JOINT-STOCK COMPANY WEST FINANCE AND CREDIT BANK

Financial statements

for the year ended 31 December 2022

With the independent auditors' report

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

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

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

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

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

Strategic goals according to the strategy:

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

During 2022, the Bank continued to work with the state programs "Affordable loans 5-7-9%", support for agricultural producers, agro-processors, stimulation of the export of Ukrainian-made goods, a special program of financial and credit support (FCP) for small and medium-sized enterprises in the city of In Kyiv, providing a state guarantee on a portfolio basis. In connection with the consequences of military aggression, which caused the deterioration of business activity in the business environment, the Bank was very attentive to the requests of customers who received credit and responded flexibly to their needs.

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.

Proper fulfillment of obligations 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.

During 2022, the Bank quickly and efficiently adapted to the new market conditions associated with the full-scale military aggression of the Russian Federation.

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	9,703184	9,703184	By : - ownership of 90% of shares of JSC "Trona ic ve Dis Ticaret Danismanlik ", which owns 9.96% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - ownership of 54% of shares of JSC Final Alacak Yonetim Dan. Ve Destek Hizm. (45% directly and 9% indirectly through JSC " Trona ic ve Dis Ticaret Danismanlik "), which owns 25.08% of shares of JSC "ALTINHAS HOLDING ANONIM SIRKETI " - direct ownership of 19.98% of JSC "ALTINHAS HOLDING ANONIM SIRKETI ", - which is the owner of 33.34% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI ", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”.

								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	12,849973	12,849973	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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”. 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	11,41895 %	11,41895 %	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	11,41895 %	11,41895 %	By : - ownership of 50% of shares of JSC ASV HOLDING ANONIM SIRKETI, which owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”. He is an associate (brother) of Altinbas Huseyin, Altinbas Inan, Altinbas Ali, Altinbas Nusret and Altinbas Sofu.
5.	Altinbas Nusret (Altınbaş Nusret)	individual	yes	Citizen of the Federal Republic of Germany	0	11,41895 %	11,41895 %	By : - ownership of 16.67% of shares of JSC "ALTINBAS HOLDING ANONIM SIRKETI", which is the owner of 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”. He is an associate (brother) of Altinbas Huseyin, Altinbas Vakkas, Altinbas Ali, Altinbas Inanu and Altinbas Sofu.
6.	Altinbas Sofu (Altınbaş Sofu)	individual	так	Citizen of the Republic of Turkey	0	11,41895 %	11,41895 %	By : - ownership of 50% of shares of JSC ASV HOLDING ANONIM SIRKETI, which owns 33.34% of shares of JSC ALTINBAS HOLDING ANONIM SIRKETI, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”. 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	0,284743	0,284743	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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”. He is an associate (son) 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 JSC "CREDITWEST BANK" in the amount of 100% of the authorized

					capital of JSC "CREDITWEST BANK" was agreed. Together with associated persons, he is the owner of an indirect substantial participation in the amount of 68.5% of the authorized capital of the Bank through: - ownership of 90% of the shares of JSC " Trona ic ve dis. ticaret danismanlik", which owns 9.96% of the shares of JSC "ALTINHAS HOLDİNG ANONİM SİRKETİ " - ownership of 54% of the 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 the JSC's shares "ALTINHAS HOLDİNG ANONİM SİRKETİ " - direct ownership of 19.98% of JSC «ALTINHAS HOLDİNG ANONİM SİRKETİ», which owns 33.34% of JSC «ALTINBAŞ HOLDİNG ANONİM SİRKETİ», which owns 58% of the Bank's shares, and 25% of the shares of JSC «CREDITWEST FACTORING ANONIM SIRKETI» , which owns 42% of the Bank's shares. Together with associated persons, he is the controller of JSC "ALTINBAŞ HOLDİNG ANONİM SİRKETİ ", JSC "ALTINHAS HOLDİNG ANONİM SİRKETİ", JSC "CREDITWEST FACTORING 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 JSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" was agreed. Together with the associated persons is the owner of indirect significant participation in the amount of 68,5% 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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “Creditwest Factoring”, which owns 42% of the Bank's shares. Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ALTINHAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING 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 JSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" was agreed. Together with the associated persons is the owner of indirect significant participation in the amount of 68.5% 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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “CREDITWEST FACTORING ANONIM SIRKETI”, which owns 42% of the Bank's shares. Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING 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 JSC "CREDITWEST BANK" was agreed. Together with the associated persons is the owner of indirect significant participation in the amount of 68.5% 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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “CREDITWEST FACTORING ANONIM SIRKETI”, which owns 42% of the Bank's shares. Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING 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 JSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" was agreed. Together with the associated persons is the owner of indirect significant participation in the amount of 68.5% 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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “CREDITWEST FACTORING ANONIM SIRKETI”, which owns 42% of the Bank's shares.

					Together with the associated persons he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING 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 JSC "CREDITWEST BANK" in the amount of 100% of the authorized capital of JSC "CREDITWEST BANK" was agreed. Together with the associated persons is the owner of indirect significant participation in the amount of 68.5% 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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “CREDITWEST FACTORING ANONIM SIRKETI”, which owns 42% of the Bank's shares. Together with the associated persons, he is the controller of JSC "ALTINBAS HOLDING ANONIM SIRKETI", JSC "ASV HOLDING ANONIM SIRKETI", JSC "CREDITWEST FACTORING 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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC “CREDITWEST FACTORING ANONIM SIRKETI”, which owns 42% of the Bank's shares. The acquisition of an indirect significant participation was approved in accordance with the decision of the Committee on Supervision and Regulation of Banks, Supervision (Oversite) of Payment Systems dated 07/28/2017 No. 276.

8.	Joint-stock company "ALTINBAS HOLDING ANONIM SIRKETI» («ALTINBAŞ HOLDİNG ANONİM SİRKETİ»)	Legal Entity	П	Republic of Turkey, Mahmutbey Mah., Dilmenler Avenue, ALTINBAS University, 26-28, Bagcilar / Istanbul, (Republic of Turkey, Istanbul, Bagcilar, Dilmenler av., Altinbas University №, 26-28, Maslak/Sarıyer); Identification code394381	The shareholder of the bank, which owns 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which owns 42% 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.
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 58% of shares of JSC "CREDITWEST BANK" and 25% shares of JSC "CREDITWEST FACTORING ANONIM SIRKETI", which owns 42% of the Bank's shares. The acquisition of an indirect significant participation was approved in accordance with the decision of the Committee on Supervision and Regulation of Banks, Supervision (Oversite) of Payment Systems dated 07/28/2017 No. 276.
10.	Joint- stock company "Creditwest Factoring Anonim Sirketi" ("Creditwest Factoring Anonim Sirketi")	Legal Entity	O	Republic of Turkey, Büyükdere Cad. No108 Enka Binası Kat 1 Esentepe/Şişli/İstanbul Identification code 314444-0	The shareholder of the bank, which owns 42% of shares of JSC "CREDITWEST BANK". By decision of the Committee for Supervision and Regulation of Banks, Supervision (Oversite) of Payment Systems of the National Bank of Ukraine No. 494 of November 16, 2020, permission was granted to KREDITVEST FACTORING ANONYM SHIRKETI Joint Stock Company to directly acquire a substantial stake in 42% of the Bank's authorized capital

General Meeting Information.

In 2022, the next General Meeting of the Bank's shareholders took place:

- 1 – annual (20.12.2022)

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- 3 – extraordinary (31.01.2022; 21.03.2022 and 10.08.2022).

Information regarding the general description of the decisions made is given in the table:

Date	General description of the decisions made at the meeting
31.01.2022	**1.** To determine the main directions of the Bank's activity, which are defined in Appendix No. 1 to the Meeting Minutes. **2.** To introduce and approve changes to the Statute of the Joint Stock Company "WEST FINANCE AND CREDIT BANK" by means of a new edition of the Bank's Charter. To authorize the Chairman of the Board of the Bank Tykhonov I. to sign the new version of the Bank's Charter. **3.** To approve the Regulation about Meeting of the Joint Stock Company "WEST FINANCE AND CREDIT BANK", the Regulation on the Supervisory Board of the Joint Stock Company "WEST FINANCE AND CREDIT BANK" and the Regulation on the Management Board of the Joint Stock Company "WEST FINANCE AND CREDIT BANK" in new versions.
21.03.2022	**1.** Approve and consent to the execution by JSC "WEST FINANCE AND CREDIT BANK" (hereinafter - the Bank) of the transaction regarding the Bank's attraction of funds from the National Bank of Ukraine and the General Credit Agreement with the National Bank of Ukraine and additional agreements to the specified agreement. To approve the establishment of the maximum possible amount of the Bank's obligations under the General Credit Agreement concluded with the National Bank of Ukraine in the amount of UAH 500,000,000.00. (five hundred million UAH. 00 kopecks), and taking into account the value of the pool of pledged assets for the total amount of UAH 1,000,000,000.00. (one billion UAH. 00 kopecks), which is less than 50% of the value of the Bank's assets according to the latest annual financial statements. To approve the authorization of the Chairman of the Management Board of the Bank, Igor Tykhonov (or, in his absence, the Acting Chairman of the Management Board) to determine other conditions of the above-mentioned transactions and their signing, as well as the conclusion and signing of additional agreements and/or agreements on amendments to the above-mentioned agreements, the conclusion and signing agreements to ensure the fulfillment of obligations under the above-mentioned agreements and other documents related to the implementation of such agreements and granting the right to delegate their authority to conclude transactions with the National Bank of Ukraine by issuing appropriate powers of attorney to Bank employees to conclude transactions related to obtaining refinancing loans from the National Bank of Ukraine (including overnight), by: • signing applications for receiving an overnight loan / participation in a tender for maintaining liquidity, with the right to provide the Bank's assets (property) to ensure the fulfillment of obligations under the relevant refinancing loans for a total amount that is less than 50% of the value of the Bank's assets according to the latest annual financial reporting; • signing applications for inclusion/exclusion/replacement of assets (property) forming the pool.

