JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK

Financial statements

for the year ended 31 December 2020

With the independent auditors' report

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for the year ended 31 December 2020

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.

According to the results of VI LEGAL BANKING FORUM JSC "CREDITWEST BANK" won in the nomination "The best corporate bank among small banks with foreign capital".

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 European Fund for Southeast Europe (EFSE), the Black Sea Trade and Development Bank (BSTDB), the European Investment Bank (EIB) and others).

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 50% of the total loan portfolio.

During 2020, the Bank joined 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 2020 the Bank has also expanded the list of products. New products have been added to the existing product line such as Passport of the banking product "Blank overdraft for small and medium business" Easy Start "and Passport of the product for legal entities" TOM, SPOT, FORWARD.

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 2020, 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 (Altınbaş İnan)	individual	yes	Citizen of the Republic of Turkey	0	14,165232	14,165232	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 HOLDING ANONIM SIRKETI ", - which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", which is the owner of 100% of shares of JSC "CREDITWEST BANK". He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.
2	Altinbas Huseyin (Altınbaş Hüseyin)	individual	yes	Citizen of the Republic of Turkey	0	18,759084	18,759084	by : - 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 100% of shares of JSC "CREDITWEST BANK". He is an associate person (brother) of Altinbas Inan, Altinbas Vakkas, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.
3.	Altinbas Ali (Altınbaş Ali)	individual	yes	Citizen of the Republic of Turkey	0	16,67	16,67	By : - Ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM 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 (Altınbaş Vakkas)	individual	yes	Citizen of the Republic of Turkey	0	16,67	16,67	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 100% of shares of JSC “CREDITWEST BANK”. He is an associate (brother) of Altinbas Huseyin, Altinbas Inan, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.
5.	Altinbas Nusret (Altınbaş Nusret)	individual	yes	Citizen of the Federal Republic of Germany	0	16,67	16,67	By : - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 100% of shares of JSC "CREDITWEST BANK". He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Ali, Altinbas Inanu and Altinbas Sofu.
6.	Altinbas Sofu (Altınbaş Sofu)	individual	так	Citizen of the Republic of Turkey	0	16,67	16,67	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 100% of shares of JSC “CREDITWEST BANK”. He is an associate (brother) of Altinbas Huseyin, Altinbas Wakkas, Altinbas Ali, Altinbas Nusret and Altinbas Inan.

7.	Altinbas Mehmet Atakan (Mehmet Atakan Altınbaş)	individual	no	Citizen of the Republic of Turkey	0	0,349173	0,349173	By - 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 100% of shares of JSC "CREDITWEST BANK". He is an associate (son) of Inan Altinbas .
8.	Tugce Sahin (Tuğçe Şahin)	individual	no	Citizen of the Republic of Turkey	0	0,066509	0,066509	By - ownership of 16% 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 owns 25.08% 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 100% of shares of JSC "CREDITWEST BANK". She is an associate (daughter) of Inan Altinbas .

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.	Altinbas Inan (Altınbaş İnan)	individual	O	Citizen of the Republic of Turkey	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. 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: - 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 100% of shares of JSC "CREDITWEST BANK". Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", JSC "ALTINHAS HOLDING ANONIM SIRKETI ".
2.	Altinbas Huseyin (Altınbaş Hüseyin)	INDIVIDUAL	O	Citizen of the Republic of Turkey	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. 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: - 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 100% of shares of JSC "CREDITWEST BANK". Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ALTINHAS HOLDING ANONIM SIRKETI".
3.	Altinbas Ali (Altınbaş Ali)	INDIVIDUAL	O	Citizen of the Republic of Turkey	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. 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: - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 100% of shares of JSC "CREDITWEST BANK". Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI".
4.	Altinbas Vakkas (Altınbaş Vakkas)	INDIVIDUAL	O	Citizen of the Republic of Turkey	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. 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: - 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 100% of shares of JSC "CREDITWEST BANK". Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI".
5.	Altinbas Nusret (Altınbaş Nusret)	INDIVIDUAL	O	Citizen of the Federal Republic of Germany.	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. 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: - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 100% of shares of JSC "CREDITWEST BANK". Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI".
6.	Altinbas Sofu (Altınbaş Sofu)	INDIVIDUAL	O	Citizen of the Republic of Turkey	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. 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: - 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 100% of shares of JSC “CREDITWEST BANK”. Together with the associated persons, he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI".
7.	Joint-stock company "ALTINHAS HOLDING ANONIM SIRKETI" («ALTINHAS HOLDİNG ANONİM SİRKETİ»)	Legal Entity	O	Republic of Turkey, Istanbul/Sisli Buyukdere st., Business Center Ozsesen, block C, 9th floor (Buyukdere Cd. Özsezen İşmerkezi C Blok K:9 Şişli, İstanbul, Turkey Republic); Identification code705657	Owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 100% of the Bank's shares.
8.	Joint-stock company "ALTINBAS HOLDING ANONIM SIRKETI»	Legal Entity	П	Republic of Turkey, Mahmutbey Mah., Dilmenler Avenue, ALTINBAS University, 26-28,	The sole shareholder of the bank, which owns 100% of the Bank's shares. 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.

	(«ALTINBAŞ HOLDİNG ANONİM SİRKETİ»)			Bagcilar / Istanbul, (Republic of Turkey, Istanbul, Bagcilar, Dilmenler av., Altinbas University №, 26-28, Maslak/Sarıyer); Identification code394381	
9.	Joint-stock company "ASV HOLDING ANONIM SIRKETI" («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	Owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 100% of the Bank's shares.

General Meeting Information.

In 2020, 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 2019 and the report on the annual results of the Bank's activity for 2019, 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.
3. To approve the decision on the distribution of the Bank’s profit based on the results of the annual report for 2019 in amount UAH 28’244’970.66. (twenty-eight million two hundred twenty-four thousand nine hundred seventy hryvnias 66 kopecks), 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 2019 in the amount of UAH 1,411,248.53. (one million four hundred and eleven thousand two hundred and forty-eight hryvnias 53 kopecks) to be sent to the Bank's reserve fund,

- 95% of the Bank’s profit (profit after tax) for 2019 in the amount of UAH 26’813’722.13. (twenty-six million eight hundred thirteen thousand seven hundred twenty-two hryvnias 13 kopecks) 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 2019 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 2019 and recognize the efficiency of the Management Board of the Bank at a sufficient level.
6. Approve the Report on Remuneration of the Members of the Supervisory Board of the Bank for 2019.
7. To appoint for a three-year term Mr. Koray Akkuş, who assumes the position of an independent member of the Supervisory Board of the Bank, after his approval by the National Bank of Ukraine, and to approve the main terms of the civil contract with an independent member of the Supervisory Board, the amount of remuneration for performing the functions of an independent member of the Supervisory Board. To authorize the Chairman of the Management Board of the Bank to sign an agreement with the newly elected independent member of the Supervisory Board of the Bank.
8. To approve in a new edition the Charter of the Bank, "Regulations on the General Meeting of Shareholders of the Joint Stock Company" WEST FINANCE AND CREDIT BANK "," Regulations on the Supervisory Board of the Joint Stock Company "WEST FINANCE AND CREDIT BANK" WEST FINANCE AND CREDIT BANK ».

Information about 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 absence 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 and this Regulation (subject to the restrictions provided for in paragraph 5.11. Section 5 of this 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 impossiblity 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 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 committees in the Supervisory Board have not been established.

The composition of the Supervisory Board as of 31 December 2020:

- Zafer Ozcan - Chairman of the Bank's Supervisory Board, who is a representative of the Shareholder.
- Omer Akgul – the member of the Mangement 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 executive body of JSC «CREDITWEST BANK» (Management Board of the Bank) is composed of three members, namely:

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

Deputy Chairman of the Management Board of the Bank – Yildirim Yunus Emre

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

During 2020, the composition of the Management Board of the Bank was changed. By the decision of the Supervisory Board of the Bank No22 dated 12.08.2020 the powers of the member of the Management Board Mr. Rostyslav Tkachenko were terminated

Throughout the year of 2020 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 2020 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 2020 (fixed):

- Amount of UAH 1,679 thousand was paid to the members of the Supervisory Board, the number of recipients is two;

- Amount of UAH 8,889 thousand was paid to the Management Board of JSC "CREDITWEST BANK", number of recipients is four.

