

**JOINT-STOCK COMPANY WEST FINANCE AND
CREDIT BANK**

Financial statements

for the year ended 31 December 2021

With the independent auditors' report

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**JOINT-STOCK COMPANY WEST FINANCE AND
CREDIT BANK**

Annual report of the management
for the year ended 31 December 2021

Annual report of the management of JSC «CREDITWEST BANK».

Joint Stock Company “WEST FINANCE AND CREDIT BANK” (hereafter - ‘Bank’) is the first Turkish bank in Ukraine, opened to provide quality services to Ukrainian and foreign customers.

The Bank strives to be the first in all spheres of business, success, ranking, social, personnel, corporate governance, industry, etc.

The Bank's business model in the forecast period remains unchanged and the key strategic priorities in the Bank's activities are servicing the segment of corporate clients - international companies, large companies of importers and exporters from various sectors of the economy and SME clients.

The Bank's strategic partners are international creditors and funds (the Business Development Fund (BDF), the Black Sea Trade and Development Bank (BSTDB), the European Investment Bank (EIB), International Bank for Reconstruction and Development.

Strategic goals according to the strategy:

- financing of customers’ trading transactions by providing loans to companies with acceptable and low credit risk;
- increasing the presence on the market without opening branches by signing agreements on the provision of highly qualified CRM services at their sites;
- to reduce the burden on the personnel involved in customer service, the bank implemented a number of software complexes; remote maintenance in digitalization;
- maintaining efficiency of high-level risk management;
- Increase of SME lending to 60% of the total loan portfolio.

During 2021, the Bank worked the following programs:

- 1) State programs "Affordable loans 5-7-9%";
- 2) The Export Credit Agency (ECA) program "Export Risk Insurance", which significantly simplifies the access of export-oriented businesses to bank financing and access to the program is granted to Ukrainian companies that produce goods for supply to foreign markets or intend to do so in the future;
- 3) Special program of financial and credit support (FCP) of small and medium enterprises in Kyiv, providing a state guarantee on a portfolio basis.

In 2021 the Bank has also expanded the list of products. New products have been added to the existing product line such: factoring, foreign currency forwards without supply of basic assets, foreign exchange operation.

The Bank does not conduct risky derivatives transactions. Transactions with assets on demand are held under the spot, forward, option and futures contracts, under which, in accordance with the terms and conditions of the agreement, the bank has the right to refuse to perform the obligation, including by set-off, and an obligation to make prepayment is charged to the counterparty of the bank.

The Bank is working on building long-term, reliable, partner relations with clients.

The Bank complies with the law and does its utmost to ensure that it does not violate the law. When there is a risk to violate the law, but to obtain more profit for the bank, the Bank does not perform this transaction or does not serve this client.

Accuracy and compliance with law make us a reliable partner. Our strict requirements for borrowers make our bank interesting in terms of reliability, solvency and attractiveness for depositors.

Throughout the year 2021, the Bank quickly and properly adapted to market conditions, including those related to COVID 19, drastic changes in regulatory requirements.

The Bank also continues the strategy of investing in the IT sector and digitalization of customer services. The whole success of the Bank is the result of the following elements:

- ✓ teamwork,
- ✓ well-defined roles,
- ✓ efforts made by each person,
- ✓ positive and honest approach;
- ✓ responsibility,
- ✓ respect each other,
- ✓ wise management,
- ✓ discipline and compliance,
- ✓ healthy lifestyle,
- ✓ constant development.

The most valuable and greatest capital is human capital. The Bank creates working conditions and an atmosphere where every employee who comes to office is responsible and takes care for customer transactions, therefore the Bank must maintain high social standards. Therefore, everything is focused on the development of the Bank and the activities of clients.

Report on corporate governance of JSC «CREDITWEST BANK»

The main purpose of the creation and operation of the Bank is to provide a full range of banking services in accordance with the banking license issued by the National Bank of Ukraine and the receipt of profits in the interests of shareholders.

The Bank has the right to provide all types of banking and financial services (except for insurance services) permitted for provision by the applicable laws and the Charter.

The Bank independently determines the directions of its activity in accordance with the applicable legislation of Ukraine.

The Bank has the right to conduct banking activities only after obtaining a banking license. Upon obtaining of a banking license, the Bank is required to comply with licensing requirements throughout the entire duration of the banking license, including the requirements related to the amount of regulatory capital. The Bank carries out banking activities in accordance with the procedure established by the Law of Ukraine "On Banks and Banking Activities", normative legal acts of the National Bank of Ukraine and in accordance with the Charter and internal regulations of the Bank drafted pursuant to them.

The Bank, on the basis of a banking license, may provide the following banking services:

- attraction of deposits (bank deposits) of funds and bank metals from an unlimited number of legal entities and individuals;

- opening and maintenance of current (correspondent) accounts of clients, including those in bank metals, and conditional storage accounts (escrow);
- placing of attracted deposits (bank deposits), including on current accounts, funds and bank metals on its own behalf, on its own terms and conditions and at its own risk.

The Bank has the right to provide financial services to its clients (except for banks), including based on agency agreements with legal entities (commercial agents). The list of financial services that the Bank has the right to provide to its clients (except for banks) by concluding agent agreements is established by the National Bank of Ukraine. The Bank is obliged to inform the National Bank of Ukraine about agency agreements entered into by it. The Bank is entitled to conclude an agency agreement with a legal entity that complies with the requirements established by the National Bank of Ukraine.

The Bank carries out the following credit transactions:

- performance of transactions on the securities market on its own behalf;
- provision of guarantees and suretyships and other obligations from third parties, which provide for their execution in monetary form;
- and other obligations from third parties that provide for their execution in monetary form;
- the acquisition of the right of claim to perform the obligations in monetary form for the delivered goods or rendered services, assuming the risk of performance of such claims and acceptance of payments (factoring);
- leasing.

In addition to providing financial services, the Bank may also carry out activities related to:

- investment;
- storage of valuables or provision in property lease (lease) of an individual bank safe;
- issue of own securities;
- issue, distribution and conduct of lotteries;
- collection of funds and transportation of currency valuables;
- keeping registers of holders of registered securities (except for own shares);
- providing consulting and information services on banking and other financial services.

The Bank, subject to obtaining the general license of the National Bank, may carry out the following transactions with currency valuables:

- 1) non-trading transactions with currency valuables;
- 2) transactions with cash foreign currency and checks (purchase, sale, exchange, acceptance for collection), carried out at the cash offices and foreign currency exchange offices of banks;
- 3) transactions with cash foreign currency (purchase, sale, exchange) carried out at foreign currency exchange offices operating on the basis of agency agreements concluded by banks with resident legal entities;
- 4) maintenance of accounts of clients (residents and non-residents) in foreign currency and non-resident clients in the monetary unit of Ukraine;
- 5) maintenance of correspondent accounts of banks (residents and non-residents) in foreign currency;
- 6) maintenance of correspondent accounts of banks (non-residents) in the monetary unit of Ukraine;

- 7) opening correspondent accounts with authorized banks of Ukraine in foreign currency and conducting transactions thereon;
- 8) opening correspondent accounts with banks (non-residents) in foreign currency and conducting transactions for them;
- 9) attraction and placement of foreign currency in the currency market of Ukraine;
- 10) attraction and placement of foreign currency in the international markets;
- 11) trade in foreign currency in international markets;
- 12) trade in foreign currency in the currency market of Ukraine [with the exception of transactions with cash foreign currency and checks (purchase, sale, exchange) carried out at the cash offices and foreign currency exchange offices of banks and agents];
- 13) currency transactions in the currency market of Ukraine and/or international markets that belong to financial services in accordance with the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets".

The Bank has the right to perform other transactions (other types of activities) in accordance with the legislation of Ukraine and taking into account restrictions established for banks. The Bank cannot carry out activities in the field of material production, trade (except for retailing of commemorative, jubilee and investment coins) and insurance, except for performance of the functions of the insurance intermediary.

The Bank carries out credit transactions, investment activities (in particular, direct investments) and securities transactions, settlement banking operations, performs transactions with persons related to the Bank in accordance with the procedure, under the terms and conditions and subject to restrictions determined by applicable legislation.

In its activities the Bank complies with the requirements for ensuring competition in the banking system, banking secrecy and confidentiality of information, ensuring the client's right to information, prevention and counteraction to the legalization (laundering) of proceeds obtained from crime or terrorist financing, as well as on the reliability of advertising and ensuring the right of the Bank's clients to information.

The Bank forms relations with customers and correspondent banks on the basis of agreements on the provision of banking and other services, which determine mutual obligations and responsibilities of the parties, interest (percentage) rates, commission fees, types of secured repayment of loans, receipt of relevant information from customers, and other conditions.

The Bank's relations with its clients are governed by the applicable legislation, regulatory legal acts of the National Bank of Ukraine and legal transactions (agreements, contracts) between the client and the Bank.

The Bank may conduct securities transactions and professional activity in the securities market. Activities regulated by the regulatory legal acts of the National Securities and Stock Market Commission and for which it is necessary to have the license may be exercised by the Bank only after obtaining the corresponding license issued by the National Securities and Stock Market Commission in accordance with the procedure established by applicable legislation. Subject to obtaining an appropriate license for professional activity in the securities market (in the stock market), the Bank may, in particular, carry out:

- brokerage activities;
- dealership activities;
- underwriting;
- securities management activities;
- depositary activity of a depositary institution;

- asset management activities;
- mortgage collateral management activities;
- activities on keeping the assets of joint investment institutions;
- activities on keeping the assets of pension funds;
- clearing activities.

Subject to obtaining the corresponding license, the Bank develops, manufactures, uses, operates, imports, exports cryptosystems and facilities for cryptographic protection of information, provides services in the field of cryptographic protection of information for the Bank and its clients.

In its activities, the Bank may use an electronic digital signature.

Types of activities that require a special permit (license) in accordance with the applicable legislation of Ukraine may be carried out by the Bank upon its receipt of the corresponding permit (license) in accordance with the procedure established by the applicable laws.

Owners of substantial shareholdings at JSC«CREDITWEST BANK».

Information about the final owners in the ownership structure of the Bank

№	Surname, name and patronymic of an individual or full name of a legal entity	Person type	Is the person the owner of a significant share in the bank	Personal information	Shareholding of a person in a bank, %			Description of the person's relationship with the bank
					direct	indirect	joined	
1	2	3	4	5	6	7	8	9
1.	Inan Altinbas (Altinbaş İnan)	individual	yes	Citizen of the Republic of Turkey	0	9,703184	9,703184	By : - ownership of 90% of shares of JSC "Trona ic ve Dis Ticaret Danismanlik ", which owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - ownership of 54% of shares of JSC Final Alacak Yonetim Dan. Ve Destek Hizm. (45% directly and 9% indirectly through JSC " Trona ic ve Dis Ticaret Danismanlik "), which owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - direct ownership of 19.98% of JSC "ALTINHAS

								<p>HOLDING ANONIM SIRKETI ",</p> <p>- which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".</p> <p>He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.</p>
2	Altinbas Huseyin (Altinbaş Hüseyin)	individual	yes	Citizen of the Republic of Turkey	0	12,849973	12,849973	<p>by :</p> <p>- ownership of 45% of shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S., who owns 25.08% of shares of JSC" ALTINHAS HOLDING ANONIM SIRKETI "</p> <p>- direct ownership of 44.98% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI ",</p> <p>- - which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".</p> <p>He is an associate person (brother) of Altinbas Inan, Altinbas Vakkas, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.</p>
3.	Altinbas Ali (Altinbaş Ali)	individual	yes	Citizen of the Republic of Turkey	0	11,41895 %	11,41895 %	<p>By :</p> <p>- Ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM</p>

								SIRKETI", which is the owner of 100% of shares of JSC "CREDITWEST BANK". He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Inan, Altinbas Nusret and Altinbas Sofu.
4.	Altinbas Vakkas (Altinbaş Vakkas)	individual	yes	Citizen of the Republic of Turkey	0	11,41895 %	11,41895 %	By : - ownership of 50% of shares of JSC ASV HOLDING ANONIM SIRKETI, which owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". He is an associate (brother) of Altinbas Huseyin, Altinbas Inan, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.
5.	Altinbas Nusret (Altinbaş Nusret)	individual	yes	Citizen of the Federal Republic of Germany	0	11,41895 %	11,41895 %	By : - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Ali, Altinbas Inanu and Altinbas Sofu.
6.	Altinbas Sofu (Altinbaş Sofu)	individual	так	Citizen of the Republic of Turkey	0	11,41895 %	11,41895 %	By : - ownership of 50% of shares of JSC ASV HOLDING ANONIM SIRKETI, which owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC

								<p>"CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".</p> <p>He is an associate (brother) of Altinbas Huseyin, Altinbas Wakkas, Altinbas Ali, Altinbas Nusret and Altinbas Inan.</p>
7.	Altinbas Mehmet Atakan (Mehmet Atakan Altınbaş)	individual	no	Citizen of the Republic of Turkey	0	0,284743	0,284743	<p>By</p> <ul style="list-style-type: none"> - ownership of 84% of shares of Kron Ticaret Yatirim LTD, which owns 10% of shares of JSC "Trona ic ve dis. ticaret danismanlik", which i) owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI" of direct ownership and ii) owns 10% of the shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S.. - which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". <p>He is an associate (son) of Inan Altinbas .</p>

Information about the final owners in the ownership structure of the Bank

№ з/ п	Surname, name and patronymic of an individual or full name of a legal entity	Person type	Is the person the owner of a significant share in the bank	Personal information	Description of the person's relationship with the bank
1	2	3	4	5	6

1.	Altınbaş İnan (Altınbaş İnan)	individual	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of Banking, Oversight (Oversight) of Payment Systems dated 28.07.2017 №276, the joint acquisition of indirect significant participation in PJSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of PJSC "CREDITWEST BANK" was agreed.</p> <p>Together with the associated persons is the owner of indirect significant participation in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" through:</p> <ul style="list-style-type: none"> - ownership of 90% of shares of JSC "Trona ic ve dis. ticaret danismanlik", which owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - ownership of 54% of shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S.. (45% directly and 9% indirectly through JSC " Trona ic ve Dis Ticaret Danismanlik)", which owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - direct ownership of 19.98% of JSC "ALTINHAS HOLDING ANONIM SIRKETI ", - which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". <p>Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", JSC "ALTINHAS HOLDING ANONIM SIRKETI ".</p>
2.	Altınbaş Hüseyin (Altınbaş Hüseyin)	INDIVIDUAL	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of Banking, Oversight (Oversight) of Payment Systems dated 28.07.2017 №276, the joint acquisition of indirect significant</p>

					<p>participation in PJSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of PJSC "CREDITWEST BANK" was agreed.</p> <p>Together with the associated persons is the owner of indirect significant participation in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" through:</p> <ul style="list-style-type: none"> - ownership of 45% of shares of JSC "Final Alacak Yonetim Dan. Ve Destek Hizm. A.S., who owns 25.08% of shares of JSC" ALTINHAS HOLDING ANONIM SIRKETI " - direct ownership of 44.98% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI", - which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". <p>Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ALTINHAS HOLDING ANONIM SIRKETI".</p>
3.	Altinbas Ali (Altınbaş Ali)	INDIVIDUAL	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of Banking, Supervision (Oversight) of Payment Systems dated 28.07.2017 №276, the joint acquisition of indirect significant participation in PJSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of PJSC "CREDITWEST BANK" was agreed.</p> <p>Together with the associated persons is the owner of indirect significant participation in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" through:</p> <ul style="list-style-type: none"> - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING

					<p>ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".</p> <p>Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI".</p>
4.	Altinbas Vakkas (Altınbaş Vakkas)	INDIVIDUAL	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of Banking, Supervision (Oversight) of Payment Systems dated 28.07.2017 №276, the joint acquisition of indirect significant participation in PJSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of PJSC "CREDITWEST BANK" was agreed.</p> <p>Together with the associated persons is the owner of indirect significant participation in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" through:</p> <ul style="list-style-type: none"> - ownership of 50% of shares of JSC ASV HOLDING ANONIM SIRKETI, which owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". <p>Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI".</p>
5.	Altinbas Nusret (Altınbaş Nusret)	INDIVIDUAL	O	Citizen of the Federal Republic of Germany.	<p>According to the decision of the Committee on Supervision and Regulation of Banking, Supervision (Oversight) of Payment Systems dated 28.07.2017 №276, the joint acquisition of indirect significant participation in PJSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of PJSC "CREDITWEST BANK" was agreed.</p>

					<p>Together with the associated persons is the owner of indirect significant participation in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" through:</p> <p>- ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".</p> <p>Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI".</p>
6.	Altinbas Sofu (Altınbaş Sofu)	INDIVIDUAL	O	Citizen of the Republic of Turkey	<p>According to the decision of the Committee on Supervision and Regulation of Banking, Supervision (Oversight) of Payment Systems dated 28.07.2017 №276, the joint acquisition of indirect significant participation in PJSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of PJSC "CREDITWEST BANK" was agreed.</p> <p>Together with the associated persons is the owner of indirect significant participation in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" through:</p> <p>- ownership of 50% of shares of JSC ASV HOLDING ANONIM SIRKETI, which owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".</p> <p>Together with the associated persons, he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI".</p>
7.	Joint-stock company "ALTINHAS HOLDING ANONIM SIRKETI"	Legal Entity	O	Republic of Turkey, Istanbul/Sisli Buyukdere st., Business Center	Owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC "CREDITWEST

	(«ALTINHAS HOLDİNG ANONİM SİRKETİ»)			Ozsesen, block C, 9th floor (Buyukdere Cd. Özsezen İşmerkezi C Blok K:9 Şişli, İstanbul, Turkey Republic); Identification code705657	BANK" and 25% shares of JSC "Creditwest Factoring".
8.	Joint-stock company "ALTINBAS HOLDING ANONİM SİRKETİ» («ALTINBAŞ HOLDİNG ANONİM SİRKETİ»)	Legal Entity	II	Republic of Turkey, Mahmutbey Mah., Dilmenler Avenue, ALTINBAS University, 26-28, Bagcilar / Istanbul, (Republic of Turkey, Istanbul, Bagcilar, Dilmenler av., Altinbas University №, 26-28, Maslak/Sarıyer); Identification code394381	The shareholder of the bank, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring". Consent to acquire a significant participation was given in accordance with the resolution of the Board of the National Bank of Ukraine №114 of March 27, 2006.
9.	Joint-stock company "ASV HOLDING ANONİM SİRKETİ" («ASV HOLDİNG ANONİM SİRKETİ»)	Legal Entity	O	Republic of Turkey, Esentepe Quarter st. Keskin Kalem №39 / 3 Sisli / Istanbul (Republic of Turkey, Esentepe mah., Keskin Kalem str. №39/3 Sisli / İstanbul) Identification code34184-5	Owens 33.34% of shares of JSC ALTINBAS HOLDING ANONİM SİRKETİ, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "Creditwest Factoring".
10	Joint- stock company "Creditwest Factoring Anonim Sirketi" ("Creditwest Factoring Anonim Sirketi")	Legal Entity	O	Republic of Turkey, Büyükdere Cad. No108 Enka Binası Kat 1 Esentepe/Şişli/İstanbul Identification code 314444-0	The shareholder of the bank, which owns 42% of shares of JSC "CREDITWEST BANK". Consent to acquire a significant participation was given in accordance with the resolution of Committee for supervision and regulation of banking activity, supervision (oversight) of payment systems of the National Bank of Ukraine №464 of November 16, 2020 №494 від 16.11.2020.

