JSC "RWS BANK"

ANNUAL FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

for the year ended December 31, 20 20

and INDEPENDENT AUDITOR'S REPORT

CONTENTS

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 20 20

thousand UAH	**Notes**	**December 31, 20 20**	**December 31, 201 9**
ASSETS			
Cash and cash equivalents	6	496 191	379,695
Loans and customer debt	7	333,920	277,817
Investments in securities	8	980 146	-
Investment property	9	381,462	308,377
Current income tax receivable		182	182
Fixed assets, right-of-use assets and intangible assets	10	21,057	31,617
Other assets	11	97,285	72,936
Total assets		**2,310,243**	**1,070,624**
OBLIGATION			
Bank funds	12	640,786	-
Client funds	13	1,366,137	767,480
Provisions for liabilities	14	839	212
Other obligations	15	46,814	82,710
Total liabilities		**2,054,576**	**850 402**
EQUITY			
Authorized capital	1 6	300,039	300,039
Other additional capital		48,000	48,000
Reserve and other funds of the bank		9,445	9,445
Revaluation reserves		(6,486)	-
Retained earnings (uncovered loss)		(95,331)	(137,262)
Total equity		**255,667**	**220 222**
Total liabilities and equity		**2,310,243**	**1,070,624**

Approved for release and signed on __ April 2021

Chairman of the Board O.V. Kotlyarevska

Chief Accountant O.M. Burdina

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR 20 20

thousand UAH	**Notes**	**2020 year**	**2019 year**
Interest income	19	124,587	85 855
Interest expenses	19	(66,984)	(56,459)
Net interest income/(Net interest expense)		**57,603**	**29,396**
Commission income	2 0	91,166	60 605
Commission costs	2 0	(16,812)	(7,918)
Net profit/(loss) from transactions with financial instruments at fair value through profit or loss		(1,438)	(2,303)
Net profit/(loss) from transactions with debt financial instruments carried at fair value through other comprehensive income		(2,269)	5 4
Net profit/(loss) from foreign currency transactions		10,276	8,220
Net profit/(loss) from foreign currency revaluation		13,246	5,987
Net profit/(loss) from revaluation of investment property		9,977	13 17 6
Net gain/(loss) from impairment of financial assets		12,720	(21,230)
Net gain/(loss) from impairment of other assets		8,317	7,807
Net loss/(gain) from increase/(decrease) in provisions for liabilities	14	(628)	250
Other operating income	2 1	79,638	124,650
Employee benefits expenses		(47,107)	(47,115)
Depreciation and amortization expenses		(12,417)	(10,801)
Other administrative and operating expenses	2 2	(160,341)	(168,357)
Profit/(loss) before tax		**41,931**	**(7 5 79)**
Profit/(loss)		**41,931**	**(7 5 79)**
OTHER TOTAL INCOME:			
ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS			
Changes in the results of revaluation of debt financial instruments		(6,486)	41
Total cumulative income		**35,445**	**(7 5 38)**

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STATEMENT OF CHANGES IN EQUITY FOR 20 20

thousand UAH	Authorized capital	Other additional capital	Reserve and other funds	Revaluation reserves	Retained earnings	**Total**
Balance as of January 1 , 2019	**300,039**	**-**	**9,400**	**(41)**	**(129,638)**	**179,760**
Total consolidated income for 201 9	-	-	45	41	(7,624)	(7 5 38)
profit/(loss)	-	-	*45*	*(9)*	*(7 61 5)*	*(7 5 79)*
other comprehensive income	-	-	-	*50*	*(9)*	*41*
Financial assistance	-	*48,000*	-	-	-	*48,000*
Balance as of December 31, 2019	**300,039**	**48,000**	**9,445**	**-**	**(137,262)**	**220 222**
Total cumulative revenue for 2020	-	-	-	(6,486)	41,931	35,445
profit/(loss)	-	-	-	-	*41,931*	*41,931*
other comprehensive income	-	-	-	*(6,486)*	-	*(6,486)*
Financial assistance		-	-	-	-	-
Balance as of December 31, 2020	**300,039**	**48,000**	**9,445**	**(6,486)**	**(95,331)**	**255,667**

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CASH FLOW STATEMENT FOR 20 20

thousand UAH	**Notes**	**20 20 year**	**201 9 year**
OPERATIONAL ACTIVITIES			
Interest income received		37,674	82,518
Interest expenses paid		(64,367)	(56,697)
Commission income received		90 201	57,436
Commissions paid		(16,832)	(7,918)
Result of foreign currency transactions		8,837	5,917
Other operating income received		23,534	23,437
Personnel maintenance payments paid		(46,955)	(46,628)
Administrative and other operating expenses paid		(154,255)	(164,822)
Income tax paid		-	(182)
Cash received/(paid) from operating activities before changes in operating assets and liabilities		**(122,163)**	**(106,939)**
Changes in operating assets and liabilities			
Net (increase)/decrease in loans and bank debt		-	-
Net (increase)/decrease in financial assets at fair value through profit or loss		-	1,776
Net (increase)/decrease in loans and advances to customers		(26,907)	(185,129)
Net (increase)/decrease in other assets		(15,714)	(12,838)
Net increase/(decrease) in banks' funds		640,786	-
Net increase/(decrease) in customer funds		596,033	35,724
Net increase/(decrease) in other liabilities		(35,367)	45,503
Net cash flows from operating activities		**1,036,668**	**(221,903)**
INVESTMENT ACTIVITIES			
Purchase of securities		(900,925)	55,700
Purchase of investment property		(63,102)	(5,463)
Proceeds from the sale of investments in securities		-	-
Proceeds from the sale of investment property		46,400	-
Proceeds from the sale of fixed assets		(3)	-
Acquisition of fixed assets		(1,749)	(6,594)
Acquisition of intangible assets		(910)	(1,875)
Net cash flows from investing activities		**(920,289)**	**41,768**
FINANCIAL ACTIVITIES			
Other shareholder contributions, other than share issuance		-	48,000
Net cash flows from financing activities		**-**	**48,000**
Net exchange rate difference		267	5,986
Net increase/(decrease) in cash and cash equivalents		**116,646**	**(126,149)**
Cash at the beginning of the period		**379,503**	**505,652**
Cash at the end of the period	6	**496 149**	**379,503**

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NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ABOUT THE BANK

Name of the bank: JOINT STOCK COMPANY "RWS BANK".

Abbreviated name of the Bank: JSC "RWS BANK".

Bank location: JOINT STOCK COMPANY "RWS BANK" is located at: Ukraine, 04071, Kyiv, Vvedenska Street, building 29/58.

Country in which the bank is registered: The bank is registered in Ukraine.