There were no variable payments for the reporting financial year 2020 to the members of the Supervisory Board and the Management Board of the Bank.

There is no amount of unpaid deferred remuneration to the members of the Supervisory Board and the Management Board of the Bank for the year 2020.

There is no amount of deferred remuneration for previous financial years paid during 2020 to the members of the Supervisory Board and the Management Board of the Bank.

There were no hiring payments made in 2020 to the members of the Supervisory Board and the Management Board of the bank.

Amounts of redundancy payments made during 2020:

- there were no payments to the members of the Supervisory Board;

- amount of UAH 162 thousand was paid to the Management Board of JSC "CREDITWEST BANK" , the number of recipients is one.

The Bank continues to work within the framework of the strategy and the business plan. It recognizes, identifies and controls financial risks. The Bank's financial risks include: Credit risk (Individual risk, Portfolio risk, Country risk, Transfer risk), Liquidity risk (Market Liquidity risk, Financing Liquidity risk, Excess Liquidity risk, Liabilities Concentration risk), Interest Rate risk (Risk of Resources' Cost Changes, Risk of Change in Yield Curve, Basic risk, Risk of Right of Choice), Currency risk (Transaction risk, Translation risk, Economic currency risk), Price 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 legally regulated measures to control the management of risks, the segregation of duties and powers, control over access to resources and accounts, control over the reliability of performed operations, verification of processes and operations before and after their execution, reconciliation of accounting data with actual data and measures of permanent monitoring of activities of the bank to determine and adjust deviations in the internal control system. The organization of the system of internal control and its separate components within the system of the bank ensures its effective functioning.

Data are indicated in the notes to the financial statements.

Notes:

6. Cash and cash equivalents as at 31 December 2020 are as follows: As of 31 December 2020, cash on accounts with the NBU includes the minimum reserve balance that the Bank required to maintain. As of 31 December 2020, the statutory amount of the mandatory reserve was UAH 91 550 thousand (2019: UAH 34 714 thousand).

The Bank considers the mandatory reserve on accounts with the NBU as a component of cash and cash equivalents. As of 31 December 2020, the two largest balances on current accounts placed with other banks comprised UAH 351 635 thousand or 99,44%of total balances on current accounts with other banks (2019: UAH 125 258 thousand or 98.48%)

7. Investment securities are represented by the NBU certificates of deposit. 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 as of 31 December 2020 and 31 December 2019. During 2020, 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 71,512 thousand.

8. As of 31 December 2020, 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 (2019: one bank, "B- to B+"). Certificates of deposit of the National Bank of Ukraine were neither impaired nor past due as of 31 December 2020 and 2019.

9. As at 31 December 2020, loans and advances to the ten largest borrowers total UAH 697 278 thousand or 49,9% of the total net loans and advances to customers (2019: UAH 616 924 thousand or 49.1%). 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 74 thousand in 2020 and were recognized within administrative and other operating income.

Fair value of investment property as at 31 December – UAH 1 696 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 2020 – UAH 61 806 thousand

13. Rent. The amount of rights to use as of December 31, 2020 is UAH 4 865 thousand.

14. As of 31 December 2020, deposits from two banks total UAH 77 806 thousand or 100% of total due to banks (31 December 2019: deposits from two banks total UAH 135 078 thousand or 100% of total due to bank).

15. As of 31 December 2020, balances on current accounts of the five largest customers total UAH 132 418 thousand or 35% of total balances on current accounts (31 December 2019: 149 815 thousand or 51%).

As of 31 December 2020, deposits from the five largest customers total UAH 176 271 thousand or 33% of total deposits (31 December 2019: UAH 105 846 thousand or 24%).

As of 31 December 2020, Total - UAH 1 070 854 thousand.

16. Other assets as of 31 December are as follows

As of 31 December 2020, Total - UAH 4 933 thousand.

17. As of 31 December 2020, the funds of international financial organizations are represented by loans – 462 845 thousand.

18. In accordance with the decision made by the shareholders, Bank repaid the subordinated debt in amount of 1 525 thousand USD in October 2019.

19. As of 31 December 2020, 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 2019: 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 2020, all shares were fully paid and registered.

No dividends were declared and paid in 2020 and 2019.

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

Net interest income – UAH 114 794 thousand (2019: UAH 114 256 thousand).

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

Net fee and commission income – UAH 21 775 thousand (2019: UAH 21 587 thousand).

23. Other operating income for the year ended 31 December is as follows

Total other operating income – 3 622 thousand (2019: UAH 2 026 thousand).

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

As of 31 December 2020, Total - UAH 27 471 thousand (2019: UAH 37 586 thousand).

25. The following is a schedule of movements in provision for impairment for the year ended 31 December – 14 957 thousand.

26. The corporate income tax expense comprises

The statutory income tax rate in 2020 was 18% (2019: 18%).

Total income tax expense – 4 457 thousand.

According to the Ukrainian legislation, reserves are distributed within the amount of retained earnings, which is determined in accordance with legal and regulatory requirements. In May 2019, by the decision of the Bank's shareholder, the authorized capital of the Bank was increased by UAH 56,986 thousand by directing to the authorized capital of the Bank part of the profit received in 2018 by increasing the nominal value of the Bank's shares from UAH 2.05 per share to UAH 2.43 per share

During the year of 2020 the assets of the Bank (excluding current reserves) were increased by UAH 402 768 thousand or by 24.13 % and amounted to UAH 2 068 641 thousand (during the year of 2019 year - UAH 1 665 873 thousand). In the structure of assets the largest share belongs to the article "Loans and advances to customers", which constitutes 67% as of 31 December 2019 (as of 31 December 2019 -74%), "Cash and cash equivalents" -22% (as of 31 December 2019 year - 12%), "Property, equipment and intangible assets, other assets" -0.5% (as of 31 December 2019 - 3%), " Due from banks" -0.2% (as of 31 December 2019 – 0.1%). Client assets were increased by 11.4% to the amount of UAH 1 381 972 thousand (excluding of current provision).

During the year of 2020 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 99.98% as of the end of 2019 to 99.92% as of the end of 2020; the share of loans granted to individuals increased respectively from 0.02% to 0.08%.

During the year of 2020 the current provision for the Bank's lending operations have increased by UAH 1 168 thousand and reached UAH 14 409 thousand. The total liabilities of the Bank during 2020 increased by UAH 382 463 thousand (or by 30%) and constitutes UAH 1 621 365 thousand as of 31 December 2020. The increase in liabilities took place mainly due to the increase customer funds.

Within the structure of liabilities, the share of funds attracted from clients constitutes 66% (as of 31 December 2019 – 65%), including: attracted to individuals' accounts – 29% (as of 31 December 2019 – 37%), legal entities and individuals-entrepreneurs – 71% (as of 31 December 2019 – 63%). The share of loans received from other banks and term deposits (deposits) of other banks constitutes 5% (as of 31 December 2019 – 11%).

The authorized and paid share capital of the Bank as of 31 December 2019 amounted to UAH 20 364 410 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 100.00% 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, did not occur. There was no redemption of own shares.

During the year of 2020, 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) – 398 621 163,35 regulatory capital adequacy ratio (H2) – 26,87

short-term liquidity ratio (H6) – 152,58.

According to the results of 2020 the Bank received net profit in the amount of UAH 20 305 thousand, against net profit for 2019 - UAH 28 225 thousand.

Key items that influenced the financial results for the year of 2020 (information is provided in comparison with 2018):

net interest income – UAH 114 796 thousand against UAH 114 256 thousand;

net commission income – UAH 21 775 thousand against UAH 21 857 thousand;

income from trade in foreign currency – UAH 5 308 thousand against UAH 4 418 thousand;

other operating income – UAH 3 622 thousand against UAH 2 026 thousand;

administrative and other operating expenses – UAH 27 471 thousand against UAH 37 586 thousand;

formation of provision – UAH 14 957 thousand against the result of dismantling of reserves in 2019 for the amount of UAH 3 127 thousand.

The share of commission income as of 31 December 2020 and as of 31 December 2019 is almost the same. At the same time, there was an increase in the share of other operating incomes by almost 2 times.

In the year of 2020, as compared to the previous year, the expenses of the Bank decreased by 4% and, as of 31 December 2019, they amounted to UAH 198 809 thousand. Interest expenses amount to UAH 66 672 thousand, and their share constitutes 34% of all expenses (31 December 2019: 43%).

