781
5	**Total operating income**	**5 402**	**6 260**

Information in Note 19, 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	2022
1	Penalties and fines received by the Bank	27
2	Income from compensation of refund value of keys	36
3	Income from making entries to and obtaining extracts from the State Registry on Encumbrances of Movable Property	24

Item no.	Account	2022
4	Fee for attraction of customers and clients	25
5	Overpaid loans	329
6	Compensation of litigation costs	7
7	Income from pay card transaction with claim period over	206
8	Income from derecognition of financial liabilities	703
9	Income from lease modification	58
10	Income from sale of land plots	43
11	Other	18
12	Total:	1 476

* Details of line 4 for the previous 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

Note 20. Administrative and other operating expenses

Table 20.1 Expense and employee benefits

UAH'000

Line	Item	2022	2021
1	Salaries and bonuses	(115 224)	(90 936)
2	Payroll charges	(21 075)	(18 196)
3	Other payments to employees	(1 223)	(554)
4	Total personnel cost	(137 522)	(109 686)

Information in Table 20.1, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 20.2 Depreciation and amortization charges

UAH'000

Line	Item	2022	2021
1	Depreciation of fixed assets	(6 941)	(7 305)
2	Amortization of software and intangible assets	(2 155)	(1 612)
3	Depreciation of the right-of-use	(2 140)	(3 160)
4	Total depreciation and amortization charges	(11 236)	(12 077)

Information in Table 20.2, line 3, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 20.3 Other administrative and operating expenses

UAH'000

Line	Item	2022	2021
1	Cost of maintenance of fixed and intangible assets, telecommunications and other related services	(35 801)	(38 695)
2	Operating lease expenses	(174)	(209)
3	Costs of lease modification	(23)	(97)
4	Professional services	(705)	(977)
5	Marketing and promotion	(1 710)	(2 048)
6	Insurance	(6 471)	(6 943)
7	Other taxes and dues, excluding income tax	(11 124)	(10 363)
8	Charity	(22 430)	(246)
9	Other*	(4 642)	(12 909)
10	**Total administrative and other operating expenses**	**(83 080)**	**(72 487)**

Information in Table 20.3, line 10, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

* Details of line 9 for the reporting period:

Item no.	Account	2022
1	Cost of collection and transportation of cash	(287)
2	Cost of consulting services	(68)
3	Fines and penalties paid	(1 426)
4	Travel expenses	(28)
5	Entertainment expenses	(323)
6	Sponsorship and charity	(56)
7	Legal costs	(654)
8	Information services	(314)
9	Membership dues	(383)
10	Depository services	(74)
11	Cost of customers' hunting services	(478)
12	Head hunting costs	(118)
13	Other	(433)
14	Total:	(4 642)

* Details of line 9 for the previous 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	(123)
7	Legal costs	(676)
8	Information services	(302)
9	Membership dues	(403)
10	Depository services	(5 631)
11	Cost of customers' attraction services	(1 187)
12	Head hunting costs	(3 171)
13	Other	(12 910)

Note 21. Income tax expense

Table 21.1. Income tax expense

UAH'000

Line	Item	2022	2021
1	Current income tax	(750)	-
2	Changes of deferred income tax	(19 787)	(27 070)
3	**Total income tax expenses**	**(20 537)**	**(27 070)**

Information in Note 21, line 3, is used for the purpose of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 21.2. Reconciliation of accounting profit (loss) and taxable profit (loss)

UAH'000

Line	Item	2022	2021
1	Profit before income tax	104 112	147 191
2	Theoretical tax charge at the applicable statutory rate	(18 740)	(26 494)
	Adjustments of accounting profit (loss)		
3	Non-deductible expenses recognized in statutory accounting (to be specified)	(1 955)	(805)
3.1	Adjustment of provision	1 028	(540)
3.2	Non-deductible depreciation and amortization	(198)	(233)
3.3	Fines and penalties	(257)	(32)
3.4	Non-deductible charity expenses	(1 822)	-
3.5	Devaluation of securities	(706)	-
4	Deductible expenses not recognized in accounting (to be specified)	158	229
4.1	Partial 2021 loss carry forward to decrease 2022 results	158	-
4.2	Partial 2020 loss carry forward to decrease 2021 results		229
5	Other adjustments		
6	**Income tax expense**	**(20 537)**	**(27 070)**

Table 21.3 Tax implications of deferred tax asset and deferred tax liability recognized in 2022

UAH'000

Line	Item	Balance as at 01.01.2022	Recognized in profit/loss	Recognized in other comprehensive income	Closing balance as at 31.12.2022
1	Tax implications of temporary differences that reduce (increase) taxation and tax losses carried forward	12 960	(19 787)	2 947	(3 880)
1.1	Fixed assets	(6 989)	198	-	(6 791)
1.2	Tax loss carry forward	19 985	(19 985)	-	-
1.3	Securities revaluation	(36)	-	2 947	2 911
2.	**Net deferred tax assets (liabilities)**	**12 960**	**(19 787)**	**2 947**	**(3 880)**
3.	Deferred tax assets recognized	19 985	(19 985)	2 911	2 911
4.	Deferred tax liabilities recognized	(7 025)	198	36	(6 791)

Table 21.4 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)

Note 22. Earnings per share

UAH'000

Line	Item	2022	2021
1	Profit attributable to ordinary shares holders of the Bank	83 575	120 121
2	Profit for the year	83 575	120 121
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**	**1 734,89**	**2 493,53**

Information in Note 22, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 23. 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 five 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;
- **Treasury** – trading of financial instruments, transactions at capital markets, transactions with foreign currencies and banknotes, correspondent relations with NBU and other banks.
- **Head office and unallocated items –** fixed assets, deferred tax assets, prepayments, accounts receivable and payable related to the business and administrative operations.