General Meeting Information.

In 2021, the Bank held one general meetings of Shareholder. General description of the decisions taken at the meeting:

1. To approve the results of the Bank's activity for 2020 and the report on the annual results of the Bank's activity for 2020, submitted for consideration by the Bank's shareholder to the Joint-Stock Company ALTINBAS HOLDING ANONIM SIRKETI (hereinafter - the Shareholder).
2. To approve the report and conclusions of the external auditor of Baker Tilly Ukraine LLC submitted to the Shareholder for consideration based on the results of the annual reporting audit for 2020.
3. To approve the decision on the distribution of the Bank's profit based on the results of the annual report for 2020 in amount UAH 20'305'289,86, in accordance with the legislation of Ukraine and the Bank's Charter, shall be distributed as follows:
 - 5% of the Bank's profit (profit after tax) for 2020 in the amount of UAH 1'015'264,49 to be sent to the Bank's reserve fund,
 - 95% of the Bank's profit (profit after tax) for 2020 in the amount of UAH 19'290'025,37 to be leaved undistributed.

Accordingly, part of the Bank's profit should not be distributed and paid to the Bank's Shareholder as dividends.

4. To approve the report of the Supervisory Board of the Bank for the year 2020 and recognize the effectiveness of the Supervisory Board of the Bank at a sufficient level.
5. To approve the report of the Management Board of the Bank for the year 2020 and recognize the efficiency of the Management Board of the Bank at a sufficient level.
6. To Terminate the powers of the Chairman of the Supervisory Board of the Bank, Mr. Zafer Ozcan. To elect Mr. Huseyin Altinbas as the Chairman of the Supervisory Board of the Bank.
Re-elect Mr. Ömer Akgül, Mr. Selçuk Şaldırak, Mr. Koray Akkuş, Mr. Rami Hayimfor a three-year term. Approve the main terms of contracts with the Chairman and Members of the Supervisory Board of the Bank.

Information on any restrictions on the rights of participation and voting of shareholders (participants) at the General Meeting of the Bank is not provided due to the absents of restrictions.

The procedure for appointment and dismissal of the issuer's officers is determined by the Bank's Charter, the Bank's Supervisory Board Regulations and the Bank's Management Board Regulations.

THE SUPERVISORY BOARD OF THE BANK

The members of the Supervisory Board may be independent members of the Bank's Supervisory Board, members of the Bank and representatives of participants of the Bank.

The number of members of the Supervisory Board may not be less than five persons and must consist of at least one third of the independent directors, the number of whom must be at least three.

Independent directors must comply with the requirements established by current Ukrainian legislation on independence on an ongoing basis throughout the term of office of the Supervisory Board's member. The Bank is obliged to monitor the compliance of independent directors with the requirements regarding their independence, and in case of non-compliance, to ensure the replacement of such independent directors.

The members of the Supervisory Board may not be neither members of the Management Board, nor hold other positions in the Bank under the terms of an employment contract (contract) or provide services to the Bank in accordance with a civil contract.

The powers of a member of the Supervisory Board are valid from the moment of his election by the decision of the General Meeting of Shareholders.

The term of office of a member of the Supervisory Board is determined by his election and may not exceed 3 years.

The same person may be elected to the Supervisory Board on more than one occasion.

If the number of members of the Supervisory Board is less than half of its required number, the Bank must convene an extraordinary General Meeting within three months to elect the entire membership of the Supervisory Board. If the number of members of the Supervisory Board, whose powers are valid, is half or less than half of its elected by the General Meeting of the quantitative composition, the Supervisory Board may not make decisions except for the decisions on calling an extraordinary General Meeting to elect the entire composition of the Supervisory Board.

In case the Chairman of the Supervisory Board is unable to fulfil his / her powers, one of the members of the Supervisory Board shall exercise his / her authority upon his / her decision.

The election of the members of the Supervisory Board of the Bank shall be by cumulative voting only.

The Bank's shareholders have the right to nominate candidates for election to the Supervisory Board of the Bank in accordance with the procedure established by the current legislation of Ukraine, the Bank's Statute, the General Shareholders' Meeting Regulation.

Each shareholder has the right to submit proposals for new candidates to the Bank's Supervisory Board, the number of which may not exceed the quantitative composition of the Supervisory Board.

The shareholder's proposal for the nomination of candidates for election to the Supervisory Board shall be in compliance with the requirements and shall be submitted in accordance with the procedure established by the Regulations on the General Meeting of Shareholders.

Elected to the Supervisory Board should be considered such candidates who received the most votes among those who obtained more than 50 per cent of votes of shareholders, who registered for participation to shareholders' General meeting and are owners of shares with vote right on the matter.

The full composition of the Supervisory Board must be selected for one General Meeting. If at least 3 (three) nominations for election of members of the Supervisory Board were submitted by the shareholders in due course, or 3 (three) members of the Supervisory Board were not elected by the results of voting on the election of members of the Supervisory Board, The Supervisory Board shall be deemed not to have been elected.

In such a case, the term of office of the members of the previous members of the Supervisory Board shall automatically be extended until the General Meeting decides on the election of the new members of the Supervisory Board in full composition in accordance with the Bank's Articles of Association, the Regulations on the General Meeting of Shareholders and this Regulation. In this case, the Bank shall convene an extraordinary General Meeting of Shareholders for the election of new members of the Supervisory Board, which shall be held within 3 (three) months from the date of the respective General Meeting of Shareholders during which the full composition of the Supervisory Board was not elected.

The General Meeting is entitled to decide on early termination the powers of the members of the Supervisory Board and the simultaneous election of new members.

The power of the member of the Supervisory Board could be terminated without the decision of the General meeting with simultaneous termination of the contract in the following circumstances:

- at his request, subject to two weeks' written notice to the Bank;
- in case of impossibility to fulfil the duties of a member of the Supervisory Board for health reasons;
- in the case of the entry into force of a sentence or decision of a court sentenced to punishment, which excludes the possibility of performing the duties of a member of the Supervisory Board;
- in the case of death, recognition of him as incapacitated, of limited to capacity, missing, deceased;
- in the event of circumstances which, in accordance with the current legislation of Ukraine, impede the performance of the duties of a member of the Supervisory Board.

Upon termination of the powers of a member of the Supervisory Board, the contract (contract) concluded with him / her is terminated simultaneously.

The committees in the Supervisory Board have not been established.

The composition of the Supervisory Board as of 31 December 2021:

- Huseyin Altinbas - Chairman of the Bank's Supervisory Board, who is a representative of the Shareholder.
- Omer Akgul – the member of the Management Board, who is a representative of Shareholder.
- Talip Selchuk Shaldyrak, is an independent member of the Bank's Supervisory Board.
- Koray Akkus is an independent member of the Bank's Supervisory Board.
- Avram Rami Chaim is an independent member of the Bank's Supervisory Board.

THE MANAGEMENT BOARD OF THE BANK

The number of Board members must be at least 3 (three) people. The Board includes the Chairman of the Board, Deputy Chairmen of the Board (if any) and two members of the Board (who may be elected as Vice-Chairmen of the Board). The members of the Management Board

are appointed by the Supervisory Board on the recommendation of the Chairman of the Management Board.

The Chairman and the members of the Management Board of the Bank may be persons who have a working relationship with the Bank. The Chairman and the members of the Management Board may not simultaneously be the Chairman, members of the Supervisory Board.

Approval of candidates for members of the Board of Directors for a position, establishment of compliance of a member of the Board of Directors with the established legislative requirements, procedure of notification of the National Bank on non-compliance of a member of the Management Board with established legislative requirements, promotion of a member of the Management Board, informing the Supervisory Board of violations of Ukrainian legislation in the activity of the Bank and the deterioration of the Bank's financial condition or the threat of such deterioration, the level of risks arising from to the Bank's activities, informing the Supervisory Board about the untimely or improper fulfilment of obligations to the Bank by the Bank's related persons' succession planning in the Board shall be carried out in accordance with the procedure established by internal documents of the Bank, taking into account the requirements.

Nominations of the Chairman of the Management Board and the members of the Management Board of the Bank shall be approved by the National Bank of Ukraine in accordance with the requirements and within the terms established by the current legislation and the National Bank of Ukraine. The Chairman of the Board (or Acting Officer) takes office upon the written consent of the National Bank Commission (the National Bank's regional office's Commission). Information regarding changes in the composition of the Management Board shall be submitted by the Bank to the National Bank of Ukraine in accordance with the requirements and within the terms established by the current legislation and the National Bank of Ukraine.

The members of the Management Board may not be persons who are prohibited from holding positions in the governing bodies of the Bank under the current legislation of Ukraine.

The Management Board is appointed by the Bank's Supervisory Board. The term of office of the Chairman of the Board / members of the Board may be determined at their appointment.

Upon appointment, an employment contract / contract is concluded with the Chairman of the Board and the members of the Board. On behalf of the Bank, the employment contract / contract with the Chairman of the Management Board is signed by the Chairman of the Supervisory Board or another person authorized by the General Meeting.

Members of the Bank's Management Board, including the Chairman of the Management Board, may at any time be removed from their duties by the Bank's Supervisory Board. The powers of the Chairman and members of the Management Board may be terminated early by the decision of the Bank's Supervisory Board.

The Chairman and members of the Management Board may be reappointed an unlimited number of times.

In the event of termination of the employment contract between the Bank and the Chairman of the Management Board or the removal of the Chairman of the Management Board of the Bank from his / her duties, the Supervisory Board of the Bank may appoint a temporary acting Chairman of the Management Board. The Supervisory Board may suspend the term of office of the Chairman of the Management Board with the simultaneous decision on the appointment

of a new Chairman of the Management Board or a person temporarily exercising his / her authority.

In the event of termination of the employment contract between the Bank and the Chairman of the Board, failure of the Chairman of the Board to become accredited by National Bank of Ukraine, or removal of the Chairman of the Board from the performance of his duties, the Supervisory Board may appoint a temporary acting Chairman of the Board. In this way, a person appointed as acting Chairman of the Board of Directors shall act within the powers of the Chairman of the Board of Directors of the Bank without a power of attorney and other special powers when representing the Bank and performing transactions (entering into contracts, contracts, agreements).

The executive body of JSC «CREDITWEST BANK» (Management Board of the Bank) is composed of four members, namely:

Chairman of the Management Board of the Bank – Tykhonov Ihor Yuriiovych

Deputy Chairman of the Management Board of the Bank – Sergiy Luskalov Viktorovich

Deputy Chairman of the Management Board of the Bank – Rudenko Svitlana Mykolaiivna

Chief Accountant - Member of the Board – Kuzmenko Igor Mykolayovich

During 2021, the composition of the Management Board of the Bank was changed. By the decision of the Supervisory Board of the Bank No7 dated 29.01.2021 appointment Mr. Luskalov S.V. Member of the Board. By the decision of the Supervisory Board of the Bank No42 dated 31.08.2021 the powers of the member of the Management Board Mr. Yildirim Yunus Emre were terminated. By the decision of the Supervisory Board of the Bank No45 dated 29.10.2021 transfer of Mr. Luskalov S.V. to the Deputy Chairman of the Board, appointment of Mr. Kuzmenko I.M. Member of the Board.

Throughout the year of 2021 facts of violation by the members of the Supervisory Board and the Management Board of JSC «CREDITWEST BANK» of internal rules resulting in damage inflicted on the Bank or consumers of financial services are absent.

Throughout the year of 2021 enforcement actions applied during the year by state authorities to JSC «CREDITWEST BANK», including those applied to the members of the Supervisory Board and Management Board of the Bank, are absent.

Amount of remuneration for the reporting financial year 2021 (fixed):

- Amount of UAH 1,635 thousand was paid to the members of the Supervisory Board, the number of recipients is two;
- Amount of UAH 10,276 thousand was paid to the Management Board of JSC "CREDITWEST BANK", number of recipients is five;
- Amount of UAH 2 170 thousand was paid to the influential people of the bank, the number of recipients is two.

There were no variable payments for the reporting financial year 2021 to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank.

There is no amount of unpaid deferred remuneration to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank for the year 2021.

There is no amount of deferred remuneration for previous financial years paid during 2021 to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank.

There were no hiring payments made in 2021 to the members of the Supervisory Board, the Management Board of the bank and influential people of the bank.

Amounts of redundancy payments made during 2021:

- there were no payments to the members of the Supervisory Board;
- amount of UAH 66 thousand was paid to the Management Board of JSC "CREDITWEST BANK" , the number of recipients is one;
- there were no payments to the influential people of the bank.

The bank does everything possible to create a better result and balanced risk management. The Bank continues to comply with all internal procedures provided for by the internal risk management and control system. The Bank assesses the following significant types of risks:

- 1) credit risk;
- 2) liquidity risk;
- 3) interest rate risk of the banking book;
- 4) market risk;
- 5) operational risk;
- 6) compliance risk.

The main risks and uncertainties for the Bank's operations are typical for all banking institutions of Ukraine and are standard risks of banking activities. The Bank performs risk management in the course of a continuous process of determination, assessment and monitoring, as well as by establishing risk limits and other measures of internal control. Credit risk is a risk that threatens the Bank's income and capital due to possible failure of the counterparty or a group of counterparties to perform liabilities owed to the Bank. In order to manage credit risk, a financial and economic analysis of counteragents, an analysis of credit and investment projects, the establishment of limits and restrictions for conducting active operations, portfolio risk management, stress testing etc., are carried out.

Main macroeconomic risks:

1. Termination of cooperation with the IMF will create risks for financial stability.
2. Suspending cooperation with other international financial organizations and foreign governments: often the programs of different IFOs are interconnected and require Ukraine to fulfill similar or identical conditions;
3. The deterioration of investors' ratings of the government's financial position and, consequently, an increase of the risk premium for Ukrainian sovereign debt. This could lead to a significant increase in yields during the placement of new issues of sovereign bonds or de facto complete closure of capital markets for Ukraine, if the situation on world markets worsens.
4. Actual closure of access to foreign capital markets of quasi-sovereign issuers - state-owned banks and enterprises;
5. The decline in the interest of foreign investors to invest in the private sector, as a consequence - a reduction in the inflow of private debt capital and foreign direct investment.

The slow progress in the implementation of structural reforms can have the following adverse effect on the development of the banking sector of the state, namely:

- limiting the demand for credit resources and, as a result, the development of lending to enterprises in the real economy sector, while continuing the tendency towards relatively high rate of inflow of deposits in national currency into the banking system;
- reduction of the financial result due to reduction of interest income, increase in the value of the resource base and a devaluation of the currency component of the balance, etc.;
- devaluation of the national currency rate, which may have a negative impact on the ability of debtors to serve foreign currency debt obligations.

Slow structural changes in the economy and the weakness of the legal system remain significant barriers to the development of the banking sector. These factors reduce the efficiency of redistribution of financial resources and hinder the renewal of lending.

High growth rate of retail lending can become a source of increased credit risk both for the Bank and for the banking system and have unfavorable macroeconomic effects.

Inadequacy of collateral collection procedures, as well as the existence of a moratorium on the realization of property for certain types of loan transactions, in case of non-fulfillment by the debtor of obligations under a loan, is a significant risk of possible losses.

In order to minimize credit risks, the Bank provides for the calculation and formation of reserves for the reimbursement of possible losses under active transactions in accordance with the requirements of the international financial reporting standards.

In addition, approaches to evaluation of the level of credit risk according to national standards are constantly being improved. From 03 January 2017, the Bank evaluates credit risk (prudential reserves) taking into account the new requirements of the National Bank of Ukraine for determining the credit exposure in active banking operations, approved by the resolution of the Board of the NBU dated 30 June 2016 No. 351.

The Bank's risk management system is based on the requirements of the banking legislation of Ukraine, international standards in the field of risk management, fully integrated into the activities of the bank and is being improved along with the development of banking business processes.

The procedures implemented within the framework of the risk management system envisage the identification and assessment of risks, including on the basis of an analysis of the condition of the environment, including the preparation and implementation of risk mitigation measures, the development of proposals for the establishment of the system of limits. Credit risk is the most significant type of risk for a bank, therefore special attention is given to its management, as well as control of the quality of loan portfolio. The Bank manages credit risk by:

- establishing a unified methodology for identifying and assessing credit risk;
- organization of an adequate system of crediting legal entities, individual entrepreneurs, individuals corresponding to the interests of the bank, the system of establishing limits on transactions that are prone to credit risk;
- implementation of qualitative and timely analysis of the condition and dynamics of the loan portfolio, norms of safe functioning characterizing the level of credit risk;
- organization of stress testing and identifying the causes and factors that affect the change in the level of credit risk;

- creation of a system of regular and timely information of the credit committee, the Management Board, the Supervisory Board on the level of credit risk.

The Bank introduced a system of internal ratings of corporate clients, which provides a differentiated assessment of the probability of default by debtors of their obligations on the basis of the analysis of quantitative and qualitative factors of credit risk, the degree of their impact on the ability of the debtor to serve and repay the incurred obligations.

The system of internal ratings is actively used in the process of organizing credit work with clients, in particular, in developing new credit products, determining price conditions for conducting active operations.

In order to manage liquidity, the bank uses a combined method that includes management of liquid assets (accumulation of own liquid assets to cover their expected need), management of liabilities (provision of liquidity due to prior termination of agreements on the attraction of monetary funds in the interbank market), as well as elements of the method of balancing active and passive operations by terms (control of the gaps between assets and liabilities by maturity).

In order to comprehensively evaluate the liquidity risk, the bank uses the following methods: coefficient analysis of the liquidity of the balance sheet (financing limit), liquidity gaps evaluation, cash flow analysis and stress testing. Within the framework of the development of liquidity risk management, the bank calculates and monitors the liquidity ratios provided by Basel III.

To manage market risk, the bank uses periodic evaluation of potential losses that may be incurred as a result of adverse market conditions and establishes adequate limits on the amount of allowable losses. Except for currency positions, the Bank does not have significant market risk concentrations. Valuation of currency risk is carried out using the Value-at-Risk method. The current system of currency risk limits, which includes position limits and loss limits, allows the bank to provide an acceptable level of risk.

Interest risk management and control are based on risk assessment using methods of GAP-analysis, modified duration and stress testing that determine the effect of interest rate changes on net interest income and bank capital.

The system of interest rate risk analysis of the Bank includes: analysis of changes in the present value of assets and liabilities, analysis of changes in the value of net interest income, and analysis of gaps of assets and liability sensitive to changes in interest rates. Limits of maximum and minimum interest rates are established, both for active and passive transactions.

The bank has established and maintains a comprehensive centralized operational risk management system - Committee of operational risk management (“CORM”), which provides for assessment, monitoring and risk control in accordance with regulatory acts of the bank.