In the Bank there are no facts of alienation of assets in 2020 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 2020, 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 2020, 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:

	2020 **thousand UAH**
Transaction balances and transactions with Holding company	

Statement of financial position (as of 31 December):	
Loans and indebtedness of clients	32
Funds of clients	1 099
Statement of cumulative income:	
Interest income	14
Interest expenses	31
Wages and related accruals	8 889
Transaction balances with other related parties	
Statement of financial position (as of 31 December):	
Funds of clients	66

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 2020 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" – 20 years (state registration of the audit company in 1999);

the number of years during which it provides audit services to the bank – 2 years;

During 2020, LLC "Baker Tilly" provided assessment of bank stability services for 2019;

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 2020;
- the bank has no lawsuits regarding the provision of financial services in 2020.

The Corporate Secretary fulfilled his responsibilities since March 23, 2020, 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.

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

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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 of the end of December 31, 2020;
- statement of profit and loss and other comprehensive income for 2020;
- statement of cash flow for 2020 (direct method);
- statement of equity for 2020;
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), and meets the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine".

Basis for opinion

We conducted an audit in accordance with International Standards on Auditing ("ISA"). Our responsibility under these standards is described in *"Auditor's Responsibilities for the Audit of Financial Statements"* section of our report. We are independent in relation to the Bank in accordance with the *International Code of Ethics of Professional Accountants* of International Ethics Standards Board for Accountants *(including International Standards of Independence, IESBA Code*) and ethical requirements applicable in Ukraine to our audit of financial statements, and also performed other ethical obligations in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter paragraph

We draw attention to Note 20 of the financial statements, regarding the potential impact of the COVID-19 pandemic on business, which is not quantifiable at this stage with respect to the implications for the operations and profitability of the Bank and the economy as a whole. Management continues to work to identify, manage and mitigate the effects of the COVID-19 pandemic on the Bank's results; however, there are factors beyond knowledge and control, including the duration and severity of the outbreak, any such outbreaks, and the follow-up of governmental and regulatory action. Our opinion on this issue was not modified.

Key audit matters including the most significant estimated risks of material misstatement, in particular, estimated risks of material misstatement due to fraud

Key audit matters are those matters that, in our professional judgment, were of the most significance during 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 were taken into account in forming an opinion thereon. Upon that, we do not provide a separate opinion on these matters. We identified that matters described below are the key audit matters to be reflected in our report.

Key Audit Matter	How the key audit matter was addressed in the audit
Provisions for covering losses due to loans impairment, debtors, loans granted to other banks amount to UAH 14 443 thousand. *See Notes 9, 5 and 24*	
We have an increased focus on this area as a key audit matter due to the balance materiality on clients' loans and debtors, bank loans and debts, and the subjective nature of judgments used in impairment calculation. Provisions for covering losses due to impairment reflect assessment of the management of expected loss on portfolios of loans and debtors as of the reporting date. Assessment of the expected loan losses on financial tool is carried out in a way that reflects: the objective and probable amount determined by means of estimating a certain range of possible results, time value of money, reasonable and verifiable information about past events, current conditions and forecasts of future economic conditions, taking into account all reasonable and verifiable information, including the forecast one. Detection of a significant increase in credit risk, impairment and determination of the expected reimbursement amount includes certain assumptions and analysis of various factors, including the financial position of the borrower, expected future cash flows, market prices, available for observation, fair collateral value. The use of different models and assumptions may lead to different estimates of the provision for loans and debtors' impairment.	Our procedures included, but were not limited to the following: - Testing of the internal control system introduced by the management in terms of calculation of provisions for covering losses due to loans impairment and debtors on both individual and collective basis. - We also independently evaluated the appropriateness of management opinion regarding the used methodology of calculation and inputs for past events, current conditions and forecast information for calculating default probability factors, as well as collateral reimbursement and value. - Regarding provisions for loans impairment with identified individual depreciation marks, we have tested the assumptions underlying the impairment identification and its quantification, including analysis of the borrowers' financial position, forecasts for future cash flows and collateral valuation. Regarding provisions for loans impairment without identified individual depreciation marks, calculated on a collective basis, we tested the models used and the input data used in these models and their mathematical accuracy. We did not find any significant discrepancy based on the results of these tests.

Other information

The management staff is responsible for the other information. The other information comprises the Management Report for 2020, which includes a Corporate Management Report as a separate section (but is not financial statements and our auditors' report thereon) which we obtained prior to the date of this auditors' report, and the Annual information on the issuer of securities for 2020 (containing a Corporate Management Report), which we expect to receive after this date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information mentioned above and, upon that, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained at the audit, or whether this other information seems to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We found no facts to be included in the report.

When we learn the Annual Information of the Issuer of Securities for 2020, if we come to the conclusion that it contains a material misstatement, we will need to inform on this matter those who have the highest authorities.

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

The management staff is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", and for such internal control system, as the management staff determines as necessary to enable preparation of financial statements free from material misstatement due to fraud or error.

In preparing the financial statements, the management staff 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 staff either intends to liquidate the Bank or to cease operations, or have no realistic alternatives but to do so.

Those who have the highest authorities are responsible for the supervision over the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 influence the users' economic decisions taken on the basis of these financial statements.

Performing an audit in accordance with ISA, we use professional judgment and professional skepticism throughout the audit task. Besides we:

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

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

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

- conclude on the appropriateness of the going concern basis of accounting use by the management staff 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 there is a material uncertainty, we are required to draw attention in our auditors' report to the related disclosures of information in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained prior to the date of our auditors' 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 of information, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those who have the highest authorities on information, among other matters, about the planned scope and timing of the audit and significant audit findings, including any material deficiencies in internal control measures which we've identified during the audit.

We also provide those who have the highest authorities with statements that we have complied with relevant ethical requirements regarding independence, and communicate with them on all relationships and other matters that may reasonably be considered to be such as to affect our independence, and where applicable, on related safeguards.

From the matters communicated with those who have the highest authorities, we've determined those of the most significance in the audit of the financial statements of the current period, that is matters being the key audit matters. We describe these matters in our auditors' report, unless legislative or regulatory act precludes public disclosure of the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report as 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:

Purpose and duration of the audit task

We were appointed as auditors by the decision of the Supervisory Board of the Bank on August 27, 2020 to perform the statutory audit of the Bank's financial statements for the year ended on December 31, 2020. This is the second year of our appointment to perform the statutory audit of the Bank's financial statements.

Provision of non-audit services and independence

We confirm that as far as we know and convinced, we did not provide the Bank or its controlled business entities with non-audit services prohibited by law, as specified in part four of Article 6 of the Law of Ukraine "On Financial Audit and Auditing Activities". We, including the key audit partner, were independent in relation to the Bank in conducting our audit.

We have provided the Bank or the entities controlled by it with the following services, except for statutory audit services not disclosed in the financial statements or in the Management Report: assessment of the Bank's assets quality and eligibility of collateral for loans as of January 1, 2020, within the framework of fulfilling the requirements of the Terms of Reference for the assessment of stability of banks and banking system of Ukraine, approved by the decision of the Board of the National Bank of Ukraine No. 105-RSH dated February 07, 2020.

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.

Consistency of management report with financial statements

Based on results of the work carried out in the course of audit, taking into account knowledge and understanding of the Bank's activities and conditions of its work formed in the course of audit, in all material aspects:

- the Management Report which includes a Corporate Management Report of JSC «CREDITWEST BANK» for 2020, has been prepared in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine", "Instructions on the Procedure for Preparation and Publication of Financial Statements of Banks of Ukraine", approved by the NBU Resolution No. 373 dated October 24, 2011, and other applicable legislative and regulatory acts, and the information provided therein is consistent with the financial statements;

- we found no material misstatement of information in the Management Report.

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

The objectives of our audit regarding fraud are to identify and assess the risks of financial statements material misstatement due to fraud, to obtain sufficient reasonable audit evidence about the assessed risks of material misstatement due to fraud by means of appropriate audit procedures performing in response to these risks, as well as to take necessary measures regarding actual or suspected fraud cases detected in the course of the audit. However, the primary responsibility for fraud preventing and detecting is borne by those who have the highest authorities and the management staff of the Bank.