JOINT-STOCK COMPANY "RWS BANK" is the legal successor of PUBLIC JOINT-STOCK COMPANY "RWS BANK", which in turn is the legal successor of the property, rights and obligations of PUBLIC JOINT-STOCK COMPANY "TRANSITION BANK "RWS BANK" (banking license No. 277 dated June 25, 2015), which is the legal successor in terms of assets (including rights under security agreements) and obligations under the claims of creditors (depositors) under the transferred obligations of PUBLIC JOINT-STOCK COMPANY "OMEGA" BANK" (name of the insolvent bank), identification code 19356840, registered by the National Bank of Ukraine on October 31, 1991 under number 69.

PJSC "RWS BANK" was established in accordance with the decision of the Executive Directorate of the Deposit Guarantee Fund of Individuals dated June 18, 2015 (minutes No. 132/15) on the creation of a transitional bank in order to implement the method of withdrawing an insolvent bank from the market of PUBLIC JOINT-STOCK COMPANY "OMEGA BANK" (hereinafter referred to as "PJSC "OMEGA BANK"), provided for by paragraph two of part sixteen of Article 42 of the Law of Ukraine "On the Deposit Guarantee System of Individuals".

The founder of the Bank was the Deposit Guarantee Fund for Individuals, which owned 100% of the Bank's shares at the time of the Bank's establishment.

The bank was registered by the State Registrar of the Registration Service of the Main Department of Justice in Kyiv on June 22, 2015, and entered into the State Register of Banks on June 25, 2015 under No. 354.

As of December 31, 2020, the Bank's shareholders are:

- Oleksandr Volodymyrovych Stetsyuk, who is the owner of a significant stake in the capital of the Bank, owning 99% (ninety-nine percent) of the voting shares of the Bank and
- Demchak Ruslan Yevheniyovych, who owns 1% (one percent) of the Bank's voting shares.

Members of the Bank's Management Board and members of the Supervisory Board do not own shares in the Bank's authorized capital.

The bank was registered by the State Registrar of the Registration Service of the Main Department of Justice in Kyiv on June 22, 2015, and entered into the State Register of Banks on June 25, 2015 under No. 354.

Information regarding banking licenses:

- Banking license dated November 24, 2016 No. 277, issued by the National Bank of Ukraine.

The Bank carries out banking activities on the basis of a banking license. According to the banking license, the Bank has the right to provide banking services specified in Part Three of Article 47 of the Law of Ukraine “On Banks and Banking Activities”.

The Bank is a member of the Deposit Guarantee Fund for Individuals and was registered in the Register of Banks-Members of the Fund on July 15, 2015 under No. 239. The Bank received a certificate of participation in the Fund on July 15, 2015 under No. 230.

The Bank is a member bank of the National Association of Banks of Ukraine.

The Bank is a member of the Association "Ukrainian National Group of SWIFT Members and Users" UkrSWIFT .

The Bank is a member of the Public Union "UNION OF UKRAINIAN ENTREPRENEURS".

2. ECONOMIC ENVIRONMENT IN WHICH THE BANK CARRIES OUT ITS ACTIVITIES

The financial sector of Ukraine felt the impact of the global crisis related to the spread of COVID-19, but the response to the crisis was balanced by the steps of the National Bank of Ukraine aimed at mitigating such impact. Quarantine restrictions were in effect throughout the fourth quarter of 2020.

In the fourth quarter of 2020, the economies of Ukraine’s trading partners and global trade are recovering from the COVID-induced crisis of the first half of the year, but the risks of a new recession due to a second wave of the pandemic are high. Prices for raw materials and financial assets are rising to pre-crisis levels. This is largely facilitated by governments and central banks of many countries and MFIs, which continue to stimulate the recovery through fiscal and monetary means. Geopolitical and geoeconomic risks have decreased after the US presidential elections and the emergence of COVID vaccines, which has also helped the economic recovery. Interest in emerging market (EM) assets is uneven across regions. The prospects for international deterrence of Russia as an aggressor have improved due to the expected US position. Banks entered the crisis with capital adequacy that significantly exceeded the minimum level, this excess is now being used by banks to absorb loan losses and for further lending. A significant share of liabilities is attracted in the domestic market and this share continues to grow, so the banking sector's dependence on the situation in international capital markets is minimal. The liquidity of financial institutions is high both in hryvnia and in foreign currencies. The NBU provides temporary benefits due to adverse conditions to maintain the stability of the financial sector, banks must comply with only minimum capital adequacy requirements. Favorable regulatory conditions have been created for loan restructuring, banks are making concessions to borrowers during the period of quarantine restrictions without increasing credit risk. The high margin of safety of banks and timely regulatory actions contributed to the fact that the system went through the most acute phase of the crisis without failures, banking services were provided continuously, depositors constantly had access to their accounts, and banks ensured the security of the network.

The key threats facing the banking sector will be noticeable over the next year - a decline in demand for banking services and a deterioration in the quality of loan servicing.

In December 2020, the NBU Board left the discount rate unchanged at 6%. Monetary policy remains accommodative, which will ensure economic recovery in conditions of moderate inflation and high uncertainty regarding the further course of the pandemic in Ukraine and the world. The cost of resources on the interbank market continues to correlate with the dynamics of the key rate, and the increase in the liquidity of the banking system kept interbank rates at the level of the lower limit of the NBU rate corridor. The increase in the yield of hryvnia government bonds on the secondary market was due to both the global trend of decreasing investor interest in risky assets, and the increase in the sovereign risk premium of Ukraine, which foreign investors are oriented towards, and the deterioration of exchange rate expectations. During the fourth quarter of 2020, banks continued to reduce hryvnia rates for their clients under the influence of the general trend of cheaper interbank resources. At the same time, the share of term deposits is decreasing. This may complicate liquidity management in the future. Additional pressure on liquidity will be exerted by the government's ambitious borrowing plans. In the fourth quarter, the market observed a balancing of supply and demand. As a result, the NBU did not carry out currency interventions for more than a month (from November 6 to December 9), which is a record period since the introduction of the floating exchange rate. In mid-December, due to the return of non-residents, a net supply of currency was observed. However, in the last weeks of the year, the likelihood of record budget expenditures increased, which may cause short-term devaluation pressure. Also, the lack of cooperation between Ukraine and the IMF during the fourth quarter led to a weakening of the hryvnia exchange rate against the dollar.

As a result of the realization of credit risk, threats to the capital adequacy of most banks will significantly increase; for now, the risk is contained by the safety margin that financial institutions have built up over the past years and will be able to use to absorb losses and increase lending volumes.