	This decision concerns both the amount for a separate application and the total amount of transactions that can be concluded with the National Bank of Ukraine for refinancing operations within the relevant General Credit Agreement and not repaid by the Bank.
10.08.2022	1. To introduce and approve changes to the Charter of the Joint Stock Company "WEST FINANCE AND CREDIT BANK" by means of a new edition of the Bank's Charter. To authorize the Chairman of the Bank's Management Board (a person performing his duties) to sign a new edition of the Bank's Charter. To authorize the Chairman of the Bank's Management Board (the person performing his duties) to take all necessary actions, provided for by the legislation of Ukraine, regarding approval by the National Bank of Ukraine and state registration of the Charter of JSC «CREDITWEST BANK» in the new version. 2. Approve the Regulation on the remuneration of the members of the Supervisory Board of the Joint Stock Company "WEST FINANCE AND CREDIT BANK" in the new version. The previous edition of the Regulation shall be recognized as having lost its validity.
20.12.2022	1. To approve the annual report of the Bank for 2021, including the financial statements of the Bank for 2021, prepared in accordance with international financial reporting standards (IFRS), submitted for consideration by the General Meeting. 2. To approve the report and conclusions of the external independent auditor of the Bank "Baker Tilly Ukraine" LLC based on the results of the audit of the Bank's financial statements for the year ended December 31, 2021, without comments and additional measures, submitted for consideration by the General Meeting. 3. The Bank's profit, received as a result of the Bank's activities for 2021, in the amount of UAH 11,321,022.80, in accordance with the legislation of Ukraine and the Charter of the Bank, to be distributed as follows: - 5% of the profit (profit after taxation) of the Bank for 2021 in the amount of UAH 566,051.14. send for deduction to the Bank's reserve fund, - 95% of the profit (profit after taxation) of the Bank for 2021 in the amount of UAH 10,754,971.66. leave undistributed. Dividends based on the results of the 2021 annual report shall not be distributed or paid. 4. To approve the report of the Supervisory Board of the Bank for 2021 submitted for consideration by the General Meeting. To recognize the activity of the Bank's Supervisory Board for 2021 as effective and in line with the interests of shareholders, depositors, investors and contributing to the further development of the Bank. 5. To approve the Report on the remuneration of the members of the Supervisory Board of the Bank for 2021.

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

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

THE SUPERVISORY BOARD OF THE BANK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- at his request, subject to two weeks' written notice to the Bank;
- in case of 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 committees in the Supervisory Board have not been established.

The composition of the Supervisory Board as of 31 December 2022:

- Huseyin Altinbas - 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 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 of the law.

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 Supervisory Board.

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

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

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

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

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

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

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

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

Chief Accountant - Member of the Board – Kuzmenko Igor Mykolayovich

During 2022, the composition of the Management Board of the Bank was not changed.

Throughout the year of 2022 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 2022 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 2022 (fixed):

- Amount of UAH 1,985 thousand was paid to the members of the Supervisory Board, the number of recipients is two;

- Amount of UAH 10,158 thousand was paid to the Management Board of JSC "CREDITWEST BANK", number of recipients is four;

- Amount of UAH 4 199 thousand was paid to the influential people of the bank, the number of recipients is six.

There were no variable payments for the reporting financial year 2022 to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank.

There is no amount of unpaid deferred remuneration to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank for the year 2022.

There is no amount of deferred remuneration for previous financial years paid during 2022 to the members of the Supervisory Board, the Management Board of the Bank and influential people of the bank.

There were no hiring payments made in 2022 to the members of the Supervisory Board, the Management Board of the bank and influential people of the bank.

Amounts of redundancy payments made during 2022:

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

- to influential persons of the bank – UAH 31 thousand, the number of recipients - one.

The bank does everything possible to create a better result and balanced risk management. The Bank continues to comply with all internal procedures provided for by the internal risk management and control system. The Bank assesses the following significant types of risks:
1) credit risk;
2) liquidity risk;
3) interest rate risk of the banking book;
4) market risk;
5) operational risk;
6) compliance risk.

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

Main macroeconomic risks:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Human resources, intellectual capital

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

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

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

The training methods used in the Bank include:

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

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

Also, the Bank, as a socially responsible institution, carries out measures to support clients with disabilities, adapting them for the possibility of service, and also promotes their employment - the specific weight of employed people with disabilities is about 4% of the total number of employees of the Bank.

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

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

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

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

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

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

Technological resources

According to the Bank's development strategy: provided the Bank maintains a high level of service quality, the Bank continues its course towards digital modernization and a new personalized client experience.

IT and regulations

During 2022, the Bank implemented the following IT infrastructure improvements, namely:

- a cloud component was added to the IT infrastructure
- an additional test environment for the transition to SEP-4 has been deployed
- improved protection of the network perimeter

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

The bank has remote customer service channels for legal entities.

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

Data are indicated in the notes to the financial statements.

Notes:

6. Cash and cash equivalents as at 31 December 2022 are as follows: As of 31 December 2022, cash on accounts with the NBU includes the minimum reserve balance that the Bank required to maintain. As of 31 December 2021, the statutory amount of the mandatory reserve was UAH 71 852 thousand (2021: UAH 69 444 thousand).

The Bank considers the mandatory reserve on accounts with the NBU as a component of cash and cash equivalents. As of 31 December 2022, the two largest balances on current accounts placed with other banks comprised UAH 277 418 thousand or 99,24%of total balances on current accounts with other banks (2021: UAH 167 357 thousand or 97,36%)

7. Investment securities are represented by the NBU certificates of deposit. NBU certificates of deposit bear the interest rates within the range of 23% and mature in January 2023. Certificates of deposit of the National Bank of Ukraine were neither impaired nor past due as of 31 December 2022 and 31 December 2021.

8. As of 31 December 2022, due from banks are represented by guarantee secured deposit with maturity exceeding three months placed in one bank having rating “B- to CCC-” assigned by Standard and Poor’s (S&P) or equivalent ratings (2021: one bank, “B- to B+”) and a deposit with a payment term of up to three months placed in one non-resident bank with a rating of BBB-. As of December 31, 2022 and 2021, the balances of funds in other banks are unvalued and unexpired.

9. As at 31 December 2022, loans and advances to the ten largest borrowers total UAH 677 650 thousand or 58.71% of the total net loans and advances to customers (2021: UAH 612 725 thousand or 45%). 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 9 012 thousand in 2022 and were recognized within administrative and other operating income.

Fair value of investment property as at 31 December – UAH 95 239 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 2022 – UAH 20 774 thousand.

13. Rent. The amount of rights to use as of December 31, 2022 is UAH 15 765 thousand.

14. As of December 31, 2022, there are no balances of funds placed by banks (31 December 2021: deposits from three banks total UAH 265 862 thousand or 100% of total due to bank).

15. As of 31 December 2022, balances on current accounts of the five largest customers total UAH 171 918 thousand or 34% of total balances on current accounts (31 December 2021: 252 788 thousand or 41%).

As of 31 December 2022, deposits from the five largest customers total UAH 305 534 thousand or 46% of total deposits (31 December 2021: UAH 214 276 thousand or 46%).

16. Other assets as of 31 December are as follows:

As of 31 December 2022, Total - UAH 5 740 thousand.

17. As of 31 December 2022, the funds of international financial organizations are represented by loans – 567 140 thousand.

18. As of 31 December 2022, 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 2021: 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 2022, all shares were fully paid and registered.

No dividends were declared and paid in 2022 and 2021.

19. Credit and guarantee obligations. As of December 31, 2022, irrevocable loan commitments amount constitutes UAH 50 thousand. (2021: UAH 8 150 thousand).

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

Net interest income – UAH 76 531 thousand (2021: UAH 108 592 thousand).

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

Net fee and commission income – UAH 23 526 thousand (2021: UAH 19 657 thousand).

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

As of 31 December 2022, total - UAH 25 554 thousand (2021: UAH 29 952 thousand).

21. The following is a schedule of movements in provision for impairment for the year ended 31 December – 27 058 thousand.

22. The corporate income tax expense comprises

The statutory income tax rate in 2022 was 18% (2021: 18%).

During the year of 2022 the assets of the Bank (excluding current reserves) were decreased by UAH 64 128 thousand or by 2.80 % and amounted to UAH 2 227 246 thousand (during the year of 2021 year - UAH 2 291 374 thousand). In the structure of assets the largest share belongs to the article "Loans and advances to customers", which constitutes 50% as of 31 December 2022 (as of 31 December 2021 - 58%), "Investments in securities" - 25% (as of 31 December 2021 year -26%), "Cash and cash equivalents" - 15% (as of 31 December 2021 year -10%), "Due from banks" – 3.5% (as of 31 December 2021 – 0.2%), "Property, equipment and intangible assets exept goodwill" – 0.9% (as of 31 December 2021 – 1.2%), "Other non-financial assets" – 0.8% (as of 31 December 2021 year – 4.0%). Client assets were decreased by 16.8% to the amount of UAH 1 108 800 thousand (excluding of current provision).

During the year of 2022 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 99.47% as of the end of 2021 to 99.12% as of the end of 2022; the share of loans granted to individuals increased respectively from 0.53% to 0.88%.

During the year of 2022 the current provision for the Bank's lending operations have increased by UAH 18 527 thousand and reached UAH 45 463 thousand.

The total liabilities of the Bank during 2022 decreased by UAH 56 368 thousand (or by 3%) and constitutes UAH 1 776 409 thousand as of 31 December 2022. The increase in liabilities took place mainly due to the decrease banks funds.

Within the structure of liabilities, the share of funds attracted from clients constitutes 67% (as of 31 December 2021 – 59%), including: attracted to individuals' accounts – 20% (as of 31 December 2021 – 19%), legal entities and individuals-entrepreneurs – 80% (as of 31 December 2021 – 81%). The share of other borrowed funds constitutes 32% (as of 31 December 2021 – 25%).

The authorized and paid share capital of the Bank as of 31 December 2022 amounted to UAH 364 410 thousand. The share capital is divided into 149 962 764 ordinary registered shares with a nominal value of UAH 2.43 each. The majority shareholder of the Bank holds a share in the amount of 58% and 42% of the Bank's shares. The Bank's management does not possess the Bank's shares. The decision of the Bank's supreme body regarding the reduction of the charter capital was not taken.

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

During the year of 2022, the Bank complied with the economic standards of the National Bank of Ukraine, which, as of 31 December 2022, had the following values:

regulatory capital ratio (H1) – 365 836.11

regulatory capital adequacy ratio (H2) – 28.96

short-term liquidity ratio (H6) – 121.98

liquidity coverage ratio in all currencies (LCRвв) – 361.06%

liquidity coverage ratio in foreign currencies (LCRiв) – 1 797.49%

net stable funding ratio (NSFR) – 147.78%.

According to the results of 2022 the Bank received loss in the amount of UAH 7 760 thousand, against net profit for 2021 - UAH 11 321 thousand.