Functions of operational risk management are fixed at all levels: Bank’s governing bodies, collegial working bodies, structural divisions and responsible persons.

In order to manage the operational risk, the Bank operates a database of incidents of operational risk. Based on database analysis, recommendations are made to optimize business processes.

The Bank has continued work on improving the technological component of the risk management system. In order to automate the processes of assessment and stress-testing of liquidity risk, interest and currency risks.

The existing system of internal audit (control) of the Bank includes normatively regulated measures for evaluating the effectiveness and adequacy of the organization of corporate management in the bank, the internal control system, bank management processes, evaluation of processes that ensure the bank's activities.

The organization of the internal control system and its individual components in the Bank's system ensures its effective functioning. The internal control system created by the Bank is based on the division of responsibilities between divisions using the model of three lines of protection and is implemented at each of the Bank's organizational levels. The Bank's internal control system ensures the achievement of the Bank's operational, informational, and compliance goals defined in its strategy and business plan.

Human resources, intellectual capital

First of all, the social position of the Bank is its status as an employer on the Ukrainian labor market. The bank provides its employees with competitive employment conditions, provides a full social package and additional benefits in the form of employee insurance, legal advice, and employee safety.

The Bank pays attention to preserving the life and health of employees. In accordance with current legislation, the Bank has created and operates an occupational health and safety management system: relevant internal normative documents have been developed and approved, and those responsible for the implementation of occupational health and safety requirements have been appointed by administrative documents. The Bank invests in the creation of safe and healthy working conditions: purified drinking water is purchased for employees, medical drugs are purchased and provided for the provision of first aid for all divisions of the Bank.

In order to ensure the level of qualification of employees for operational needs within the framework of the regulations on personnel management, the Bank has an employee training system. The Bank carries out its activities in the field of training and development of personnel in accordance with the provisions on personnel management, which ensures the achievement of the desired results of personnel activities in accordance with the strategic tasks of the Bank. Training and development of employees depends on the goals of their professional/operational activities, affects their performance and at the same time provides an opportunity to acquire new knowledge, skills, and abilities. Each employee of the Bank has the right and at the same time is obliged to look for opportunities for personal professional development, as well as for maintaining the level of their own qualifications and mastering new knowledge and skills.

The training methods used in the Bank include:

- offline and online training (trainings, seminars, webinars, etc.);
- external educational events;
- training by the Bank's internal trainers;
- electronic training;
- study of specialized literature.

In the field of environmental protection, the Bank implements a number of programs, the first place among which belongs to the organization of maximum paperless customer service.

Also, the Bank, as a socially responsible institution, carries out measures to support clients with disabilities, adapting them for the possibility of service, and also promotes their

employment - the specific weight of employed people with disabilities is about 4% of the total number of employees of the Bank.

The Bank's charitable activities are aimed at supporting a number of programs. Key in the Bank's activities are financial, labor and technological resources.

The Bank's management policy is aimed at effective management of all types of resources, improvement of the Bank's financial indicators, as well as increasing the value of its assets. Therefore, an important element of corporate management is the regular development, review and approval of the development strategy, as well as the determination of priority areas of activity for both individual business areas and the Bank's activities as a whole. As part of the management system, the Bank uses budget management and planning, as well as a system for monitoring the implementation of plans and evaluating the results of the Bank's activities.

The Bank's most valuable resource is its staff, on which the successful operation of the Bank, its further development and implementation of the Strategy depend.

In order to create a corporate culture, define the ethics of team relations, respect of employees to customers, to each other, to managers and to their business, the Bank has approved a Code of Conduct (Ethics).

Recognizing that investments in qualified personnel form the basis of long-term success, the Bank takes care of improving the qualifications of employees, their motivation, and social security. The Bank conducts measures to improve the professional level of employees. The Bank pays constant attention to the improvement and strengthening of corporate culture, issues of health protection of employees and safety of their working conditions.

At the same time, technological resources are key in the Bank's activities. In this area, on the one hand, the Bank is developing technologies for customer service processes through the automation of a significant part of business processes, which will allow more effective implementation of changes and ongoing management of the Bank. In addition, the Bank supports the stability of its IT system, develops its target architecture, implements projects related to the development and support of critical systems.

Technological resources

In 2021, the Bank updated its development strategies: while maintaining a high level of service quality, the Bank set a course for digital modernization and a new personalized client experience.

IT and regulations

During 2021, the Bank implemented the following IT infrastructure improvements, namely:

- a system of protection against DDoS attacks has been implemented on the main communication channel
- improved remote access rules for connection only from the territory of countries where employees are actually on business trips (except Ukraine)
- communication channels were organized and a backup office was launched for remote connection of employees according to the business continuity plan
- a penetration test was performed by an external

In the process of development, the Bank pays considerable attention to the construction of IT infrastructure and automation of processes. Currently, the Bank has developed technological and infrastructural resources at its disposal. The bank uses a single centralized ABS.

The bank has remote customer service channels for legal entities.

The Bank's server infrastructure includes modern equipment, made taking into account all the requirements of the NBU, information and physical security.

Data are indicated in the notes to the financial statements.

Notes:

6. Cash and cash equivalents as at 31 December 2021 are as follows: As of 31 December 2021, cash on accounts with the NBU includes the minimum reserve balance that the Bank required to maintain. As of 31 December 2021, the statutory amount of the mandatory reserve was UAH 64 444 thousand (2020: UAH 91 550 thousand).

The Bank considers the mandatory reserve on accounts with the NBU as a component of cash and cash equivalents. As of 31 December 2021, the two largest balances on current accounts placed with other banks comprised UAH 167 357 thousand or 97,36% of total balances on current accounts with other banks (2020: UAH 351 635 thousand or 99,44%)

7. Investment securities are represented by the NBU certificates of deposit. NBU certificates of deposit bear the interest rates within the range of 8% and mature in January 2022. Certificates of deposit of the National Bank of Ukraine were neither impaired nor past due as of 31 December 2021 and 31 December 2020. During 2021, the Bank carried out T-bills transactions in national and foreign currencies, which were accounted for at amortized cost in the portfolio until maturity in the amount of UAH 411 899 thousand.

8. As of 31 December 2021, due from banks are represented by guarantee secured deposit with maturity exceeding three months placed in one bank having rating "B- to B+" assigned by Standard and Poor's (S&P) or equivalent ratings (2020: one bank, "B- to B+"). Certificates of deposit of the National Bank of Ukraine were neither impaired nor past due as of 31 December 2021 and 2020.

9. As at 31 December 2021, loans and advances to the ten largest borrowers total UAH 612 725 thousand or 45% of the total net loans and advances to customers (2020: UAH 697 278 thousand or 49,9%). The Bank lending activities are conducted in Ukraine. The ability of the borrowers to repay their debt is dependent on a number of factors including the overall financial health of the individual borrowers and the continued development of the Ukrainian economy.

Although collateral can be an important mitigation of credit risk, it is the Bank's policy to lend on the basis of the customer's capacity to repay, rather than rely primarily on the value of collateral offered. Depending on the customer's standing and the type of product, loans may be provided without collateral.

10. Profit from revaluation of investment properties comprised UAH 31 thousand in 2021 and were recognized within administrative and other operating income.

Fair value of investment property as at 31 December – UAH 1 727 thousand.

11. Property, plant and equipment and intangible assets. The Bank does not have property, plant and equipment for which there are statutory restrictions on ownership, use and disposal,

property, plant and equipment and intangible assets pledged as collateral, property, plant and equipment temporarily unused and property, plant and equipment withdrawn from use. There are no intangible assets for which there are restrictions on the right of ownership, as well as intangible assets that were internally created.

12. Other assets as at 31 December are as follows

Net book value as at 31 December 2021 – UAH 91 142 thousand.

13. Rent. The amount of rights to use as of December 31, 2021 is UAH 21 952 thousand.

14. As of 31 December 2021, deposits from three banks total UAH 265 862 thousand or 100% of total due to banks (31 December 2020: deposits from two banks total UAH 77 806 thousand or 100% of total due to bank).

15. As of 31 December 2021, balances on current accounts of the five largest customers total UAH 252 788 thousand or 41% of total balances on current accounts (31 December 2020: 132 418 thousand or 35%).

As of 31 December 2021, deposits from the five largest customers total UAH 214 276 thousand or 46% of total deposits (31 December 2020: UAH 176 271 thousand or 33%).

As of 31 December 2021, Total - UAH 1 077 184 thousand.

16. Other assets as of 31 December are as follows

As of 31 December 2021, Total - UAH 5 154 thousand.

17. As of 31 December 2021, the funds of international financial organizations are represented by loans – 464 975 thousand.

18. As of 31 December 2021, the share capital of the Bank includes 149 962 764 ordinary registered shares with a nominal value of UAH 2.43 per share (31 December 2020: 149 962 764 ordinary shares with a nominal value of UAH 2.43 per share). All shares have equal voting rights. As at 31 December 2021, all shares were fully paid and registered.

No dividends were declared and paid in 2021 and 2020.

19. Credit and guarantee obligations. As of December 31, 2021, irrevocable loan commitments amount constitutes UAH 8 150 thousand. (2020: UAH 7 081 thousand).

20. Interest income and expense for the year are as follows.

Net interest income – UAH 108 592 thousand (2020: UAH 114 117 thousand).

Commission income and expenses for the year ended 31 December is as follows

Net fee and commission income – UAH 19 657 thousand (2020: UAH 21 775 thousand).

Administrative and other operating expenses for the year ended 31 December are as follows

As of 31 December 2021, total - UAH 29 952 thousand (2021: UAH 27 472 thousand).

21. The following is a schedule of movements in provision for impairment for the year ended 31 December – 12 961 thousand.

22. The corporate income tax expense comprises

The statutory income tax rate in 2021 was 18% (2020: 18%).

During the year of 2021 the assets of the Bank (excluding current reserves) were increased by UAH 222 733 thousand or by 10.76 % and amounted to UAH 2 291 734 thousand (during the year of 2020 year - UAH 2 068 641 thousand). In the structure of assets the largest share belongs to the article "Loans and advances to customers", which constitutes 58% as of 31 December 2021 (as of 31 December 2020 - 67%), "Investments in securities" - 26% (as of 31 December 2020 year -7%), "Cash and cash equivalents" - 10% (as of 31 December 2020 year -22%), "Other non-financial assets" - 4% (as of 31 December 2020 year - 3%), "Property, equipment and intangible assets except goodwill" -1.4% (as of 31 December 2020 – 0.8%), "Due from banks" - 0.2% (as of 31 December 2020 – 0.2%). Client assets were decreased by 3.6% to the amount of UAH 1 332 587 thousand (excluding of current provision).

During the year of 2021 there were such changes in the structure of the Bank's loan portfolio, in particular: the share of loans granted to legal entities decreased slightly from 99.92% as of the end of 2020 to 99.47% as of the end of 2021; the share of loans granted to individuals increased respectively from 0.08% to 0.53%.

During the year of 2021 the current provision for the Bank's lending operations have increased by UAH 12 492 thousand and reached UAH 26 935 thousand.

The total liabilities of the Bank during 2021 increased by UAH 211 412 thousand (or by 13%) and constitutes UAH 1 832 777 thousand as of 31 December 2021. The increase in liabilities took place mainly due to the increase banks funds.

Within the structure of liabilities, the share of funds attracted from clients constitutes 59% (as of 31 December 2020 – 66%), including: attracted to individuals' accounts – 19% (as of 31 December 2019 – 29%), legal entities and individuals-entrepreneurs – 81% (as of 31 December 2019 – 71%). The share of other borrowed funds constitutes 29% (as of 31 December 2020 – 25%). The share of loans received from other banks and term deposits (deposits) of other banks constitutes 14% (as of 31 December 2020 – 5%).

The authorized and paid share capital of the Bank as of 31 December 2021 amounted to UAH 364 410 thousand. The share capital is divided into 149 962 764 ordinary registered shares with a nominal value of UAH 2.43 each. The majority shareholder of the Bank holds a share in the amount of 58% and 42% of the Bank's shares. The Bank's management does not possess the Bank's shares. The decision of the Bank's supreme body regarding the reduction of the charter capital was not taken.

Changes of shareholders, which own 10% or more of the voting shares- Joint-stock company "CREDITWEST FACTORING", number from the trade register 314444-0, purchased (directly acquired) from the Joint-Stock Company "ALTINBASH HOLDING" on the basis of a contract of sale of shares 62,984,361 ordinary UAH 139. , which is 42% of the authorized capital of the Joint Stock Company "WEST FINANCE AND CREDIT BANK". There was no redemption of own shares.

During the year of 2021, the Bank complied with the economic standards of the National Bank of Ukraine, which, as of 31 December 2020, had the following values:

regulatory capital ratio (H1) – 371 927 468,50

regulatory capital adequacy ratio (H2) – 26,32

short-term liquidity ratio (H6) – 116,22

liquidity coverage ratio in all currencies (LCR_{BB}) – 176,48%

liquidity coverage ratio in foreign currencies (LCR_{IB}) – 627,603%

net stable funding ratio (NSFR) – 140,78%.

According to the results of 2021 the Bank received net profit in the amount of UAH 11 321 thousand, against net profit for 2020 - UAH 20 305 thousand.

Key items that influenced the financial results for the year of 2021 (information is provided in comparison with 2020):

net interest income – UAH 108 592 thousand against UAH 114 177 thousand;

net commission income – UAH 19 657 thousand against UAH 21 775 thousand;

income from trade in foreign currency – UAH 6 507 thousand against UAH 6 071 thousand;

administrative and other operating expenses – UAH 29 952 thousand against UAH 27 472 thousand;

formation of provision – UAH 12 961 thousand against the result of dismantling of reserves in 2020 for the amount of UAH 15 133 thousand.

The share of commission income as of 31 December 2021 and as of 31 December 2020 is almost the same. Interest income amount to UAH 164 422 thousand, and their share constitutes 79% of all incomes (31 December 2020: 84%).

In the year of 2021, as compared to the previous year, the expenses of the Bank decreased by 3% and, as of 31 December 2021, they amounted to UAH 189 884 thousand. Interest expenses amount to UAH 55 830 thousand, and their share constitutes 29% of all expenses (31 December 2020: 34%).

In the Bank there are no facts of alienation of assets in 2021 that exceeds the amount established in the charter.

In the Bank there are no facts of valuation of assets in the event of their sale in 2021, which exceeds the amount established in the charter.

In the course of its ordinary activities, the Bank provides loans and advances, attracts deposits and carries out other transactions with related parties. The parties are deemed to be related in cases where one party has the ability to control the other party or has a significant influence on the other party in making financial and operating decisions. Terms and conditions of transactions with related parties are established at the moment of performance of the transactions. Related parties are jointly controlled commercial entities, members of the Supervisory Board, key management personnel and their close relatives, as well as companies controlled by shareholders, or on which shareholders, key management personnel or their close relatives exercise significant influence.

As of 31 December 2021, the actual controlling party of the Bank is JSC “ALTINBAS HOLDING ANONIM SIRKETI”, which is actually controlled by the Altinbas family.

Transaction balances and transactions with related parties as of 31 December are presented as follows:

	2021 thousand UAH
--	------------------------------------

Transaction balances and transactions with Holding company	
<i>Statement of financial position (as of 31 December):</i>	
Loans and indebtedness of clients	26
Funds of clients	257
<i>Statement of cumulative income:</i>	
Interest income	11
Interest expenses	27
Wages and related accruals	10 342
Transaction balances with other related parties	
<i>Statement of financial position (as of 31 December):</i>	
Funds of clients	74

The recommendations of the authorities that carry out the state regulation of financial services / markets regarding the auditor's report were not provided to the bank.

During 2021 there was no appointment of an external auditor of the bank's supervisory Board.

Activities of the external auditor is fulfilled by "Baker Tilly" LLC:

the total length of the audit activity of LLC "Baker Tilly" – 21 years (state registration of the audit company in 1999);

the number of years during which it provides audit services to the Bank – 3 years;

During 2021, LLC "Baker Tilly" provided assessment of bank stability services for 2020;

there are no cases of conflicts of interest and/or combination of performance of the functions of the internal auditor.

Rotation of auditors in the bank during the last five years - in 2017 the Bank changed its auditor, in 2019 the Bank changed its auditor.

The Audit Chamber of Ukraine did not apply any charges to the auditor by during the year, and the facts of the submission of false statements by the Bank, confirmed by the auditor's report, revealed by the authorities that carry out the state regulation of financial services markets, are absent.

Protection by the Bank of rights of financial services' consumers:

- the mechanism of consideration of complaints of financial services' consumers is carried out in accordance with the procedure established by the Law of Ukraine "On Protection of Consumer Rights";
- the bank did not assign an employee authorized to consider complaints about financial services;
- the bank has no complaints regarding the provision of financial services in 2021;
- the bank has no lawsuits regarding the provision of financial services in 2021.

Corporate governance in the bank, the submission of which is provided for by the laws on the regulation of specific financial services markets, is carried out in accordance with the regulations of the authorities that carry out the state regulation of financial services' markets.

Confirmation on annual financial statements of JSC «CREDITWEST BANK»

The annual financial statements of JSC "CREDITWEST BANK" are prepared in accordance with International Accounting Standard 1 "Presentation of Financial Statements" (IAS 1), in accordance with the Law of Ukraine "On Accounting and Financial Reporting", contain a reliable and objective presentation of information about the condition of assets, liabilities, financial condition, profits and losses of the bank. The annual report of management includes reliable and objective presentation of information in accordance with part four of Article 40-1 of the Law of Ukraine "On Securities and the Stock Market".

Management declares that the annual financial statements reflect all adjustments necessary for a reliable presentation of the Bank's financial position, the results of its operations, the statement of changes in its own capital and the statement of cash flows for the interim reporting period, its financial results and cash flows for the twelve months that ended on the specified date in accordance with International Financial Reporting Standards (taking into account regulatory acts of the National Bank of Ukraine that regulate the accounting and financial reporting of banks), the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Management personnel is responsible for the execution and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards (taking into account regulatory acts of the National Bank of Ukraine that regulate the accounting and financial reporting of banks), the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Mr. Igor Tykhonov



Chairman of the Board

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Supervisory Board of Joint Stock Company "WEST FINANCE AND CREDIT BANK"
To the National Bank of Ukraine

Report on the financial audit

Opinion

We have audited the financial statements of Joint Stock Company "WEST FINANCE AND CREDIT BANK" (the Bank), which comprise:

- Statement of Financial Position as at 31 December 2021;
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended 31 December 2021; and
- Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2021, as well as its financial results and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with regard to the preparation of financial statements.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibility in accordance with these standards is set out in the *Auditor's Responsibility for the Audit of Financial Statements* of our report. We are independent to the Bank in accordance with the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants (*IESBA Code*) and ethical requirements applicable to our audit of financial statements in Ukraine, and we have met other ethical obligations 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 refer to Note 2 and Note 28 in the financial statements concerning the to the escalation of Russian aggression and invasion by the Russian Federation. At present, it is impossible to predict the further negative development of these events and their negative impact on the financial condition and results of the Bank's activities. As mentioned in Note 2, these events or conditions, together with the other issues set out in Note 28, indicate that there is material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on the matter has not been modified.