The banking system has a significant liquidity reserve at the beginning of the crisis, the LCR values \u200b\u200bsignificantly exceed the minimum requirements (not less than 100%). Banks fulfill customers' requirements for withdrawals, which is positively responded to by the market and panic moods decrease, which indicates the stability of the resource base. After a temporary decrease, the volume of highly liquid assets increased to the pre-crisis level. To reduce the impact of the liquidity crisis, the NBU's expansion of access to liquidity is constantly mitigating this risk.

The worst financial result of banks was in the fourth quarter of 2020 due to increased provisions, a slowdown in lending and a decline in demand for banking services, in particular a reduction in commission income, which reduced the profitability of the banking system. At the same time, in 2020, banks received UAH 41.3 billion in net profit, which is 29% less than in the same period last year, when the banking sector earned UAH 58.4 billion. The corona crisis worsened the financial condition of banks, but less significantly than expected in the spring of 2020. The number of loss-making banks did not increase. In 2020, out of 73 solvent banks, 65 banks were profitable and received a net profit of UAH 47.7 billion, which covered the losses of 8 banks for a total of UAH 6.4 billion.

The average capital adequacy ratio was 21.98%, the short-term liquidity ratio H6 was 86.82%, the average LCR for all currencies was 449.5%, the volume of active transactions of persons related to banks decreased significantly - 4.10% average for all banks.

The unfolding of the corona crisis during 2020 increased the risks of banks' capital adequacy. For the first time, all the main risks were simultaneously realized: credit, market and operational. The assumption of the adverse impact of these risks on the banking system was the basis for the NBU's express stress testing, which was conducted in the spring. However, banks are currently in a better condition than was assessed during the stress testing. The main reasons are a lower level of economic shock, a better initial financial condition of borrowers and high resilience of demand for banking services. At the same time, risks of increasing credit losses in the first half of 2021 or their delayed recognition remain. In 2021, the NBU will continue to work on updating regulatory capital requirements, although the schedule for their implementation has been relaxed. Banks continue to face risks in terms of improving the quality of capital management in order to maintain high resilience to possible shocks.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been prepared by the Bank in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements have been prepared on the historical cost basis, excluding financial instruments at fair value and investment property.

The financial statements are presented in hryvnias and all amounts are rounded to the nearest thousand unless otherwise stated.

Business continuity

The Bank's management believes that the Bank is able to continue its activities in the future and ensure sustainable development of the institution. The management believes that the Bank is able to ensure operational profitability and increase the efficiency of activities in priority areas in the near future while complying with the requirements of the regulatory legal acts of the National Bank of Ukraine and other requirements of the legislation of Ukraine regulating the activities of banking institutions.

Currently, the Bank's management is working on approving the Bank's strategic objectives for 2019-2021. The Bank's priority areas of activity are the following:

- ensuring profitability and regulating liquidity by conducting transactions with securities (NBU certificates of deposit, other NBU financial instruments);
- a moderate increase in consumer lending volumes while mitigating the associated risks by restricting lending to unscrupulous borrowers;
- sale of real estate acquired by the Bank in the status of PJSC "TRANSITIONAL BANK "RWS BANK" from the insolvent bank PJSC "OMEGA BANK" (hereinafter referred to as the insolvent bank "Omega Bank"). The Bank plans to invest the funds received from the sale of real estate in lending to individuals and minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);
- continuation of claims work to repay the balances of problem debt received from the insolvent bank "OMEGA BANK", by exercising the rights of the pledgee in accordance with the terms of the agreements and current legislation;
- obtaining cash flows from the effective use of investment property ;
- expanding the range and improving the quality of service to legal entities.

The Bank's management believes that the resources necessary to ensure the implementation of effective internal control and risk management systems in the Bank in accordance with the requirements of the National Bank of Ukraine are sufficient. The Bank is currently working on updating its internal regulatory framework and ensuring sufficient human resources to meet these requirements.

3.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies used in the preparation of these financial statements are set out below. These policies have been applied consistently to all periods presented, unless otherwise stated.

a) Foreign currency

Balances on analytical accounts that are recorded on the Bank's balance sheet in a currency other than the functional currency as of the reporting date are translated into the functional currency at exchange rates, with:

- assets and liabilities in the statement of financial position are translated at the exchange rate at the end of the relevant reporting period;
- Capital components, if any, are translated at the historical exchange rate.

Income and expenses are not translated, as accounting for such accounts is maintained on the Bank's balance sheet exclusively in the functional currency.

The financial statements are presented in thousands of hryvnias ("thousands of UAH"), unless otherwise stated.

The main exchange rates used for converting amounts in foreign currency were as follows:

UAH	**December 31, 2020**	**December 31, 2019**
1 US dollar	28.2746	23.6862
1 euro	34.7396	26.4220
1 Russian ruble	0.37823	0.38160

b) Initial recognition of financial instruments

Financial instruments are any contract that gives rise to a financial asset for one party and a financial liability or equity instrument for the other.

A financial asset is any asset of the Bank that is:

- cash;
- instruments of another company;
- a contractual right to receive cash from another party to the contract or to exchange financial assets or liabilities with another party to the contract on terms potentially favorable to the Bank;
- a contract that will or may be settled in the equity instruments of the other party to the contract, and which is not a derivative that obliges or may oblige the Bank to receive a variable number of its own equity instruments, or a derivative that will or may be settled in a manner other than by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A financial obligation is any obligation of the Bank that is:

- a contractual obligation (to pay or transfer a financial asset to another party to a contract, or to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Bank), or
- a contract that will or may be settled in the Bank's equity instruments, and which is not a derivative that obliges or may oblige the Bank to deliver a variable number of its own equity instruments, or a derivative that will or may be settled in a manner other than by exchanging a fixed amount of cash or another financial asset for a fixed number of the Bank's own equity instruments.

A Bank's equity instrument is any contract that represents the ultimate ownership interest in the Bank's assets after deducting all of its liabilities.

The Bank recognizes a financial liability in its financial statements when, and only when, it becomes a party to the contractual provision of the instrument.

The Bank, upon initial recognition of financial instruments carried at fair value through profit or loss, measures them at fair value with or without transaction costs. The Bank records transaction costs for the acquisition of such financial instruments in expense accounts on the date of their occurrence.

The Bank measures all other financial instruments upon initial recognition at fair value plus transaction costs.

All financial liabilities, other than those designated as financial liabilities at fair value through profit or loss and financial liabilities arising on the transfer of a financial asset carried at fair value that does not qualify for derecognition, are measured at amortized cost using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the relevant instrument and amortized using the effective interest method for that instrument.

c) Diminishing utility

From January 1, 2018, the Bank assesses impairment in accordance with IFRS 9 for active operations carried at amortized cost or at fair value through other comprehensive income.