Transactions between segments are based on commercial terms. Funds are reallocated between segments resulting in transfer income and expenses disclosed in operating income (see lines *Transfer income* and *Transfer expenses* of the items *Interest income* and *Interest expenses*). Interest collected under these funds is based on calculation of costs of financing of the Bank. Adjustments for internal settlements and transfer pricing are disclosed in the results of performance of each segment. There are no other significant items of income and expenses under transactions between segments.

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 a revenue from transactions with a single customer that comprises more than 10% of Bank total revenue, namely, income generated by NBU were 26.09% of total 2022 revenue (in 2021, income from government bonds and NBU deposit certificates reached 16% of total Bank revenue.

Table 23.1 Income, expense and financial results of reporting segments in 2022

UAH'000

Line	Item	Reporting segments					
		Corporate business	Private Banking	Bank at work	Treasury	Head office and unallocated items	Total
1	Net interest income	183 472	49 407	83 695	14 764	(6 153)	325 185
2	Interest income	208 732	10 120	48 082	226 961	-	493 895
	Transferred income	243 242	68 960	63 746	-	369 795	745 743
3	Interest expense	(134 331)	(22 091)	(12 288)	-	-	(168 710)
	Transferred expense	(134 171)	(7 582)	(15 845)	(212 197)	(375 948)	(745 743)
4	Net commission income	49 710	32 318	34 713	(7 495)	-	109 246
5	Commission income	49 710	38 510	38 098	1 017	-	127 335
6	Commission expenses	-	(6 192)	(3 385)	(8 512)	-	(18 089)
7	Trading	(3 944)	18 182	2 791	34 204	-	51 233
8	Other operating income	945	1 597	1 016	21	1 660	5 239
9	Other income	12	1	100	-	422	535
10	**Operating income**	**230 195**	**101 505**	**122 315**	**41 494**	**(4 071)**	**491 438**
11	Other operating and general administrative expenses	(55 289)	(53 868)	(50 655)	(10 817)	(76 395)	(247 024)
12	**Operating income of segments**	**174 906**	**47 637**	**71 660**	**30 677**	**(80 466)**	**244 414**
13	Allocation to allowances	(93 517)	(7 569)	(23 786)	(11 555)	(3 900)	(140 327)
14	Adjustment of impairment of loans	1 046	(39)	(982)	-	-	25
15	**Income/(loss) before taxes**	**82 435**	**40 029**	**46 892**	**19 122**	**(84 366)**	**104 112**
16	Income tax					(20 537)	(20 537)
17	**Income after taxes**	**82 435**	**40 029**	**46 892**	**19 122**	**(104 903)**	**83 575**

Table 23.2 Assets and liabilities of reporting segments as at 31.12.2022

UAH'000

Line	Item	Reporting segments: Corporate business	Private Banking	Bank at work	Treasury	Head office and unallocated items	Total
1	Segment assets	1 192 678	34 712	68 833	3 328 937	531 166	5 156 326
2	**Total assets**	**1 192 678**	**34 712**	**68 833**	**3 328 937**	**531 166**	**5 156 326**
3	Segment liabilities	2 630 180	1 052 114	613 903	-	49 460	4 345 657
4	**Total liabilities**	**2 630 180**	**1 052 114**	**613 903**	**-**	**49 460**	**4 345 657**
5	Capital investments						13 401
6	Depreciation and amortization						(11 236)

Table 23.3 Income, expense and financial results of reporting segments in 2021

UAH'000

Line	Item	Reporting segments: Corporate business	Private Banking	Bank at work	Treasury	Head office and unallocated items	Total
1	Net interest income	104 142	31 388	48 925	15 199	19 242	217 923
2	Interest income	192 617	10 093	35 214	86 123	-	323 074
	Transferred income	85 831	56 016	42 042	1 337	204 468	389 694
3	Interest expense	(60 184)	(27 950)	(15 625)	(1 392)	-	(105 151)
	Transferred expense	(114 122)	(6 771)	(12 706)	(70 869)	(185 226)	(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)	(4 300)	-	(8 423)
7	Trading	(221)	7 363	748	8 734	-	16 624
8	Other operating income	945	1 799	1 032	303	2 164	6 243
9	Other income	294	9	753	-	152	1 208
10	**Operating income**	**154 457**	**68 933**	**87 326**	**20 457**	**21 558**	**351 758**
11	Other operating and general administrative expenses	(47 829)	(46 999)	(57 853)	(8 475)	(51 396)	(212 552)
12	**Operating income of segments**	**106 628**	**21 934**	**29 473**	**11 982**	**(29 838)**	**139 206**
13	Allocation to allowances	28 144	3 440	(22 868)	(66)	89	8 739
14	Adjustment of impairment of loans	(675)	(55)	(997)	**-**	-	(754)
15	**Income/(loss) before taxes**	**134 097**	**25 319**	**5 608**	**11 916**	**(29 749)**	**147 191**
16	Income tax					(27 070)	(27 070)

Line	Item	Reporting segments					Total
		Corporate business	Private Banking	Bank at work	Treasury	Head office and unallocated items	
17	**Income after taxes**	**134 097**	**25 319**	**5 608**	**11 916**	**(56 819)**	**120 121**

Table 23.4 Assets and liabilities of reporting segments as at 31.12.2021

UAH'000

Line	Item	Reporting segments					Total
		Corporate business	Private Banking	Bank at work	Treasury	Head office and unallocated items	
1	Segment assets	1 429 094	53 973	124 830	1 688 511	527 011	3 823 419
2	**Total assets**	**1 429 094**	**53 973**	**124 830**	**1 688 511**	**527 011**	**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
6	Depreciation and amortization	-	-				(12 077)