Identification and assessment of potential risks related to violations	**Actions in response to assessed risks**

In identifying and assessing material misstatement risks in terms of detecting violations, in particular those related to fraud and non-compliance with legislative and regulatory requirements, our procedures included, among others, the following:
 	
- requests for management staff and for those who have the highest authorities, including receipt and revision of the supporting documentation on the Bank's policy and procedures regarding:
    - identification, assessment and compliance with legislative and regulatory requirements, as well as availability of information about any cases of violation thereof;
    - detection and response to fraud risks and availability of information about any actual, suspected or anticipated fraud; and
    - internal controls implemented to reduce risks related to fraud or non-compliance with legislative and regulatory requirements.
- discussion by audit task team members of the circumstances under which and at what stage the Bank's financial statements may be exposed to material misstatement due to fraud, including fraud way. Within this discussion, we identified the potential for fraud in the following areas: revenue recognition, neglecting of control measures by the management staff; and
- understanding of the legislative and regulatory acts applicable to the Bank and forming the legal and regulatory basis for its activities. Upon that we paid special attention to those laws and regulations that influenced directly the financial statements or which had a fundamental impact on the Bank's activities. Key laws and regulations we discussed in this
	As a result of the performed procedures for risks identification assessment, any matters associated with the potential risk of fraud or non-compliance with legislative and regulatory requirements were not identified as key audit matters by us.
	
	Our procedures in response to other identified risks, among others, were as follows:
	
	- review of financial statements disclosures and supporting documentation testing in order to assess compliance with the requirements of the relevant laws and regulations considered in this section;
	- management staff request to those who have the highest authorities and to internal lawyers on existing and potential court actions and claims;
	- analytical procedures performing in order to identify any unusual or unexpected relationships that may indicate the risks of material misstatement due to fraud;
	- familiarization with the minutes of meetings of those who have the highest authorities and review of internal audit reports;
	- testing the compliance of information reflected in the financial accounting and adjustments; assessment of whether judgments and decisions made by the management staff at accounting estimates determination mean the existence of bias; evaluating the economic feasibility regarding significant operations which are unusual or beyond the normal course of business.
	
	We also informed all audit task team members on the relevant identified laws and regulations, potential risks of fraud, and were watchful throughout the audit regarding any signs of fraud or failure to comply with laws and regulatory acts.

Identification and assessment of potential risks related to violations	Actions in response to assessed risks
context included the Law of Ukraine "On Banks and Banking" and regulatory acts of the National Bank of Ukraine in the area of licensing and prudential supervision, the Law of Ukraine "On Securities and Stock Market" and applicable regulatory acts of the National Securities and Stock Market Commission, the Law of Ukraine "On Financial Services and State Regulation of Financial Services Markets".	

Other matters

Based on results of the work carried out in the course of audit, taking into account knowledge and understanding of the Bank's activities and conditions of its work formed in the course of audit, in all material aspects:

- information contained in the Corporate Management Report as a part of Management Report of the Bank for 2020, in accordance with the requirements of clauses 1–4, part three of Article 40^1 of the Law of Ukraine "On Securities and Stock Market", was prepared in accordance with the requirements of the Law of Ukraine "On Securities and Stock Market" and other applicable legislative and regulatory requirements, and is consistent with the financial statements;

- in our opinion the Corporate Management Report as a part of the Management Report of the Bank for 2020, responsibility for which is borne by the management staff of the Bank, contains all the information required in clauses 5–9, part three of Article 40^1 of the Law of Ukraine "On Securities and Stock Market".

Other legislative and regulatory requirements

Reporting required by the Law of Ukraine "On Banks and Banking Activity" and the "Regulations on the procedure for the auditors' report on the financial statements annual audit filing to the National Bank of Ukraine by the Bank", approved by the Resolution of the National Bank of Ukraine (hereinafter referred to as NBU) No. 90 dated February 08, 2018

In accordance with the requirements of the Law of Ukraine "On Banks and Banking Activity" and the "Regulations on the procedure for the auditors' report on the financial statements annual audit filing to the National Bank of Ukraine by the Bank", approved by the Resolution of the National Bank of Ukraine (hereinafter referred to as NBU) No. 90 dated February 08, 2018, the auditors' report should also contain information (assessment) concerning:

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

2) the bank's compliance with the requirements established by laws and regulations of the National Bank on:

- internal control;
- internal audit;
- credit exposure on active banking transactions;
- recognition of persons associated with the bank and carrying out transactions with them;
- bank's capital adequacy, which should be determined taking into account the bank's assets quality;
- accounting record-keeping.

The purpose of the audit was to express an opinion on whether the Bank's annual financial statements for 2020 accurately reflect the financial position of the Bank in accordance with International Financial Reporting Standards in all material respects.

The information contained in this report is the result of performing the procedures by us within the audit of the Bank's annual financial statements for 2020. The mentioned information is obtained on the basis of selective testing and in the volumes required for audit procedures planning and conducting in accordance with the requirements of International Standards on Auditing.

This report is intended for information and use by the management of the Bank and the National Bank of Ukraine, and cannot be used by any other party. When familiarizing with this report, the limited nature, as described above, of the procedures for evaluating matters related to the Bank's activities, organization of the accounting and internal control system should be taken into account.

Besides, it should be taken into account that the criteria of our assessing the matters related to the Bank's activities, organization of accounting and internal control system may differ from the criteria applied by the National Bank of Ukraine.

According to the results of performing the audit procedures by us within the audit of the annual financial statements, we provide information (assessments) regarding the above issues:

As a result of our audit procedures within the annual financial statements audit, we have found no evidence of non-compliance by the Bank with the requirements of the National Bank of Ukraine on the compliance (accuracy of reflection) of data on bank's assets and liabilities distribution by maturity periods in a file with indicators of statistical reporting A7X "Data on the structure of assets and liabilities by periods" prepared by the Bank for submission to the National Bank, as of January 1 of the year following the reporting one, namely as of January 01, 2021.

Regarding the compliance of the bank with the requirements established by laws and regulations of the National Bank on issues of:

internal control

As a result of our audit procedures within the annual financial statements audit, we have found no evidence that the Bank's structure and internal control measures do not meet the requirements of laws and regulations of NBU, in particular, the Resolution of the National Bank of Ukraine No. 88 dated July 29, 2019 "On Approval of the Regulation on organization of internal control in the banks of Ukraine and banking group".

internal audit

In our opinion, at the time of the audit, the Bank's internal regulatory documents, which regulate internal audit procedures, are in compliance with the requirements of laws and regulations of NBU, in particular, of the Resolution of the National Bank of Ukraine No. 311 dated May 10, 2016, "On Approval of the Regulations on the Internal Audit Organization in the Banks of Ukraine". Internal audit procedures are carried out in compliance with the requirements of the Bank's internal regulatory documents.

credit exposure on active banking transactions

Credit risk amount as of the reporting date is calculated by the Bank in accordance with the requirements of laws and regulations of the National Bank, including the Regulation on the determination by banks of Ukraine of the credit exposure on active banking transactions, approved by NBU Board Resolution No. 351 dated June 30, 2016 (hereinafter referred to as NBU Resolution No. 351).

As a result of our audit procedures within the annual financial statements audit, we have found no material deviations from the credit risk calculation made by the Bank as of December 31, 2020.

recognition of persons associated with the bank and carrying out transactions with them

As a result of our audit procedures within the annual financial statements audit, we have found no evidence of the Bank's risk management system mismatch in the course of transactions with related persons, procedures for identifying the persons associated with the Bank and transactions with them with the requirements of laws and regulations of NBU. In course of the audit, we have found no violations of regulatory requirements in terms of carrying out transactions with related parties.

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

The authorized capital of the Bank as of December 31, 2020 is sufficient and amounts to UAH 364,410 ths according to the Bank.

As of December 31, 2020, the regulatory capital of the Bank amounts to UAH 395,144 ths, that corresponds to the requirements of laws and regulations of NBU (see Note 27 "Capital Management").

accounting record-keeping

The Bank's accounting system meets the requirements of NBU laws and regulations, as well as accounting policy of the Bank.