In accordance with the general approach, depending on the degree of deterioration in credit quality since initial recognition, the Bank assigns financial instruments to one of the following stages of impairment assessment:

- Stage 1 – financial instruments for which there are no signs of a significant increase in credit risk. Expected credit losses are calculated for these financial instruments over the next 12 months;
- Stage 2 – financial instruments for which there are indications of a significant increase in credit risk since initial recognition, but there are no indications of impairment. Credit losses are calculated for these financial instruments over the entire life of the financial instruments;
- Stage 3 – financial instruments for which there are indications of a significant increase in credit risk since initial recognition and objective evidence of impairment. According to these financial instruments expected credit losses are calculated for the entire life of the financial instruments.

The Bank applies two approaches to assessing the impairment of financial instruments:

- individual assessment – performed for financial instruments that are considered significant and for which there are indications of a significant increase in credit risk since initial recognition;
- The Bank estimates expected credit losses for each borrower's loan based on probability- weighted discounted cash flows. The Bank considers several scenarios for the borrower's repayment and takes each of them into account.
- Collective assessment - is carried out for financial instruments that are not considered significant or for which there is no evidence of a significant increase in credit risk since initial recognition. The collective approach applies a portfolio-level assessment.

To calculate the amount of expected losses under IFRS 9 (forward-looking expected credit loss,ECL) The Bank uses the following components:

- PD (the Probability of Default , probability of default) – a component of calculating the amount of the reserve, reflecting the probability of the debtor/counterparty ceasing to fulfill its obligations. When calculating the reserve, estimates of the probability of default are adjusted depending on the forecast of the implementation of the economic development scenario;
- LGD (the Loss Given Default) - a component of calculating the amount of the reserve, reflecting the level of losses (damages) due to the default of the debtor/counterparty;
- EAD (The Exposure at Default) - a component of calculating the reserve size, consisting of the following components: principal debt on the loan, accrued income, discounts / premiums.

The Bank determines whether there is objective evidence of impairment of a financial asset or a group of financial assets at each reporting date. A financial asset or a group of financial assets is considered to be impaired only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event or events have an impact on the expected future cash flows from the financial asset or group of financial assets that can be reliably measured. Objective evidence of impairment may include indications that a borrower or group of borrowers is experiencing significant financial difficulty, is in default on interest or principal payments, is likely to enter bankruptcy or financial reorganization, evidence, based on observable market information, of a moderate decrease in expected future cash flows, for example, changes in the level of delinquencies or in economic conditions that correlate with asset losses, and indicators of external information that have occurred in the technological, market, economic or legal environment in which the entity operates. Impairment losses are recognized in profit or loss as they arise as a result of one or more events (“loss events”) that occurred after the initial recognition of a financial asset and have an impact on the amount or timing of estimated cash flows associated with the financial asset or group of financial assets, if those losses can be reliably measured. If the Bank determines that there is no objective evidence of impairment for an individually assessed financial asset (regardless of its materiality), it includes this asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The main factors that the Bank considers when determining the impairment of a financial asset are its past due status and the possibility of realising the relevant collateral, if any.

Write-off of financial assets against established reserves occurs in the absence of reasonable expectations of recovery of their value according to the decision of the Bank's management.

d) Derecognition of financial instruments and modifications

Derecognition of a financial asset (or part of a financial asset or part of a group of similar financial assets) occurs if:

- the rights to receive cash flows from the financial asset have expired;
- The Bank has transferred the rights to receive cash flows from such an asset, or if the Bank has retained the rights to receive cash flows from the asset, but has assumed a contractual obligation to transfer them in full to a third party under the terms of a "pass-through agreement";
- The Bank has either (a) transferred substantially all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Bank has transferred its rights to receive cash flows from an asset, and has not transferred and retained substantially all the risks and rewards of the asset, or transferred control over the asset, such asset continues to be recognized to the extent of the Bank's continued involvement in the asset.

The Bank's continued interest in the asset is measured at the lower of the asset's original carrying amount or the maximum amount of consideration that may be payable to the Bank.

A financial liability is derecognized when the obligation is discharged, cancelled or expires.

When replacing one existing financial liability with another liability to the same creditor on significantly different terms or in the event of significant changes to the terms of an existing liability, the original liability is derecognized, and the new liability is recorded in the accounting with the recognition of the difference in the carrying amount of the liability in profit/loss and other comprehensive income.

The Bank records in its accounting a change in the terms of the contract or a modification to a financial asset that results in a revision of its cash flows as:

- derecognition of the original financial asset and recognition of a new financial asset; or
- continued recognition of the original financial asset with new terms.

If the contractual terms of a financial asset are revised by mutual agreement or any other modification occurs that does not result in derecognition of the original financial asset, the Bank shall recalculate the gross carrying amount of the asset and recognize income or expenses from the modification.

The Bank calculates the new gross carrying amount as the present value of the revised or modified contractual cash flows discounted at the original effective interest rate (or the original effective interest rate adjusted for credit risk for purchased or originated impaired financial assets).

Transaction costs are included in the carrying amount of the modified financial asset and are amortized over its life.

The Bank recognizes the difference between the gross carrying amount under the original terms and the gross carrying amount under the revised or modified terms as modification income or expense.

e) Cash and cash equivalents

Cash and cash equivalents include cash, balances on correspondent accounts with the National Bank of Ukraine, funds on correspondent accounts opened with other banks (nostro accounts), highly liquid funds with a maturity of up to 90 days from the date of origination that are not encumbered by any contractual obligations. Cash and cash equivalents are recorded at amortized cost.

f) Derivative financial instruments

In the normal course of business, the Bank uses various derivative financial instruments, including forward contracts and swaps on foreign exchange markets, entered into with Ukrainian banks. Derivative instruments are initially recognized at fair value at the date of the contract, after which they are remeasured at fair value.

All derivatives are recorded as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in the fair value of derivatives are recognized immediately in the statement of profit or loss and other comprehensive income. The Bank estimates and calculates the fair value of forward contracts and recognizes significant changes in it in profit or loss.

Derivative financial instruments embedded in other financial instruments or other combined agreements are accounted for as separate derivatives if their characteristics and risks are not closely related to the host agreement and the host agreement does not qualify as financial instruments at fair value through profit or loss.

g) Loans and debts

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Based on the Bank's business model and the characteristics of the contractual cash flows, loans and receivables from customers are carried at amortized cost.

Loans and funds provided to banks

In the ordinary course of business, the Bank makes loans or places deposits with other credit institutions for certain periods of time. Due from credit institutions are initially recognized at fair value. Due from credit institutions with fixed maturities are measured at amortized cost using the effective interest method and are carried at amortized cost less any allowance for impairment losses.