Key items that influenced the financial results for the year of 2022 (information is provided in comparison with 2021):

net interest income – UAH 76 531 thousand against UAH 108 592 thousand;

net commission income – UAH 23 526 thousand against UAH 19 657 thousand;

income from trade in foreign currency – UAH 8 508 thousand against UAH 6 507 thousand;

administrative and other operating expenses – UAH 25 554 thousand against UAH 29 952 thousand;

formation of provision – UAH 27 058 thousand against the result of dismantling of reserves in 2021 for the amount of UAH 12 961 thousand.

The share of commission income as of 31 December 2022 and as of 31 December 2021 is almost the same. Interest income amount to UAH 177 589 thousand, and their share constitutes 76% of all incomes (31 December 2021: 82%).

In the year of 2022, as compared to the previous year, the expenses of the Bank increased by 28% and, as of 31 December 2022, they amounted to UAH 240 064 thousand. Interest expenses amount to UAH 101 058 thousand, and their share constitutes 42% of all expenses (31 December 2021: 30%).

The Bank's detailed assessment of going concern is disclosed in the 2022 annual financial statements in Note 3 "Going Concern". As the Bank's assumptions underlying management's assessment of going concern do not take into account external factors that may change in the future and taking into account the uncertain impact of the future the development of a military invasion and the timing of the end of hostilities, there is a material uncertainty that may cast doubt on the Bank's ability to continue as a going concern and, therefore, it will not be able to realize its assets and repay its liabilities in the ordinary course of business.

At the same time, the Bank's Management believes that, despite such significant uncertainty, the Bank's forecasts and assessments regarding the fulfillment of regulatory requirements, the results of operations and the amount of reserves for impairment of assets, provide sufficient grounds for the preparation of financial statements for 2022 based on the going concern basis.

In the Bank there are no facts of alienation of assets in 2022 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 2022, 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 2022, 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:

	2022 **thousand UAH**
Transaction balances and transactions with Holding company	
Statement of financial position (as of 31 December):	
Loans and indebtedness of clients	-
Funds of clients	1 431
Statement of cumulative income:	
Interest income	3
Interest expenses	1
Wages and related accruals	10 158
Transaction balances with other related parties	
Statement of financial position (as of 31 December):	
Funds of clients	97

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 2022 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" – 24 years (state registration of the audit company in 1999);

the number of years during which it provides audit services to the Bank – 4 years;

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 2022;
- ➢ the bank has no lawsuits regarding the provision of financial services in 2022.

Corporate governance in the bank, is carried out in accordance with the regulations of the authorities that carry out the state regulation of financial services' markets.

Confirmation on annual financial statements of JSC «CREDITWEST BANK»

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

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

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

Mr. Igor Tykhonov Chairman of the Board

bakertilly

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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 at 31 December 2022;
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended 31 December 2022; and
- Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Bank as at 31 December 2022, as well as its financial results and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with regard to the preparation of financial statements.

Basis for opinion

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

Material uncertainty related to going concern

We refer to Note 3 in the financial statements concerning the to the escalation of russian aggression and invasion by the russian federation. At present, it is impossible to predict the further negative development of these events and their negative impact on the financial condition and results of the Bank's activities. As mentioned in Note 3, these events or conditions indicate that there is material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on the matter has not been modified.

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

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

Key Audit Matter	How the key audit matter was addressed in the audit
***Allowances under expected credit losses from loans and advances to customers, credit-related commitments* – UAH 45 462 thousand.** *Refer to Note 9*	
We have focused our attention on this matter as a key audit matter due to the materiality of the balances on item "Loans and advances to customers" and the subjective nature of judgements used in calculating the impairment. Allowances under expected credit losses reflect the management's estimate of expected losses based on the portfolios of loans and advances to customers at the reporting date. The measurement of expected credit losses of a financial instrument is carried out in a way that reflects: an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, time value of money and all reasonable and supportable information about past events, current conditions and forecasts of future conditions by reference to all reasonable and supportable information, including that which is forward-looking. Identifying whether there has been a significant increase in credit risk, impairment and determining the recoverable amount involves certain assumptions and analysis of different factors, including the borrower's financial position, expected future cash flows, observable market prices, fair value of collateral. The use of different models and assumptions can lead to different outcomes in provisioning for impairment losses on loans and advances to customers.	Our procedures included, among others, the following: - Familiarising with the internal controls system implemented by the management personnel with a focus on the calculation of provisions for impairment losses on loans and advances to customers both on an individual and collective basis. - We have also independently evaluated the appropriateness of the management's judgements regarding the calculation methodology and inputs about past events, current conditions and forward-looking information to calculate the probability of default, as well as the recoverable amounts and collateral value. - We have conducted a selective test of assumptions underlying the calculation of impairment and its quantification, including the analysis of the borrowers' financial position, forecasts about future cash flows and collateral measurement. For loan impairment provisions that showed no individual indications of impairment, we tested the models and inputs used in those models, as well as their mathematical accuracy.

Other information

The management is responsible for the other information. Other information comprises the information included in the management report for 2022, which includes the corporate governance report as a separate section (but does not constitute the financial statements and our auditor's report thereon), which we obtained before the date of this auditor's report, and the other information included to the annual information of the issuer of securities for 2022, that also contains corporate governance report and which is likely to be provided to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not provide any form of assurance conclusion in respect of this other information.

In connection with our audit of the financial statements, it is our responsibility to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed in respect of the other information that the management report for 2022 contains that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual information of the securities issuer for 2022, if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

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

The management is responsible for the preparation and fair presentation of the financial statements according to IFRS and the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" with regard to the preparation of the financial statements and for such internal controls as the management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Audit objective and duration

We were first appointed as auditors by the decision of the Supervisory Board of the Bank on September 27, 2019 (Minutes No. 23) to perform the statutory audit of the Bank's financial statements for the year ended on December 31, 2019. Our appointment was further extended by the decision of the Supervisory Board of the Bank on November 10, 2022 (Minutes No. 41), this is the fourth year of our appointment to carry out the statutory audit of the Bank's financial statements.

Non-audit services and auditor independence

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

Consistency with an additional report for the audit committee

We confirm that our audit opinion on financial statements set out in this independent auditors' report is in accordance with the additional report for the Supervisory Board of the Bank dated 24 April 2023.

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

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

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

Report on the requirements of the National Bank of Ukraine

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

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

- The Bank's 2022 Management Report, in all material respects, has been prepared in accordance with the requirements of Section IV of Instruction No.373, and the information contained therein is consistent with the financial statements.

- We did not find significant misstatements in the management report

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

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

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

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

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

The purpose of the audit was to express an opinion on whether the Bank's annual financial statements for 2022 in all material respects accurately reflect the financial position of the Bank in accordance with International Financial Reporting Standards.

The information presented in this report is the result of our procedures in the audit of the Bank's annual financial statements for 2022. This information was obtained on the basis of random testing and to the extent necessary to plan and conduct audit procedures in accordance with the requirements of International Standards on Auditing.

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

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

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

As a result of our audit procedures during the annual audit, we found no significant deviations in the Bank's display of data on the distribution of assets and liabilities of the bank by maturity in the file with statistical reporting indicators A7X "Data on the structure of assets and liabilities by maturity ", Drawn up by the bank for submission to the National Bank, as of January 1 of the year following the reporting year, namely, as of 01.01.2023.

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

On internal control

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

On internal audit

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

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

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

As a result of our audit procedures within the audit of the annual financial statements, we did not find any significant deviations from the Bank's calculation of credit risk as of December 31, 2022.

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

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

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

The Bank determined sufficient authorized capital as of December 31, 2022, which according to the Bank is UAH 364 410 thousand.

The Bank's regulatory capital as of December 31, 2022, according to the Bank, amounts to UAH 365 836 thousand, which meets the requirements of the regulations of the National Bank of Ukraine (Note 25).

Regarding accounting

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

Other laws and regulations

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

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

- Information on the Bank's shareholders, which is provided in Note 1 to the financial statements and, in our opinion, corresponds to the information on the ultimate beneficial owners and ownership structure of the Bank disclosed in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations.

- As of December 31, 2022, the Bank did not have subsidiaries, nor was it a controller or member of a non-banking group.

- The ultimate controlling parties of the Bank is ALTINBAS HOLDING ANONIM SIRKETI that owns 58% of the Bank's shares as at 31 December 2022 (31 December 2021: 58%) and CREDITWEST FACTORING that owns 42% of the Bank's shares as at 31 December 2022 (31 December 2021: 42%) that are ultimately controlled by the Altinbas family.

- The Bank is an enterprise of public interest in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" No.996-XIV

- The Bank is not subject to prudential indicators set by the NSSMC for professional participants in capital markets and organized commodity markets in accordance with the "Regulations on prudential standards of professional activity in the stock market and risk management system requirements" approved by the NSSMC №1597 of October 1, 2015.

- The results of the audit of the audit committee are not provided, as the audit committee did not conduct audits of the Bank's financial and economic activities based on the results of the financial year.

- Limited Liability Company "BAKER TILLY UKRAINE" (Code: 30373906, www.bakertilly.ua) performed an audit of the financial statements of Joint Stock Company "WEST FINANCE AND CREDIT BANK" in accordance with agreement №120/22 dated November 15, 2022 during the period from November 15, 2022 till the date of this report.

Regarding information on corporate governance provided in the Management Report

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

- information contained in the section "Corporate Governance" of the Management Report (Management Report) for 2022 in accordance with the requirements of paragraphs 1-4 of the third part of Article 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets" was prepared in accordance with Law of Ukraine "On Capital Markets and Organized Commodity Markets" and is consistent with the financial statements;

- in our opinion, the information contained in the section "Corporate Governance" of the Management Report (Management Report) for 2022 contains all the information required by paragraphs 5-9 of part three of 127 of the Law of Ukraine "On Capital Markets and Organized Commodity Markets".

Key audit partner

Partner of the audit task, the result of which is this independent auditors' report, is Gumenyuk Yulia Viktorivna.

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 — Yulia Gumenyuk

Registration number of the auditor in the Register of auditors and audit entities: No. 100794

April, 25, 2023

Kyiv, Ukraine

Basic information about the audit firm

Full name: BAKER TILLY UKRAINE Limited Liability Partnership
EDRPOU code: 30373906
Location: 3, Hrekova Street, apt. 9, Kyiv, 04112
Actual address: 28, Fizkultury Street, Kyiv, 03150.
Registration number in the Register of auditors and audit firms: No. 2091.