Note 24. 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 the 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 31.12.2022, 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, considering 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;
- behavioural model of debtors – natural persons (applicational, behavioural 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 coal contract, aimed at limitation of credit risk growth in future;
- assumptions on the size of loess 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 unfavourable 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 unfavourable 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, considering 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 24.1. Foreign currency risk analysis

UAH'000

Line	Currency	Reporting period 31.12.2022				Previous period 31.12.2021			
		Monetary assets	Monetary liabilities	Derivatives	Net position	Monetary assets	Monetary liabilities	Derivatives	Net position
1	US dollars	742 371	795 961	-	(53 590)	821 865	811 983	-	9 882
2	Euro	393 211	421 173	-	(27 962)	290 233	295 235	-	(5 002)
3	GBP	8 322	9 065	-	(743)	7 724	8 311	-	(587)
4	Other	7 290	8 533	-	(1 243)	4 350	4 912	-	(562)
5	**Total**	**1 151 194**	**1 234 732**	**-**	**(83 538)**	**1 124 172**	**1 120 441**	**-**	**3 731**

Table 24.2. 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

UAH'000

Item	Reporting period 31.12.2022		Previous period 31.12.2021	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
Appreciation of USD by 40%	(21 436)	(21 436)	3 953	3 953
Depreciation of USD by 40%	21 436	21 436	(3 953)	(3 953)
Appreciation of EUR by 40%	(11 348)	(11 348)	(2 001)	(2 001)
Depreciation of EUR by 40%	11 348	11 348	2 001	2 001
Appreciation of GBP by 40%	(297)	(297)	(235)	(235)
Depreciation of GBP by 40%	297	297	235	235
Appreciation of other currencies and Banking metals	(497)	(497)	(225)	(225)
Depreciation of other currencies and Banking metals	497	497	225	225

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 24.3 Analysis of financial assets and liabilities by currencies in 2022

UAH'000

Line	Item	UAH	EUR	USD	Other
	Assets				
1	Cash and cash equivalents	2 939 369	219 971	209 993	15 515
2	Securities	13 093	-	84 684	-
3	Due from Banks	-	-	-	-
4	Loans and advances to customers:	743 898	105 583	428 471	0
4.1	Individuals	75 948	0	0	0
4.2	Corporate	667 951	105 583	428 471	0
5	Other financial assets	30 542	67 657	19 224	97
6	Total financial assets	**3 726 902**	**393 211**	**742 371**	**15 612**
	Liabilities				
7	Due to Banks	-	-	-	-
8	Due to customers:	3 080 420	421 173	795 961	17 598
8.1	Individuals	565 450	335 188	469 609	15 628
8.2	Corporate	2 514 970	85 985	326 352	1 970
9	Other financial liabilities	4 417	-	-	-
10	**Total financial liabilities**	**3 084 837**	**421 173**	**795 961**	**17 598**

Table 24.4 Analysis of financial assets and liabilities by currencies in 2021

UAH'000

Line	Item	UAH	EUR	USD	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**

Banking Book interest risk

Banking Book interest risk is the probability of losses or additional costs, or receipt of less than planned revenues resulting from unfavourable interest rates affecting Banking Book. 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, considering 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 (behavioural 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 benchmark[1], 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 considering 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:

- 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 24.5. Monitoring of interest rates under financial instruments

%

	Item	Reporting period 31.12.2022			Previous period 31.12.2021		
		UAH	USD	EUR	UAH	USD	EUR
	Assets						
1	Cash and cash equivalent	0,00	0,92	0,11	1,64	0,00	0,00
2	Due from Banks	0,90	0,00	0,00	4,89	0,00	0,00
3	Loans and advances to customers	14,93	6,20	5,11	15,84	6,63	6,54

[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)

4	Debts securities at fair value through other comprehensive income	16,77	4,65	0,00	8,16	3,51	0,00
	Liabilities						
5	Due to Banks				6,07		
6	Due to customers:	7,54	0,61	0,26	5,25	1,15	0,54
6.1	Current accounts	6,41	0,19	0,04	4,46	0,56	0,11
6.2	Term deposits	12,75	1,51	1,48	9,34	1,67	1,51

Table 24.6. General analysis of interest rate risk

UAH'000

	Item	**Reporting period 31.12.2022**			**Previous period 31.12.2021**		
		Up to 1 year	**Over 1 year**	**Total**	**Up to 1 year**	**Over 1 year**	**Total**
1	Total financial assets	4 730 000	148 097	4 878 097	3 341 651	128 715	3 470 366
2	Total financial liabilities	4 303 254	16 314	4 319 568	3 006 283	50 145	3 056 428
3	Net interest gap at the year end	426 746	131 783	558 529	335 368	78 570	413 938

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

UAH'000

	Reporting period 31.12.2022			**Previous period 31.12.2021**		
Effect of interest rate change on Bank revenue	**Up to 1 year**	**Over 1 year**	**Total**	**Up to 1 year**	**Over 1 year**	**Total**
Interest rate change: +1%	4 267	1 318	5 585	3 354	786	4 139
Interest rate change: -1%	(4 267)	(1 318)	(5 585)	(3 354)	(786)	(4 139)

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 24.7. Analysis of geographic concentration of financial assets and liabilities in 2022

UAH'000

Line	Item	Ukraine	OECD	Other	Total
	Assets				
1	Cash and cash equivalents	3 153 096	231 567	186	3 384 849
2	Loans and advances to customers	1 156 624	121 328	-	1 277 952
3	Debt securities at fair value through other comprehensive income	-	84 684	-	84 684
4	Securities at fair value through profit and loss	13 093	-	-	13 093