Key audit matters that include the most significant assessed risks of material misstatement, as well as the assessed risks of material misstatement due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Additionally to the matter, described in the section “*Material uncertainty related to going concern*” we have identified that the matters below are key audit matters that should be presented in our report.

Key Audit Matter	How the key audit matter was addressed in the audit
<p>Provision to cover expected credit losses from loans and advances to customers, credit-related commitments – UAH 26,935 thousand.</p>	
<p><i>See Notes 9, 5 and 21</i></p>	
<p>We have focused our attention on this matter as a key audit matter due to the materiality of the balances on items “Loans and advances to customers”, “Loans and advances to banks” and the subjective nature of judgements used in calculating the impairment.</p> <p>Provision for impairment losses reflect the management’s estimate of expected losses based on the portfolios of loans and advances to customers at the reporting date.</p> <p>The measurement of expected credit losses of a financial instrument is carried out in a way that reflects: an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, time value of money and all reasonable and supportable information about past events, current conditions and forecasts of future conditions by reference to all reasonable and supportable information, including that which is forward-looking.</p> <p>Identifying whether there has been a significant increase in credit risk, impairment and determining the recoverable amount involves certain assumptions and analysis of different factors, including the borrower’s financial position, expected future cash flows, observable market prices, fair value of collateral.</p> <p>The use of different models and assumptions can lead to different outcomes in provisioning for impairment losses on loans and advances to customers.</p>	<p>Our procedures included, among others, the following:</p> <ul style="list-style-type: none"> - Familiarising with the internal controls system implemented by the management personnel with a focus on the calculation of provisions for impairment losses on loans and advances to customers both on an individual and collective basis. - We have also independently evaluated the appropriateness of the management’s judgements regarding the calculation methodology and inputs about past events, current conditions and forward-looking information to calculate the probability of default, as well as the recoverable amounts and collateral value. - We have conducted a selective test of assumptions underlying the calculation of impairment and its quantification, including the analysis of the borrowers’ financial position, forecasts about future cash flows and collateral measurement. For loan impairment provisions that showed no individual indications of impairment, we tested the models and inputs used in those models, as well as their mathematical accuracy. <p>We identified no material mismatches as a result of these tests.</p>

Other information

The management is responsible for the other information. Other information comprises the information included in the management report for 2021, which includes the corporate governance report as a separate section (but does not constitute the financial statements and our auditor’s report thereon), which we obtained before the date of this auditor’s report, and the other information included to the the annual information of the issuer of securities for 2021, that also contains corporate governance report and which is likely to be provided 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 provide any form of assurance conclusion in respect of this other information.

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BAKER TILLY UKRAINE LLC trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

In connection with our audit of the financial statements, it is our responsibility to read the other information identified above 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 in respect of the other information that the management report for 2021 contains that we obtained prior to the date of this 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 annual information of the securities issuer for 2021, if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

Responsibility of the management staff and those who have the highest authorities for financial reporting

The management is responsible for the preparation and fair presentation of the financial statements according to IFRS and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with regard to the preparation of the financial statements and for such internal controls as the management determines 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, the 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 the management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for supervising the process of financial reporting by the Bank.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, in their entirety, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report with our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or collectively, they could reasonably be expected to affect the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we:

- identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that would be 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 measures 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 controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

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

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, which constitute the key audit matters included herein. 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 Legal and Regulatory Requirements

Other information required by Article 14 of the Law of Ukraine "On Financial Audit and Auditing Activities"

In accordance with the requirements of Article 14 of the Law of Ukraine "On Financial Audit and Auditing Activities", in our independent auditors' report we present the following information required in addition to the International Standards on Auditing:

Audit objective and duration

We were first appointed as auditors by the decision of the Supervisory Board of the Bank on September 27, 2019 (Minutes No. 23) to perform the statutory audit of the Bank's financial statements for the year ended on December 31, 2019. Our appointment was further extended by the decision of the Supervisory Board of the Bank on September 16, 2021 (Minutes No. 43), this is the third year of our appointment to carry out the statutory audit of the Bank's financial statements.

Non-audit services and auditor independence

We confirm that, to the best of our knowledge and belief, we have not provided any illegal non-audit services to the Bank or to any of its controlled entities in accordance with part 4 Article 6 of the Law of Ukraine "On the Audit of Financial Statements and Audit Activities". We, including our key audit partner, have been independent in relation to the Bank as part of the audit. In addition, we did not provide the Bank or its controlled entities with services other than statutory audit services that were not disclosed in the financial statements or in the Management Report.

Consistency with an additional report for the audit committee

We confirm that our audit opinion on financial statements set out in this independent auditors' report is in accordance with the additional report for the Supervisory Board of the Bank.

Explanations of the audit effectiveness in identifying violations, in particular, those related to fraud

We develop and perform audit procedures in accordance with our responsibilities set forth above in the *Auditor's Responsibility for the Audit of Financial Statements* section, in response to assessed risks of material misstatement due to fraud and to identify non-compliance with laws and regulations that may have a material impact on the financial statements. However, the primary responsibility for preventing and detecting fraud and compliance with laws and regulations rests with those with the highest authority and the Bank's management.

We communicated relevant identified laws and regulations, potential fraud risks to all members of the audit engagement team, and remained alert throughout the audit to any signs of fraud or non-compliance with laws and regulations.

Report on the requirements of the National Bank of Ukraine

Reporting in accordance with the requirements of paragraph 11 of Section IV "Instructions on the procedure for preparation and publication of financial statements of banks of Ukraine", approved by the Board of the National Bank of Ukraine No.373 of October 24, 2011 (as amended)

In accordance with the requirements of Section IV, paragraph 11 "Instructions on the preparation and publication of financial statements of banks of Ukraine", approved by the Board of the National Bank of Ukraine №373 of October 24, 2011 (as amended) (Instruction No.373), based on the results of completed audit work, taking into account the knowledge generated in the audit process and understanding of the Bank's activities and conditions of its work, we report the following:

- The Bank's 2021 Management Report, in all material respects, has been prepared in accordance with the requirements of Section IV of Instruction No.373, and the information contained therein is consistent with the financial statements.
- We did not find significant misstatements in the management report

Reporting in accordance with the requirements of paragraph 27 of Section III "Regulations on the procedure for submitting an audit report to the National Bank of Ukraine on the results of the annual audit of financial statements of a bank, banking group and auditing the financial statements of a member of a banking group" from 02.08.2018 No.90

In accordance with the requirements of the Regulation on the Procedure for Submitting an Audit Report to the National Bank of Ukraine on the Results of the Annual Audit of Financial Statements of a Bank, Banking Group and on Auditing the Financial Statements of a Banking Group Member, approved by the Board of the National Bank of Ukraine from 02.08.2018 No.90 ("No.90 Regulations"), the audit report should also contain information (assessment) regarding:

1) compliance (reliability of reflection) of data on the distribution of assets and liabilities of the bank by maturity in the file with statistical reporting indicators A7X "Data on the structure of assets and liabilities by maturity" prepared by the bank for submission to the National Bank, as on January 1 of the year following the reporting year;

2) compliance by the bank with the requirements established by the regulations of the National Bank on the following issues:

- internal control;
- internal audit;
- determining the amount of credit risk on active banking operations;
- recognition of persons related to the bank and transactions with them;
- capital adequacy of the bank, which should be determined taking into account the quality of the bank's assets;
- accounting.

The purpose of the audit was to express an opinion on whether the Bank's annual financial statements for 2021 in all material respects accurately reflect the financial position of the Bank in accordance with International Financial Reporting Standards.

The information presented in this report is the result of our procedures in the audit of the Bank's annual financial statements for 2021. This information was obtained on the basis of random testing and to the extent necessary to plan and conduct audit procedures in accordance with the requirements of International Standards on Auditing.

This report is intended for information and use by the Bank's management and the National Bank of Ukraine and may not be used by any other party. When reviewing this report, it is necessary to take into account the limited nature of the procedures for assessing issues related to the Bank's activities, organization of the accounting system and internal control.

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BAKER TILLY UKRAINE LLC trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

In addition, it should be borne in mind that our criteria for assessing issues related to the Bank's activities, organization of the accounting system and internal control may differ from the criteria used by the National Bank of Ukraine.

Based on the results of our audit procedures within the audit of the annual financial statements, we provide information (estimates) on the above issues:

As a result of our audit procedures during the annual audit, we found no significant deviations in the Bank's display of data on the distribution of assets and liabilities of the bank by maturity in the file with statistical reporting indicators A7X "Data on the structure of assets and liabilities by maturity", Drawn up by the bank for submission to the National Bank, as of January 1 of the year following the reporting year, namely, as of 01.01.2022.

Regarding the bank's compliance with the requirements established by the regulations of the National Bank:

On internal control

As a result of our audit procedures within the audit of annual financial statements, we found no evidence that the structure and measures of internal control of the Bank do not meet the requirements of regulations of the National Bank of Ukraine, in particular, the Board of the National Bank of Ukraine № 88 of July 2, 2020 "On approval of the Regulations on the organization of the internal control system in banks of Ukraine and banking groups".

On internal audit

In our opinion, at the time of the audit the Bank's internal regulations governing internal audit procedures meet the requirements of regulations of the National Bank of Ukraine, in particular, the resolution of the National Bank of Ukraine № 311 of May 10, 2016 "On approval of the Regulation on internal audit in banks of Ukraine ". Internal audit procedures are carried out in compliance with the requirements of the Bank's internal regulations.

Regarding the determination of the amount of credit risk on active banking operations

The amount of credit risk at the reporting date was calculated by the Bank in accordance with the requirements of regulations of the National Bank, including the Regulation on determining the amount of credit risk by banks of active banking operations, approved by the Board of the National Bank of Ukraine № 351 of June 30, 2016 NBU Resolution №351 »).

As a result of our audit procedures within the audit of the annual financial statements, we did not find any significant deviations from the Bank's calculation of credit risk as of December 31, 2021.

Regarding the recognition of persons related to the bank and transactions with them

As a result of our audit procedures within the audit of annual financial statements, we found no evidence of non-compliance of the Bank's risk management system in transactions with related parties, procedures for identifying related parties and transactions with them to the requirements of regulations of the National Bank Of Ukraine. During the audit, we did not find any violations of regulatory requirements in relation to transactions with related parties.

Regarding the capital adequacy of the bank, which should be determined taking into account the quality of the bank's assets

The Bank determined sufficient authorized capital as of December 31, 2021, which according to the Bank is UAH 364 410 thousand (see Note 18 "Share Capital").

The Bank's regulatory capital as of December 31, 2021, according to the Bank, amounts to UAH 371 927,47 thousand, which meets the requirements of the regulations of the National Bank of Ukraine (see Note 25 "Capital Management").

Regarding accounting

The Bank's accounting system meets the requirements of regulations of the National Bank of Ukraine and the Bank's accounting policy.

Other laws and regulations

Additional information provided in accordance with the "Information Requirements for the Audit or Review of Financial Statements of Capital Market Participants and Organized Commodity Markets Supervised by the National Securities and Stock Market Commission", approved by the decision of the National Securities and Stock Commission market from 22.07.2021 No.555

In accordance with the "Information Requirements for the Audit or Review of Financial Statements of Capital Markets and Organized Commodity Markets Supervised by the National Securities and Stock Market Commission", approved by the decision of the National Securities and Stock Market Commission (NSSMC) № 555 of July 22, 2021, we report the following:

- Information on the Bank's shareholders, which is provided in Note 1 to the financial statements and, in our opinion, corresponds to the information on the ultimate beneficial owners and ownership structure of the Bank disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations.
- As of December 31, 2021, the Bank did not have subsidiaries, nor was it a controller or member of a non-banking group.
- The ultimate controlling parties of the Bank is ALTINBAS HOLDING ANONIM SIRKETI that owns 58% of the Bank's shares as at 31 December 2021 (31 December 2020: 100%) and CREDITWEST FACTORING that owns 42% of the Bank's shares as at 31 December 2021 (31 December 2020: 0%) that are ultimately controlled by the Altinbas family.
- The Bank is an enterprise of public interest in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No.996-XIV
- The Bank is not subject to prudential indicators set by the NSSMC for professional participants in capital markets and organized commodity markets in accordance with the "Regulations on prudential standards of professional activity in the stock market and risk management system requirements" approved by the NSSMC №1597 of October 1, 2015.
- The results of the audit of the audit committee are not provided, as the audit committee did not conduct audits of the Bank's financial and economic activities based on the results of the financial year.
- Limited Liability Company "BAKER TILLY UKRAINE" (Code: 30373906, www.bakertilly.ua) performed an audit of the financial statements of Joint Stock Company "WEST FINANCE AND CREDIT BANK" in accordance with agreement №247 / 21 of October 27, 2021. The start date of the task is October 27, 2021, till the date of this report.

Regarding information on corporate governance provided in the Management Report

Based on the results of the work carried out during the audit, taking into account the knowledge generated in the audit process and understanding of the Bank's activities and conditions of its work, in all material respects:

- information contained in the section "Corporate Governance" of the Management Report (Management Report) for 2021 in accordance with the requirements of paragraphs 1-4 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" was prepared in accordance with Law of Ukraine "On Capital Markets and Organized Commodity Markets" and is consistent with the financial statements;
- in our opinion, the information contained in the section "Corporate Governance" of the Management Report (Management Report) for 2021 contains all the information required by paragraphs 5-9 of part three of 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets".

Key audit partner

Partner of the audit task, the result of which is this independent auditors' report, is Nersesian Hahik Serhiiovych.

Director General

BAKER TILLY UKRAINE LLC

Registration number of the auditor in the Register of auditors and audit entities: No. 100810.

Partner

BAKER TILLY UKRAINE LLC

Registration number of the auditor in the Register of auditors and audit entities: No. 100799.



Oleksandr Pochkun

Hahik Nersesian

November 15, 2022

Kyiv, Ukraine

JSC WEST FINANCE AND CREDIT BANK
Statement of financial position as at 31 December 2021
(in thousands of Ukrainian hryvnias)

	Notes	2021	2020
Assets			
Cash and cash equivalents	6	232 528	454 114
Investments in securities	7	596 158	148 217
Due from banks	8	3 663	3 751
Loans and advances to customers	9	1 332 587	1 382 113
Derivative financial assets	23	8	-
Investment property	10	1 727	1 696
Trade and other receivables	12	244	22
Deferred tax assets	22	526	504
Current tax assets		352	-
Intangible assets except goodwill	11	4 496	4 597
Fixed assets	11,13	27 917	11 984
Other financial assets	12	80	120
Other non-financial assets	12	91 088	61 523
Total assets		2 291 374	2 068 641
Liabilities			
Due to banks	14	265 862	77 806
Customer accounts	15	1 077 184	1 070 854
Derivative financial liabilities	23	4	-
Other attracted funds	17	464 975	462 845
Provisions for credit obligations and contracts	16	73	155
Providing rewards to employees	16	3 758	3 124
Other financial liabilities	13,16	20 921	5 012
Income tax payable		-	1 569
Total liabilities		1 832 777	1 621 365
Equity			
Share capital	18	364 410	364 410
Unregistered share capital		4 086	4 086
Retained earnings		41 662	31 356
Share premium		2 902	2 902
Reserve and other banki funds		45 537	44 522
Total equity		458 597	447 276
Total liabilities and equity		2 291 374	2 068 641

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the Board

Mr. Igor Kuzmenko

Chief Accountant

15 November 2022

The notes set out on pages 45 – 87 form an integral part of these financial statements.

JSC WEST FINANCE AND CREDIT BANK
Statement of profit or loss and other comprehensive income as at 31 December 2021
(in thousands of Ukrainian hryvnias)

	Notes	2021	2020
Interest income	20	164 422	181 466
Interest expense	20	(55 830)	(67 289)
Net interest income	20	108 592	114 177
Fee and commission income	20	27 526	27 955
Fee and commission expense	20	(7 869)	(6 180)
Net fee and commission income		19 657	21 775
Net profit (loss) from foreign currency transactions		5 591	763
Net profit (loss) from foreign currency revaluation		916	5 308
Net profit (loss) from revaluation of investment property		31	74
Impairment gains and reversals of impairment losses (impairment losses) determined in accordance with IFRS 9	21	(12 961)	(15 133)
Other profits (losses)		1 089	(1 578)
Expenses for payments to employees		(70 704)	(63 073)
Depreciation expenses	20	(8 453)	(10 079)
Administrative and other operating expenses	20	(29 952)	(27 472)
Profit before tax		13 806	24 762
Income tax expense	22	(2 485)	(4 457)
Net profit and total comprehensive income		11 321	20 305

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the Board

Mr. Igor Kuzmenko

Chief Accountant

15 November 2022

The notes set out on pages 45 – 87 form an integral part of these financial statements.

JSC WEST FINANCE AND CREDIT BANK
Statement of cash flows for the year ended 31 December 2021
(in thousands of Ukrainian hryvnias)

	Notes	2021	2020
Operating activities			
Interest received		157 368	191 913
Interest paid		(55 917)	(70 749)
Fees and commissions received		27 618	27 807
Fees and commissions paid		(7 800)	(6 106)
Net receipts from dealing in foreign currencies		6 503	6 071
Other operating income received		1 574	1 384
Administrative and other operating expenses		(92 178)	(93 402)
Income tax paid		(4 430)	(4 358)
Cash flows from operating activities before change in operating assets and liabilities		32 738	52 560
Changes in operating assets and liabilities			
Change in due from banks		135	(619)
Change in loans and advances		31 507	(163 375)
Change in other assets		(435 930)	43 863
Securities measured at amortized cost		(38 850)	(23 536)
Change in due to banks		189 013	(57 126)
Change in due to customers		8 170	335 223
Change in other liabilities		15 830	(20 013)
Cash flows from / (used in) operating activities		(197 387)	166 977
Investing activities			
Purchase of property, equipment and intangible assets		(24 011)	(3 166)
Proceeds from sale of investment properties		-	-
Cash flows used in investing activities		(24 011)	(3 166)
Financing activities			
Proceeds from international and other financial institutions		(645)	126 735
Proceeds from increase of share capital		-	-
Repayment of subordinated debt		-	-
Cash flows from financing activities		(645)	126 735
Effect of exchange rate fluctuations on cash and cash equivalents		457	(660)
Net increase / (decrease) in cash and cash equivalents		(222 043)	290 546
Cash and cash equivalents as at 1 January		454 114	164 228
Cash and cash equivalents as at 31 December	6	232 528	454 114

Signed and authorized for issuance

Mr. Igor Tykhonov

Chairman of the board

Mr. Igor Kuzmenko

Chief Accountant

15 November 2022

The notes set out on pages 45 – 87 form an integral part of these financial statements.