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 — Oleksandr Pochkun

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

Partner

BAKER TILLY UKRAINE LLC — Hahik Nersesian

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

April 16, 2021

Kyiv, Ukraine

(in thousands of Ukrainian hryvnias)

	Notes	2020	2019
Assets			
Cash and cash equivalents	6	454 114	164 228
Investments in securities	7	148 217	195 304
Due from banks	8	3 751	3 198
Loans and advances to customers	9	1 382 113	1 240 370
Investment property	10	1 696	1 622
Assets on the right of use	13	4 865	11 352
Property, equipment and intangible assets	11	11 716	11 411
Deferred tax asset	26	504	411
Other assets	12	61 665	37 977
Total assets		**2 068 641**	**1 665 873**
Liabilities			
Due to banks	14	77 806	135 078
Customer accounts	15	1 070 854	750 667
Due to international and other financial institutions	17	462 845	337 130
Income tax payable		1 569	1 375
Lease commitments	13	3 358	11 069
Other liabilities	16	4 933	3 583
Total liabilities		**1 621 365**	**1 238 902**
Equity			
Share capital	18	364 410	364 410
Unregistered share capital		4 086	4 086
Share premium		2 902	2 902
Additional paid-in capital		-	-
Retained earnings		75 878	55 573
Total equity		**447 276**	**426 971**
Total liabilities and equity		**2 068 641**	**1 665 873**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the Board

Mr. Igor Kuzmenko — Chief Accountant

16 April 2021

The notes set out on pages 41 – 83 form an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)

	Notes	2020	2019
Interest income	20	181 466	202 337
Interest expense	20	(66 672)	(88 081)
Net interest income	20	**114 794**	**114 256**
Fee and commission income	21	27 955	26 515
Fee and commission expense	21	(6 180)	(4 658)
Gains less losses arising from change in or derecognition of financial assets or liabilities		(5 126)	(4 647)
Gains less losses arising from dealing in foreign currencies		763	4 418
Gains less losses arising from foreign currency revaluation		5 308	148
Allocated to provision for impairment of loans and due from banks	24	(14 957)	(3 127)
Allocated to provision for impairment of other assets	24	(176)	(26)
Other operating income	22	3 622	2 026
Salary and employee benefits		(63 073)	(51 439)
Depreciation and amortization	11	(3 593)	(3 891)
Depreciation assets on the right of use	13	(6 487)	(6 487)
Interest expense of lease commitments	13	(617)	(1 081)
Administrative and other operating expenses	23	(27 471)	(37 586)
Profit before tax		**24 762**	**34 421**
Income tax expense	25	(4 457)	(6 196)
Net profit and total comprehensive income		**20 305**	**28 225**

Signed and authorized for issuance

Mr. Igor Tykhonov Chairman of the Board

Mr. Igor Kuzmenko Chief Accountant

16 April 2021

The notes set out on pages 41 – 83 form an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)

	Notes	2020	2019
Operating activities			
Interest received		191 913	176 925
Interest paid		(70 749)	(75 957)
Fees and commissions received		27 807	26 221
Fees and commissions paid		(6 106)	(4 472)
Net receipts from dealing in foreign currencies		6 071	3 125
Other operating income received		1 384	1 980
Administrative and other operating expenses		(93 402)	(96 593)
Income tax paid		(4 358)	(7 223)
Cash flows from operating activities before change in operating assets and liabilities		**52 560**	**24 006**
Changes in operating assets and liabilities			
Change in due from banks		(619)	259
Change in loans and advances		(163 375)	25 270
Change in other assets		43 863	(39 000)
Securities measured at amortized cost		(23 536)	10 748
Change in due to banks		(57 126)	(24 189)
Change in due to customers		335 223	(31 647)
Change in other liabilities		(20 013)	193
Cash flows from / (used in) operating activities		**166 977**	**(34 360)**
Investing activities			
Purchase of property, equipment and intangible assets		(3 166)	(959)
Proceeds from sale of investment properties		-	1 355
Cash flows used in investing activities		**(3 166)**	**396**
Financing activities			
Proceeds from international and other financial institutions		126 735	48 898
Proceeds from increase of share capital			
Repayment of subordinated debt		-	(36 901)
Cash flows from financing activities		**126 735**	**11 997**
Effect of exchange rate fluctuations on cash and cash equivalents		(660)	(1 687)
Net increase / (decrease) in cash and cash equivalents		**290 546**	**(21 967)**
Cash and cash equivalents as at 1 January		**164 228**	**187 882**
Cash and cash equivalents as at 31 December	6	**454 114**	**164 228**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the board

Mr. Igor Kuzmenko — Chief Accountant

16 April 2021

(in thousands of Ukrainian hryvnias)

	Share capital	Unregistered share capital	Share premium	Additional paid-in capital	Retained earnings	Total
Balance at 1 January 2019	**307 424**	**4 086**	**2 902**	**(6 400)**	**90 734**	**398 746**
Share capital registration	56 986	-	-	-	(56 986)	-
Share capital increase		-	-	6 400	(6 400)	-
Total comprehensive income for the year	-	-	-	-	28 225	**28 225**
Balance as at 31 December 2019	**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**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the Board

Mr. Igor Kuzmenko — Chief Accountant

16 April 2021

1. Background

Organisation and operations

JOINNT 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 2020, the Bank had 92 employees (31 December 2019: 91 employees).

The ultimate controlling party of the Bank is ALTINBAS HOLDING ANONIM SIRKETI that owns 100% of the Bank’s shares as at 31 December 2020 (31 December 2020: 100%) and is 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.

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 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 2018-2019, the national currency – Ukrainian hryvnia – has strengthened, particularly, against US dollar and Euro. Further, the NBU has gradually decreased its key interest rate from 18% p.a. in September 2018 to 6% p.a. in June 2020.

However, in early June 2020 foreign exchange rates changed dramatically. As at 31 December 2020, the official exchange rate of the national currency was 28,2746 UAH/USD (as at 31 December 2019 – 23,6862) and 34,7396 UAH/EUR (as at 31 December 2019 - 26,4220).

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.

COVID-19 outbreak

The COVID-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of the new virus. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic.

The rapid spread of the pandemic in 2020 has prompted governments in many countries, including Ukraine, to introduce various measures to combat the outbreak, including travel restrictions, business closures, isolation, quarantine, and more. These measures affected the global supply chain, demand for goods and services, and the scale of business activity, leading to volatility in the financial and commodity markets. The crisis in the real sector, burdened by quarantine measures, had a negative impact on production volumes, capital investment and employment. This worsened the financial position of a large part of enterprises, falling incomes, etc.

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

The final impact of COVID-19 will depend on future developments, including, among others, the ultimate geographic spread and severity of the virus, the consequences of governmental and other measures designed to prevent the spread of the virus, the development of effective treatments, the duration of the outbreak, actions taken by governmental authorities, customers, suppliers and other third parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume. Management continues to make efforts to identify, manage and 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.

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 2020, 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".

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 2019-2020

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 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 2020

- 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.

(in thousands of Ukrainian hryvnias)

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 2020	31 December 2019
USD	28,2746	23.6862
EUR	34,7396	26.4220

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

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of transition to IFRS 9, the Bank also applied accompanying amendments to IFRS 1"Presentation of Financial Statements" requiring separate disclosure of interest income calculated using the effective interest method in the profit and loss account and other comprehensive income and separate income representation (loss) arising from the cessation of recognition of financial assets at amortised cost. Previously, the Bank disclosed this amount in the notes to the financial statements.

In addition, the Bank has adopted accompanying amendments to IFRS 7 "Financial Instruments: Disclosures" that apply to disclosure in 2019 but are not generally applicable to comparative information.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below.

(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:

- 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;

- 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 forclosure;
- 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 an 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

IFRS 16 replaces the current lease accounting requirements in IAS 17 Leases, IFRIC 4 Determine whether a lease agreement is in place, PKT-15 Operational Lease-Promotion and PTC-27, "Estimation of the essence of transactions that are legal the form of the lease agreement ".

This Standard is applied by the Bank starting with January 1, 2019.

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 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 Requierements

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 2020.

- 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.

(in thousands of Ukrainian hryvnias)

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2020 are as follows:

	2020	2019
Cash on hand	20 041	19 065
Balances with the NBU	80 443	17 972
Current accounts placed with other banks	353 630	127 191
Total	**454 114**	**164 228**

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-рш 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 2020, the statutory amount of the mandatory reserve was UAH 95 550 thousand (2019: 34 714 UAH thousand), actually formed reserve amounted to 577 thousand UAH. (Note 24).

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:

	2020	2019
Current accounts placed with other banks:		
BBB- to A+	347 762	121 664
BB- to BB+	1 130	5 439
CC- to CC+	4 738	88
	353 630	**127 191**

As at 31 December 2019, the two largest balances on current accounts placed with other banks comprised UAH 351 635 thousand or 99.44% of total balances on current accounts with other banks (2019: UAH 125 258 thousand or 98.48%).