Registration № 23-679

(in thousands of Ukrainian hryvnias)

	Notes	2022	2021
Assets			
Cash and cash equivalents	6	334 560	232 528
Investments in securities	7	558 703	596 158
Due from banks	8	77 891	3 663
Loans and advances to customers	9	1 108 800	1 332 587
Derivative financial assets	23	-	8
Investment property	10	95 239	1 727
Trade and other receivables	12	2 305	244
Deferred tax assets	22	2 230	526
Income tax overpayment		1 898	352
Intangible assets exept goodwill	11	4 189	4 496
Fixed assets	11,13	20 657	27 917
Other financial assets	12	3 650	80
Other non-financial assets	12	17 124	91 088
Total assets		**2 227 246**	**2 291 374**
Liabilities			
Due to banks	14	-	265 862
Customer accounts	15	1 182 219	1 077 184
Derivative financial liabilities	23	-	4
Other borroiwngs	17	567 140	464 975
Provisions for credit obligations and contracts	16	1	73
Providing rewards to employees	16	4 721	3 758
Other financial liabilities	13,16	22 328	20 921
Total liabilities		**1 776 409**	**1 832 777**
Equity			
Share capital	18	364 410	364 410
Unregistered share capital		4 086	4 086
Retained earnings		33 336	41 662
Share premium		2 902	2 902
Reserve and other banki funds		46 103	45 537
Total equity		**450 837**	**458 597**
Total liabilities and equity		**2 227 246**	**2 291 374**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the Board

Mr. Igor Kuzmenko — Chief Accountant

25 April 2023

УКРАЇНА м. Київ АКЦІОНЕРНЕ ТОВАРИСТВО "ВЕСТ ФАЙНЕНС ЕНД КРЕДИТ БАНК" Ідентифікаційний код 34575675

The notes set out on pages 45 – 89 form an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)

	Notes	2022	2021
Interest income	20	177 589	164 422
Interest expense	20	(101 058)	(55 830)
Net interest income	20	**76 531**	**108 592**
Fee and commission income	20	32 808	27 526
Fee and commission expense	20	(9 282)	(7 869)
Net fee and commission income		**23 526**	**19 657**
Net profit (loss) from foreign currency transactions		12 509	5 591
Net profit (loss) from foreign currency revaluation		(4 001)	916
Net profit (loss) from revaluation of investment property	10	9 012	31
Impairment gains and reversals of impairment losses (impairment losses) determined in accordance with IFRS 9	21	(27 058)	(12 961)
Other profits (losses)		2 684	1 089
Expenses for payments to employees		(69 726)	(70 704)
Depreciation expenses	20	(7 362)	(8 453)
Administrative and other operating expenses	20	(25 554)	(29 952)
Gain (loss) arising from derecognition of financial assets measured at amortised cost		(25)	-
Profit before tax		**(9 464)**	**13 806**
Income tax expense	22	1 704	(2 485)
Net profit and total comprehensive income		**(7 760)**	**11 321**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the Board

Mr. Igor Kuzmenko — Chief Accountant

25 April 2023

м. Київ * УКРАЇНА * АКЦІОНЕРНЕ ТОВАРИСТВО "ВЕСТ ФАЙНЕНС ЕНД КРЕДИТ БАНК" Ідентифікаційний код 34575675

The notes set out on pages 45 – 89 form an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)

	Notes	2022	2021
Operating activities			
Interest received		183 967	157 368
Interest paid		(101 245)	(55 917)
Fees and commissions received		32 834	27 618
Fees and commissions paid		(9 230)	(7 800)
Net receipts from dealing in foreign currencies		5 797	6 503
Other operating income received		2 028	1 574
Administrative and other operating expenses		(93 340)	(92 178)
Income tax paid		(1 545)	(4 430)
Cash flows from operating activities before change in operating assets and liabilities		**19 266**	**32 738**
Changes in operating assets and liabilities			
Change in due from banks		(74 391)	135
Change in loans and advances		198 252	31 507
Change in other assets		29 067	(435 930)
Securities measured at amortized cost		(16 307)	(38 850)
Change in due to banks		(266 804)	189 013
Change in due to customers		104 559	8 170
Change in other liabilities		2 531	15 830
Cash flows from / (used in) operating activities		**(3 827)**	**(197 387)**
Investing activities			
Purchase of property, equipment and intangible assets		(684)	(24 011)
Proceeds from sale of investment properties		-	-
Cash flows used in investing activities		**(684)**	**(24 011)**
Financing activities			
Proceeds from international and other financial institutions		103 824	(645)
Proceeds from increase of share capital		-	-
Repayment of subordinated debt		-	-
Cash flows from financing activities		**103 824**	**(645)**
Effect of exchange rate fluctuations on cash and cash equivalents		2 719	457
Net increase / (decrease) in cash and cash equivalents		102 032	(222 043)
Cash and cash equivalents as at 1 January		**232 528**	**454 114**
Cash and cash equivalents as at 31 December	6	**334 560**	**232 528**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the board

Mr. Igor Kuzmenko — Chief Accountant

25 April 2023

The notes set out on pages 45 – 89 form an integral part of these financial statements.

(in thousands of Ukrainian hryvnias)

	Share capital	Unregistered share capital	Share premium	Reserve and other funds of the bank	Retained earnings	Total
Balance at 1 January 2021	**364 410**	**4 086**	**2 902**	**44 522**	**31 356**	**447 276**
Total comprehensive income for the year	-	-	-	1 015	10 306	**11 321**
Balance as at 31 December 2021	**364 410**	**4 086**	**2 902**	**45 537**	**41 662**	**458 597**
Total comprehensive income for the year	-	-	-	566	(8 326)	**(7 760)**
Balance as at 31 December 2022	**364 410**	**4 086**	**2 902**	**46 103**	**33 336**	**450 837**

Signed and authorized for issuance

Mr. Igor Tykhonov — Chairman of the Board

Mr. Igor Kuzmenko — Chief Accountant

25 April 2023

«ВЕСТ ФАЙНЕНС ЕНД КРЕДИТ БАНК»
Ідентифікаційний код 34575675

The notes set out on pages 45 – 89 form an integral part of these financial statements.

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 2022, the Bank had 77 employees (31 December 2021: 90 employees).

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

The ultimate controlling parties of the Bank is ALTINBAS HOLDING ANONIM SIRKETI that owns 58% of the Bank’s shares as at 31 December 2022 (31 December 2021: 58%) and CREDITWEST FACTORING that owns 42% of the Bank’s shares as at 31 December 2022 (31 December 2021: 42%) that are ultimately controlled by the Altinbas family.

As at 31 December 2022, the Bank’s share capital is fully paid in solely via cash contributions in the equivalent of UAH 364 410 thousand. During 2019, there were a reinvestment of the previous year's profits amounted to UAH 56 986 thousand and the part of the subordinated debt were contributed to the share capital in amount of UAH 65,000 thousand in 2018.

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

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

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

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

2. Economic environment of the Bank

The bank operates in Ukraine. After a modest recovery in 2021 from the global economic recession caused by the COVID-19 pandemic, as of February 24, 2022, Ukraine's economy has been hurt by Russia's full-scale war against Ukraine, which continues, exposing unusual risks and challenges to businesses located and operating there.

The invasion was preceded by months of accumulation of Russian troops on the borders of Ukraine, which Russia tried to disguise as training, as well as the escalation of Russian armed aggression against Ukraine, which began in the spring of 2014 in parts of the Luhansk and

Donetsk regions, along with the illegal annexation of the Republic of Crimea by the Russian Federation.

On February 24, 2022, Ukraine introduced martial law and announced general mobilization. After the defeat of Russian troops in northern Ukraine in April 2022, the Armed Forces of Ukraine forced Russia to withdraw its troops from the Kyiv, Chernihiv and Sumy regions. In addition, under significant pressure from Ukrainian troops, the Russians left the right-bank part of the Kherson region in November 2022. As winter approached, Russia shifted its focus to terrorist bombings of critical civilian infrastructure. As a result, Ukraine faced a shortage of electricity. The Armed Forces of Ukraine continue to actively resist the troops of the Russian Federation.

However, the consequences of military aggression are currently the large-scale destruction of civilian infrastructure, including industrial infrastructure, the curtailment, and in some cases, the cessation of work by individual enterprises, the breakdown of logistical ties, the large-scale forced displacement of the population, etc.

The fall in Ukraine's GDP by the end of 2022 is estimated at 30.4% (±2%), which is a better indicator than predicted by previous forecasts.

In 2022, the Ukrainian hryvnia significantly depreciated against major foreign currencies. Thus, as of December 31, 2022, the official exchange rate of the National Bank of Ukraine to the US dollar was 36.5686 hryvnias, and to the euro was 38.951 hryvnias (as of December 31, 2021: 27.2782 and 30.9226, respectively).

Russia's military invasion of Ukraine also affected assessments of Ukraine's solvency by international rating agencies. In 2022, Standard & Poor's credit rating of Ukraine is CCC+ with a stable forecast. The credit rating of Ukraine by Moody's agency was last set at Caa3 with a negative forecast (in February 2023 it was raised to Ca with a stable forecast). Ukraine's Fitch credit rating was last reported in CC.

The war significantly affected the activities of the Bank and the results of its activities, as indicated in Note 3 "Going concern".

Management continues to make efforts to identify and mitigate the impact on the Bank, however, there are factors beyond its knowledge or control, including the duration and severity of hostilities, the level of international support for Ukraine, and subsequent government and diplomatic actions.

3. Basis of preparation

General information

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 2022, and in process of financial reporting setting, the Bank has consistently applied the accounting policies as set out below. These financial statements are prepared on the historical cost basis, with the exception of the fair value measurement of certain financial instruments and investment properties, which are measured at fair value, unless otherwise stated.

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

Going concern

On February 24, 2022, the Russian Federation launched a full-scale military invasion of Ukraine, in connection with which martial law was imposed on the entire territory of Ukraine by Decree of the President of Ukraine No. 64/2022. As of the date of approval of this financial statement, active military operations continue on the territory of Ukraine. The armed forces of Ukraine are carrying out heroic resistance, but some territories of Ukraine are temporarily occupied by invaders. At the same time, the Russian military is carrying out missile attacks on the entire territory of Ukraine, destroying civil infrastructure facilities throughout Ukraine, including hospitals and residential complexes, logistics infrastructure, oil storage facilities and oil refining enterprises, and other industrial facilities.