5	Other financial assets	85 144	32 374	1	117 519
6	Total financial assets	4 407 957	469 953	187	4 878 097
	Liabilities				
7	Amounts due to customers	4 229 477	39 192	46 483	4 315 152
8	Other financial liabilities	510	3 906	-	4 416
9	Total financial liabilities	4 229 987	43 098	46 483	4 319 568
10	**Net position on financial instruments**	177 970	426 855	(46 296)	558 529
11	Loan commitments	414 924			414 924

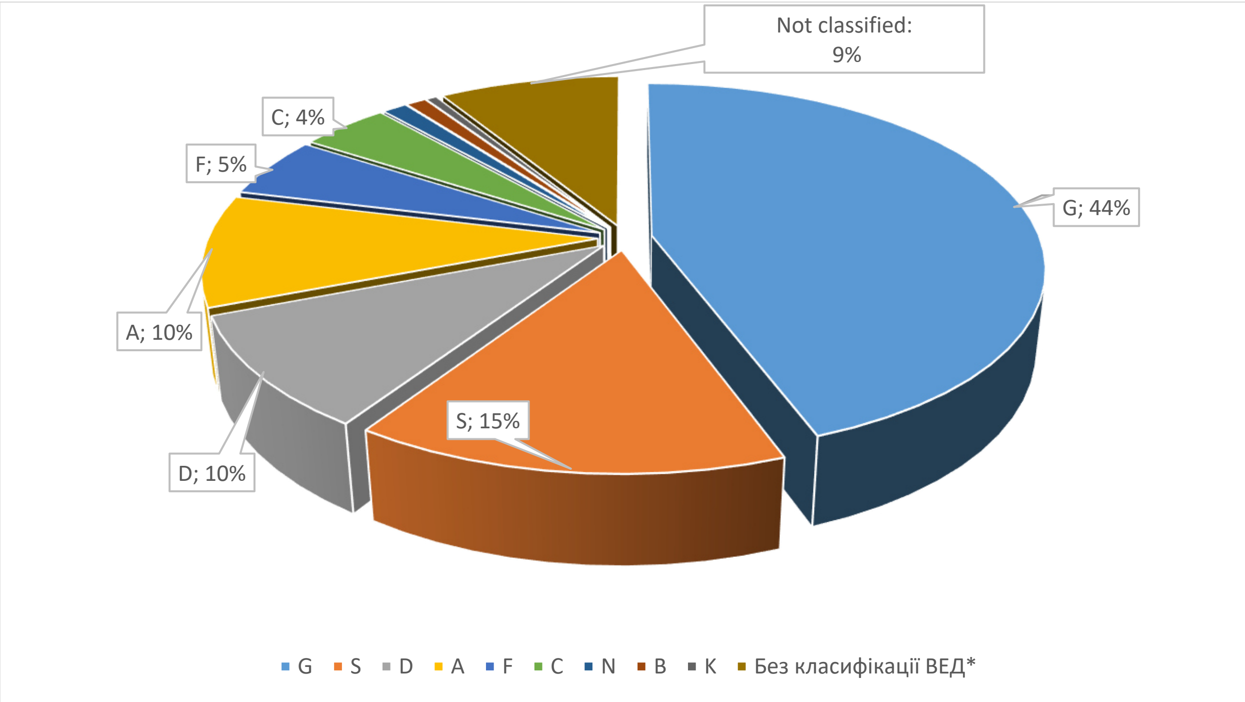
Table 24.8. Analysis of geographic concentration of financial assets and liabilities in 2021

UAH'000

Line	Item	Ukraine	OECD	Other	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	Debt securities at fair value through other comprehensive income	1 162 605			1 162 605
4	Securities at fair value through profit and loss	17 037			17 037
5	Other financial assets	104 703	1	8	104 712
6	Total financial assets	3 287 330	182 949	87	3 470 366
	Liabilities				
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

Other risks concentration

Structure of loans by business sectors (by KVED codes) as at 01.01.2023:



As at 01.01.2023, 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 2022, the Bank complied with liquidity ratios, set by NBU. Liquidity ratios as at 31.12.2022:

- Factual arithmetical mean of liquidity coverage ratio (LCRac) for the latest 30 calendar days, without considering this ratio for all currencies was 244,57% with the ratio set by NBU as not less than 100%;
- Factual arithmetical mean of liquidity coverage ratio (LCRfc) for the latest 30 calendar days, without considering this ratio for all currencies was 307,95% with the ratio set by NBU as not less than 100%;
- Net stable financing ratio (NSFR) was 251,53% 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 24.9. Financial assets and liabilities by types of customers in 2022

UAH'000

	Item	Corporate customers	Private entrepreneurs	Individuals	Self-employed customers	Banks
	Assets					
1	Cash and cash equivalents	-	-	-	-	3 384 849
2	Securities	13 093	-	-	-	84 684
3	Due from Banks	-	-	-	-	-
4	Loans and advances to customers	1 202 004	-	75 948	-	-
5	Other financial assets	95	15	4 993	-	112 416
6	Total financial assets	**1 215 192**	**15**	**80 941**	**0**	**3 581 949**
	Liabilities					
7	Due to customers	2 871 515	45 987	1 372 533	1 226	23 891
8	Other financial liabilities	1 619	1 763	63	-	971
9	Total financial liabilities	**2 873 134**	**47 750**	**1 372 596**	**1 226**	**24 862**

Table 24.10. Financial assets and liabilities by types of customers in 2021

UAH'000

	Item	Corporate customers	Private entrepreneurs	Individuals	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)	78 544
6	Total financial assets	**2 643 398**	**2**	**153 031**	**0**	**673 935**
	Liabilities					
7	Due to customers	1 580 648	42 113	1 414 100	1 428	-
8	Other financial liabilities	3 684	1	8	-	14 446
9	Total financial liabilities	**1 584 332**	**42 115**	**1 414 107**	**1 428**	**14 446**

A major portion of liabilities of JSCB CLEARING HOUSE 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 historical data, their term may be considered longer than the contractual term. It is highly probable that these deposits would be extended.