7. Investments in securities

	2020	2019
NBU certificates of deposit	77 020	195 304
T bills	71 512	-
Reserve of T bills (note 24)	(315)	-
Total	**148 217**	**195 304**

Investment securities are represented by the NBU certificates of deposit. 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 as at 31 December 2020 and 31 December 2019.

During 2020, the Bank carried out T bills transactions in national and foreign currencies, which were accounted for at amortized cost in the portfolio to maturity, formed a reserve in the amount of UAH 315 thousand. (Note 24).

(in thousands of Ukrainian hryvnias)

8. Due from banks

As at 31 December 2020, 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 (2019: one bank, "B- to B+"). Due from banks were neither impaired nor past due as at 31 December 2020 and 2019.

	2020	2019
Deposits	3 751	3 198
Total	**3 751**	**3 198**

9. Loans and advances to customers

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

	2020	2019
Corporate	1 395 571	1 253 927
Individuals	985	2 020
Total loans, gross	**1 396 556**	**1 255 947**
Provision for impairment of loans and advances to customers (Note 24)	(14 443)	(15 577)
Total	**1 382 113**	**1 240 370**

Provision for losses on loans to customers at amortized cost

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 31 December 2019	**738**	**215**	**10 992**	**3 632**	**15 577**
Accrued/(disposed) for the year	(281)	66	2 713	(3 632)	(1 309)
ECL as at 31 December 2020	457	281	13 705	-	14 443

The changes in the provision for expected credit losses on loans to customers at amortized cost during 2019 are presented as follows:

	Level 1	Level 2	Level 3	Purchased or originated credit-impaired assets	Total
ECL as at 31 December 2018	**780**	**58**	**12 572**	**1 283**	**14 692**
Accrued/(disposed) for the year	(42)	157	(1 580)	2 349	885
ECL as at 31 December 2019	738	215	10 992	3 632	15 577

Significant credit risk concentration

As at 31 December 2020, loans and advances to the ten largest borrowers total UAH 697 278 thousand or 49.9% of the total net loans and advances to customers (2019: UAH 616 924 thousand or 49.1%).

(in thousands of Ukrainian hryvnias)

(a) Loan impairment

At 31 December 2020, loans impairment was as follows:

		Standard	*Under observation*	*Impairmented*	*Total*
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**

At 31 December 2019, loans impairment was as follows:

		Standard	*Under observation*	*Impairmented*	*Total*
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	1 067 494	-	-	**1 067 494**
	Stage 2	-	98 255	-	**98 255**
	Stage 3	-	-	58 914	**58 914**
	POCI assets	-	-	29 263	**29 263**
	Total	**1 067 494**	**98 255**	**88 178**	**1 253 927**
Loans to individuals	Stage 1	2 020	-	-	**2 020**
	Total	**2 020**	**-**	**-**	**2 020**
Total		**1 069 514**	**98 255**	**88 178**	**1 255 947**

(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.

	2020	**2019**
Real estate	921 392	922 650
Equipment	233 323	129 700
Motor vehicles	132 952	114 535
Bank guarantees	56 343	-
Deposits	41 539	80 194
Goods in circulation	5 314	5 051
Unsecured	4 708	1 796
Total	**1 395 571**	**1 253 926**

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.

(in thousands of Ukrainian hryvnias)

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 2020, loans impairment was 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%**

Quality of loans and advances to customers as at 31 December 2019 is presented as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans and advances to customers - corporate				
Not past due	1 125 632	938	1 124 694	-0,08%
Past due	130 315	14 615	115 701	-11,22%
Total loans and advances to customers - corporate	**1 255 947**	**15 553**	**1 240 395**	**-1,24%**
Loans and advances to customers - individuals				
Not past due	1 994	16	1 978	-0,80%
Past due	26	9	18	-34,62%
Total loans and advances to customers - individuals	**2 020**	**24**	**1 996**	**-1,24%**

Corporate loans by industry

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

	2020	2019
Manufacturing	620 284	494 932
Trade	240 140	337 784
Agriculture	128 766	184 840
Electricity generation	126 541	22 002
Car rent	81 935	20 342
Financial intermediaries	75 268	109 637
Construction	64 340	3 926
Other	58 297	80 464
Total	**1 395 571**	**1 253 927**

(in thousands of Ukrainian hryvnias)

10. Investment property

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

	2020	2019
Fair value as at 1 January	1 622	1 926
Revaluation	74	(304)
Fair value as at 31 December	**1 696**	**1 622**

Income from revaluation of investment properties comprised UAH 744 thousand in 2020 and were recognized within administrative and other operating expenses (Note 22). Loss from revaluation of investment properties comprised UAH 304 thousand in 2019 and were recognized within other operating income (Note 23).

11. Property, equipment and intangible assets

Movement of property, equipment and intangible assets for the year ended 31 December 2020 is as follows:

	Repaired leased premises	Furniture and equipmen t	Motor vehicles	Intangible assets	Total
Cost					
1 January 2020	**5 568**	**13 236**	**2 549**	**8 896**	**30 249**
Additions	-	2 905	851	141	3 897
Disposals	-	(682)	-	(49)	(731)
31 December 2020	**5 568**	**15 459**	**3 400**	**8 988**	**33 415**
Accumulated depreciation and amortization					
1 January 2020	**3 513**	**10 627**	**742**	**3 956**	**18 838**
Depreciation and amortization	795	1 791	524	482	3 592
Disposals	-	(682)	-	(49)	(731)
31 December 2020	**4 308**	**11 736**	**1 266**	**4 389**	**21 699**
Net book value as at 31 December 2020	**1 260**	**3 723**	**2 134**	**4 599**	**11 716**

(in thousands of Ukrainian hryvnias)

Movement of property, equipment and intangible assets for the year ended 31 December 2019 is as follows:

	Repaired leased premises	**Furniture and equipment**	**Motor vehicles**	**Intangible assets**	**Total**
Cost					
1 January 2019	5 568	12 641	3 226	8 736	30 171
Additions	-	717	-	241	958
Disposals	-	(122)	(677)	(81)	(880)
31 December 2019	**5 568**	**13 236**	**2 549**	**8 896**	**30 249**
Accumulated depreciation and amortization					
1 January 2019	2 718	8 858	909	3 332	15 817
Depreciation and amortization	795	1 881	510	705	3 891
Disposals	-	(112)	(677)	(81)	(870)
31 December 2019	**3 513**	**10 627**	**742**	**3 956**	**18 838**
Net book value as at 31 December 2019	**2 055**	**2 609**	**1 807**	**4 940**	**11 411**

12. Other assets

Other assets as at 31 December are as follows:

	2020	**2019**
Real estate foreclosed by the Bank	51 888	35 611
Prepayments	9 631	2 197
Supplies and consumables	5	5
Other	317	518
Provision for impairment losses (Note 24)	(176)	(354)
Total	**61 665**	**37 977**

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) (+)

(in thousands of Ukrainian hryvnias)

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

Usage Asset	Building (premises)	
	31.12.2020	31.12.2019
Assets	17 839	17 839
Depreciation	(12 974)	(6 487)
Together	4 865	11 352

	Building (premises)	
	31.12.2020	31.12.2019
Interest expense	617	1 081
Short-term rental costs	406	347

Lease commitments (more than 2 years and not more than 3 years)	Building (premises)
The obligation as of 01.01.2019	11 069
payments	8 328
Interest expense	617
The obligation as of 31.12.2019	3 358

(in thousands of Ukrainian hryvnias)

14. Due to banks

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

	2020	2019
Deposits and balances due to banks:		
OECD countries	27 792	44 918
Domestic	50 014	90 160
Total	**77 806**	**135 078**

As at 31 December 2019, deposits from two banks total UAH 77 806 thousand or 100% of total due to banks (31 December 2019: deposits from three banks total UAH 135 078 thousand or 100% of total due to bank).

As at 31 December 2020, the Bank was in compliance with all conditions of credit agreements.

15. Due to customers

Due to customers as at 31 December 2020 are as follows:

	2020	2019
Current accounts:		
Corporate customers	503 762	285 725
Individuals	32 034	21 331
Total current accounts	**535 796**	**307 056**
Deposits:		
Corporate customers	257 842	188 381
Individuals	277 216	255 320
Total deposits	**535 058**	**443 611**
Total	**1 070 854**	**750 667**

As at 31 December 2020, balances on current accounts of the five largest customers total UAH 132 418 thousand or 35% of total balances on current accounts (31 December 2019: UAH 149 815 thousand or 51%).