In the conditions of a full-scale military invasion, the main goals of the Bank are to ensure the continuous implementation of critical functions and activities in the main areas, as well as the safety of employees and their family members. The Bank's business and operational processes have been adapted taking into account the military operations, which ensures the Bank's ability to carry out all key banking operations. During the war, CREDITWEST BANK did not stop work for a single day. The bank actively cooperates with Ukrainian and foreign businesses, helping enterprises at all stages, creating investment products, lending platforms and much more.

The Bank's staff is fully available and ensures the management of the organization and execution of all critical processes of the Bank in the normal mode of operation. Some employees of the Bank have been transferred to safe regions and continue to work remotely there. The work of the Bank's management bodies is adapted to the challenges of wartime - the Supervisory Board, the Management Board and all committees function and make decisions with sufficient regularity to immediately respond to all the challenges of the current situation. Signing of EDS meeting protocols is ensured, including through the "Vchasno.KEP" electronic documents service.

As of the date of approval of this report, the Bank's critical infrastructure was not affected. The main and reserve equipment of the Bank, aimed at ensuring operations and providing the necessary services to the institution's clients, is located in Kyiv and continues to work without interruption, communication channels work without disruptions. The bank ensures permanent backup of data of critical information systems in Microsoft Azure cloud storage, which will make it possible to quickly restore data from backup copies if necessary.

To ensure continuous payments using B2, the NBU's SEP and SWIFT, backup sites have been created for working in the specified systems in the Microsoft Azure cloud storage and deploying the Bank's systems in the cloud environment (B2, NBU systems, the bank's client with RBI).

The Bank has no assets in the territories temporarily controlled by the occupying forces, and other assets of the Bank were not damaged as a result of military operations.

As a result of the military invasion, the Bank took stricter risk management measures, namely:

- Revised the Risk Management Strategy and Policy;
- Revised risk appetite and limits;
- Focused on liquidity management;
- Placed free funds in certificates of deposit of the National Bank in order to avoid liquidity risks and simultaneously ensure risk-free interest income;
- Carried out restrained lending to the corporate segment with strict credit risk control;
- Review of macroeconomic forecasts and their consideration in IFRS models when calculating expected credit losses;
- Revised and canceled tariffs for some banking products/services;
- Expanded the possibilities of banking products through an on-line application, which were urgent after the introduction of martial law;
- Actively worked in the direction of reducing operational and administrative costs.

The management's estimates and forecasts were based on the actual results of the Bank's activities for the period from the beginning of the military aggression; measures taken by the President, the Government, the regulator and the Bank's Management; attraction of large-scale international support:

- gradual restoration of the number of active clients of legal entities due to the partial return of business activity to the pre-war level, business migration to safe regions;
- term deposits of individuals and legal entities will be continued taking into account the tendency of prolongation of deposits, taking into account data already after the start of the war;
- loans and debts of clients will be extended on the condition of proper servicing of accrued interest payments, taking into account current trends;
- The bank extended a loan to the Entrepreneurship Development Fund in the amount of UAH 117 million. (3 million euros), the repayment term of which expired in April 2023. According to the new provisions of the loan agreement, this loan amount must be repaid in one payment on December 15, 2027.
- The bank plans to pay off by the end of April 2023 the debt on the loan of the Black Sea Bank of Trade and Development in the amount of UAH 168 million and reached an agreement on receiving a new tranche of the loan in May 2023 in the amount of 36.6 million hryvnias and in July 2023 in the amount of 18.4 million hryvnias.
- credit risks are increasing in the forecast period, which require the formation of additional provisions under existing assets and stricter credit policy requirements, as well as affects the fair value of financial assets;
- regulatory requirements take into account all officially approved plans of the NBU on the date of the forecast for the introduction of new requirements during the forecast period. At the same time, the Bank takes into account the possibility of postponing the implementation of certain NBU requirements to the end of the forecast period, taking into account the real state and capabilities of the banking system at that time. In this case, the Bank fulfills all regulatory requirements of the NBU during the entire forecast period.

Since the estimates were based on events that are not similar in scope and impact on the activities of the Bank and the country as a whole in the past, the actual results in the future may differ from the estimates made by the Bank.

Capital

As of the end of the day on December 31, 2022, the standard of adequacy of regulatory capital H2 was 28.96% and the adequacy of core capital H3 was 28.59% with a normative value of 10%.

The values of regulatory capital adequacy standard H2 and core capital adequacy standard H3 significantly exceed the standards established by the regulator and did not require additional measures.

Quality of loan portfolio

The consequences of the war - the destruction of assets and collateral, loss of income and deterioration of the solvency of borrowers reduce their ability to service loans, worsen the quality of the Bank's loan portfolios and lead to an increase in deductions to reserves. However, the Bank has only a few such borrowers.

The collateral in the temporarily occupied territory for one of the loans is not controlled, which led to an increase in reserves, since such and such collateral is not taken into account when calculating ECL, which indicates that the Bank uses the principle of caution when forming reserves for expected credit losses. The level of reserves does not exceed 4% of the loan portfolio.

The Bank conducts flexible restructuring for borrowers with business recovery prospects, and also properly assesses the value of collateral property, recognizing in a timely manner the loss of access to the property, its damage or destruction.

Liquidity

As a result of military aggression and hostilities, which continue, there is an increase in the level of liquidity risk due to a sharp outflow of clients' funds, failure to receive income from assets and, accordingly, the inability to repay one's obligations on time.

The bank adapted to work under martial law, in particular thanks to the support of the NBU, namely the simplification of banks' access to liquidity, on February 24 the NBU introduced blank refinancing loans. The bank used the refinancing of the NBU for a short time. The level of liquidity remains high, despite the war.

As of December 31, 2022, the Bank had a high level of liquidity, as evidenced by the following liquidity standards:

- the actual arithmetic average value of the liquidity coverage ratio for all currencies LCRBB = 361.06, LCR ratio in foreign currency LCRIB = 1797.49, Net stable funding ratio NSFR = 147.78

- in comparison with last year's indicators: LCRBB = 176.48, LCRIB=627.60, NSFR = 140.78.

Assumptions underlying the management's estimates regarding the continuity of operations do not take into account external factors that may change in the future, namely: changes in the conditions of activity on the capital market in Ukraine and in the world as a whole, other and/or macroeconomic influences that are not taken into account in estimates of the Bank, geopolitical changes, significant changes in legislation, including banking, changes in reporting and accounting standards, changes in tax legislation, as well as other changes that may occur in the future and on which the Bank has no influence.

There is a material uncertainty related to the currently unforeseeable impact of ongoing hostilities in Ukraine on the assumptions underlying management's estimates that may cast doubt on the Bank's ability to continue as a going concern and, therefore, it does not will be able to realize its assets and repay its liabilities in the ordinary course of business.

At the same time, the Bank's Management believes that, despite such significant uncertainty, the Bank's forecasts and assessments regarding the fulfillment of regulatory requirements, performance results and the amount of asset impairment reserves provide sufficient grounds for preparing these financial statements on a going concern basis. The Bank's management will review the continuity of the Bank's activities immediately after the end of martial law in Ukraine.

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:

• classification of financial assets: assessment of the business model within which the financial assets are held and assessment of whether the contractual terms of the financial asset provide for the payment of principal only and interest on the outstanding balance of principal.

• expected credit losses (impairment) of financial instruments: assessment of whether there has been a significant increase in credit risk for the asset since its initial recognition, and inclusion of forecast information in the assessment of expected credit losses.

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

• financial assets that are debt instruments;

• receivables;

• issued financial guarantee contracts;

• issued loan commitments.

The bank recognizes reserves for expected credit losses in an amount equal to expected credit losses for the entire term, except for the following instruments, for which the amount of the reserve will be equal to 12-month expected credit losses:

• debt investment securities with low credit risk as of the reporting date;

• other financial instruments for which the credit risk has not increased significantly since their initial recognition.

5. Significant accounting policies

Foreign currency exchange

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

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

Currency	31 December 2022	31 December 2021
USD	36,5686	27,2782
EUR	38,951	30,9226

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

In preparation of these financial statements, management applied the NBU official rate for the retranslation of the operations and balances in foreign currencies. The NBU official exchange rates are derived from officially published source. Management believes that application of these rates substantially serves comparability purposes.

Financial Instruments

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

(i) Classification

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

Financial assets are classified into the following categories:

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

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

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

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

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

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

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

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

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

(ii) Recognition

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

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

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

Financial liabilities are not reclassified subsequent to their initial recognition.

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

Modified financial assets

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

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

• Likelihood of default for the remaining balance as of the reporting date based on modified contractual terms; and

• probability of default for the remaining term as of the date of initial recognition on the basis of the original terms of the contract.

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

(iii) Business model assessment

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

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

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

- 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.

Property transferred to the ownership of the bank as a pledge holder

The property transferred to the Bank as a pledgee are non-financial assets received by the Bank in settlement of overdue loans. These assets upon initial recognition are recognized at the lower of two values: the fair value of the property or the book value of the corresponding loans. In the future, the Bank values such assets at the lower of two values: book value and net realizable value. The Bank's policy is to dispose of assets in the ordinary course of business. Proceeds are used to reduce or repay outstanding debt. In general, the Bank does not use property transferred to the Bank as a pledgee in commercial activities.

Investments in securities

The Bank determines the category of securities assessment in accordance with the business model and SPPI criteria:

1) Investment securities are accounted for at amortized cost (AC) if both of the following conditions are met:

(a) the asset corresponds to a business model whose purpose is to hold the asset to collect contractual cash flows;

(b) the contractual terms of the financial asset provide, on certain dates, for the receipt of cash flows that are only principal repayments and interest payments on the outstanding principal amount.

2) Investment securities are accounted for at fair value through other comprehensive income (OCI) if:

(a) the asset corresponds to a business model whose purpose is to hold assets to collect contractual cash flows and sell financial assets;

(b) the contractual terms of the financial asset provide, on certain dates, for the receipt of cash flows that are only principal repayments and interest payments on the outstanding principal amount.

After initial recognition, such securities are measured at fair value with the revaluation result included in other comprehensive income, except for impairment losses, gains or losses on foreign currency transactions and interest income accrued using the effective interest method, which are recognized directly in profit or loss statement. On sale, the gain/loss previously recognized in other comprehensive income is reclassified to profit or loss.

3) Investment securities are accounted for at fair value through profit or loss ("FVTPL"), unless they are measured at amortized cost or at fair value with the result of revaluation reflected in other comprehensive income. The embedded option is accounted for with the main instrument. At each reporting date, investment securities are remeasured to fair value through profit or loss, with an embedded fair value option.