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	Share capital	Unregistered share capital	Share premium	Additional paid-in capital	Retained earnings	Total
Balance at 1 January 2020	364 410	4 086	2 902	-	55 573	426 971
Total comprehensive income for the year	-	-	-	-	20 305	20 305
Balance as at 31 December 2020	364 410	4 086	2 902	-	75 878	447 276
Total comprehensive income for the year	-	-	-	-	11 321	11 321
Balance as at 31 December 2021	364 410	4 086	2 902	-	87 199	458 597

Signed and authorized for issuance

Mr. Igor Tykhorov

Chairman of the Board

Mr. Igor Kuzmenko

Chief Accountant

15 November 2022



1. Background

Organisation and operations

JOINT STOCK COMPANY "WEST FINANCE AND CREDIT BANK" (the Bank) was established as the closed joint stock company according to Ukrainian legislation and registered by the National Bank of Ukraine (the NBU) on 4 October 2006. In January 2009, the Bank was reorganised into open joint-stock company. In January 2011, the Bank changed the form of joint stock company to a public joint stock company. In November 2018, the Bank changed the form of joint-stock company to a private one and changed its name to Joint Stock Company "WEST FINANCE AND CREDIT BANK".

The principal activities of the Bank are lending, deposits taking, cash and settlement operations, operations with foreign exchange, as well as other services. The Bank's activities are regulated by the National Bank of Ukraine.

The head office is located at A A1, 4, Leontovicha Str., Kyiv, Ukraine.

As at 31 December 2021, the Bank had 90 employees (31 December 2020: 92 employees).

On 05 April 2021 The Bank received a register of shareholders from PJSC National Depository of Ukraine, from which it became known about the change of shareholders who own voting shares. Joint Stock Company "CREDITWEST FACTORING", commercial register number 314444-0, directly acquired from Joint Stock Company "ALTINBAS HOLDING" on the basis of a share purchase and sale agreement 62984361 ordinary registered shares, with a par value of UAH 153 051 997,23, which is 42% in the authorized capital of WEST FINANCE AND CREDIT BANK Joint Stock Company.

The ultimate controlling parties of the Bank is ALTINBAS HOLDING ANONIM SIRKETI that owns 58% of the Bank's shares as at 31 December 2021 (31 December 2020: 100%) and CREDITWEST FACTORING that owns 42% of the Bank's shares as at 31 December 2021 (31 December 2020: 0%) that are ultimately controlled by the Altinbas family.

As at 31 December 2020, the Bank's share capital is fully paid in solely via cash contributions in the equivalent of UAH 364 410 thousand. During 2019, there were a reinvestment of the previous year's profits amounted to UAH 56 986 thousand and the part of the subordinated debt were contributed to the share capital in amount of UAH 65,000 thousand in 2018.

The latest issue was conducted in 2018 in the amount of:

- UAH 65,000,001.60 (securities sale-purchase contract #3 dated 6 November 2017 – for 36,111,112 shares, payment order #1 dated 22 December 2017).

The contributions to the share capital of the Bank were used for the activities envisaged by the Bank's Charter.

There were no other financial statements prepared in accordance with the Laws of Ukraine except for annual financial statements and interim quarterly financial statements prepared in accordance with International Financial Reporting Standards.

2. Economic environment of the Bank

The Bank conducts its operations in Ukraine. During last years, the Ukrainian economy started to demonstrate certain signs of recovery and growth following the significant decline in 2014-2016. After recovering during 2016-2019, in 2020-2021 the economy of Ukraine was negatively affected by the global economic crisis, burdened by the COVID-19 pandemic.

The National Bank of Ukraine ("NBU") implements currency liberalization measures to boost the economic growth. In 2020-2021, the national currency – Ukrainian hryvnia – has strengthened, particularly, against US dollar and Euro.

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As at 31 December 2021, the official exchange rate of the national currency was 27,2782 UAH/USD (as at 31 December 2020 – 28,2746) and 30,9226 UAH/EUR (as at 31 December 2020 - 34,7396).

Nevertheless, main risks affecting the sustainability of the economic growth are represented by the continuing Russian military aggression against Ukraine; lack of the clear consensus as to the directions of the institutional reforms and low level of capital inflow.

The impact of Russian military aggression against Ukraine in some areas of Lugansk and Donetsk regions that started in spring 2014 is still in progress; parts of Lugansk and Donetsk regions remain under control of self-proclaimed republics and Ukrainian government is not able to enforce the law of Ukraine on those territories. In March 2014 the series of events led to annexing the Crimea to the Russian Federation, which was not recognized either by Ukraine or many other countries. Resulting from the above, operations in Ukraine are accompanied by risks non-relevant for other economies.

COVID-19 outbreak

On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic. During 2021 COVID-19 pandemic continued to have a significant impact on the economy of Ukraine. However, against the background of the implementation of the vaccination plan and the abolition of a significant number of restrictions related to COVID-19 and a global economic recession caused by the COVID-19 pandemic, there is a recovery of Ukraine's economy.

The Management assessed the impact of COVID-19 on its Bank's assets impairment, its revenues and its ability to generate sufficient cash flow to settle its liabilities when they are due and to maintain its operations in the foreseeable. As of the date of the issue of this financial statements, the Bank's operations have not been significantly impacted.

Management continues to make efforts to mitigate the economic disruption impacts of the COVID-19 pandemic to the Bank; however, there are factors beyond its knowledge or control, including the duration and severity of this outbreak, any such similar outbreak, as well as further governmental and regulatory actions taken.

Threat of invasion

In March-April and October-November 2021, Russian Federation started to mass thousands of military personnel and equipment near its border with Ukraine, representing the highest force mobilization since the country's annexation of Crimea in 2014. By December 2021, more than an estimated 100 thousand of Russian troops were stationed near the border with Ukraine. Many Western governments have called on their citizens to leave Ukraine. At the same time, the government of Russia has repeatedly denied that it has any plans to invade Ukraine.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. The further adverse developments of these events are described in Note 28 Subsequent events.

3. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter 'IFRSs'), requirements of the National Bank of Ukraine on financial reporting by Ukrainian banks, Ukrainian legislation, and the effective regulations on submission of annual reports by issuers.

During the year ended 31 December 2021, and in process of financial reporting setting, the Bank has consistently applied the accounting policies as set out below. The financial statements are prepared on the historical cost basis except for derivative financial instruments presented in other assets, and investment properties, which are stated at fair value, if it is not mentioned otherwise.

This set of the Bank's annual financial reporting is completed with application of IFRS 9 "Financial Instruments" and IFRS 15 "Revenues on Contracts with Clients".

Going concern

These annual consolidated financial statements have been prepared on a going concern basis. During the preparation of the financial statements for 2021, the Bank's management assessed the Bank's ability to continue in the future, taking into account the ongoing hostilities in Ukraine, which have already caused and continue to cause significant negative consequences for the economy of the country, as a whole, and the Bank and its customers, in particular, as referred in Note 28. The Bank's management believes that over the next 12 months the Bank will meet its obligations on time and in full.

However, there is a material uncertainty, related to the unpredictable impact of ongoing hostilities on the territory of Ukraine on the assumptions underlying management's assessments, that may cast significant doubt on the Bank's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Functional and presentation currency

Transactions are accounted for in the transaction currency. Items of assets and liabilities, income and expenses arising from dealing in foreign currencies are recognized in the financial statements in UAH equivalent at the official NBU foreign exchange rates ruling at the transaction dates. The financial statements are presented in thousands of Ukrainian hryvnias, unless otherwise indicated.

4. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the presentation of the amount of assets and liabilities in the financial statements, as well as the present value of assets and liabilities for the following fiscal year. Assessments and professional judgments are continually analyzed on the basis of management experience and other factors, including expectations for future events that, in the opinion of management, are justified in the light of current circumstances. In the process of applying accounting policies, the management of the Bank also uses professional judgments. Professional judgments that have the most significant impact on the amounts are reflected in the financial statements, and estimates that may result in significant adjustments to the present value of assets and liabilities during the next fiscal year include the following:

Applied in 2020-2021

Management personnel estimates the impairment by assessing the probability of repayment of loans and customer due diligence on the basis of the analysis of individual borrowers for individual significant loans, as well as in aggregate for loans with similar terms and risk characteristics. Factors taken into account when assessing individual loans include the maturity, the borrower's current financial condition, repayment timeliness and pledge, if any. To determine the amount of impairment, management personnel assesses the amounts and timing of future payments from repayment of principal and interest and proceeds from the sale of the collateral, if any. After that, these cash flows are discounted using the initial effective interest rate on the loan. The actual

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repayment of principal and interest depends on the borrower's ability to generate cash flows from operations or to obtain alternative financing and may differ from those of management personnel.

Factors taken into consideration when estimating impairment of loans assessed collectively include historical loss experience, portfolio delinquency rates and overall economic conditions.

Applied in 2021

- classification of financial assets: valuation of a business model that holds financial assets and an assessment of whether contractual terms of a financial asset are foreseen for the payment of exclusively principal and interest on the outstanding balance of principal.
- expected credit losses (impairment) of financial instruments: an assessment of whether there has been a significant increase in the credit risk of an asset since its initial recognition and the inclusion of forecast information in the estimation of expected credit losses.

The Bank recognizes loss allowances for expected credit losses ('ECL') on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- accounts receivable;
- financial guarantees issued;
- loan commitments issued.

The Bank recognizes loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognized will be 12-month ECLs:

- debt investment securities that have low credit risk at the reporting date;
- other financial instruments on which credit risk has not increased significantly since initial recognition.

5. Significant accounting policies

Foreign currency exchange

The Bank's functional currency is Ukrainian hryvnia, as the currency of the Bank's core business environment. Transactions denominated in other currencies are considered foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the NBU exchange rate ruling at that date. Foreign currency differences arising on the exchange are recognized in profit or loss as gain/loss from foreign currency translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The UAH exchange rates used in the preparation of these financial statements are as follows:

Currency	31 December 2021	31 December 2020
USD	27,2782	28,2746
EUR	30,9226	34,7396

Exchange rates applied to the conversion of assets and liabilities denominated in foreign currencies. The Ukrainian hryvnia is not a convertible currency outside Ukraine. Accordingly, any conversion of UAH amounts to USD should not be construed as a representation that UAH amounts have been, could be, or will be in the future, convertible into USD at the exchange rate shown, or at any other exchange rate.

In preparation of these financial statements, management applied the NBU official rate for the retranslation of the operations and balances in foreign currencies. The NBU official exchange

rates are derived from officially published source. Management believes that application of these rates substantially serves comparability purposes.

Financial Instruments

The Bank's accounting policies resulting from of IFRS 9 :

(i) Classification

Upon initial recognition, the Bank classifies financial instruments and determines their model for further measurement. The Bank classifies financial assets based on the business model in which assets are managed and their cash flow characteristics under the host contract.

Financial assets are classified into the following categories:

- financial assets carried at amortized cost (AC);
- financial assets at fair value through other comprehensive income (FVOCI);
- financial assets at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not designated as asset at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI criterion") on the principal amount outstanding.

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments);
- upon initial recognition, designated as at fair value through profit or loss.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI criterion") on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI, i.e. designate such instruments as at FVOCI. This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

(ii) Recognition

A financial instrument represents any contract causing origination (increase) of a financial asset for one counterparty and financial liability or equity instrument for the other counterparty.

The Bank recognizes financial assets and liabilities in accounting records, when the Bank becomes a party to the contractual provisions of the instrument. On initial recognition, a financial asset is classified as measured at either amortized cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except as in the period after the Bank changes its business model for managing financial assets. The Bank may reclassify financial assets only if it changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Accordingly, a change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank has acquired, disposed of or terminated a business line.

Financial liabilities are not reclassified subsequent to their initial recognition.

Financial assets and liabilities are recognized in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Modified financial assets

The terms of the loan provided by the agreement can be modified for a number of reasons, including changes in market conditions, customer retention and other factors that are not related to the current or potential deterioration of the client's creditworthiness. Recognition of an existing loan, the terms of which have been modified, may be discontinued and recognition of a new loan with modified terms at fair value is recognized in accordance with the accounting policies described in Note 5 (b) (iv).

If the conditions of a financial asset are modified and the modification does not lead to a cessation of recognition, determining whether there has been a significant increase in credit risk on an asset is made by comparison:

- Likelihood of default for the remaining balance as of the reporting date based on modified contractual terms; and
- probability of default for the remaining term as of the date of initial recognition on the basis of the original terms of the contract.

When a modification leads to a cessation of recognition, a new loan related to Stage 1 (based on the assumption that it is not a loan-depleted one) is recognized.

(iii) Business model assessment

The Bank will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that will be considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Major types of business models in which a financial asset is managed are as follows:

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- a business model whose objective is to hold assets to collect contractual cash flows;
- a business model whose objective is achieved by collecting contractual cash flows and selling financial assets;
- other business models, including: trading, management on a fair value basis, and maximization of cash flows through sales.

In assessing whether the contractual cash flows are solely payments of principal and interest (the SPPI criterion), the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that could change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic revision of interest rates.

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not designated as asset at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

All financial assets not classified as measured at amortized cost or at FVOCI as described above are measured at FVTPL.

The Bank's financial liabilities include credit related commitments, guarantees, letters of credit, bills of acceptance and avals issued to banks, and assets receivable. The Bank classifies and measures financial liabilities:

- at amortized cost;
- at fair value through profit or loss.

Bank assesses the business model in which its financial assets are managed on a regular basis for the purposes of generating cash flows. As at the date of business model assessment, the Bank considers all objective evidence/factors observable at that date.

Transaction costs that are directly attributable to the recognition of a financial instrument, including commissions paid to agents, advisors, brokers, dealers, duties to regulators, stock exchanges, etc., are added to the amount of the discount (premium) for underlying financial instrument. The Bank amortizes the amount of the discount/premium during the period of life of a financial instrument (excluding financial instruments at fair value through profit or loss) using the effective interest method on at least monthly basis. The amount of the discount/premium must be fully amortized by the financial instrument maturity date.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for de-recognition, are measured at amortized cost.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative

amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to profit or loss or to equity (if financial assets or financial liabilities resulted from transactions with shareholders acting as shareholders) as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortization of the gains/losses on origination and the related income/expense is recorded in profit or loss using the effective interest method.

(iv) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects the effect of its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported by suitable observable market data or the transaction is closed out.

An estimates of whether the contractual cash flows are exclusively due to the payment of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of a financial asset at its initial recognition. "Interest" is defined as consideration for the value of money in time, for a credit risk for a principal outstanding for a certain period of time, and for other basic risks and costs associated with lending (for example, liquidity risk and administrative costs); as well as profit margins.

In assessing whether the contractual cash flows are exclusively due to principal and interest on an outstanding portion of the principal ("SPPI" criterion), the Bank analyzes the contractual terms of a financial instrument, namely whether a financial asset contains a contractual clause that may change the timing or amount of cash flows provided for by the agreement so that the financial asset will not meet the requirement. In conducting the assessment, the Bank analyzes:

- Contingencies that may change the timing or amount of cash flows;
- conditions that have leverage effect on cash flows;
- conditions for early repayment and prolongation of validity;
- conditions that limit the Bank's cash flows from contingent assets - for example, non-recourse financial assets;

- Conditions that cause changes in the reimbursement of the temporary value of money - for example, periodic revision of interest rates.

The prepayment condition meets the SPPI criterion in the event that the amount paid at prepayment is essentially an outstanding portion of the principal and interest on the outstanding portion and may include reasonable additional compensation for early termination of the contract.

In addition, the prepayment clause is considered to be in compliance with this criterion in the event that a financial asset is acquired or created with a premium or a discount on the nominal amount specified in the contract; the amount payable at early repayment is, in essence, the nominal amount specified in the contract plus the accrued (but not paid) interest stipulated by the contract (and may also include reasonable additional compensation for early termination of the contract); and when the initial recognition of a financial asset is a fair value, its terms of early repayment are insignificant.

Reclassification of financial assets is carried out prospectively only in case of changing the business model within which they are held.

Financial liabilities and equity instruments, as well as financial assets that were classified at the Bank's discretion as fair value with the result recognition through profit or loss, are not subject to reclassification.

Initial recognition of financial instruments

Financial instruments initially recognized at fair value through profit or loss are carried at fair value. The costs of acquiring such financial instruments are recorded on expense accounts at the date they are incurred.

All other financial instruments at initial recognition are measured at fair value plus transaction costs added / deducted. The transaction costs and other payments directly related to the recognition of a financial instrument are shown on the discount account (premium) for this financial instrument.

The transaction costs include fees paid to agents, consultants, brokers and dealers, regulatory bodies, stock exchanges, taxes and state taxes, etc.

The transaction costs and commission income, which are an integral part of the financial instrument's return (excluding financial instruments at fair value through profit or loss) are recognized in the initial value of the financial instrument and are accounted for when calculating the effective interest rates on such a financial instrument.

Termination of recognition of financial instruments

Financial assets

Termination of recognition of financial assets occurs if:

- the validity period of the rights to cash flows determined by the terms of a financial asset agreement expires;
- the transfer of a financial asset meets the criteria for termination;
- write-off of a financial asset at the expense of the reserve.

The transfer of a financial asset occurs if one of the following conditions is met:

- transferred the rights to receive cash flows from a financial asset, which are stipulated by the agreement;
- the rights to receive cash flows from a financial asset that are stipulated by the transfer agreement are retained, but there is an obligation to pay cash flows to one or more recipients under an agreement that meets the following conditions:
 - there is no obligation to pay amounts to final buyers until the date of receipt of equivalent amounts from the original asset;
 - the terms of the agreement prohibit the Bank from selling or pledging an original financial asset, except for its transfer to the final beneficiaries as a provision for the obligation to pay cash flows;

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- there is an obligation to transfer any cash flows received on behalf of the final recipients without significant delay. Interest on such investments is passed on to final recipients.

When transferring a financial asset, the limits are estimated, in which all risks and rewards of ownership of an asset are kept, taking into account the following:

- if, basically, all risks and rewards of ownership of the financial asset are transferred, then the recognition of the financial asset is discontinued and the rights and obligations created or retained during the transfer, separately as an asset or liability, are recognized;
- if, basically, all risks and rewards of ownership of the financial asset are preserved, then the recognition of the financial asset continues;
- if, basically, all risks and rewards of ownership of the financial asset are not preserved or transferred, then it is determined whether the control over the financial asset is retained.

The control of the transferred asset is not available if the party to whom the asset is transferred has the real ability to sell it to an unrelated third party and may sell this sale unilaterally without the need to impose additional restrictions on such transfer.

If the control over a financial asset is not retained, the recognition of such an asset is terminated, otherwise, if the control over the financial asset is retained, its recognition continues to be recognized within the further participation therein.

When a financial asset is derecognised, the difference between the carrying amount of the asset (or the carrying amount attributed to the part of the asset that was derecognised) and the amount (i) of the consideration received (including all new assets received, minus all new liabilities accepted), and (ii) any accumulated gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

In operations in which the Bank does not retain and does not transfer virtually all risks and rewards of ownership of a financial asset and retains control over an asset, the Bank continues to recognize the asset.

(v) Loss allowance for expected credit losses

The Bank recognizes loss allowance for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets measured at amortized cost;
- financial assets at fair value through other comprehensive income;
- outstanding credit related commitments and financial guarantees;
- financial receivables.

No allowance is recognized for equity instruments. Loss allowance should be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into measurement of ECLs.