As at 31 December 2019, deposits from the five largest customers total UAH 176 271 thousand or 33% of total deposits (31 December 2019: UAH 105 846 thousand or 24%).

16. Other liabilities

Other assets as at 31 December are as follows:

	2020	2019
Provision for unused vacations	3 124	2 288
Taxes payable, other than income tax	1 110	861
Accounts payable	278	3
Expenses accrued	261	188
Other	160	243
Total	**4 933**	**3 583**

(in thousands of Ukrainian hryvnias)

17. Due to international and other financial institutions

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 at 31 December 2019, the funds of international financial organizations are represented by loans denominated:

	Amount	Interest rate type	Maturity
European Fund for South-Eastern Europe	39 800	Floating rate	15.11.2020
BLACK SEA TRADE AND DEVELOPMENT BANK	119 721	Floating rate	29.10.2020
Ministry of Finance of Ukraine	77 077	Fixed rate	30.11.2022
German-Ukrainian Fund	20 445	Floating rate	15.10.2021
German-Ukrainian Fund	80 087	Fixed rate	20.04.2020
Total	**337 130**		

18. Share capital

As at 31 December 2020, 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 2019: 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 2020, all shares were fully paid and registered.

No dividends were declared and paid in 2020 and 2019.

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.

In May 2019, based on the decision taken by the shareholder of the Bank, the share capital of the Bank was increased by UAH 56 986 thousand by forwarding the previous year undistributed earnings to the share capital of the Bank.

(in thousands of Ukrainian hryvnias)

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:

	2020	**2019**
Less than one year	1 524	1 249

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 future needs in cash, as those commitments may expire or be terminated without being funded. As at 31 December 2020, the irrevocable loan commitments amount to UAH 6 642 thousand (2019: UAH 7 067 thousand).

Loan commitments were as follows:

As at 31 December 2020

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Irrevocable credit lines	**6 642**	**-**	**-**	**6642**
Provision for expected credit losses	(101)	-	-	(101)
Financial guarantees	**150 461**			**150 461**
Provision for expected credit losses	(54)	-	-	(54)

As at 31 December 2019

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Irrevocable credit lines	**5757**	1310	-	**7067**
Provision for expected credit losses	(92)	(60)	-	**(152)**
Financial guarantees	7428	-	-	**7428**
Provision for expected credit losses	(15)	-	-	**(15)**

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.

(in thousands of Ukrainian hryvnias)

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.

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. Interest income and expense

Interest income and expense for the year are as follows:

	2020	**2019**
Loans and advances to customers	174 543	192 066
Deposit certificates of the National Bank of Ukraine	5 917	8 285
T-bills	555	-
Due from banks	451	1 986
Total interest income	**181 466**	**202 337**
Deposits	(35 460)	(49 668)
Due to international and other financial institutions	(20 149)	(10 408)
Current accounts	(7 739)	(15 313)
Due to banks	(3 324)	(10 318)
Subordinated debt	-	(2 374)
Total interest expense	**(66 672)**	**(88 081)**
Net interest income	**114 794**	**114 256**

21. Commission income and expense

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

	2020	**2019**
Commission income:		
Currency exchange	9 347	7174
Cash payments and withdrawals	9 312	9 485
Credit service	7 787	9 346
Other	1 509	510
Total fee and commission income	**27 955**	**26 515**
Commission expense:		
Cash payments and withdrawals	(2 796)	(2 681)
Credit service	(2 629)	(1 281)
Other	(755)	(696)
Total fee and commission expense	**(6 180)**	**(4 658)**

(in thousands of Ukrainian hryvnias)

22. Other operating income

	2020	2019
Proceeds from investment property revaluation of (Note 10)	74	-
Penalties and fines	59	1 417
Proceeds from previously written-off loans	51	-
Proceeds from property and equipment sale	1	496
Other	3 437	113
Total other operating income	**3 622**	**2 026**

23. Administrative and other operating expenses

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

	2020	2019
Repairs and maintenance of property and equipment	3 985	3 729
Rent and maintenance of premises	3 516	3 374
Losses from other property revaluation	3 169	13 104
Communication and information	2 996	3 032
Security	2 866	1 677
Taxes other than on income and other charges	2 699	2 316
Legal and consulting services	1 986	2 691
Stationary and office consumables	1 206	1 231
Audit	1 189	1 014
Travel expenses	305	1 644
Advertising and marketing	292	134
Transportation costs	128	26
Losses from investment property revaluation of (Note 10)	-	304
Other operating expenses	3 134	3 310
Total	**27 471**	**37 586**

24. 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 2019	**(14 692)**	**(328)**
Change in provision for impairment	2 242	-
Net change in provision for impairment	(3 127)	(26)
Balance as at 31 December 2019	**(15 577)**	**(354)**
Change in provision for impairment	16 091	39
Net change in provision for impairment	(14 957)	(176)
Balance as at 31 December 2020	**(14 443)**	**(491)**

(in thousands of Ukrainian hryvnias)

25. Income tax expense

The corporate income tax expense comprises:

	2020	**2019**
Current tax expense	4 550	6 289
Deferred tax benefit	(93)	(93)
Total income tax expense	**4 457**	**6 196**

The statutory income tax rate in 2019 was 18% (2018: 18%). Below is the reconciliation of theoretical tax expenses against the actual ones:

	2020	**2019**
Profit before income tax	**24 761**	**34 421**
Computed expected income tax expense at statutory rate of 18%.	4 457	6 196
Effective income tax expense	**4 457**	**6 196**

(a) Movements in recognized temporary differences during the year

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

	1 January 2020	**Recognized through profit or loss**	**31 December 2020**
	Asset (liability)	***Benefit (charge)***	***Asset (liability)***
Property and equipment	411	93	504
Total	**411**	**93**	**504**

Deferred tax assets and liabilities as at 31 December 2019 are attributable to the items detailed as follows:

	1 January 2019	**Recognized through profit or loss**	**31 December 2019**
	Asset (liability)	***Benefit (charge)***	***Asset (liability)***
Property and equipment	318	93	411
Total	**318**	**93**	**411**

26. 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.

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. For the analysis of concentration of credit risk in respect of loans and advances refer to note 9.

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.

- 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), except for cases of significant increase in credit risk after the conclusion of the relevant agreement (in such cases, the provision is calculated on basis of expected credit losses for 12 months). Expected credit losses for 12 months is part of the expected credit loss for the entire period of the instrument incurred within 12 months after the reporting date as a result of the default events under the financial instrument contract. Both the expected credit losses for the entire duration of the instrument and the expected credit losses for 12 months 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 in two ways: provisioning for impairment losses on individually assessed loans and provision for impairment losses on loans that are valued on a collective basis.

The Table below shows the value of financial assets by classes of quality as at 31 December 2020 and 31 December 2019.

(in thousands of Ukrainian hryvnias)

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	6 642	-	-	**6 642**
	Total	**6 642**	**-**	**-**	**6 642**
Financial guarantees	Stage 1	150 461	-	-	**150 461**
	Total	**150 461**	**-**	**-**	**150 461**
Total		**1 755 218**	**151 962**	**100 593**	**2 007 773**

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 2019

		Standard	***Watch***	***Impaired***	***Total***
Cash and cash equivalents, except for cash on hand	Stage 1	145 163	-	-	**145 163**
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	1 067 494	-	-	**1 067 494**
	Stage 2	-	98 255	-	**98 255**
	Stage 3	-	-	58 914	**58 914**
	POCI assets	-	-	29 263	**29 263**
	Total	**1 067 494**	**98 255**	**88 177**	**1 253 926**
Loans to retail customers	Stage 1	2 021	-	-	**2 021**
	Total	**2 021**	**-**	**-**	**2 021**
Irrevocable credit lines	Stage 1	7 067	-	-	**7 067**
	Total	**7 067**	**-**	**-**	**7 067**
Financial guarantees	Stage 1	7 428	-	-	**7 428**
	Total	**7 428**	**-**	**-**	**7 428**
Total		**1 228 173**	**98 255**	**88 177**	**1 415 605**

(in thousands of Ukrainian hryvnias)

Off-balance sheet exposure

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

	2020	2019
Irrevocable credit lines	6 642	7 067
Guarantees	150 461	7 428
Total off-balance sheet exposure	**157 103**	**14 495**

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 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	-
Other assets	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**

(in thousands of Ukrainian hryvnias)

Currency positions as at 31 December 2019 are as follows:

	USD	EUR	Other currencies
Assets			
Cash and cash equivalents	54 885	78 747	226
Due from banks	3 198	-	-
Loans and advances to customers	350 546	213 523	-
	408 629	**292 770**	**226**
Liabilities			
Due to banks	12 542	44 918	-
Due to international and other financial institutions	119 721	196 964	-
Due to customers	276 253	51 004	1 436
	408 516	**292 886**	**1 436**
Net balance sheet position	**113**	**(116)**	**(1 210)**
Net (short) long position	**113**	**(116)**	**(1 210)**

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.