Loans granted to customers

The initial cost of loans to customers is the amount of cash or cash equivalents paid, or the fair value of other resources provided to acquire the asset at the acquisition date, and includes transaction costs.

In cases where the fair value of the compensation provided is not equal to the fair value of the loan, for example, when the loan is provided at rates lower (higher) than market rates, the difference between the fair value of the compensation provided and the fair value of the loan is recognized as a loss (gain) upon initial recognition of the loan and is included in the statement of profit or loss and other comprehensive income in accordance with the nature of such losses (gains).

After recognition, loans are carried at amortized cost using the effective interest rate method.

The Bank includes transaction costs directly attributable to the recognition of a financial instrument in the amount of the discount (premium) on that financial instrument.

The Bank amortizes the discount (premium) over the term of the financial instrument using the effective interest rate. The discount (premium) amount must be fully amortized on the date of repayment (repayment) of the loan (deposit).

Loans to customers that do not have fixed maturities are accounted for using the effective interest method, based on the expected maturity.

The Bank recognizes impairment of loans and advances to customers by establishing provisions for expected credit losses. The carrying amount of the asset is reduced by the amount of the impairment provision. The amount of the loss is recognized in the statement of profit or loss and other comprehensive income.

Write-off of loans and funds

If it is impossible to return funds and loans, they are written off against the created reserve for expected credit losses, with a mandatory verification of compliance with the derecognition criteria.

h) Investments in securities

Investments in securities are financial assets held within a business model whose objective is achieved both by collecting contractual cash flows and by selling financial assets.

Investments in securities include:

a) securities carried at amortized cost. They are initially measured at fair value plus additional direct transaction costs and subsequently at amortized cost using the effective interest method;

b) securities carried at fair value through other comprehensive income;

c) securities carried at fair value through profit or loss, if such classification eliminates or significantly reduces the inconsistency in the valuation of assets or the recognition of related gains and losses.

For debt securities measured at fair value through other comprehensive income, gains and losses are recognized in other comprehensive income, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest income using the effective interest rate method;
- expected credit losses (ECL) and reversals;

- gains and losses from foreign exchange rate changes.

i) Investment property

Recognition criteria

The predominant criterion for dividing (defining as) real estate into investment and owner-occupied real estate is the purpose of its use.

The Bank recognizes real estate as investment property if this real estate (land or building or part of a building, or a combination thereof) is held by the Bank to earn rental payments or for capital appreciation or both and meets the following criteria:

- the property is not held for future use as owner-occupied property;
- the real estate is not held for the purpose of sale in the ordinary course of business;
- the property is not built or improved on behalf of third parties;
- real estate that is being constructed or improved for future use as investment property;
- If part of an item of property, plant and equipment is held for the purpose of earning rent and/or for capital appreciation, and the other part of the item is owner-occupied property, and these parts cannot be sold separately, then the item of property, plant and equipment is recognized as investment property provided that it is used primarily for the purpose of earning rent and/or for capital appreciation.

The decision to classify real estate as investment or owner-occupied real estate (including in the case of transfer from the category of investment to owner-occupied real estate and vice versa, during operation) is made by a collegial body and is formalized in the relevant protocol.

The cost of investment property includes the purchase price of the property and all costs directly attributable to its acquisition. Costs for ongoing maintenance, repairs and upkeep of the investment property are recognised as expenses when incurred.

Capital investments in the construction or development and reconstruction of an investment property that will be used as investment property in the long term increase its value.

Upon initial recognition, the Bank measures and records investment property at cost. Subsequent recognition of investment property on the Bank's balance sheet is at fair value.

When determining the fair value of investment property, an independent valuation entity used International Valuation Standards ISA-2011 (9th edition), in particular ISA 300, 230, 233, and International Financial Reporting Standards, in particular IAS 40, IFRS 13. The calculation of the value of investment property was carried out within the framework of the market method.

j) Fixed assets and intangible assets

Fixed assets (intangible assets) are recognized as assets if:

- The Bank obtains control over the asset (meaning that the asset can be sold, exchanged, leased and disposed of/transferred in any other way without losing the economic benefits generated by other assets; and also have economic benefits and restrictions on the access of others to these benefits, which arises from the legal rights to the relevant asset);
- it is highly probable that the Bank will receive future economic benefits associated with the asset;
- the value of the asset can be measured reliably

Accounting for fixed assets and intangible assets is carried out on an object-by-object basis . The unit of accounting for fixed assets and intangible assets is a separate inventory object.

Initial recognition of property, plant and equipment and intangible assets

The acquisition of non-current assets on the terms of prepayment (full or partial) until the documents confirming the ownership of the relevant object are received are reflected in the relevant accounts receivable for the acquisition of assets.

Fixed assets and intangible assets are recorded at their original cost, which is calculated taking into account all types of costs incurred by the Bank when recognizing such objects as assets (including costs of delivery, assembly, installation, indirect taxes paid in connection with the acquisition and other costs necessary to bring it into working condition).

Valuation of non-current assets at the balance sheet date

The carrying amount of a non-current asset is the amount at which the asset is recorded in the balance sheet after deducting any depreciation and accumulated impairment losses.

After the initial recognition of an item of fixed assets as an asset, its subsequent accounting is carried out using one of two methods:

- at original cost (cost) less accumulated depreciation and accumulated impairment losses;
- at revalued amount (fair value) less accumulated depreciation and accumulated impairment losses.

After the initial recognition of an item of fixed assets as an asset belonging to the group "Buildings, structures and transmission devices", further accounting for such an item is carried out at revalued value.

After the initial recognition of an item of fixed assets as an asset, with the exception of items belonging to the group "Buildings, structures and transmission devices", further accounting for such an item is carried out at its original cost (cost) less accumulated depreciation and accumulated impairment losses.

Revaluation of a fixed asset belonging to the group "Buildings, structures and transmission devices" is carried out if its residual value differs significantly from its fair value as of the balance sheet date. In the case of revaluation of one object of the group, all objects of the fixed asset group to which the revalued object belongs are revalued on the same date. In the future, revaluation is carried out with such regularity that the residual value as of the balance sheet date does not differ significantly from the fair value.

Low-value non-current tangible assets are not subject to revaluation.

Assets in the form of fixed assets were not provided as collateral for the Bank's obligations in 2020.

Acquired (created) intangible assets are recognized at historical cost.

After initial recognition of intangible assets, they are subsequently accounted for at cost less accumulated amortization and accumulated impairment losses.