(vi) Measurement of ECLs

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

(vii) Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The Bank uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk stages are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk stages 1 and 2 is smaller than the difference between credit risk stages 2 and 3.

Each exposure is allocated to a credit risk stage on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk stage.

For financial assets that have become credit-impaired (recognized as at Stage 3) subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Significant increase in credit risk

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the remaining lifetime probability of default (PD) as at the reporting date with the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, which is discussed below.

Determining whether credit risk has increased significantly

The Bank is in the process of developing a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly vary by portfolio and include a backstop based on delinquency.

In certain instances, using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured

by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Bad debt is recognized and written off against the provision at the decision of the Management Board. Once the bad debt is written off against the provision, it is carried on the off-balance sheet accounts during the period specified by Ukrainian law

In particular, the Bank determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining the allowance amount include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected revenues, feasibility of other financial support, the realizable value of collateral, and the timing of the expected cash flows.

Definition of default

A financial asset is considered to be defaulted by the Bank in the following cases:

- it is unlikely that the borrower's credit obligations to the Bank will be repaid in full without collateral foreclosure;
- the borrower's debt on any credit obligation to the Bank, such as overdue interest payments and / or principal and / or other payments under the agreement, is overdue for more than 90 days (for balances in other banks default event occurs if the financial asset is overdue for 30 days);
- change in lending conditions related to debt restructuring, while the impairment test has not been passed (possible impairment);
- the beginning of the process of termination / bankruptcy / reorganization / liquidation / termination of the borrower;
- initiation by the Bank of a lawsuit to recover the debt and / or open a criminal case against the party to the agreement / its head / owner;
- the disappearance of an active market for a financial asset or financial liability due to financial difficulties;
- one of the debtor's assets was written off the debt at the expense of the formed provision;
- one of the debtor's assets was sold at a loss of 20 percent or more of the debt;
- purchase or creation of a financial asset or financial liability at a large discount that reflects incurred credit losses;
- for legal entities - class 10, for individuals - class 5;
- death of a client - an individual, an individual entrepreneur.

(viii) Gains and losses on subsequent measurement

The main inputs for the estimation of expected credit losses is the time structure of these variables:

- Default probability (PD);
- loss given default (LGD);
- The exposure in the event of default (EAD).

ECL for positions exposed to credit risk at Stage 1 are calculated by multiplying the PD by 12 months for LGD and EAD. ECL for the entire life of a financial instrument is calculated by multiplying PD for the entire duration of the financial instrument on LGD and EAD.

The Bank evaluates LGDs based on information on returns on claims against defaulted counterparties. LGDs provide for the structure, provision, seniority requirements, counterparty industry, and reimbursement of any collateral that is included in the financial asset. For loans secured by real estate individuals, the ratio between the loan amount and the value of the collateral (LTV) will be the main parameter for determining the magnitude of the loss in the event of default. Estimates of the magnitude of the loss in the event of default are calibrated taking into account

different economic scenarios, and for lending real estate transactions - taking into account the possible changes in real estate prices. They are calculated on the basis of discounting cash flows using an effective interest rate as a discount factor.

The risk-of-default amount (EAD) is the expected value of a position exposed to credit risk at the date of default. This indicator is calculated by the Bank on the basis of the current value of the exposed position and its possible changes in the contract, including depreciation. For a financial asset, the value of EAD will be its gross carrying value at the time of default. For loan commitments, the EAD is the future amount that can be obtained under a contract, measured on the basis of historical observations and forecast information.

As described above, subject to the maximum probability of a 12-month default probability for financial assets in Stage 1, the Bank estimates expected credit losses, taking into account the risk of default within the maximum contractual period (including any borrower's options for prolongation) during which it is exposed for credit risk, even if for the purposes of risk management, the Bank considers a longer period. The maximum period under the agreement extends until the date when the Bank has the right to demand repayment of the granted loan or has the right to cancel the loan or guarantee obligation.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at cost less accumulated depreciation and amortization and impairment losses. Depreciation and amortization is computed by the straight-line method over the estimated useful lives of the assets. Depreciation commences from the date when property and equipment are ready to use. The estimated useful lives are as follows:

Plant and equipment	5 years;
Motor vehicles	5 years;
Intangible assets	3 years

Expenditures for leasehold improvements are recognized as assets and expensed on a straight-line basis over the shorter of two periods: their economic life or the term of the applicable lease.

Investment property

Investment property is property held either to earn rental income or for capital appreciation, or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. The fair value of the Bank's investment property is determined based on reports of the internal appraiser with relevant professional qualification and experience in valuation of property of similar location and category.

Lease

The Bank applies IFRS 16.

IFRS 16 introduces a single model for leasing agreements' accounting by lessees, which provides for their presentation on the lessee's balance sheet. In accordance with this model, the lessee must recognize the asset in the form of the right of use, which is the right to use the underlying asset, and the lease obligation, which is the obligation to make lease payments. Optional exemptions from the standard for short-term lease and rental of low-value wearables. The accounting rules for landlords remain similar to existing, that is, lessors will continue to classify the lease as a finance lease or operating lease.

As a tenant, the Bank may apply a standard using:

- retrospective approach; or
- a modified retrospective approach with the optional exemption from the requirements of a standard of a practical nature.

The lessee applies the chosen option consistently to all lease agreements in which he acts as a tenant.

The Bank has applied IFRS 16 as of January 1, 2019, using a modified retrospective approach using the option to recognize an asset for use in an amount equal to a lease, adjusted for the amount of any advance paid or leased charges related with this lease, recognized in the statement of financial position just before the date of the first application. This approach allows the presentation of financial statements without the transfer of comparative information for the previous period.

The Bank is not obliged to make any adjustments under the lease agreements in which the Bank acts as a lessor, except for cases when the Bank is an intermediate lessor under a sublease agreement.

The Bank has completed the initial assessment of the possible impact of the application of IFRS 16 on its financial statements, as well as completed a detailed assessment. The actual impact of the application of IFRS 16 on the financial statements in the first application period depended on future economic conditions, the composition of the lease contract portfolio, the Bank's assessment of whether it intends to exercise its rights to extend the lease, and which of the available simplifications in the standard of a practical nature and the Bank decides to apply exemptions.

The Bank will recognize new assets and liabilities under operating leases of office premises. In addition, the nature of the costs recognized in respect of these leases will change as, in accordance with IFRS 16, instead of operating lease expenses recognized on a straight-line basis over the term of the relevant contract, the Bank will have to reflect depreciation costs in the form of the right of use and interest expense relating to lease liabilities.

Previously, the Bank recognized the operating lease costs on a straight-line basis over the entire lease term and recognized assets and liabilities only to the extent that there was a difference between the actual payouts for the lease and the recognized expense.

Recognition of income and expense

Interest and similar income and income expense and similar charges are recognized in profit or loss on an accrual basis, taking into account the effective yield/rate of the asset/liability or an applicable floating rate. Interest and similar income and income expense and similar expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Commission income and expense is recognized on an accrual basis. Other fees, commission and other income are recognized when the corresponding services are provided/received.

Loan origination fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the statement of financial position date plus and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Employee benefits

Pensions are provided by the State via mandatory contributions, which are made by the Bank and employees based on each individual employee's earnings. The cost for these contributions is recognized in profit or loss when contributions are due and is included in salaries and employee benefits as part of administrative and other operating expenses.

Cash and cash equivalents

Cash and cash equivalents include cash, balances with the National Bank of Ukraine and balances due from banks with contractual maturity within three months.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Calculation of interest income and expenses

Interest income on financial assets measured at amortized cost is recognized at the effective interest rate to gross book value, except:

- purchased or created depreciated financial assets. For such financial assets, the effective interest rate adjusted for credit risk is applied to the amortized cost of the financial asset from the date of initial recognition. The calculation of interest income on such assets is not carried out based on the gross carrying amount, even if the credit risk on them will decrease further. ;
- financial assets that are not acquired or created by impaired financial assets, but which subsequently became depreciated financial assets. In the case of such financial assets, the Bank shall apply the effective interest rate to the amortized cost of the financial asset in subsequent years after the date of recognition in the impaired reporting periods. If the financial asset is no longer loan-denominated, then the calculation of interest income is again based on gross book value.

The effective interest rate is revised as a result of the periodic revaluation of cash flows for interest bearing instruments in order to reflect changes in market interest rates.

Submitting of information

Interest income calculated using the effective interest method presented in the statement of income and other comprehensive income includes interest income calculated using the effective interest method for financial assets measured at amortized cost.

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

Segment reporting

An operating segment is a component of a Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

For management reporting purposes, the Bank represents one reportable segment that has central management and follows common lending policy and marketing strategy. There are no customers from which revenues exceed 10% of total external revenue.

New Accounting Requirements

New and amended IFRS Standards that are effective for the current year

In the current year, the Bank has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021.

- Amendments to IFRS 3: Definition of a Business.
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform – Phase 1.
- Amendments to IAS 1 and IAS 8 Definition of Material.
- Revised Conceptual Framework for Financial Reporting issued on 29 March 2018.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and revised IFRS Standards which are issued but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective: IFRS 17 – Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023).

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (applied for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 – Reference to the Conceptual Framework (applied for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (applied for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract (applied for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (applied for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (applied for annual periods beginning on or after 1 January 2022).
- Amendments to IAS 41 Agriculture – Taxation in fair value measurements (applied for annual periods beginning on or after 1 January 2022).
- Amendment to IFRS 16 Leases COVID-19-Related Rent (the amendment is effective 1 June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorised for issue).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (applied for annual periods beginning on or after 1 January 2021).

The Management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

JSC WEST FINANCE AND CREDIT BANK
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(in thousands of Ukrainian hryvnias)

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2021 are as follows:

	2021	2020
Cash on hand	28 179	20 041
Balances with the NBU	32 446	80 443
Current accounts placed with other banks	171 903	353 630
Total	232 528	454 114

Effective 25 December 2017, the NBU amended the requirements regarding the mandatory reserve on the correspondent account with the NBU. In accordance with Resolution No. 752-pw of the Management Board of the National Bank of Ukraine dated 23 December 2017 "On creation and maintenance of mandatory reserves", the control over the balance of the mandatory reserve on the correspondent account with the National Bank of Ukraine on a daily basis was cancelled. As at 31 December 2021, the statutory amount of the mandatory reserve was UAH 69 444 thousand (2020: 91 550 UAH thousand).

The following table represents an analysis of current amounts due from banks by rating agency designation based on Standard and Poor's ratings (S&P) or their equivalents as at 31 December:

	2021	2020
Current accounts placed with other banks:		
BBB- to A+	167 384	347 762
BB- to BB+	2 641	1 130
CC- to CC+	1 878	4 738
	171 903	353 630

As at 31 December 2021, the two largest balances on current accounts placed with other banks comprised UAH 167 357 thousand or 97.36% of total balances on current accounts with other banks (2020: UAH 351 635 thousand or 99.44%).

7. Investments in securities

As of December 31, 2020, Investment Securities are represented by certificates of deposit of the National Bank of Ukraine and domestic government bonds of the Ministry of Finance of Ukraine.

NBU certificates of deposit bear the interest rates within the range of 5-6% and mature in January 2021. Certificates of deposit of the National Bank of Ukraine were neither impaired nor past due at 31 December 2020.

	2021	2020
NBU certificates of deposit	185 041	77 020
T bills	411 899	71 512
Reserve of T bills (note 21)	(782)	(315)
Total	596 158	148 217

As of December 31, 2021, Investment Securities are represented by certificates of deposit of the National Bank of Ukraine and domestic government bonds of the Ministry of Finance of Ukraine.

NBU certificates of deposit bear the interest rates within the range of 8% and mature in January 2022. Certificates of deposit of the National Bank of Ukraine were neither impaired nor past due at 31 December 2021.

During 2021, the Bank carried out T bills transactions in national and foreign currencies, which were accounted for at amortized cost in the portfolio to maturity.

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(in thousands of Ukrainian hryvnias)

8. Due from banks

As at 31 December 2021, due from banks are represented by guarantee secured deposit with maturity exceeding three months placed in one bank having rating "B- to B+" assigned by Standard and Poor's (S&P) or equivalent ratings (2020: one bank, "B- to B+"). Due from banks were neither impaired nor past due as at 31 December 2021 and 2020.

	2021	2020
Deposits	3 683	3 817
Reserve	(20)	(66)
Total	3 663	3 751

9. Loans and advances to customers

Loans and advances to customers as at 31 December are as follows:

	2021	2020
Corporate	1 352 261	1 395 571
Individuals	7 261	985
Total loans, gross	1 359 522	1 396 556
Provision for impairment of loans and advances to customers (Note 21)	(26 935)	(14 443)
Total	1 332 587	1 382 113

The changes in the provision for expected credit losses on loans to customers at amortized cost during 2021 are presented as follows:

	Level 1	Level 2	Level 3	Purchased or originated credit- impaired assets	Total
ECL as at 1 January 2021	457	281	13 705	-	14 443
Accrued/(disposed) for the year	421	(176)	12 247	-	12 492
ECL as at 31 December 2021	878	105	25 952	-	26 935

The changes in the provision for expected credit losses on loans to customers at amortized cost during 2020 are presented as follows:

	Level 1	Level 2	Level 3	Purchased or originated credit- impaired assets	Total
ECL as at 1 January 2020	738	215	10 992	3 632	15 577
Accrued/(disposed) for the year	(281)	66	2 713	(3 632)	(1 134)
ECL as at 31 December 2020	457	281	13 705	-	14 443

Significant credit risk concentration

As at 31 December 2021, loans and advances to the ten largest borrowers total UAH 612 725 thousand or 45% of the total net loans and advances to customers (2020: UAH 697 278 thousand or 49.9%).

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(in thousands of Ukrainian hryvnias)

(a) Loan impairment

At 31 December 2021, loans impairment was as follows:

		<i>Standard</i>	<i>Under observati on</i>	<i>Impairm ented</i>	<i>Total</i>
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	1 182 067	-	-	1 182 067
	Stage 2	-	91 820	-	91 820
	Stage 3	-	-	66 561	66 561
	POCI assets	-	-	11 813	11 813
	Total	1 182 067	91 820	78 374	1 352 261
Loans to individuals	Stage 1	7 156	-	-	7 156
	Stage 2	-	105	-	105
	Stage 3	-	-	-	-
	Total	7 156	105	-	7 261
Total		1 189 223	91 925	78 374	1 359 522

At 31 December 2020, loans impairment was as follows:

		<i>Standard</i>	<i>Under observati on</i>	<i>Impairm ented</i>	<i>Total</i>
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	1 143 016	-	-	1 143 016
	Stage 2	-	151 962	-	151 962
	Stage 3	-	-	92 619	92 619
	POCI assets	-	-	7 974	7 974
	Total	1 143 016	151 962	100 593	1 395 571
Loans to individuals	Stage 1	985	-	-	985
	Total	985	-	-	985
Total		1 144 001	151 962	100 593	1 396 556

(b) Collateral

The following table provides information on collateral as at 31 December, by type of collateral. The table shows the amounts of secured loans rather than the fair value of collateral.

The collateral for loans to legal entities as of December 31 is as follows:

	2021	2020
Real estate	797 571	921 392
Motor vehicles	229 699	233 323
Equipment	178 909	132 952
Bank guarantees	-	56 343
State guarantee	96 524	-
Deposits	23 918	41 539
Goods in circulation	-	5 314
Unsecured	25 640	4 708
Total	1 352 261	1 395 571

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(in thousands of Ukrainian hryvnias)

The collateral for loans to individuals as of December 31 is as follows:

	2021	2020
Real estate	7 119	-
Unsecured	142	985
Total	7 261	985

The Bank lending activities are conducted in Ukraine. The ability of the borrowers to repay their debt is dependent on a number of factors including the overall financial health of the individual borrowers and the continued development of the Ukrainian economy.

Although collateral can be an important mitigation of credit risk, it is the Bank's policy to lend on the basis of the customer's capacity to repay, rather than rely primarily on the value of collateral offered. Depending on the customer's standing and the type of product, loans may be provided without collateral.

(c) Quality of loans

At 31 December 2021, loans impairment was as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans and advances to customers - corporate				
Not past due	1 291 380	875	1 290 505	-0,07%
Past due	60 881	25 952	34 929	-42,63%
Total loans and advances to customers - corporate	1 352 261	26 827	1 325 434	1,98%
Loans and advances to customers - individuals				
Not past due	7 156	3	7 153	-0,05%
Past due	105	105	-	-100,00%
Total loans and advances to customers - individuals	7 261	108	7 153	-1,50%

Quality of loans and advances to customers as at 31 December 2020 is presented as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans and advances to customers - corporate				
Not past due	1 288 157	422	1 287 735	-0,03%
Past due	107 414	13 983	93 430	-13,02%
Total loans and advances to customers - corporate	1 395 571	14 405	1 381 165	-1,03%
Loans and advances to customers - individuals				
Not past due	985	38	947	-3,81%
Past due	-	-	-	0,00%
Total loans and advances to customers - individuals	985	38	947	-3,81%

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Corporate loans by industry

Corporate loans by industry as at 31 December are as follows:

	2021	2020
Manufacturing	406 254	620 284
Trade	389 201	240 140
Car rent	-	81 935
Financial intermediaries	7 119	75 268
Construction	130 744	64 340
Other	177 594	58 297
Leasing	68 818	-
Agriculture	81 713	128 766
Electricity generation	90 818	126 541
Total	1 352 261	1 395 571

10. Investment property

Movement in investment property during the year ended 31 December is as follows:

	2021	2020
Fair value at 1 January	1 696	1 622
Revaluation	31	74
Fair value at 31 December	1 727	1 696

Income from revaluation of investment properties comprised UAH 31 thousand in 2021 and were recognized within other operating income (Note 20). Income from revaluation of investment properties comprised UAH 74 thousand in 2020 and were recognized within other operating income (Note 20).

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(in thousands of Ukrainian hryvnias)
11. Property, equipment and intangible assets

Movement of property, equipment and intangible assets for the year ended 31 December 2021 is as follows:

	Repaired leased premises and right to use assets	Motor vehicles	Office equipment	Computers	Other fixed assets	Total	Intangible assets
Cost							
1 January 2020	17 839	2 551	3 728	8 614	6 444	39 176	8 913
Additions	-	851	218	2 535	152	3 756	141
Disposals	-	-	(83)	(509)	(89)	(681)	(49)
31 December 2020	17 839	3 402	3 863	10 640	6 507	42 251	9 005
Accumulated depreciation and amortization							
1 January 2020	(6 487)	(743)	(2 932)	(7 000)	(4 189)	(21 351)	(3 975)
Depreciation and amortization	(6 486)	(524)	(528)	(1 088)	(971)	(9 597)	(482)
Disposals	-	-	83	509	89	681	49
31 December 2020	(12 973)	(1 267)	(3 377)	(7 579)	(5 071)	(30 267)	(4 408)
Net book value as at 31 December 2020	4 866	2 135	486	3 061	1 436	11 984	4 597
Cost							
1 January 2021	17 839	3 402	3 863	10 640	6 507	42 251	9 005
Additions	22 439	-	31	409	900	23 779	730
Disposals	-	-	(111)	(138)	(29)	(278)	(220)
31 December 2021	40 278	3 402	3 783	10 911	7 378	65 752	9 515
Accumulated depreciation and amortization							
1 January 2021	(12 973)	(1 267)	(3 377)	(7 579)	(5 071)	(30 267)	(4 408)
Depreciation and amortization	(5 352)	(680)	(156)	(873)	(781)	(7 842)	(611)
Disposals	-	-	111	136	27	274	-
31 December 2021	(18 325)	(1 947)	(3 422)	(8 316)	(5 825)	(37 835)	(5 019)
Net book value as at 31 December 2021	21 953	1 455	361	2 595	1 553	27 917	4 496

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12. Other assets

Other assets as at 31 December are as follows:

	2021	2020
Real estate foreclosed by the Bank	89 068	51 888
Prepayments	1 965	9 631
Supplies and consumables	3	5
Other	498	317
Provision for impairment losses (Note 21)	(122)	(176)
Total	91 412	61 665

13. Lease

The Bank reflects in the accounting and submit financial reporting of lease transactions according to IFRS 16 and recognizes the assets and liabilities for each rental agreement that meets the definition of lease.