Share capital and issue income

Ordinary shares are shown in the composition of capital. Expenses directly related to the issue of new shares are shown in equity as a reduction of net income. The excess of the fair value of the amounts contributed to the capital over the nominal value of the issued shares is accounted for in the composition of the capital as issue income.

Lease

The Bank applies IFRS 16.

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

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

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

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

The Bank has applied IFRS 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 applied a number of amendments to IFRS standards and interpretations issued by the IASB Board, effective for the period of the year beginning on or after January 1, 2022.

- Amendments to IAS 16 "Property, property, plant and equipment: receipt for intended use"
- Amendments to IAS 37 "Onerous contracts - contract performance costs"
- Annual improvements to IFRS, period 2018-2020

(in thousands of Ukrainian hryvnias)

- Amendments to IFRS 3 "Reference to Conceptual Frameworks"
- The Bank has not prematurely applied any other standards, clarifications or amendments that have been issued but have not yet entered into force.

Their application did not have a material effect on the disclosures or the amounts shown in these financial statements.

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

As of the date of approval of these financial statements, the Bank has not applied any of the following new or revised standards that have been issued but have not yet entered into force:

	Effective date
IFRS 17 "Insurance Contracts"	January 1, 2023 *(postponed from January 1, 2021)*
Amendments to IFRS 17 - "Extension of Temporary Exemption from the Application of IFRS 9" (Amendments to IFRS 4)	January 1, 2023
Amendments to IAS 1 - "Classification of liabilities as short-term or long-term"	Applied retrospectively for periods beginning on or after January 1, 2024
Amendments to IAS 1 and Provisions on the Practice of IFRS 2 - "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 - "Definition of accounting estimates"	January 1, 2023
Amendments to IAS 12 - "Deferred tax related to assets and liabilities arising from a single transaction"	January 1, 2023
Amendments to IFRS 16 – Lease Obligations and Sale-Leasebacks	January 1, 2024
Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture	Postponed indefinitely

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.

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2022 are as follows:

	2022	**2021**
Cash on hand	20 172	28 179
Balances with the NBU	34 836	32 446
Current accounts placed with other banks	281 609	172 529
Reserves for expected credit losses (Note 21)	(2 057)	(626)
Total	**334 560**	**232 528**

(in thousands of Ukrainian hryvnias)

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 2022, the statutory amount of the mandatory reserve was UAH 71 852 thousand (2021: 69 444 UAH thousand).

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

	2022	**2021**
Current accounts placed with other banks:		
BBB- to A+	277 418	167 384
BB- to BB+	466	2 641
CC- to CC+	1 668	1 878
	279 552	**171 903**

As at 31 December 2022, the two largest balances on current accounts placed with other banks comprised UAH 277 418 thousand or 99.24% of total balances on current accounts with other banks (2021: UAH 167 357 thousand or 97.36%).

7. Investments in securities

As of December 31, 2022, Investment Securities are represented by certificates of deposit of the National Bank of Ukraine:

	2022	**2021**
NBU certificates of deposit	558 703	185 041
T bills	-	411 899
Reserves for expected credit losses (Note 21)	-	(782)
Total	**558 703**	**596 158**

Certificates of deposit of the National Bank of Ukraine have an interest rate of 23% and maturity in January 2023 (2021: 8% with maturity in January 2022).

8. Due from banks

As at 31 December 2022, due from banks are represented by guarantee secured deposit with maturity exceeding three months placed in one bank having rating “B- to CCC-” assigned by Standard and Poor’s (S&P) or equivalent ratings (2021: one bank, “B- to B+”) and a deposit with a payment term of up to three months placed in one non-resident bank with a BBB- rating.

	2022	**2021**
Deposits are placed with a maturity of less than three months	73 157	-
Deposits are placed, the repayment term is more than 3 months	4 937	3 683
Reserves for expected credit losses (Note 21)	(203)	(20)
Total	**77 891**	**3 663**

(in thousands of Ukrainian hryvnias)

9. Loans and advances to customers

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

	2022	2021
Corporate	1 144 101	1 352 261
Individuals	10 161	7 261
Total loans, gross	**1 154 262**	**1 359 522**
Provision for impairment of loans and advances to customers (Note 21)	(45 462)	(26 935)
Total	**1 108 800**	**1 332 587**

The changes in the provision for expected credit losses on loans to customers at amortized cost during 2022 are presented as follows:

	Level 1	Level 2	Level 3	Purchased or originated credit-impaired assets	Total
ECL as at 1 January 2021	**878**	**105**	**25 952**	**-**	**26 935**
Accrued/(disposed) for the year	295	1 790	16 442	-	18 527
ECL as at 31 December 2021	**1 173**	**1 895**	**42 394**	**-**	**45 462**

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

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

Significant credit risk concentration

As at 31 December 2022, loans and advances to the ten largest borrowers total UAH 667 650 thousand or 68.71% of the total net loans and advances to customers (2021: UAH 612 725 thousand or 45%).

Loan impairment

At 31 December 2022, loans impairment was as follows:

		Standard	*Under observation*	*Impairmented*	*Total*
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	846 628	-	-	**846 628**
	Stage 2	-	225 526	-	**225 526**

(in thousands of Ukrainian hryvnias)

	Stage 3	-	-	60 728	**60 728**
	POCI assets	-	-	11 219	**11 219**
	Total	**846 628**	**225 526**	**71 947**	**1 144 101**
Loans to individuals	Stage 1	10 053	-	-	**10 053**
	Stage 3	-	-	108	**108**
	Total	**10 053**	**-**	**108**	**10 161**
Total		**856 681**	**225 526**	**72 055**	**1 154 262**

At 31 December 2021, loans impairment was as follows:

		Standard	*Under observation*	*Impairmented*	*Total*
Loans to customers at amortized cost					
Loans to legal entities	Stage 1	1 182 067	-	-	**1 182 067**
	Stage 2	-	91 820	-	**91 820**
	Stage 3	-	-	66 561	**66 561**
	POCI assets	-	-	11 813	**11 813**
	Total	**1 182 067**	**91 820**	**78 374**	**1 352 261**
Loans to individuals	Stage 1	7 156	-	-	**7 156**
	Stage 2	-	105	-	**105**
	Total	**7 156**	**105**	**-**	**7 261**
Total		**1 189 223**	**91 925**	**78 374**	**1 359 522**

Collateral

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

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

	2022	**2021**
Real estate	752 778	797 571
Equipment	149 906	178 909
Deposits	108 986	23 918
Motor vehicles	89 587	229 699
State guarantee	31 139	96 524
Unsecured	11 705	25 640
Total	**1 144 101**	**1 352 261**

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

	2022	**2021**
Real estate	9 953	7 119
Unsecured	208	142
Total	**10 161**	**7 261**

(in thousands of Ukrainian hryvnias)

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.

Quality of loans

At 31 December 2022, loans impairment was as follows:

	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans and advances to customers - corporate				
Not past due	1 094 723	3 693	1 091 030	-0,34%
Past due	49 378	41 561	7 817	-84,17%
Total loans and advances to customers - corporate	**1 144 101**	**45 254**	**1 098 847**	**-3,96%**
Loans and advances to customers - individuals				
Not past due	10 053	100	9 953	-0,99%
Past due	108	108	-	-100,00%
Total loans and advances to customers - individuals	**10 161**	**208**	**9 953**	**-2,05%**

Quality of loans and advances to customers as at 31 December 2021 is presented as follows:

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

Corporate loans by industry

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

	2022	**2021**
Manufacturing	393 413	406 254
Trade	256 503	389 201
Other	151 710	177 594
Construction	130 744	64 340

(in thousands of Ukrainian hryvnias)

Electricity generation	103 295	90 818
Agriculture	70 815	81 713
Leasing	35 063	68 818
Financial intermediaries	3 033	7 119
Total	**1 144 101**	**1 352 261**

10. Investment property

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

	2022	2021
Fair value at 1 January	**1 727**	**1 696**
Transfer from real estate that became the property of the Bank as a mortgagee	84 500	
Revaluation	9 012	31
Fair value at 31 December	**95 239**	**1 727**

The inputs that were used in determining the fair value of investment real estate refer to the third level of the fair value hierarchy as of 12/31/2022 due to significant uncertainty associated with low activity and liquidity of property markets in Ukraine.

During 2022, the Bank reclassified a number of properties held for the purpose of receiving rental payments or capital appreciation from the category of real estate that became the property of the Bank as a mortgagee to the category of investment real estate.

(in thousands of Ukrainian hryvnias)

11. Property, equipment and intangible assets

Movement of property, equipment and intangible assets for the year ended 31 December 2022 is as follows:

	Assets with the right of use	Motor vehicles	Office equipment	Computers	Other fixed assets	Total	Intangible assets
Cost							
1 January 2021	**17 839**	**3 402**	**3 863**	**10 640**	**6 507**	**42 251**	**9 005**
Additions	22 439	-	31	409	900	23 779	730
Disposals	-	-	(111)	(138)	(29)	(278)	(220)
31 December 2021	**40 278**	**3 402**	**3 783**	**10 911**	**7 378**	**65 752**	**9 515**
Accumulated depreciation and amortization							
1 January 2021	**(12 973)**	**(1 267)**	**(3 377)**	**(7 579)**	**(5 071)**	**(30 267)**	**(4 408)**
Depreciation and amortization	(5 352)	(680)	(156)	(873)	(781)	(7 842)	(611)
Disposals	-	-	111	136	27	274	-
31 December 2021	**(18 325)**	**(1 947)**	**(3 422)**	**(8 316)**	**(5 825)**	**(37 835)**	**(5 019)**
Net book value as at 31 December 2021	**21 953**	**1 455**	**361**	**2 595**	**1 553**	**27 917**	**4 496**
Cost							
1 January 2022	**40 278**	**3 402**	**3 783**	**10 911**	**7 378**	**65 752**	**9 515**
Additions	-	17	49	716	180	962	140
Disposals	(1 307)	-	(222)	(189)	(6)	(1 724)	-
31 December 2022	**38 971**	**3 419**	**3 610**	**11 438**	**7 552**	**64 990**	**9 655**
Accumulated depreciation and amortization							
1 January 2022	**(18 325)**	**(1 947)**	**(3 422)**	**(8 316)**	**(5 825)**	**(37 835)**	**(5 019)**
Depreciation and amortization	(4 881)	(691)	(119)	(848)	(376)	(6 915)	(447)
Disposals	-	-	222	189	6	417	
31 December 2022	**(23 206)**	**(2 638)**	**(3 319)**	**(8 975)**	**(6 195)**	**(44 333)**	**(5 466)**
Net book value as at 31 December 2022	**15 765**	**781**	**291**	**2 463**	**1 357**	**27 365**	**4 189**

(in thousands of Ukrainian hryvnias)

12. Other assets

Other assets as at 31 December are as follows:

	2022	2021
Real estate foreclosed by the Bank	14 743	89 068
Prepayments	2 272	1 965
Supplies and consumables	78	3
Other	6 242	498
Provision for impairment losses (Note 21)	(256)	(122)
Total	**23 079**	**91 412**

The item "Other" includes cash coverage for forex transactions with BCP (Switzerland), placed in BCP (Switzerland) in the amount of 100 thousand US dollars, which is equivalent to 3,657 thousand hryvnias as of 12/31/2022 and is restricted cash by nature..