Table 24.11. Financial liabilities by maturities during the reporting period (31.12.2022)

UAH'000

Line	Item	Up to 3 months	3 - 12 months	Over 1 year	Total
1	Due to customers	4 425 189	92 140	14 157	4 531 486
2	Other financial liabilities	208	1 382	2 826	4 416
3	Other loan commitments	79 891	306 040	28 993	414 924
4	Total potential future payments under financial liabilities	4 505 288	399 562	45 976	4 950 826

Table 24.12. Financial liabilities by maturities during the previous period (31.12.2021)

UAH'000

Line	Item	Up to 3 months	3 - 12 months	Over 1 year	Total
1	Due to customers	2 789 298	323 023	18 552	3 130 873
2	Other financial liabilities	9 810	7 229	1100	18 139
3	Other loan commitments	750 719	-	-	750 719
4	Total potential future payments under financial liabilities	3 558 156	323 023	18 552	3 899 731

Analysis of financial assets and liabilities by maturities based on estimated maturities is based on cumulative gap, showing deficit (negative value) or surplus (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 25. 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.

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 based on 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. 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 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 01.01.2023, the regulatory capital adequacy ratio was 28,23%, which is 18,23% higher than the adequacy ratio value required.

As at 01.01.2023, actual regulatory capital amounted to UAH 607 234 960,23, which is UAH 407 234 960,23 more than required by imposed requirements.

Note 26. Contingent liabilities

a) As at 01.01.2023, 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;

Lease liabilities:

The Bank has 19 operating-lease contracts: no operating lease contracts with lease term of one month or less, 11 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 8 lease contracts, accounted in accordance IFRS 16.

Deferred expenses under lease of low-value assets are UAH 106 thousand.

Deferred settlement of lease liabilities under lease contracts is UAH 2 947 thousand.

Repayable within 1 year – UAH 2 111 thousand;
Repayment within 1 – 5 years – UAH 836 thousand.

Table 26.1 Deferred settlement of lease liabilities under lease contracts

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Up to one year	2 111	2 341
2	1 – 5 years	836	2 328
3	**Total**	**2 947**	**4 669**

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 twelve objects, owned by the Bank: eleven land plots and one property complex.

The Bank leases out one car under lease contract.

Table 26.2 Structure of loan commitments

UAH'000

Line	Item	31.12.2022	31.12.2021
1	Unused credit lines	1 599 714	2 082 651
2	Guarantees issued	414 924	750 719
3	Provisions for loan commitments	-	-
4	**Total loan commitments less provisions**	**2 014 638**	**2 833 370**

Table 26.3 Loan commitments by currencies

Line	Item	31.12.2022	31.12.2021
1	UAH	1 304 023	2 662 709
2	US dollars	140 950	58 662
3	Euro	154 741	111 999
4	Other		
5	Total	**1 599 714**	**2 833 370**

The Bank has no irrevocable commitments.

Note 27. 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. The Bank determines fair value as a price for which a financial instrument may be exchanged by knowledgeable parties concerned in usual circumstances, other than forced or liquidation situation. The best confirmation of fair value is the market price of a financial instrument.

The Bank measures fair value of financial instruments based on three hierarchy levels:

Level 1 – market quotes at open markets for similar assets and liabilities;
Level 2 - methods of measurement, where all material input data, directly or indirectly, are observable at open markets;
Level 3 - methods of measurement, where all material input data are not based on observable market data.

As at 31.12.2022, all term customers' funds, disclosed as Bank liabilities, were attracted by the Bank at market interest rates. The Bank does not attract funds at non-market rates and regularly reviews them to keep them at market level.

For measurement of fair value of term deposits the Bank applies method of discounting of future cash flows. Discounted cash flows are disclosed at respective accounts of discounts under term deposits of customers.

Considering discounting of future cash flows under term deposits and correspondence of interest rates of the Bank to market rates, carrying amount of term deposits of customers is their fair value.

The Bank does not measure customers' funds on demand at fair value, as fair value of these funds cannot be reliably measured as a result of significant fluctuation of amount of funds on demand and prices that depend on the scope of such funds.

When disclosing information of fair value of funds on demand, Bank management states that carrying amount of these funds is approximately equal to their fair value.

Fair value of loan portfolio is based on characteristics of debt servicing and interest rate of certain loans in each sector of portfolio. Allowance for ECL is calculated considering premium for risks, applied to different types of loans based on such factors as current situation in economic sector where the borrower operates, financial position of each borrower and guarantees received. As a result, allowance for ECL is viewed as weighted measurement of probable losses necessary to disclose effect of credit risk. Loans are issued under market terms, so current balances reflect their fair value. Carrying amount calculated as depreciated cost of these financial instruments is an approximation to their fair value.

As at 31.12.2022, all overdrafts and term loans to customers, disclosed as Bank assets, were issued by the Bank at market interest rates. The Bank does not offer its credit resources at non-market rates.

The Bank uses discounting of future cash flows method to measure fair value of term loans to customers. Discounted cash flows are recorded at respective discount accounts for term loans to customers

Taking into account discounting of future cash flows under term loans and use of market interest rates by the Bank, carrying amount of term loans to customers is equal to their fair value.