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

Currency	*Strengthening of exchange rate against Ukrainian hryvnia, % 2019*	*Effect on profit before tax 2019*	*Weakening of exchange rate against Ukrainian hryvnia, % 2019*	*Effect on profit before tax 2019*
USD	+20,00	689	-20,00	(689)
EUR	+20,00	287	-20,00	(287)

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.

(in thousands of Ukrainian hryvnias)

(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 2020 are as follows:

	USD	**EUR**	**Ukrainian hryvnia, %**
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	5,65%
Due from banks	0,06%	-	-
Loans and advances to customers	7,71%	7,29%	15,95%
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%

The average effective interest rates of major interest bearing assets and liabilities as at 31 December 2019 are as follows:

	USD	**EUR**	**Ukrainian hryvnia, %**
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	12,53%
Due from banks	1,71%	-	-
Loans and advances to customers	9,10%	8,50%	20,80%
Liabilities			
Due to banks	-	0,10%	13,00%
Due to international and other financial institutions	6,96%	3,85%	13,44%
Due to customers	4,79%	2,18%	9,20%

(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.

(in thousands of Ukrainian hryvnias)

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 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
Investments in securities	77 020	555	70 642	-	-	148 217
Due from banks	-	-	-	3 751	-	3 751
Loans and advances to customers	296 591	316 142	602 298	167 082	-	1 382 113
	827 725	**316 697**	**672 940**	**170 833**	**-**	**1 988 195**
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	562 718	152 904	327 416	27 816		1 070 854
	645 238	**161 577**	**512 672**	**292 018**		**1 611 505**
Liquidity (gap) surplus for the period	182 487	155 120	160 268	(121 185)	-	376 690
Cumulative liquidity (gap) surplus	**182 487**	**337 607**	**497 875**	**376 690**	**376 690**	

The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2019 are as follows:

(in thousands of Ukrainian hryvnias)

	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	164 228	-	-	-	-	164 228
Deposit certificates of the National Bank of Ukraine	195 304	-	-	-	-	195 304
Due from banks	-	-		3 198	-	3 198
Loans and advances to customers	382 796	312 372	511 457	33 745	-	1 240 370
	742 328	**312 372**	**511 457**	**36 943**	**-**	**1 603 100**
Liabilities						
Due to banks	147 620	-	-	-	-	147 620
Due to international and other financial institutions	3 709	4 404	258 582	70 435	-	337 130
Due to customers	422 519	88 344	168 531	57 582	-	736 976
	573 849	**92 747**	**427 113**	**128 017**	**-**	**1 221 726**
Liquidity (gap) surplus for the period	168 863	219 625	84 343	(91 074)	-	381 758
Cumulative liquidity (gap) surplus	**168 863**	**388 488**	**472 832**	**381 758**	**-**	**381 758**

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 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**

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 2019 is presented in the table below:

(in thousands of Ukrainian hryvnias)

	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	135 366	-	-	-	-	**135 366**
Due to customers	430 236	89 809	172 770	59 256	-	**752 071**
Credit related commitments	-	2 149	12 347	-	-	**14 495**
Due to international and other financial institutions	5 321	7 664	263 520	78 003	-	**354 508**
Total	**570 923**	**99 622**	**448 636**	**137 259**	**-**	**1 256 441**

27. 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 2020, the minimum level set by the NBU is 10.0% (31 December 2019: 10.0%).

The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy ratio as at 31 December 2020 and 2019.
The following table shows the elements of the capital position calculated in accordance with the requirements of Basel Accord I, as at 31 December:

	2020	2019
Tier 1 capital		
Statutory capital	364 410	364 410
Retained earnings, share premium and additional paid in capital	30 734	24 497
Total Tier 1 capital	**395 144**	**388 907**
Total capital	**395 144**	**388 907**

28. 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 and 2019, the ultimate controlling party of the Bank is JSC “ALTINBAŞ HOLDING ANONIM ŞIRKETI”, which is ultimately controlled by members of Altinbaş family.
The Bank balances and transactions with its related parties as at 31 December 2020 and 2019 are presented in the table below.

(in thousands of Ukrainian hryvnias)

	2020	**2019**
Balances and transactions with the Parent company		
Statement of financial position (as at 31 December):		
Subordinated debt	-	-
Statement of comprehensive income:		
Interest expense	-	2 374
Balances and transactions with the key management personnel		
Statement of financial position (as at 31 December):		
Loans and advances to customers	32	36
Due to customers	1 099	1 114
Statement of comprehensive income:		
Interest income	14	11
Interest expense	31	133
Salary and salary related charges payable	8 889	14 157
Balances with related parties		
Statement of financial position (as at 31 December):		
Due to customers	66	56
Statement of comprehensive income:		
Interest expense	-	-

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

	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%	-	-

(in thousands of Ukrainian hryvnias)

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2019 are as follows:

	UAH	Interest rate	USD	Interest rate	EUR	Interest rate
Balances with key management personnel						
Credits	36	36,00%	-	-	-	-
Deposits from customers	66	13-15%	772	2-5%	-	-
Current accounts	205	6-8%	66	0.50%	5	0,0%
Balances with related parties						
Current accounts	-	-	56	0%	-	-

The contractual remaining maturities of balances with related parties 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
Balances with key management personnel						
Credits	32	-	-	-	-	32
Due to customers	667	432	-	-	-	1 099
Balances with related parties						
Due to customers	66	-	-	-	-	66

The contractual remaining maturities of balances with related parties as at 31 December 2019 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
Balances with key management personnel						
Credits	36	-	-	-	-	36
Due to customers	354	760	-	-	-	1 114
Balances with related parties						
Due to customers	56	-	-	-	-	56

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.

(in thousands of Ukrainian hryvnias)

29. 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.

	2020		2019	
	Total carrying amount	**Fair value**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	454 114	454 114	164 228	164 228
Deposit certificates of the National Bank of Ukraine	148 217	148 217	195 304	195 304
Due from banks	3 751	3 751	3 198	3 198
Loans and advances to customers	1 382 113	1 401 107	1 240 370	1 259 211
Total	**1 988 195**	**2 007 189**	**1 603 100**	**1 621 941**
Due to banks	77 806	77 806	135 078	135 078
Customer accounts	1 070 854	1 075 395	750 667	753 850
Due to international and other financial institutions	462 845	462 845	337 430	337 430
Total	**1 611 505**	**1 616 046**	**1 223 175**	**1 226 358**

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 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.

(in thousands of Ukrainian hryvnias)

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.

	Fair value			
31 December 2020	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets reported at fair value				
Cash and cash equivalents	-	454 114	-	**454 114**
Deposit certificates of the National Bank of Ukraine	-	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**

	Fair value			
31 December 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets reported at fair value				
Cash and cash equivalents	-	164 228	-	**164 228**
Deposit certificates of the National Bank of Ukraine	-	195 304	-	**195 304**
Due from banks	-	3 198	-	**3 198**
Loans and advances to customers	-	1 240 370	-	**1 240 370**
Financial liabilities reported at fair value				
Due to banks	-	135 078	-	**135 078**
Due to customers	-	750 667	-	**750 667**
Due to international and other financial institutions	-	337 430	-	**337 430**

30. Subsequent events

On 04 May 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.
During the period prior to the date of approval of these financial statements there were no such events:

- business combination;

- termination or decision to go in the liquidation;

- restructuring of the Bank;

- any court decisions in favor of the plaintiffs that could give rise to material financial liabilities of the Bank that are not reflected in the Bank's financial statements.

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

16 April 2021