The Bank, in accordance with IFRS 16, uses a modified retrospective approach to leases in calculating value.

In accordance with IFRS 16, a new asset category "asset for use" is emerging in the bank - an asset that represents the lessee's right to use the underlying asset for the lease term, for which a separate account is included as a non-current asset to account for the underlying leased asset, and also to account for the depreciation of these assets.

The right to use assets from the date the Bank assesses recognition at cost. It consists of the following elements:

- Initial assessment of lease obligations (+)
- Lease payments paid at the beginning of the lease term (they are not discountable, unlike their liabilities) (+)
- Incentive payments on the lease which have been received (the original valuation of the lease payments deducts the payments received from the lessor in connection with the acquisition of the lease by the Bank) (-)
- Any initial direct costs incurred by the bank in connection with the acquisition of the lease (+)
- Estimated future expenses of the bank (during the dismantling and moving of the underlying asset; restoration of the site on which it is located; recovery of the underlying asset to a condition required by the lease terms) (+)

The valuation of an asset at the date of the financial statements is carried at cost less accumulated depreciation. The valuation of an asset at cost should be adjusted by the bank for the revaluation of the lease obligation related to the modification of the lease agreement or to reflect substantially fixed lease payments.

The Bank uses the valuation of the asset in the form of a right of use form.

The initial assessment of lease obligations consists of the following elements:

- Fixed lease payments (+)
- incentive rental payments that have been paid (from the original estimate of the lease liability, deduct payments paid to the lessor in connection with the acquisition of the lease right)(-)
- Variable rental payments that depend on the index or rate (+)
- The amounts to be paid by the bank the suspicion residual value guarantees (+)
- Payment of fines for termination of lease if its term is a potential exercise by the bank of an option to terminate the lease (+)

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- The exercise price of the purchase option if there is reasonable assurance that the bank will exercise this option (+).

	2021	2020
Submission of rent for the tenant		
Assets with a granted right of use that do not meet the definition of investment property at the beginning of the period	4 865	11 352
Assets with a granted right of use that do not meet the definition of investment property at the end of the period	21 952	4 865
Lease obligations at the beginning of the period		
Current lease liabilities at the beginning of the period	3 358	11 069
Lease obligations at the beginning of the period	3 358	11 069
Lease obligations at the end of the period		
Current lease liabilities at the end of the period	19 598	3 358
Lease obligations at the end of the period	19 598	3 358

	2021	2020
Interest expense on lease obligations	797	617
Expenses related to short-term leases to which the exemption from recognition is applied	436	406

14. Due to banks

Balances due to banks as at 31 December are as follows:

	<u>2021</u>	<u>2020</u>
Deposits and balances due to banks:		
OECD countries	-	27 792
Domestic	265 862	50 014
Total	<u>265 862</u>	<u>77 806</u>

As at 31 December 2021, deposits from two banks total UAH 265 862 thousand or 100% of total due to banks (31 December 2020: deposits from three banks total UAH 77 806 thousand or 100% of total due to bank).

As at 31 December 2021, the Bank was in compliance with all conditions of credit agreements.

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15. Due to customers

Due to customers as at 31 December 2021 are as follows:

	2021	2020
Current accounts:		
Corporate customers	569 165	503 762
Individuals	44 287	32 034
Total current accounts	613 452	535 796
Deposits:		
Corporate customers	298 677	257 842
Individuals	165 055	277 216
Total deposits	463 732	535 058
Total	1 077 184	1 070 854

As at 31 December 2021, balances on current accounts of the five largest customers total UAH 252 788 thousand or 41% of total balances on current accounts (31 December 2020: UAH 132 418 thousand or 35%).

As at 31 December 2021, deposits from the five largest customers total UAH 214 276 thousand or 46% of total deposits (31 December 2020: UAH 176 271 thousand or 33%).

16. Other liabilities

Other assets as at 31 December are as follows:

	2021	2020
Provision for unused vacations	3 758	3 124
Taxes payable, other than income tax	546	1 110
Accounts payable	445	278
Expenses accrued	329	261
Other	76	160
Total	5 154	4 933

17. Due to international and other financial institutions

As at 31 December 2021, the funds of international financial organizations are represented by loans denominated:

	Amount	Interest rate type	Maturity
BLACK SEA TRADE AND DEVELOPMENT BANK	67 785	Floating rate	25.10.2024
BLACK SEA TRADE AND DEVELOPMENT BANK	140 272	Floating rate	03.05.2022
Entrepreneurship Development Fund	20 020	Floating rate	12.12.2023
Entrepreneurship Development Fund	93 729	Fixed rate	20.04.2022
Ministry of Finance of Ukraine	28 398	Fixed rate	30.11.2022
Ministry of Finance of Ukraine	114 771	Fixed rate	31.12.2024
Total	464 975		

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As at 31 December 2020, the funds of international financial organizations are represented by loans denominated:

	Amount	Interest rate type	Maturity
BLACK SEA TRADE AND DEVELOPMENT BANK	142 206	Floating rate	29.04.2021
Ministry of Finance of Ukraine	128 525	Fixed rate	31.12.2024
Ministry of Finance of Ukraine	66 653	Fixed rate	30.11.2022
Entrepreneurship Development Fund	20 253	Floating rate	15.10.2021
Entrepreneurship Development Fund	105 208	Fixed rate	20.04.2022
Total	462 845		

As of December 31, 2021 and 2020, the Bank complied with all terms of credit agreements.

18. Share capital

As at 31 December 2021, the share capital of the Bank includes 149,962,764 ordinary registered shares with a nominal value of UAH 2.43 per share (31 December 2020: 149,962,764 ordinary shares with a nominal value of UAH 2.43 per share). All shares have equal voting rights. As at 31 December 2021, all shares were fully paid and registered.

No dividends were declared and paid in 2021 and 2020.

In accordance with Ukrainian legislation, the allocation of the reserves is limited to the balance of retained earnings determined in accordance with legislative and regulatory requirements.

Net income per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding. The Bank does not have convertible preference shares, so diluted earnings per share are equal to net earnings per share.

	2021	2020
Profit for the period owned by the owners ordinary shares of the Bank	18 748	20 305
Average number of shares outstanding during the period	149 962 764	149 962 764
Net profit per share	0,00013	0,00014

19. Commitments and contingencies

(a) Operating lease commitments

The Bank leases operational premises in the normal course of business. Future payments on non-cancellable leases as at 31 December are as follows:

	2021	2020
Less than one year	1 324	1 524

(b) Guarantees and other loan commitments

The Bank has outstanding commitments to extend credit. Those commitments are the approved loans and loan facilities. The total outstanding loan commitments do not necessarily represent

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future needs in cash, as those commitments may expire or be terminated without being funded. As at 31 December 2021, the irrevocable loan commitments amount to UAH 8 150 thousand (2020: UAH 7 081 thousand).

Loan commitments were as follows:

As at 31 December 2021				
	Stage 1	Stage 2	Stage 3	Total
Irrevocable credit lines	8 150	-	-	8 150
Provision for expected credit losses	(63)	-	-	(63)
Financial guarantees	42 787	-	-	42 787
Provision for expected credit losses	(10)	-	-	(10)

As at 31 December 2020				
	Stage 1	Stage 2	Stage 3	Total
Irrevocable credit lines	7 081	-	-	7 081
Provision for expected credit losses	(101)	-	-	(101)
Financial guarantees	150 461	-	-	150 461
Provision for expected credit losses	(54)	-	-	(54)

(c) Insurance

The insurance industry in Ukraine is in a developing stage and many forms of insurance protection common in other countries are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of damage arising from accidents on Bank property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the operations and financial position.

(d) Taxation contingencies

The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation. Tax regulations are often unclear, open to wide interpretation, and in some instances are conflicting. Instances of inconsistent opinions between local, regional and national tax authorities and between the National Bank of Ukraine and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enabled by law to impose significant penalties and interest charges. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

Management believes the Bank has complied with all existing tax legislation. However, there can be no assurance that the tax authorities will not have a different interpretation of the Bank's compliance with existing legislation and assess fines and penalties. No provision for potential tax assessments has been made in these financial statements.

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(e) Litigations

The Bank is involved in various legal proceedings in the ordinary course of business. According to the management, the result of the litigations will not have a significant impact on the financial position of the Bank.

20. Incomes and expenses analysis

Incomes and expense for the year are as follows:

Interest income and expense for the year are as follows:

	2020	2019
Loans and advances to customers	133 839	174 543
Deposit certificates of the National Bank of Ukraine	1 229	5 917
T-bills	28 272	555
Due from banks	1 082	451
Total interest income	164 422	181 466
Due to the National bank of Ukraine	(9 469)	-
Deposits	(18 321)	(35 460)
Due to international and other financial institutions	(15 683)	(20 149)
Current accounts	(4 957)	(7 739)
Due to banks	(6 603)	(3 324)
Lease liability	(797)	(617)
Total interest expense	(55 830)	(67 289)
Net interest income	108 592	114 177

Commission income and expenses for the year ended 31 December is as follows:

	2021	2020
Commission income:		
Currency exchange	9 809	9 347
Cash payments and withdrawals	9 802	9 312
Credit service	5 953	7 787
Other	1 962	1 509
Total fee and commission income	27 526	27 955
Commission expense:		
Cash payments and withdrawals	(3 559)	(2 796)
Credit service	(3 327)	(2 629)
Other	(983)	(755)
Total fee and commission expense	(7 869)	(6 180)
Net commission income	19 657	21 775

Amortization and depreciation

	2021	2020
Amortization expense	3 101	3 593
Depreciation expense	5 352	6 487
Total depreciation and amortization	8 453	10 079

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Administrative and other operating expenses for the year ended 31 December are as follows:

	2021	2020
Repairs and maintenance of property and equipment	5 040	3 985
Rent and maintenance of premises	4 336	3 516
Losses from other property revaluation	1 680	3 169
Communication and information	3 267	2 996
Security	2 738	2 866
Taxes other than on income and other charges	2 114	2 699
Legal and consulting services	1 725	1 986
Stationary and office consumables	1 516	1 206
Audit	1 044	1 189
Travel expenses	888	305
Advertising and marketing	319	292
Transportation costs	15	128
Other operating expenses	5 270	3 135
Total	29 952	27 472

21. Provision for impairment losses

The following is a schedule of movements in provision for impairment for the year ended 31 December:

	Loans and advances to customers	Other assets
Balance as at 1 January 2020	(16 783)	(54)
Change in provision for impairment	16 091	362
Net change in provision for impairment	(14 957)	(176)
Balance as at 31 December 2020	(15 649)	132
Change in provision for impairment		66
Net change in provision for impairment	(11 932)	(1 029)
Balance as at 31 December 2021	(27 581)	(831)

22. Income tax expense

Income tax expense includes the following components:

	2021	2020
Current tax expense	2 507	4 550
Deferred tax benefit	(22)	(93)
Total income tax expense	2 485	4 457

The statutory income tax rate in 2021 was 18% (2020: 18%). Below is the reconciliation of theoretical tax expenses against the actual ones:

	2021	2020
Profit before income tax	13 806	24 761
Computed expected income tax expense at statutory rate of 18%.	2 485	4 457
Effective income tax expense	2 485	4 457

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(a) Movements in recognized temporary differences during the year

Deferred tax assets and liabilities as at 31 December 2021 are attributable to the items detailed as follows:

	1 January 2021	Recognized through profit or loss	31 December 2021
	<i>Asset (liability)</i>	<i>Benefit (charge)</i>	<i>Asset (liability)</i>
Property and equipment	504	22	526
Total	504	22	526

Deferred tax assets and liabilities as at 31 December 2020 are attributable to the items detailed as follows:

	1 January 2019	Recognized through profit or loss	31 December 2019
	<i>Asset (liability)</i>	<i>Benefit (charge)</i>	<i>Asset (liability)</i>
Property and equipment	411	93	504
Total	411	93	504

23. Derivatives at fair value through profit or loss

Derivative financial instruments are represented mainly by forward foreign exchange contracts and interbank swaps.

According to the management opinion such transactions are essentially currency swaps and reflects them in accordance with the Bank's accounting policies applicable to derivative financial instruments.

	2021	2020
	Forward currency contracts	Forward currency contracts
Assets at fair value through profit or loss	8	-
Liabilities at fair value through profit or loss	4	-

24. Financial risk management

Management of risk is fundamental to the business of banking and is an essential element of operations. The major risks faced by the Bank are those related to credit exposures, market risk (which includes risk of movements in foreign exchange rates and in interest rates) and liquidity risk.

(a) Risk management structure

The risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls and to continuously monitor risk levels and adherence to limits.

The risks are managed in an integrated manner and are evaluated in terms of the policy of the Bank, which is reviewed and approved by the Supervisory Board on an annual basis. Risk limits

are established for credit, market and liquidity risks and the level of exposure is then maintained within these limits.

(b) Credit risk

Credit risk is the risk of a financial loss for the Bank if a customer or counterparty fails to meet its contractual obligations. Credit risk arises principally from loans and advances made and investment securities. The maximum credit risk exposure is generally net carrying amounts of instruments as at end of the reporting period.

Management monitors concentration of credit risk.

The Bank has to comply with varying NBU regulations that limit exposure to companies, groups of companies and related parties. To manage credit risk, the Bank deals with counterparties of good credit standing and when appropriate obtains collateral.

Corporate Lending

In making its lending decisions, the Bank evaluates potential borrowers on the basis of their financial condition as reflected in their financial statements, their credit history with the Bank and other financial institutions and the amount of risk involved in lending to a particular borrower, using a rating scale. A lack of credit history with the Bank or lack of credit history in general is not an absolute bar to granting a loan, provided the Bank receives sufficient information to assess the borrower's business and financial condition. However, when the Bank lends to a borrower with no credit history, it sets conditions such as a requirement to transfer a certain part of the customer's banking operations to the Bank for a certain period and charging a higher interest rate, or requiring additional collateral or guarantees from such borrower.

In evaluating the risks associated with a particular borrower, the Bank takes into account the borrower's business and factors such as the quality of its management, its main business activities, its geographic location, suppliers, customers, other indebtedness, financial stability, turnover, likely return on the loan, the liquidity of the proposed collateral and whether it is sufficient in view of the credit risk. The Bank also considers the weighted average credit risk associated with the industry in which the borrower operates.

Retail Lending

The Bank provides loans to individuals only in exceptional cases and focuses on the collection of existing loans issued to individuals.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on an analysis of the customer earnings overdue payments and other information obtained by the Bank. In light of this information the borrower's internal credit rating may be revised.

Analysis of impairment

The Bank calculates ECL based on several scenarios that include a weighted loan loss probability estimate for expected non-cash cash flows discounted at an approximate effective interest rate. Lack of cash is the difference between the cash flows owned by the entity in accordance with the contract and the cash flows that the entity expects to receive. Below is the mechanics of calculations ECL, the key elements of which are:

- Default probability (PD) The probability of default is the estimate of the probability of default on this time horizon.

A default event may occur only at a certain point during the analyzed period if, at that time, the Bank will not terminate recognition of the loan, and the loan will remain in the portfolio.

- Exposure at default (EAD) The Exposure at default is the estimate of the amount of the loan for the future default date, taking into account expected changes in the loan amount after the reporting date, including repayment of principal and interest, and the expected sample of borrowers under the loan obligation Amounts, as well as accrued interest on missed payments.

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- Loss given default (LGD) The Loss given default is an estimate of the loss incurred in the event of a default at a specified time. It is calculated on the basis of the difference between the amount of payments to be received under the contract and the amount expected to be received by the creditor, including the funds from the sale of any collateral. Usually it is presented as a percentage of risk in default (EAD).

Provision for expected loan losses is calculated on the basis of credit losses that are projected to be incurred during the life of the asset (expected credit losses for the entire period of the instrument). The expected credit losses for the entire duration of the instrument are calculated either individually or for asset groups, depending on the characteristics of the relevant portfolio of financial instruments.

The Bank has adopted a policy that provides for an assessment at the end of each reporting period to identify possible significant increases in credit risk after initial recognition by analyzing the changes in the level of default risk occurring throughout the remaining period of the financial instrument. As a result of the process described above, the Bank divides its loans into risk groups ("stages"), referred to as "Stage 1", "Stage 2", "Stage 3" and "Purchased or Originated Credit Impaired Assets" (POCI Assets) :

Stage 1 At the moment of initial recognition of loans, the Bank recognizes a provision for losses on the basis of the amount of expected loan losses for 12 months. In addition, Phase 1 includes loans that are characterized by a reduction in credit risk, resulting in a corresponding loan being transferred to Stage 1 of Stage 2.

Stage 2 If the level of credit risk on a loan increases significantly after the loan agreement is signed, the Bank recognizes the provision for expected loan losses for the entire duration of the instrument. In addition, Stage 2 includes loans that are characterized by a reduction in credit risk, resulting in a corresponding loan being transferred to Stage 2 of Stage 3.

Stage 3 Loans are considered to be loan-denominated. The Bank recognizes the provision for expected loan losses for the entire duration of the instrument.

Purchased or Originated Credit Impaired assets (POCI assets) are assets that are impaired at the date of initial recognition. POCI assets are initially recognized at fair value and interest income is subsequently recognized on the basis of an adjusted effective interest rate. Expected credit losses are recognized or reversed only in the event of a subsequent change in the amount of expected loan loss during the entire life of the instrument.

The main factors taken into account in the analysis of impairment of loans include the determination of whether overdue principal or interest payments on the loan are more than 90 days, or if there are any difficulties in view of the counterparty's cash flows, the decrease credit rating or breach of the original terms of the relevant agreement. The Bank analyzes impairment by provisioning for impairment losses on individually assessed loans.

The Table below shows the value of financial assets by classes of quality as at 31 December 2021 and 31 December 2020.