Table 27.1 Fair value disclosure as at 31.12.2022

UAH'000

	Measurement date	Fair value measurement			Total fair value	Total carrying amount
		Level 1 (market quotes)	Level 2 (observable data)	Level 3 (data not confirmed by market data)		
Assets at fair value						
Government bonds	31.12.2022	-	84 684	-	84 684	84 684
Shares	31.12.2022	-	13 093	-	13 093	13 093
Property – buildings	01.11.2022	-	-	133 519	133 519	133 519
Investment property	01.11.2022	-	-	124 558	124 558	124 558
Assets for which fair values are disclosed						
Cash and cash equivalents	31.12.2022	-	3 384 849		3 384 849	3 384 849
Loans and advances to customers	31.12.2022	-	-	1 277 952	1 277 952	1 277 952
Other financial assets	31.12.2022	-	-	117 519	117 519	117 519
Liabilities with fair value disclosed						
Due to customers	31.12.2022		4 315 152		4 315 152	4 315 152
Cash on demand	31.12.2022		2 661 784		2 661 784	2 661 784
Term deposits	31.12.2022		1 653 368		1 653 368	1 653 368
Other financial liabilities	31.12.2022			4 416	4 416	4 416

Table 27.2 Fair value disclosure as at 31.12.2021

UAH'000

	Measurement date	Fair value measurement			Total fair value	Total carrying amount
		Level 1 (market quotes)	Level 2 (observable data)	Level 3 (data not confirmed by market data)		
Assets 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

	Measurement date	Fair value measurement			Total fair value	Total carrying amount
		Level 1 (market quotes)	Level 2 (observable data)	Level 3 (data not confirmed by market data)		
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

Note 28 Financial instruments by categories of measurement

Table 28.1 Financial assets by categories of measurement in 2022

UAH'000

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
	Assets				
1	Cash and equivalent	**3 384 849**	**-**	**-**	**3 384 849**
2	Loans and advances to customers:	**1 277 952**	**-**	**-**	**1 277 952**
2.1	Corporate loans	**1 202 004**	**-**	**-**	**1 202 004**
2.2	Mortgage loans to individuals	**4 365**	**-**	**-**	**4 365**
2.3	Consumer loans to individuals	**71 583**	**-**	**-**	**71 583**
2.4	Allowances for expected credit losses	**(434 751)**	**-**	**-**	**(434 751)**
3	Investment securities at fair value through profit or loss	**-**	**-**	**13 093**	**13 093**
4	Investment debt securities at fair value through other comprehensive income	**-**	**84 684**	**-**	**84 684**
5	Other financial assets:	**117 519**	**-**	**-**	**117 519**
5.1	Receivables under transactions with payment cards	**29 262**	**-**	**-**	**29 262**
5.2	Restricted cash	**63 183**	**-**	**-**	**63 183**
5.3	Other financial assets	**24 447**	**-**	**-**	**24 447**
6	**Total financial assets**	**4 780 320**	**84 683**	**13 094**	**4 780 320**

Table 28.2 Financial assets by categories of measurement in 2021

UAH’000

Line	Item	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total
	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 28.3 Financial liabilities by categories of measurement in 2022

UAH’000

Line	Item	Amounts due to customers and accounts payable	Total
	Liabilities		
1	Due to Banks	-	-
2	Due to customers	4 315 152	4 315 152
2.1	Due to corporate customers	2 661 784	2 661 784
2.2	Due to individuals	1 653 368	1 653 368
3	Other financial liabilities	4 416	4 416
3.1	Other financial liabilities	4 416	4 416
4	**Total financial liabilities**	**4 319 568**	**4 319 568**

Table 28.4 Financial liabilities by categories of measurement in 2021

UAH’000

Line	Item	Amounts due to customers and accounts payable	Total
	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**

Note 29 Related party transactions

The ultimate owners of the Bank are Liovochkina Yuliya Volodymyrivna (57,4856% interest in the Bank) and Fursin Ivan Hennadiiovych (24,8002% interest 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) temporarily (until correction of deficiencies) transferred voting right of Bank shares that belong to Fursin I.H. to trustee – Shlapak Stanislav Valeriyovych).

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

The total amount of loans granted to related parties comprises 0,04% of the Bank's regulatory capital.

The total amount of funds received from the related parties comprises 3,98% of the Bank's liabilities.

Table 29.1 Outstanding balances with related parties as at 31.12.2022

UAH'000

Line	Item	Shareholders of the Bank	Key management personnel	Associated entities	Other related parties
1	Investment securities			13 094	
2	Loans and due from customers (contractual interest rate: 35%)		68		152
3	Allowances for expected credit losses		5		11
4	Customers' fund (contractual interest rate: 0% - 4%)	69 397	6 944	88 133	8 673
5	Other assets			34	
6	Other liabilities	15	8	1	8

Table 29.2 Outstanding balances with related parties as at 31.12.2021

UAH'000

Line	Item	Shareholders of the Bank	Key management personnel	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 liabilities	15	-	-	2

Table 29.3 Income and expenses under related party transactions in 2022

UAH'000

Line	Item	Shareholders of the Bank	Key management personnel	Associated entities	Other related parties
1	Interest income	16	5		23
2	Interest expense	(1 012)	(21)	(633)	(34)
3	Changes in allowance for ECL and due from banks	8	4	(29)	(11)
4	Commission income	120	116	192	108
	Revaluation of other financial instruments at fair value through profit or loss			(3 944)	

Table 29.4 Income and expenses under related party transactions in 2021

UAH'000

Line	Item	Shareholders of the Bank	Key management personnel	Associated entities	Other related parties
1	Interest income	32	16	0	0
2	Interest expense	(2 165)	(33)	(1 165)	(208)
3	Changes in allowance for ECL and due from 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 29.5 Total amount of loans granted to and repaid by related parties in 2022

UAH'000

Line	Item	Shareholders of the Bank	Key management personnel	Other related parties
1	Loans granted to related parties in the reporting period	168	2 706	-
2	Loans repaid by the related parties in the reporting period	268	2 698	-

Table 29.6 Total amount of loans granted to and repaid by related parties in 2021

UAH'000

Line	Item	Shareholders of the Bank	Key management personnel	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 29.7 Compensation of key management personnel

UAH'000

		2022		2021	
Line	Item	Expense	Accruals	Expense	Accruals
1	Current employee benefits	24 805	2 475	17 128	1 321

Note 30. Subsequent events

As at the date of approval and signing of these financial statements, active stage of war started by russian federation against Ukraine on February 24, 2022, is going on. Currency market continues to operate under significant limitations imposed by NBU Decree №18 *On Work of Banking System under Martial Law* of February 24, 2022, in the circumstances of martial law.