13. Lease

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

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

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

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

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

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

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

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

- Fixed lease payments (+)
- incentive rental payments that have been paid (from the original estimate of the lease liability, deduct payments paid to the lessor in connection with the acquisition of the lease right)(-)
- Variable rental payments that depend on the index or rate (+)
- The amounts to be paid by the bank the suspicion residual value guarantees (+)

(in thousands of Ukrainian hryvnias)

- 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 (+).

	2022	2021
Submitting a lease for a tenant		
Right-of-use assets that do not meet the definition of investment property at the beginning of the period	21 952	4 865
Right-of-use assets that do not meet the definition of investment property at the end of the period	15 765	21 952
Lease liabilities		
Lease obligations at the beginning of the period	19 598	3 358
Lease obligations at the end of the period	21 310	19 598

	2022	2021
Interest expenses on lease obligations	1 073	797

14. Due to banks

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

	2022	2021
Deposits and balances due to banks:		
Domestic	-	265 862
Total	**-**	**265 862**

As of December 31, 2022, there are no placed funds of other banks (31 December 2021: deposits from three banks total UAH 265 862 thousand or 100% of total due to bank).

(in thousands of Ukrainian hryvnias)

15. Due to customers

Due to customers as at 31 December 2022 are as follows:

	2022	2021
Current accounts:		
Corporate customers	470 406	569 165
Individuals	40 636	44 287
Total current accounts	**511 042**	**613 452**
Deposits:		
Corporate customers	479 070	298 677
Individuals	192 107	165 055
Total deposits	**671 177**	**463 732**
Total	**1 182 219**	**1 077 184**

As at 31 December 2022, balances on current accounts of the five largest customers total UAH 171 918 thousand or 34% of total balances on current accounts (31 December 2021: UAH 214 276 thousand or 41%).

As at 31 December 2022, deposits from the five largest customers total UAH 305 534 thousand or 46% of total deposits (31 December 2021: UAH 214 276 thousand or 46%).

16. Other liabilities

Other liabilities as at 31 December are as follows:

	2022	2021
Provision for unused vacations	4 720	3 758
Taxes payable, other than income tax	612	546
Accounts payable	381	329
Expenses accrued	23	445
Other	4	76
Total	**5 740**	**5 154**

17. Other borrowings

As at 31 December 2022, other borrowings are represented by loans denominated:

	Amount	Interest rate type	Maturity
BLACK SEA TRADE AND DEVELOPMENT BANK	73 692	Floating rate	25.10.2024
BLACK SEA TRADE AND DEVELOPMENT BANK	154 629	Floating rate	28.04.2023
Entrepreneurship Development Fund	20 354	Floating rate	12.12.2023
Entrepreneurship Development Fund	118 064	Fixed rate	20.04.2023
Ministry of Finance of Ukraine	94 607	Fixed rate	31.12.2024
Ministry of Finance of Ukraine	105 794	Fixed rate	31.12.2031
Total	**567 140**		

(in thousands of Ukrainian hryvnias)

As at 31 December 2021, other attracted funds are represented by loans denominated:

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

As of December 31, 2022 and 2021, the Bank complied with all terms of credit agreements.

18. Share capital

As at 31 December 2022, 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 2021: 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 2022, all shares were fully paid and registered.

No dividends were declared and paid in 2022 and 2021.

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

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

	2022	2021
Profit for the period owned by the owners ordinary shares of the Bank	-	11 321
Average number of shares outstanding during the period	149 962 764	149 962 764
Net profit per share	**-**	**0,00008**

19. Commitments and contingencies

(a) Operating lease commitments

In the course of its activities, the Bank rents operating premises. Future payments under non-failure lease agreements as of December 31 are presented as follows:

	2022	2021
Less than five year	21 310	19 598

(in thousands of Ukrainian hryvnias)

(b) Guarantees and other loan commitments

The Bank has outstanding commitments to extend credit. Those commitments are the approved loans and loan facilities. The total outstanding loan commitments do not necessarily represent future needs in cash, as those commitments may expire or be terminated without being funded. As at 31 December 2022, the irrevocable loan commitments amount to UAH 50 thousand (2021: UAH 8 150 thousand).

Loan commitments were as follows:

	As at 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Irrevocable credit lines	**50**	**-**	-	**50**
Provision for expected credit losses	(1)	-	-	(1)

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

(c) Insurance

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

(d) Taxation contingencies

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

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

(in thousands of Ukrainian hryvnias)

(e) Litigations

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

20. Incomes and expenses analysis

Incomes and expense for the year are as follows:

Interest income and expense for the year are as follows:

	2022	2021
Loans and advances to customers	141 129	133 839
Deposit certificates of the National Bank of Ukraine	19 551	1 229
T-bills	15 674	28 272
Due from banks	1 235	1 082
Total interest income	**177 589**	**164 422**
Due to the National bank of Ukraine	(15 409)	(9 469)
Deposits	(31 523)	(18 321)
Other attracted funds	(24 129)	(15 683)
Current accounts	(27 909)	(4 957)
Due to banks	(1 015)	(6 603)
Lease liability	(1 073)	(797)
Total interest expense	**(101 058)**	**(55 830)**
Net interest income	**76 531**	**108 592**

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

	2022	2021
Commission income:		
Currency exchange	4 641	9 809
Cash payments and withdrawals	18 528	9 802
Credit service	8 809	5 953
Other	830	1 962
Total fee and commission income	**32 808**	**27 526**
Commission expense:		
Cash payments and withdrawals	(3 594)	(3 559)
Credit service	(4 526)	(3 327)
Other	(1 162)	(983)
Total fee and commission expense	**(9 282)**	**(7 869)**
Net commission income	**23 526**	**19 657**

Amortization and depreciation

	2022	2021
Amortization expense	2 483	3 101
Depreciation expense	4 879	5 352
Total depreciation and amortization	**7 362**	**8 453**

(in thousands of Ukrainian hryvnias)

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

	2022	2021
Repairs and maintenance of property and equipment	5 352	5 040
Rent and maintenance of premises	5 169	4 336
Security	3 093	2 738
Communication and information	2 652	3 267
Taxes other than on income and other charges	2 222	2 114
Legal and consulting services	1 942	1 725
Stationary and office consumables	1 209	1 516
Travel expenses	650	888
Audit	380	1 044
Losses from other property revaluation	268	1 680
Advertising and marketing	200	319
Transportation costs	5	15
Other operating expenses	2 412	5 270
Total	**25 554**	**29 952**

21. Provision for impairment losses

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

Balance as of January 1, 2021	**(15 517)**
Used	66
Charged	(12 961)
Balance as of December 31, 2021	**(28 412)**
Used	7 491
Charged	(27 058)
Balance as of December 31, 2022	**(47 979)**

22. Income tax expense

Income tax expense includes the following components:

	2022	2021
Current tax expense	-	2 507
Deferred tax benefit	(1 704)	(22)
Total income tax expense/(credit)	**(1 704)**	**2 485**

The statutory income tax rate in 2022 was 18% (2021: 18%). Below is the reconciliation of theoretical tax expenses against the actual ones:

	2022	2021
Profit before income tax	**(9 464)**	**13 806**
Computed expected income tax expense at statutory rate of 18%.	(1 704)	2 485
Effective income tax expense/(credit)	**(1 704)**	**2 485**

(a) Movements in recognized temporary differences during the year

(in thousands of Ukrainian hryvnias)

Deferred tax assets and liabilities as at 31 December 2022 are attributable to the items detailed as follows:

	1 January 2022	Recognized through profit or loss	31 December 2022
	Asset (liability)	*Benefit (charge)*	*Asset (liability)*
Property and equipment	526	(9)	517
Accumulated tax losses	-	1 713	1 713
Total	**526**	**1 704**	**2 230**

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

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

23. Derivatives at fair value through profit or loss

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

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

	2022	2021
	Forward currency contracts	Forward currency contracts
Assets at fair value through profit or loss	-	8
Liabilities at fair value through profit or loss	-	4

24. Financial risk management

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

(a) Risk management structure

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

The risks are managed in an integrated manner and are evaluated in terms of the policy of the Bank, which is reviewed and approved by the Supervisory Board on an annual basis. Risk limits are established for credit, market and liquidity risks and the level of exposure is then maintained within these limits.

(b) Credit risk

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

Management monitors concentration of credit risk.

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

Corporate Lending

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

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

Retail Lending

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

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

Expected credit losses (ECL)

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). The expected credit losses for the entire duration of the instrument are calculated either individually or for asset groups, depending on the characteristics of the relevant portfolio of financial instruments.

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

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

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

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

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

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

The Table below shows the value of financial assets by classes of quality as at 31 December 2022 and 31 December 2021.