Procedure and method of calculating depreciation

Depreciation is the systematic allocation of the cost of fixed assets and intangible assets, which is depreciated over the period of their useful use (operation). The Bank independently establishes and reviews the useful lives of objects, which are approved by an administrative document of the Bank's management.

Intangible assets with indefinite useful lives are not subject to amortization. The Bank considers an intangible asset to have an indefinite useful life if, based on an analysis of all factors (legal, regulatory, contractual, economic, etc.), there is no foreseeable limit to the period during which such an asset is expected to generate net cash flows to the Bank (for example, the right to perpetual use of land).

The object of depreciation is all non-current assets, except for land and objects that are antiques, non-current assets held for sale, and unfinished capital investments in fixed assets.

Depreciation of non-current assets can be carried out separately for each component of the object.

The Bank uses the straight-line depreciation method, which consists in the fact that the current period's expenses are always determined by the same part of the original cost of the object minus the liquidation value throughout the entire specified period of their useful life, with the exception of low-value non-current tangible assets. Depreciation of low-value non-current tangible assets is carried out in the amount of 100 percent of its value at the time of commissioning.

The Bank, based on an internal order, has changed the approach to the valuation of intangible assets with an indefinite useful life. Starting from January 1, 2018, the right to use property, rights to trademarks for goods and services, copyright and related rights, other intangible assets have the following useful life, according to which depreciation deductions are made:

- Rights to use natural resources, rights to use property (land, building, premises, right to rent premises, subscriber telephone numbers, etc.), rights to commercial designations (rights to trademarks (trademarks for goods and services), commercial (company) names, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document;
- Rights to commercial designations (rights to trademarks (marks for goods and services), commercial (brand) names, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document, but not less than 6 years, for indefinite - 6 years;

- Copyright and related rights (rights to literary, artistic, musical works, computer programs, programs for electronic computers, compilations of data (databases), phonograms, videograms, broadcasts (programs) of broadcasting organizations, etc.), except for those whose acquisition costs are recognized as royalties - in accordance with the title document, but not less than 3 years, for indefinite - 3 years;
- Other intangible assets (right to conduct activities, use economic and other privileges, banking licenses, licenses of the State Securities and Markets Commission, patents) - in accordance with the title document, for indefinite - 10 years.

The Bank, based on its internal policy, has changed the useful lives of fixed assets due to changes in the expected economic benefits from their use. The following useful lives of fixed assets and intangible assets have been established:

- Buildings – 20 years;
- Buildings – 15 years;
- Transmission devices – 10 years;
- Machinery and equipment – 5 years;
- Vehicles – 8 years;
- Furniture, appliances – 7 years;
- Inventory, tools – 5 years;
- Other fixed assets - 12 years;
- Copyright and related rights, except for royalties – 3 years;
- Other intangible assets – 10 years;
- Capital investments in premises – lease term.

The useful life of fixed assets and intangible assets is reviewed if the expected economic benefits from their use change and at the end of each financial year.

The depreciation method applied to fixed assets and intangible assets may be revised by the Bank if there have been significant changes in the expected form of economic benefits from the use of these assets.

The Bank assesses intangible assets with indefinite useful lives at the end of each year for any indication that their useful lives may be limited. If there are no such indications, the Bank determines the useful lives of such intangible assets.

Intangible assets with indefinite useful lives are reviewed at the end of each year for any indications of possible impairment.

New depreciation methods are applied from the new fiscal year. In accounting, such a change is reflected as a change in accounting estimates.

k) Rent

In the current year, the Bank adopted IFRS 16 “Leases”, which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 introduces new requirements for lease accounting. The standard introduces significant changes to lease accounting by eliminating the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at the inception date for all leases, except for short-term leases and leases of low-value assets. Unlike the lessee’s accounting, the lessor’s accounting has remained largely unchanged. The impact of the adoption of IFRS 16 on the Bank’s financial statements is described in Note 5 below.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Typically, operating lease agreements provide for the transfer to the lessee of the right to use non-current assets for a period not exceeding their useful life, with the obligation to return such non-current assets to their owner upon the expiration of the lease agreement. Non-current assets transferred under an operating lease are recorded as part of the lessor's non-current assets.

Operating lease income and expenses are recognized in the reporting period to which they relate and are calculated in accordance with the concluded agreements. The amounts of operating lease income and expenses are disclosed in the Notes “Other operating income” and “Administrative and other operating expenses”.

l) Non-current assets held for sale and disposal groups

The Bank classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through current use. To do this:

- the asset must be suitable for immediate sale in the condition in which it is at the time of sale, on terms that are usually observed in the sale of such assets;
- The bank has a plan to sell the asset and initiate a program to identify a buyer and implement the plan;
- The Bank actively promotes the asset for sale in the market at a price reasonable in view of their current fair value;
- The sale is expected to be considered completed within one year.

If the Bank acquires ownership of pledged assets for the purpose of subsequent sale, such assets are classified as held for sale if they meet the above criteria.

Non-current assets held for sale are measured and recorded in the accounting records at the lower of the two amounts: carrying amount or fair value less costs to sell. Depreciation is not charged on such assets. Impairment loss upon initial or subsequent write-down of an asset to fair value less costs to sell is recognized in the Statement of Profit and Loss and Other Comprehensive Income.

The Bank continues to classify non-current assets as held for sale if no sale was made during the year due to events or circumstances beyond the Bank's control, and if there is sufficient evidence that the Bank continues to implement a plan to sell the non-current asset.

If, at the date of the decision to recognize non-current assets as held for sale, the above conditions are not met, but will be met within three months after the asset is recognized, the bank has the right to classify them as held for sale.

Before initially classifying assets as held for sale, the bank assesses the carrying amount of the assets and reviews them for impairment, just as non-current assets are accounted for at cost.

In the event of a decrease in the fair value of non-current assets, the bank recognizes an impairment loss less costs to sell.

In the event of an increase in the fair value of non-current assets less costs to sell, the bank recognizes income, but in an amount not exceeding previously accumulated impairment losses.

If, during the valuation of assets held for sale, the bank did not recognize impairment and recovery of their useful life, the bank recognizes income or expenses at the date of derecognition. When transferring non-current assets to the category of assets held for sale, the bank adjusts the carrying amount taking into account the amounts of accumulated depreciation, impairment losses with simultaneous recognition of such adjustment in the Statement of financial performance and other comprehensive income.

m) Raised funds

Borrowings, including due from credit institutions, due from customers and issued debt securities, are initially recognized at fair value of the proceeds received, taking into account transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, borrowed funds are carried at amortized cost using the effective interest method. Income and expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income when the liability is extinguished, as well as during the amortization process.

n) Provisions for liabilities

Provisions are non-financial obligations of an indefinite duration or amount. Provisions are recognized in the financial statements when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

o) Recognition of income and expenses

Interest income and expenses

Interest income and expense are recognized on an accrual basis and calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments and receipts through the expected life of the financial instrument or a shorter period (if applicable) to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment) and all fees or additional costs that are directly related to the financial instrument and are an integral part of the effective interest rate, except for future credit losses. The carrying amount of a financial asset or financial liability is adjusted if the Bank revises its estimate of payments and receipts. The adjusted carrying amount is calculated based on the original effective interest rate, and changes in the carrying amount are recorded as interest income or expense.