On 31.03.2023, IMF Board approved Memorandum on economic and financial cooperation between Ukraine and IMF. Besides, a Letter of intentions, signed by president, prime minister, minister of finances and NBU chairman, was published.

The above documents state steps and terms, implemented, being implemented and to be implemented by Cabinet of ministers and NBU under the program in y 2023–2027, as well as specific measures to be taken for successful subsequent reviews and receipt of new tranches.

Major goal of the first stage, covering 2023–2024, is support of macroeconomic and financial stability within the context of continuing war with creation of grounds for post-war recovery, including structural reforms in budget-and-tax sector, financial sector, changes in monetary and currency policies, corporate governance, anticorruption drive and reforms in power-generating sector.

The second stage of the program will focus on reforms supporting maximally effective post-war recovery and reconstruction, assisting Ukraine in implementation of necessary steps for Eurointegration. Long-term economic growth is one of the priorities of the second stage of EFF program.

In the situation of continuing war, the Bank appreciates the trust of its customers and maintains high operating efficiency and profitability.

The Bank concentrates its efforts at support of quality of loan portfolio through improved communications with borrowers, implementation of refinancing programs and different actions to make debt load of customers correspondent to their current solvency.

In February 2023, the Bank derecognized bad debts as a result of cession of right of claim to a financial company. Proceeds of the Bank were UAH 200 million.

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 26.04.2023

Chair of the Management Board ______________________ V. O. Andreevska

Chief Accountant ______________________ O. O. Markina

INDEPENDENT AUDITOR'S REPORT

To the:

Shareholders and Supervisory Board of
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 JOINT STOCK COMPANY «BANK «CLEARING HOUSE» (the Bank), which comprise the statement of financial position as at December 31, 2022, 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, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements to their preparation established by Ukrainian law.

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

As stated in Note 3, these events or conditions indicate the existence of a material uncertainty which may cast significant doubt about the Banks's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PKF UKRAINE LLC • 52, B.Khmelnytskoho Str., the 4th floor • Kyiv • 01054 • Ukraine
Direct tel/fax: +38 044 501 25 31 • www.pkf.kiev.ua • E-mail: pkf@pkf.kiev.ua

PKF UKRAINE LLC is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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
Judgements and estimates of loans and advances to customers	
The recognition and measurement of expected credit losses ('ECL') is highly complex and involves the use of significant judgment and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objectives of IFRS 9 *Financial Instruments*. Accordingly, this matter required significant attention from us during the audit. In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The accuracy of the assumptions used in the models, including the macroeconomic scenarios, impacts the level of allowance for impairment. Management exercises judgment in making estimations that require the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions. We identified the issue of impairment of loans and advances to customers as key audit matter due to the materiality of the loan balances, the high complexity and subjective nature of the ECL calculation. We refer to Note 3, disclosing information on significant accounting policies, while Note 6 presents disclosures and detailed information on the methods and models used and the level of the allowances for impairment of advances and due from customers.	The controls management established to support their ECL calculations were tested during our audit procedures. We also assessed whether the impairment methodology used by the Bank is in line with IFRS 9 requirements. Particularly we assessed the approach of the Bank regarding application of Significant increase in credit risk ('SICR') criteria, definition of default, The Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') and incorporation of forward-looking information in the calculation of ECL. We have focused on assessing the Bank's assumptions and the expert adjustments applied in the model taking into account the empirical data and the existing credit and monitoring processes. For significant loans and advances assessed for impairment on an individual basis we applied our professional judgement for selection the sample taking into account different risk criteria. For selected loans and advances we checked the stage classification with assessing factors that affect the credit risk, while for selected impaired loans and advances (Stage 3) we tested the assumptions used in the ECL calculation, particularly expected scenarios and probabilities assigned to them and the timing and amount of expected cash flows, including cash flows from repayments and realization of collaterals. For individually insignificant loans and advances which are assessed for impairment on a portfolio basis we performed such procedures as testing the reliability of key data inputs and related management controls, examination of key management's judgements and assumptions, including the macro-economic scenarios and the associated probability weights, analysing of impairment coverage of credit portfolio and its changes.

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

Management is responsible for the other information. The other information comprises the information included in Issuer report with the Management report for 2022 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

Responsibilities of Management and the Supervisory Board for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Banks's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGISLATIVE AND REGULATORY REQUIREMENTS

Report on the requirements of the National commission on securities and stock exchange regarding the audit report on the audit of financial statements

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

Information in line with p. 10 of section I of Requirements 555 is presented in Information on Audit entity performing audit of financial statements section of independent auditor's report.

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

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

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

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

Report on Corporate governance report

We reviewed information presented in Corporate governance report of the Bank as a component of Management report (hereinafter – Corporate governance report).