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31 December 2021

		Standard	Watch	Impaired	Total
Cash and cash equivalents, except for cash on hand	Stage 1	232 528	-	-	232 528
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	1 182 067	-	-	1 182 067
	Stage 2		91 820		91 820
	Stage 3			66 561	66 561
	POCI assets			11 813	11 813
	Total	1 182 067	91 820	78 374	1 352 261
Loans to retail customers	Stage 1	7 156	-	-	7 156
	Stage 2	-	105	-	105
	Total	7 156	105	-	7 261
Irrevocable credit lines	Stage 1	8 150	-	-	8 150
	Total	8 150	-	-	8 150
Financial guarantees	Stage 1	42 787	-	-	42 787
	Total	42 787	-	-	42 787
Total		1 472 688	91 925	78 374	1 642 987

The credit quality of financial assets is managed by the Bank internal credit ratings. The tables above show the credit quality by the asset class for the credit lines in the statement of financial position based on the Bank credit rating system.

31 December 2020

		Standard	Watch	Impaired	Total
Cash and cash equivalents, except for cash on hand	Stage 1	454 114	-	-	454 114
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	1 143 016	-	-	1 143 016
	Stage 2		151 962		151 962
	Stage 3			92 619	92 619
	POCI assets			7 974	7 974
	Total	1 143 016	151 962	100 593	1 395 571
Loans to retail customers	Stage 1	985	-	-	985
	Total	985	-	-	985
Irrevocable credit lines	Stage 1	7 081	-	-	7 081
	Total	7 081	-	-	7 081
Financial guarantees	Stage 1	150 461	-	-	150 461
	Total	150 461	-	-	150 461
Total		1 755 657	151 962	100 593	2 008 212

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Off-balance sheet exposure

The maximum exposure to off-balance sheet credit risk at 31 December is as follows:

	2021	2020
Irrevocable credit lines	8 150	7 081
Guarantees	42 787	150 461
Total off-balance sheet exposure	50 937	157 542

(c) Market risk

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Currency risk

Currency risk is the risk that movements in foreign exchange rates will affect income or the value of its portfolios of financial instruments.

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Management establishes limits and constantly monitors foreign currency positions in accordance with the regulations of the NBU and internally developed methodology. The policy with regard to open foreign currency position is restricted to certain thresholds under regulatory provisions of the NBU, however, the calculation of open currency position under regulatory provisions may differ from the below table.

Currency positions as at 31 December 2021 are as follows:

	USD	EUR	Other currencies
Assets	69 733	119 823	1 218
Cash and cash equivalents	3 663	-	-
Due from banks	344 822	277 034	-
Loans and advances to customers	80 615	30 966	-
Other assets	498 834	427 823	1 218
Liabilities	-	-	-
Due to banks	208 058	236 898	-
Due to international and other financial institutions	286 898	190 889	352
Due to customers	494 956	427 787	352
Net balance sheet position	3 878	36	866
Net (short) long position	3 878	36	866

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Currency positions as at 31 December 2020 are as follows:

	USD	EUR	Other currencies
Assets			
Cash and cash equivalents	300 677	60 534	1632
Due from banks	3 751	-	-
Loans and advances to customers	361 463	449 895	-
	13 877	-	-
	679 768	510 429	1 632
Liabilities			
Due to banks	-	27 792	-
Due to international and other financial institutions	142 206	300 387	-
Due to customers	545 407	174 380	1 363
	687 613	502 559	1 363
Net balance sheet position	(7 845)	7 870	269
Net (short) long position	(7 845)	7 870	269

Other currencies are mainly represented by Turkish lira.

The table shows currencies in which the Bank has significant positions as at December 31. The analysis is to measure the effect of possible changes in the exchange rates of foreign currencies against hryvnia, with the unchangeable value of all other variables, on the profit and loss statement of the Bank. The effect on the capital is not different from the effect on the profit and loss statement. The negative value in the table reflects a potential net decrease in the profit and loss statement or equity, and the positive values reflect the potential net increase.

<i>Currency</i>	<i>Strengthening of exchange rate against Ukrainian hryvnia, % 2021</i>	<i>Effect on profit before tax 2021</i>	<i>Weakening of exchange rate against Ukrainian hryvnia, % 2021</i>	<i>Effect on profit before tax 2021</i>
USD	+20,00	776	-20,00	(776)
EUR	+20,00	7	-20,00	(7)

<i>Currency</i>	<i>Strengthening of exchange rate against Ukrainian hryvnia, % 2020</i>	<i>Effect on profit before tax 2020</i>	<i>Weakening of exchange rate against Ukrainian hryvnia, % 2020</i>	<i>Effect on profit before tax 2020</i>
USD	+20,00	(1 569)	-20,00	1 569
EUR	+20,00	1 574	-20,00	(1 574)

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The currency risks specified in IFRS 7 arise from the financial instruments denominated in a currency that is not the functional currency and has a monetary nature; the risks associated with the translation are not taken into account.

(ii) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates. To manage interest rate risk, management continually assesses market interest rates for different types of interest bearing assets and liabilities.

Interest margins on assets and liabilities having different maturities may increase as a result of changes in market interest rates. In practice, management resets interest rates on both assets and liabilities based on current market conditions and mutual agreement, which is documented in an addendum to the original agreement, which sets forth the new interest rate.

The average effective interest rates of major interest bearing assets and liabilities as at 31 December 2021 are as follows:

	<u>USD</u>	<u>EUR</u>	<u>Ukrainian hryvnia, %</u>
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	8,00%
Due from banks	0,05%	-	-
Loans and advances to customers	6,74%	6,97%	13,83%
Liabilities			
Due to banks	-	-	9,07%
Due to international and other financial institutions	4,41%	3,02%	7,31%
Due to customers	1,61%	2,24%	1,78%

The average effective interest rates of major interest bearing assets and liabilities as at 31 December 2020 are as follows:

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	<u>USD</u>	<u>EUR</u>	<u>Ukrainian hryvnia, %</u>
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	5,65%
Due from banks	0,06%	-	-
Loans and advances to customers	<u>7,71%</u>	<u>7,29%</u>	<u>15,95%</u>
Liabilities			
Due to banks	-	0,05%	5,30%
Due to international and other financial institutions	3,74%	2,97%	6,59%
Due to customers	2,04%	1,75%	3,65%

(d) Liquidity risk

Liquidity risk arises in the general funding of activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

To maintain its short-term liquidity, the Bank takes short-term deposits, enters into repurchase transactions and buys and sells foreign currency, securities and precious metals. To maintain its long-term liquidity, the Bank takes medium and long-term deposits, sells assets such as securities, regulates its interest rate policy and strives to reduce expenses.

The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2021 are as follows:

	<u>Within one month</u>	<u>From one to three months</u>	<u>From three months to one year</u>	<u>1-5 years</u>	<u>More than five years</u>	<u>Total</u>
Assets						
Cash and cash equivalents	<u>232 528</u>	-	-	-	-	<u>232 528</u>
Investments in securities	<u>245 588</u>	<u>85 728</u>	<u>264 842</u>	-	-	<u>596 158</u>
Due from banks	-	-	-	<u>3 663</u>	-	<u>3 663</u>
Loans and advances to customers	<u>246 767</u>	<u>173 690</u>	<u>674 558</u>	<u>237 572</u>	-	<u>1 332 587</u>
	<u>724 883</u>	<u>259 418</u>	<u>939 400</u>	<u>241 235</u>	<u>-</u>	<u>2 164 936</u>
Liabilities						
Due to banks	<u>89 864</u>	-	-	<u>175 998</u>	-	<u>265 862</u>
Due to international and other financial institutions	<u>15 073</u>	<u>13 744</u>	<u>299 645</u>	<u>136 513</u>	-	<u>464 975</u>

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Due to customers	<u>671 287</u>	<u>113 448</u>	<u>242 106</u>	<u>42 921</u>	<u>7 422</u>	<u>1 077 184</u>
	<u>776 224</u>	<u>127 192</u>	<u>541 751</u>	<u>355 432</u>	<u>7 422</u>	<u>1 808 021</u>
Liquidity (gap) surplus for the period	<u>- 51 341</u>	<u>132 226</u>	<u>397 649</u>	<u>-114 197</u>	<u>- 7 422</u>	<u>356 915</u>
Cumulative liquidity (gap) surplus	<u>- 51 341</u>	<u>80 885</u>	<u>478 534</u>	<u>364 337</u>	<u>356 915</u>	

The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2020 are as follows:

	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Assets						
Cash and cash equivalents	454 114	-	-	-	-	454 114
Deposit certificates of the National Bank of Ukraine	77 020	555	70 642	-	-	148 217
Due from banks	-	-	-	3 751	-	3 751
Loans and advances to customers	<u>296 591</u>	<u>316 142</u>	<u>602 298</u>	<u>167 082</u>	<u>-</u>	<u>1 382 113</u>
	<u>827 725</u>	<u>316 697</u>	<u>672 940</u>	<u>170 833</u>	<u>-</u>	<u>1 988 195</u>
Liabilities						
Due to banks	77 806	-	-	-	-	77 806
Due to international and other financial institutions	4 714	8 673	185 256	264 202	-	462 845
Due to customers	<u>562 718</u>	<u>152 904</u>	<u>327 416</u>	<u>27 816</u>	<u>-</u>	<u>1 070 854</u>
	<u>645 238</u>	<u>161 577</u>	<u>512 672</u>	<u>292 018</u>	<u>-</u>	<u>1 611 505</u>
Liquidity (gap) surplus for the period	<u>182 487</u>	<u>155 120</u>	<u>160 268</u>	<u>(121 185)</u>	<u>-</u>	<u>376 690</u>
Cumulative liquidity (gap) surplus	<u>182 487</u>	<u>337 607</u>	<u>497 875</u>	<u>376 690</u>	<u>376 690</u>	

The item "Due to customers" include term deposits of individuals providing for the early withdrawal thereof. The Bank management believes that most individuals deposits will not be withdrawn before the maturity thereof, so the customers funds are reported by their contractual maturities.

The analysis of maturities of the undiscounted financial liabilities (including interest payments that will be accrued in the future) of the Bank as at 31 December 2021 is presented in the table below:

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	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Due to banks	90 056	-	-	-	-	90 056
Due to customers	686 375	113 059	245 774	44 709	7 421	1 097 338
Credit related commitments	7 954	-	45 478	-	-	53 432
Due to international and other financial institutions	19 585	15 017	298 442	148 133	-	481 177
Total	803 970	128 076	589 694	192 842	7 421	1 722 003

The analysis of maturities of the undiscounted financial liabilities (including interest payments that will be accrued in the future) of the Bank as at 31 December 2020 is presented in the table below:

	Within one month	From one to three months	From three months to one year	1-5 years	More than five years	Total
Due to banks	77 828	-	-	-	-	77 828
Due to customers	560 696	150 560	330 374	28 988	-	1 070 618
Credit related commitments	6 648	19 355	131 100	-	-	157 103
Due to international and other financial institutions	8 451	7 562	185 949	277 828	-	479 790
Total	653 623	177 477	647 423	306 816	-	1 785 339

25. Capital management

(i) Regulatory capital

Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (regulatory capital adequacy ratio) above the prescribed minimum level. If the Bank does not maintain or sufficiently increase its capital base in line with the increase in its risk weighted assets, it may be non-compliant with the NBU capital adequacy regulations, which could lead to the imposition of sanctions by the NBU. This could have a material adverse effect on results of operations and financial condition. As at 31 December 2021, the minimum level set by the NBU is 10.0% (31 December 2020: 10.0%).

The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy ratio 26.32% as at 31 December 2021 and 26.87% 2020.

The following table shows the elements of the capital position calculated in accordance with the requirements of Basel Accord I, as at 31 December:

	2021	2020
Tier 1 capital		
Statutory capital	364 410	364 410
Retained earnings, share premium and additional paid in capital	7 517	30 734
Total Tier 1 capital	371 927	395 144
Total capital	371 927	395 144

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26. Balances with related parties

The Bank grants loans and advances to customers, attracts deposits and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the party when making financial and operational decisions. Terms of transactions with related parties are established at the time of the transaction. Related parties comprise entities which are under common control with the Bank, members of the Supervisory Board, key management personnel and their close family members, companies that are controlled or significantly influenced by shareholders, by key management personnel or by their close family members.

As at 31 December 2020, the ultimate controlling party of the Bank was JSC "ALTINBAŞ HOLDING ANONİM ŞİRKETİ", which is ultimately controlled by members of Altinbaş family.

As at 31 December 2021, the ultimate controlling parties of the Bank are JSC "ALTINBAŞ HOLDING ANONİM ŞİRKETİ" and JSC "CREDITWEST FACTORING ANONİM ŞİRKETİ", which is ultimately controlled by members of Altinbaş family.

The Bank balances and transactions with its related parties as at 31 December 2021 and 2020 are presented in the table below.

	<u>2021</u>	<u>2020</u>
Balances and transactions with the key management personnel		
Statement of financial position (as at 31 December):		
Loans and advances to customers	26	32
Due to customers	257	1 099
Statement of comprehensive income:		
Interest income	11	14
Interest expense	27	31
Salary and salary related charges payable	10 342	8 889
Balances with related parties		
Statement of financial position (as at 31 December):		
Due to customers	74	66

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2021 are as follows:

	<u>UAH</u>	<u>Interest rate</u>	<u>USD</u>	<u>Interest rate</u>	<u>EUR</u>	<u>Interest rate</u>
Balances with key management personnel						
Credits	26	36,00%	-	-	-	-
Deposits from customers	-	-	-	-	-	-
Current accounts	222	0,00%	2	0,00%	33	0,00%
Balances with related parties						
Current accounts	9	0,00%	64	0,00%	1	0,00%

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2020 are as follows:

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	UAH	Interest rate	USD	Interest rate	EUR	Interest rate
Balances with key management personnel						
Credits	32	36,00%	-	-	-	-
Deposits from customers	432	8,50%	-	-	-	-
Current accounts	282	0,00%	378	0,00%	7	0,00%
Balances with related parties						
Current accounts	-	-	66	0,00%	-	-

Key management personnel are those individuals that have the authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly, and also includes members of the Board of Management.

27. Fair value measurement

(a) Fair value of financial assets and financial liabilities that are not measured at fair value

The table below presents the carrying amounts and fair values of financial assets and financial liabilities at amortized cost. The fair value of the non-financial assets and non-financial liabilities is not presented in the table.

	2021		2020	
	Total carrying amount	Fair value	Total carrying amount	Fair value
Cash and cash equivalents	232 528	232 528	454 114	454 114
Deposit certificates of the National Bank of Ukraine	596 158	596 158	148 217	148 217
Due from banks	3 663	3 663	3 751	3 751
Loans and advances to customers	1 332 587	1 350 900	1 382 113	1 401 107
Total	2 164 936	2 183 249	1 988 195	2 007 189
Due to banks	265 862	265 862	77 806	77 806
Customer accounts	1 077 184	1 077 184	1 070 854	1 075 395
Due to international and other financial institutions	464 975	464 975	462 845	462 845
Total	1 808 021	1 808 021	1 611 505	1 616 046

The methods and assumptions used to define fair value of the financial instruments not reported at fair value in the financial statements are described below.

Assets which fair value is approximately equal to their carrying amount

For the financial assets and financial liabilities being liquid or short-term (less than three months), it is assumed that their carrying amount is approximately equal to their fair value. The said assumption also applies to the deposits on demand, savings accounts with no fixed maturity, and floating rate financial instruments.

Financial assets and financial liabilities at amortized cost

For the instruments carried at amortized cost, the discounting model of cash flows using current

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market rates for similar financial instruments with a similar status, similar to credit risk and maturity is applied.

(b) Financial assets at fair value

All assets and liabilities which fair value is measured or disclosed in the financial statements are classified by the level of the fair value measurement hierarchy presented below at the lowest level that is material for the fair value measurement as a whole:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation methods for which all the inputs with a significant effect on fair value are at the lowest level of the hierarchy and can be obtained directly or indirectly from market sources; and
- Level 3: valuation methods for which all the inputs with a significant effect on fair value are at the lowest level of the hierarchy and cannot be obtained directly or indirectly from market sources.

For the assets and liabilities reported in the consolidated financial statements on an ongoing basis, at the end of each reporting period, the Bank analyzes whether there has been a transition between levels of the hierarchy by reassessing the distribution by categories (based on the lowest-level data, which is generally important for the fair value measurement).

For disclosure purposes at fair value, the Bank determines the classes of assets and liabilities based on the nature, characteristics, and risks of the asset or liability, and the fair value hierarchy.

31 December 2021	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets reported at fair value				
Cash and cash equivalents	-	232 528	-	232 528
Securities investment	-	596 158	-	596 158
Due from banks	-	3 663	-	3 663
Loans and advances to customers	-	1 332 587	-	1 332 587
Financial liabilities reported at fair value				
Due to banks	-	265 862	-	265 862
Due to customers	-	1 077 184	-	1 077 184
Due to international and other financial institutions	-	464 975	-	464 975

31 December 2020	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets reported at fair value				
Cash and cash equivalents	-	454 114	-	454 114
Securities investment	-	148 217	-	148 217
Due from banks	-	3 751	-	3 751
Loans and advances to customers	-	1 382 113	-	1 382 113
Financial liabilities reported at fair value				
Due to banks	-	77 806	-	77 806
Due to customers	-	1 070 854	-	1 070 854
Due to international and other financial institutions	-	462 845	-	462 845

28. Subsequent events

On 21 February 2022 Russian President has announced the recognising the independence of two regions of Ukraine - the self-proclaimed Donetsk People's Republic and Luhansk People's Republic and ordered troops into two rebel-held eastern regions. Several countries have announced penalising Russia with sanctions in response. On 23 February 2022 the National Security and Defense Council of Ukraine called for a state of emergency. On 24 February 2022 Russian President has announced the "special military operation" into Ukraine, which in fact meant the beginning of the Russian Federation's premeditated, unprovoked war on Ukraine. Russian forces have launched a major military assault on Ukraine immediately, with reports of missile strikes and explosions in major cities of Ukraine. President of Ukraine Volodymyr Zelenskyy signed Decree № 64/2022 "On the imposition of martial law in Ukraine" which was approved by Verkhovna Rada. Currently, the Ukrainian military continue resistance to Russian forces. At the same time, the Western world together with traditional neutral countries (Japan, Switzerland, etc.) are targeting Russia's economy, financial institutions and individuals, imposing sanctions against Russia over its invasion of Ukraine. Moreover, the number of international companies are suspending their activities in Russia.

The final resolution and the effects of these events are difficult to predict, but they may have further severe effects on the Ukrainian economy and the Bank's business. Management continues to make efforts to identify and mitigate impacts to the Bank, however, there are factors beyond its knowledge or control, including the duration and severity of warfare, as well as further governmental and diplomacy actions taken.

The Supervisory Board, the Bank's Management Board and the committees of the Supervisory Board and the Management Board continue to perform their functions.

As at November 1, 2022, some employees work remotely without losing control and stopping vital processes.

The Bank's liquidity remains sufficient and the Bank complies with all normatives, coefficients and liquidity indicators established by the National Bank of Ukraine, as well as mandatory provisioning requirements.

Signed and authorised for release by and on behalf of the Management Board of the Bank

I.Yu. Tykhonov

Chairman of the Board

I.M. Kuzmenko

Chief Accountant

15 November 2022