Commissions that are an integral part of the effective interest rate of a financial instrument (for granting a loan, for opening credit accounts, for assessing the financial condition of the borrower, assessing and reflecting guarantees, collateral, etc.) together with the relevant costs associated with the issuance of the financial instrument are amortized using the effective interest rate.

When a financial asset or group of similar financial assets is written off (partially written off) as a result of an impairment loss, interest income is recognized using the interest rate that was used to discount future cash flows for the purpose of assessing the impairment loss.

When it is probable that a credit commitment will result in a loan, the credit commitment fee, together with related direct costs, is recognized as an adjustment to the effective interest rate of the loan. If it is unlikely that the credit line will be drawn, then the fee is recognized as income on a time-proportionate basis over the period of the commitment.

Commission income

The bank receives commission income for a number of services provided to customers.

Commission income can be divided into the following categories:

- Commission income received as a result of providing services during a certain period.
- Income from the provision of transaction services.

Fees received for services rendered during a period are accrued over that period. These fees include fees and commissions from asset management, custody and other management and advisory services. Commissions on commitments to extend credit that are likely to be drawn down and other commissions on loans are carried forward to subsequent periods (together with any additional costs) and are recognised as an adjustment to the effective interest rate on the loans.

Revenue from providing services to third parties is recognized upon completion of the relevant transaction. The amount of remuneration or components of remuneration related to specific activities are recognized after verification of compliance with the relevant criteria.

p) Income tax

Income tax is recognized as current and deferred tax. Current income tax is recognized in the amount calculated for the reporting period in accordance with tax legislation.

Deferred tax liability is the amount of income tax that will be paid in future periods on a taxable temporary difference. Deferred tax asset is the amount of income tax that will be recoverable in future periods on a deductible temporary difference. Deferred tax liabilities and assets are measured at the tax rates that will apply in the period in which the asset is realized or used or the liability is settled.

The Bank recognizes as income tax receivables the excess of the amount of income tax paid over the amount payable.

The Bank offsets receivables and current income tax liabilities if the liability is settled as a set-off against these receivables.

q) Authorized capital and share capital

Authorized capital is the obligation paid by shareholders (unitholders) to contribute funds for subscription to shares (units), the amount of which is registered in accordance with the procedure established by current legislation. Authorized capital is reflected at its original (nominal) value.

Expenses directly related to the issue of new shares of the Bank, in accordance with the requirements of IFRS 32 *“Financial Instruments: Presentation”* , are accounted for as a deduction from equity to the extent that they are additional costs directly attributable to the equity transaction and which would otherwise have been avoided.

The excess of the fair value (placement price) of the amounts contributed to the capital over the nominal value of the issued shares is recorded in the Bank's capital as share premium (share premium).

r) Foreign currency revaluation

Transactions in foreign currencies are recognized at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into hryvnia at the official exchange rate of the National Bank of Ukraine prevailing at the balance sheet date. Gains and losses arising from such translation are recognized in the statement of comprehensive income on a net basis as exchange rate differences in the period in which they arise.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the rate at which the fair value is determined. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date the fair value was determined. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any currency component of that gain or loss is recognized directly in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any currency component of that gain or loss is recognized in profit or loss.

s) Offsetting of assets and liabilities

The Bank offsets a financial asset and a financial liability, presenting the net amount in the Statement of Financial Position, if and only if:

- has a legally enforceable right to set off recognized amounts;
- intends to settle the liability on a net basis or to sell the asset and settle the liability at the same time.

A right of set-off is a contractual or other legal right of a debtor to repay or otherwise remove all (or part of) an amount due to a creditor by applying that amount to an amount due from the creditor.

The simultaneous settlement of two financial instruments may occur, for example, through transactions through a clearing house in an organized financial market or an exchange without intermediaries. In such circumstances, the cash flows are effectively equivalent to a single net amount and are not subject to credit or liquidity risk.

In the reporting period, the bank did not perform any netting operations between individual items of assets and liabilities.

t) Employee benefits and related deductions

Calculations related to the remuneration of the Bank's employees and employees performing work under civil law contracts (making the specified payments, accrual of wages, withholding taxes and mandatory payments from accrued amounts, accrual of taxes and mandatory payments to the payroll fund) are carried out in accordance with current legislation and internal regulatory documents of the Bank. Accrual of basic and additional wages to the Bank's employees is carried out in accordance with the official salaries determined by the Bank's staffing table.

The Bank calculates and creates provisions for payments for unused vacations of the Bank's employees.

The Bank does not have any additional pension schemes, other than participation in the state pension system of Ukraine, which involves the calculation and payment of current employer contributions as a percentage of current total employee benefits. These expenses are recorded in the reporting period to which the relevant salary relates.

In addition, the Bank does not have any post-employment benefit programs or other significant compensation programs that would require additional accruals.

u) Pension and other benefit obligations

The Bank does not have any additional pension schemes, other than participation in the state pension system of Ukraine, which involves the calculation and payment of current employer contributions as a percentage of current total employee benefits. These expenses are recorded in the reporting period to which the relevant salary relates.

In addition, the Bank does not have any post-employment benefit programs or other significant compensation programs that would require additional accruals.

v) Information by operating segments

A segment is a distinguishable component of the Bank's business that is engaged in either providing services or products (a business segment) or providing services or products within a particular economic environment (a geographical segment) and that is subject to risks and returns that are different from those of other segments. The Bank presents reportable segments separately if the majority of the segment's revenue is generated from banking activities outside the segment and the segment's revenue is 10% or more of total revenue.

The Bank's main format for reporting segment information is business segments.

Most of the Bank's operations are concentrated in Ukraine.

The Bank recognizes the following reportable segments:

- services to corporate clients (corporate banking);;

- services to individuals (retail banking);
- services to banks (treasury activities);
- other operations.

The “other operations” segment is important for the Bank as a whole (provides the activities of other segments, etc.) and information about it is material.