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

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

Opinion

Issues, described in this report, were considered only within context of the audit of 2022 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, may differ from the criteria, used by National Bank of Ukraine part 3 of Art. 127 of Law of Ukraine *On Capital and Organized Commodities Markets* and Art. 12^2 of Law of Ukraine *On Financial Services and State Regulation of Financial Services Market*. Information, stated in p.p. 5 – 9 of part 3 of Art. 127 of Law of Ukraine On Capital and Organized Commodities Markets, namely, description of major characteristics of internal-control and risk-management systems of the Bank; list of persons, who directly or indirectly own a significant share in the Bank; information on any limitations of right to participate and vote at general meeting of the Bank; rules and procedures of appointment and dismissal, and powers of Bank officials, presented in Corporate governance report, does not contradict to information gained during our audit of financial statements and complies with requirements of Law of Ukraine *On Capital and Organized Commodities Markets*.

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

According to requirements of article 69 of Law of Ukraine *On Banks and Banking* and paragraph 27 of *Regulations on the procedure for submitting an audit report to the National Bank of Ukraine based on the results of the annual audit of the financial statements of the bank, banking group and on the audit of the financial statements of a member of the banking group* (approved by NBU Board Resolution No. 90 of August 2, 2018, with amendments. Hereinafter – Regulations 90) we are providing additional information (estimate) concerning annual financial statements of the Bank for the year ended December 31, 2022, 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 2022 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, may 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 90, 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 and liabilities by maturities, e.g.:

- balance at account for attracted term funds of a legal entity in an amount of UAH 35 757 thousand is disclosed as the one assigned to the time interval "From 32 to 92 days", rather than to time interval "On demand or overdraft" as per contractual term of settlement, taking into account that the contract contains a provision that the deposit could be returned in advance on demand of the customer;
- balance at account for attracted term funds of an individual in an amount of UAH 25 238 thousand is disclosed as the one assigned to the time interval "On demand or overdraft" rather than to the time interval "From 275 to 365 (366) days" as per contractual term of settlement, taking into account that these funds are encumbered.

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

- internal control

In our opinion, Banks' internal audit complies with regulatory requirements except for separate facts, disclosed above regarding distribution of assets and liabilities by maturities of the Bank in the statistical data file A7X "Data structure of assets and liabilities by time buckets", and, in general, corresponds to the risks in relation to the scope of Bank transactions and risks faced by the risks, and complies with regulatory requirements.

- internal audit

In our opinion, Banks' internal audit complies with regulatory requirements, taking into consideration particularities of environment, where Bank operated in the reporting year. At the same time, based on the tasks that are assigned 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, 2022 (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), calculated on the basis of daily balance, is UAH 607 235 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:

- 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). It was corrected by the Bank during preparation of annual financial statements through proper disclosure of income by interest income and commission income in the Statement of profit and loss and other comprehensive income (Statement of financial performance);
- the Bank does not remeasure gross carrying amount of financial assets (loans to customers) and does not recognize gain or loss from modification of these financial assets;
- the Bank does not accrue income (recognize revenue) and does not perform amortization of discount/premium for certain loan operations if it knows all data necessary for calculation of cash flows under these operations. E.g., after initial recognition or introduction of changes into terms of loan operations, the Bank does not account for them at amortized cost using effective interest rate, as required by IFRS and Rules of accounting of operations with financial instruments in the banks of Ukraine (approved by decree of the Board of NBU № 14 (with changes and amendments) of 21.02.2018).

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 Auditing entity performing audit of financial statements

Full name of legal entity in accordance with constituent documents:

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

Information on inclusion into Register of auditors and auditing entities:

- The audit firm is registered in *Auditing Entities, Having the Right to Perform Statutory Audits of Financial Statements of Public-Interest Entities* section of Register of auditors and Auditing Entities. Registration number 3886;

Address of the legal entity and factual place of business:

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 № 3 of 27.10.2022

Beginning and closing dates of the audit:

- Date of beginning: 14.11.2022
- Date of closing: 28.04.2023

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

We have been appointed for statutory audit of the annual financial statements of the Bank by resolution of the Supervisory Board of 08.10.2022. The total duration of our audit engagements with the Bank is 7 years, including the reporting year.

PKF

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.

We have designed and performed risk-assessment procedures to obtain audit evidence as a proper basis for identification and assessment of risk of material misstatements, whether due to fraud or error, at the level of financial statements of the Bank and assertions therein. We have designed further audit procedures to identify irregularities, including fraud, and get reasonable assurance to express our opinion on the financial statements in general.

As the Bank operates in a strictly controlled environment, our assessment of risk of material misstatements covered control environment, including procedures applied by the Bank to comply with regulatory requirements. Our assessment included review of key structures, policies and standards, understanding and evaluation of supervisory function and internal control in their design and implementation, as well as monitoring of compliance and testing or related controls.

We obtained an understanding of laws and regulations applicable to the Bank and determined the most significant requirements directly related to specific assertions in the financial statements. In particular, these requirements relate to compliance of economic ratios and other laws and regulations.

ISAs limit necessary audit procedures for identification of non-compliance with laws and regulations by enquiries to management, those charged with governance, if necessary, and review of correspondence, if any, with respective licensing bodies and regulators. If non-compliance is not disclosed to us or is not evident from respective correspondence, audit may not identify this non-compliance.

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 Audit committee of Supervisory Board of the Bank.

We did not provide any services to the Bank, prohibited by article 6 of the Law of Ukraine *On Audit of Financial Statements and Audit Activities*.

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, 2022, 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.

The 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 ethical requirements; it gives us the possibility to formulate our opinion. Inherent limitations of an audit result in most audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive, so, audit is not an absolute guarantee that the financial statements are free of misstatements, and our audit does not guarantee future sustainability of the Bank efficiency or effectiveness of Bank management.

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

Engagement partner on the audit — Sviatoslav BILOBLOVSKYI

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

On behalf of PKF UKRAINE LLC

Director — Iryna KASHTANOVA

Kyiv, Ukraine
April 28, 2023