(in thousands of Ukrainian hryvnias)

31 December 2022

		Standard	*Watch*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	Stage 1	314 388	-	-	**314 388**
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	846 628	-	-	**846 628**
	Stage 2	-	225 526		**225 526**
	Stage 3	-	-	60 728	**60 728**
	POCI assets	-	-	11 219	**11 219**
	Total	**846 628**	**225 526**	**71 947**	**1 144 101**
Loans to retail customers	Stage 1	10 053	-	-	**10 053**
	Stage 2	-	-	-	**-**
	Stage 3	-	-	108	**108**
	Total	**10 053**	**-**	**108**	**10 161**
Irrevocable credit lines	Stage 1	50	-	-	**50**
	Total	**50**	**-**	**-**	**50**
Financial guarantees	Stage 1	-	-	-	**-**
	Total	**-**	**-**	**-**	**-**
Total		**1 171 069**	**225 526**	**72 055**	**1 468 650**

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 2021

		Standard	*Watch*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	Stage 1	204 349	-	-	**204 349**
Loans to customers at amortized cost					
Loans to corporate customers	Stage 1	1 182 067	-	-	**1 182 067**
	Stage 2		91 820		**91 820**
	Stage 3			66 561	**66 561**
	POCI assets			11 813	**11 813**
	Total	**1 182 067**	**91 820**	**78 374**	**1 352 261**
Loans to retail customers	Stage 1	7 156	-	-	**7 156**
	Stage 2	-	105	-	**105**
	Total	**7 156**	**105**	**-**	**7 261**
Irrevocable credit lines	Stage 1	8 150	-	-	**8 150**
	Total	**8 150**	**-**	**-**	**8 150**
Financial guarantees	Stage 1	42 787	-	-	**42 787**
	Total	**42 787**	**-**	**-**	**42 787**
Total		**1 472 688**	**91 925**	**78 374**	**1 642 987**

(in thousands of Ukrainian hryvnias)

Off-balance sheet exposure

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

	2022	2021
Irrevocable credit lines	50	8 150
Guarantees	-	42 787
Total off-balance sheet exposure	**50**	**50 937**

(c) Market risk

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

(i) Currency risk

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

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

Currency positions as at 31 December 2022 are as follows:

	USD	EUR	Other currencies
Assets			
Cash and cash equivalents	111 843	172 310	1 449
Due from banks	77 891	-	-
Loans and advances to customers	379 002	215 794	-
Other assets	4 207	-	-
	572 943	**388 103**	**1 449**
Liabilities			
Due to banks	-	-	-
Other attracted funds	228 321	318 465	-
Due to customers	344 162	70 005	463
Other liabilities	-	5	-
	572 483	**388 474**	**463**
Net balance sheet position	**460**	**(371)**	**986**
Net (short) long position	**460**	**(371)**	**986**

(in thousands of Ukrainian hryvnias)

Currency positions as at 31 December 2021 are as follows:

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

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, % 2022*	*Effect on profit before tax 2022*	*Weakening of exchange rate against Ukrainian hryvnia, % 2022*	*Effect on profit before tax 2022*
USD	+20,00	92	-20,00	(92)
EUR	+20,00	-74	-20,00	74

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

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 2022 are as follows:

	USD	**EUR**	**Ukrainian hryvnia, %**
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	23,00%
Due from banks	4,71%	-	-
Loans and advances to customers	6,14%	6,99%	16,46%
Liabilities			
Other attracted funds	8,54%	2,58%	9,86%
Due to customers	2,30%	1,22%	15,83%

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

	USD	**EUR**	**Ukrainian hryvnia, %**
Assets			
Deposit certificates of the National Bank of Ukraine	-	-	8,00%
Due from banks	0,05%	-	-
Loans and advances to customers	6,74%	6,97%	13,83%
Liabilities			
Due to banks	-	-	9,07%
Other attracted funds	4,41%	3,02%	7,31%
Due to customers	1,61%	2,24%	1,78%

Below is an analysis of the impact on pre-tax income of possible changes in interest rates with financial instruments that are raised at floating interest rates:

	Increase in basis points	Impact on profit before taxation	Decrease in basis points	Impact on profit before taxation
2022	+100	2 487	(100)	(2 487)
2021	+100	2 281	(100)	(2 281)

(in thousands of Ukrainian hryvnias)

(d) Liquidity risk

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

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

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

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

The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2022 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	334 560	-	-	-	-	334 560
Investments in securities	558 703	-	-	-	-	558 703
Due from banks	73 157	-	4 734	-	-	77 891
Loans and advances to customers	268 740	343 041	304 943	192 076	-	1 108 800
	1 235 160	**343 041**	**309 677**	**192 076**	**-**	**2 079 954**
Liabilities						
Due to other attracted funds	15 775	25 442	354 514	115 514	55 895	567 140
Due to customers	723 345	237 107	187 259	34 508	-	1 182 219
	739 120	**262 549**	**541 773**	**150 022**	**55 895**	**1 749 359**
Liquidity (gap) surplus for the period	496 040	80 492	(232 096)	42 054	(55 895)	330 595
Cumulative liquidity (gap) surplus	**496 040**	**576 532**	**344 436**	**386 490**	**330 595**	

(in thousands of Ukrainian hryvnias)

The financial assets and financial liabilities maturity periods under the contracts as at 31 December 2021 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	232 528	-	-	-	-	232 528
Deposit certificates of the National Bank of Ukraine	245 588	85 728	264 842	-	-	596 158
Due from banks	-	-	-	3 663	-	3 663
Loans and advances to customers	246 767	173 690	674 558	237 572	-	1 332 587
	724 883	**259 418**	**939 400**	**241 235**	**-**	**2 164 936**
Liabilities						
Due to banks	89 864	-	-	175 998	-	265 862
Due to other attracted funds	15 073	13 744	299 645	136 513	-	464 975
Due to customers	671 287	113 448	242 106	42 921	7 422	1 077 184
	776 224	**127 192**	**541 751**	**355 432**	**7 422**	**1 808 021**
Liquidity (gap) surplus for the period	(51 341)	132 226	397 649	(114 197)	(7 422)	356 915
Cumulative liquidity (gap) surplus	**(51 341)**	**80 885**	**478 534**	**364 337**	**356 915**	

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 2022 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 customers	726 577	239 599	190 028	34 868	-	1 191 072
Other attracted funds	18 283	30 376	364 563	127 860	60 566	601 648
Total	744 860	269 975	554 591	162 728	60 566	1 792 720

(in thousands of Ukrainian hryvnias)

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

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

25. Capital management

(i) Regulatory capital

Under the current capital requirements set by the NBU, banks have to maintain a ratio of capital to risk weighted assets (regulatory capital adequacy ratio) above the prescribed minimum level. If the Bank does not maintain or sufficiently increase its capital base in line with the increase in its risk weighted assets, it may be non-compliant with the NBU capital adequacy regulations, which could lead to the imposition of sanctions by the NBU. This could have a material adverse effect on results of operations and financial condition. As at 31 December 2022, the minimum level set by the NBU is 10.0% (31 December 2021: 10.0%).

The Bank complied with the requirements of the National Bank of Ukraine regarding the value of the regulatory capital adequacy ratio 28.96% as at 31 December 2022 and 26.32% 2021.
The following table shows the elements of the capital position calculated in accordance with the requirements of Basel Accord I, as at 31 December:

	2022	**2021**
Level 1 capital		
Statutory capital	364 410	364 410
Retained earnings, share premium and additional paid in capital	1 427	7 517
Total Level 1 capital	**365 836**	**371 927**
Total capital	**365 836**	**371 927**

26. Balances with related parties

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

As at 31 December 2022 and as at 31 December 2021, the ultimate controlling partıes of the Bank are JSC “ALTINBAŞ HOLDING ANONIM ŞIRKETI” and JSC “CREDITWEST FACTORING ANONIM ŞIRKETI”, which is ultimately controlled by members of Altinbaş family.

(in thousands of Ukrainian hryvnias)

The Bank balances and transactions with its related parties as at 31 December 2022 and 2021 are presented in the table below.

	2022	2021
Balances and transactions with the key management personnel		
Statement of financial position (as at 31 December):		
Loans and advances to customers	-	26
Due to customers	1 431	257
Statement of comprehensive income:		
Interest income	3	11
Interest expense	1	27
Salary and salary related charges payable	10 158	10 342
Balances with related parties		
Statement of financial position (as at 31 December):		
Due to customers	97	74

The foreign currency positions and interest rates of transactions with related parties as at 31 December 2022 are as follows:

	UAH	Interest rate	USD	Interest rate	EUR	Interest rate
Balances with key management personnel						
Credits	-	-	-	-	-	-
Deposits from customers	-	-	200	1.50%	-	-
Current accounts	1 186	0,00%	4	0,00%	41	0,00%
Balances with related parties						
Current accounts	10	0,00%	86	0,00%	1	0,00%

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

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

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)

27. Fair value measurement

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

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

	2022		2021	
	Total carrying amount	**Fair value**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	334 560	334 560	454 114	454 114
Deposit certificates of the National Bank of Ukraine	558 703	558 703	596 158	596 158
Due from banks	77 891	77 891	3 751	3 751
Loans and advances to customers	1 108 800	1 130 976	1 332 587	1 350 900
Total	**2 079 954**	**2 102 130**	**2 164 936**	**2 007 189**
Due to banks	-	-	265 862	265 862
Customer accounts	1 182 219	1 178 859	1 077 184	1 075 395
Other attracted funds	567 140	567 140	464 975	464 975
Total	**1 749 359**	**1 749 359**	**1 808 021**	**1 616 046**

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

Assets which fair value is approximately equal to their carrying amount

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

Financial assets and financial liabilities at amortized cost

For the instruments carried at amortized cost, the discounting model of cash flows using current market rates for similar financial instruments with a similar status, similar to credit risk and maturity is applied.

(b) Financial assets at fair value

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

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

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

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

(in thousands of Ukrainian hryvnias)

31 December 2022	Level 1	Fair value Level 2	Level 3	Total
Financial assets reported at fair value				
Cash and cash equivalents	-	334 560	-	**334 560**
Securities investment	-	558 703	-	**558 703**
Due from banks	-	77 891	-	**77 891**
Loans and advances to customers	-	1 108 800	-	**1 108 800**
Financial liabilities reported at fair value				
Due to banks	-	-	-	**-**
Due to customers	-	1 182 219	-	**1 182 219**
Other attracted funds	-	567 140	-	**567 140**

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

28. Subsequent events

During the period up to the date of approval of these financial statements, the following did not occur:
- business combination;
- termination or adoption of a decision to terminate activity;
- restructuring of the Bank;
- making court decisions in favor of the plaintiffs, which could cause the emergence of significant financial obligations of the Bank, which are not reflected in the Bank's financial statements.

After January 1, 2023, there were no extensions on loans issued to clients.

On March 20, 2023, a loan from the Entrepreneurship Development Fund in the amount of EUR 3,000 thousand was repaid early, and on March 22, 2023, the Bank signed a new agreement with the Entrepreneurship Development Fund in the amount of EUR 3,000 thousand with a final repayment period of December 15, 2027.

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

25 April 2023

УКРАЇНА
"ВЕСТ ФАЙНЕНС ЕНД КРЕДИТ БАНК"
Ідентифікаційний код 34575675