The Bank recognizes as revenue of a reporting segment the revenue directly attributable to the segment and the corresponding part of the bank's revenue that can be attributed to the segment from external activities or from transactions between other segments within the same bank. The revenue of reporting segments is presented net of value added tax, excise duty, other duties and deductions from income. The revenue of reporting segments does not include income from extraordinary events and income from income tax. The Bank recognizes as expenses of a reporting segment the expenses related to the main activities of the segment that are directly attributable to it and the corresponding part of the expenses that can be reasonably attributed to the segment, including expenses from external activities and expenses related to transactions in other segments within the same bank.

However, if expenses at the Bank level are related to only one segment, the Bank recognizes such expenses as segment expenses (if they are related to the operating activities of the segment and can be directly attributed to the segment or reasonably allocated to it).

w) Related party transactions

The Bank recognizes a related party as a party that:

1) directly or indirectly controls or is under control of, or is under common control with, the Bank, or has an interest in the Bank that gives it the ability to exercise significant influence over the Bank;
2) is an associated company of the Bank;
3) is a joint venture in which the Bank is a controlling shareholder;
4) is a member of the Bank's senior management;
5) is a close relative of a person specified in 1) or 4);
6) is an economic entity that controls, jointly controls, or exercises significant influence over, or has a significant percentage of votes in such an economic entity, directly or indirectly, a person specified in 1)-5);
7) the entity is a post-employment benefit program for employees of the Bank or any entity that is a related party of the Bank (post-employment benefits: pensions, other types of retirement benefits, life insurance and post-employment medical care).

The Bank discloses information about related parties in accordance with the requirements of IAS 24 "Related Party Disclosures".

3.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE PRINCIPLES

New standards, clarifications and amendments to existing standards

The Bank has first adopted certain standards and amendments that are effective for annual periods beginning on or after 1 January 2020. The Bank has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3 - “Definition of a Business”

The amendments to IFRS 3 clarify that, to be considered a business, an integrated set of activities and assets must include at least one input and a fundamentally significant process that together can significantly contribute to the creation of returns. It also clarifies that a business does not necessarily have to include all of the inputs and processes necessary to create returns. These amendments did not have an impact on the Bank's financial statements, but may be applicable in the future if the Bank carries out a business combination.

Amendments to IFRS 7, IFRS 9 and IAS 39 - “Base Interest Rate Reform”

Amendments to IFRS 7, IFRS 9, IAS 39 “Financial Instruments: Recognition and Measurement” provide a number of exemptions that apply to all hedging relationships that are directly affected by the base interest rate reform. The base interest rate reform affects hedging relationships if, as a result of its application, there are uncertainties about the timing and/or amount of cash flows based on the base interest rate, the hedged item or the hedging instrument. These amendments did not affect the Bank's financial statements, as it does not have any interest rate-based hedging relationships.

Amendments to IAS 1 and IAS 8 - "Determination of Materiality"

The amendments propose a new definition of materiality, according to which "information is material if its omission, misstatement or concealment could reasonably be expected to influence the decisions of the primary users of general purpose financial statements taken by them on the basis of those financial statements that provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or quantitative importance of the information (taken individually or in aggregate with other information) in the context of the financial statements considered as a whole. A misstatement is material if it could reasonably be expected to influence the decisions of the primary users of the financial statements. These amendments have not had an impact on the Bank's financial statements and are not expected to have any impact in the future.

"Conceptual Framework for the Presentation of Financial Statements", issued on March 29, 2018.

The Conceptual Framework is not a standard, and no provision of the Conceptual Framework overrides any provision or requirement of a standard. The objectives of the Conceptual Framework are to: assist the IFRS Board in developing standards; assist preparers of financial statements in developing accounting policies when no standard addresses a particular transaction or other event; and assist all parties in understanding and interpreting the standards. This document will impact the Bank as it develops its accounting policies in accordance with the provisions of the Conceptual Framework.

The revised Conceptual Framework includes several new concepts, updated definitions of assets and liabilities and criteria for their recognition, and clarifies some significant provisions. The revision of this document did not impact the Bank's financial statements.

Amendments to IFRS 16 - "Lease Assignments Related to the COVID-19 Pandemic"

On May 28, 2020, the IFRS Board issued an amendment to IFRS 16 Leases - COVID-19 Lease Concessions. The amendment provides an exemption for lessees from applying the requirements of IFRS 16 in accounting for lease modifications for lease concessions that arise as a direct result of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a lease concession granted by a lessor in connection with the COVID-19 pandemic is a lease modification. A lessee that elects to do so shall account for any changes in lease payments resulting from a COVID-19 lease concession in the same way as the change would have been accounted for under IFRS 16 if it had not been a lease modification. This amendment is effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment did not have an impact on the Bank's financial statements.

3.4. ERROR FIX

The Bank determines the carrying value of investment property and property transferred to the Bank as a pledgee based on reports from an independent appraiser.

In May 2019, the Bank carefully reviewed the 2018 appraiser's reports and identified errors that had a material impact on the determination of the value of the relevant assets. The error was corrected by restatement of the relevant financial statement items.

Impact on equity

thousand UAH	**December 31 2018**
Investment property	(25,509)
Other assets	(7,392)
Total assets	**(32,901)**
Total liabilities	**-**

Net impact on equity	**(32,901)**

Impact on the income statement

thousand UAH	**2018 year**
Net profit/(loss) from revaluation of investment property	(25,509)
Net gain/(loss) from impairment of other assets	(7,392)
Net impact on profit for the year	**(32,901)**

Impact on earnings (loss) per share

	2018 year
Net and adjusted profit/(loss) per common share (UAH)	(2.71)

No errors were found in the annual reporting for 2019 when preparing the reporting for 2020.

The changes had no impact on IDS or cash flows.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgment

In the process of applying accounting policies, the Bank's management made the following judgments, other than accounting estimates, that have the most significant effect on the amounts reflected in the financial statements:

Classification of financial assets

The Bank classifies all of its financial assets into one of three main categories: measured at amortized cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL).

Uncertainty of estimates

In applying accounting policies, the Bank's management used its judgments and made estimates in determining the amounts reflected in the financial statements. The most significant uses of judgments and estimates include:

Business continuity

The Bank's management has assessed its ability to continue as a going concern and is satisfied that the Bank has the resources to continue in operation for the foreseeable future. In addition, the management is not aware of any significant uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Fair value of financial instruments

In cases where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be obtained through observations in active markets, it is determined using a set of valuation techniques, including the use of mathematical models. The inputs to the models include available market information; in cases where this is not possible, the application of some judgment is necessary to determine fair value.

Provision for expected credit losses

The measurement of impairment provisions under IFRS 9 for all categories of financial assets requires judgments, including estimates of the amounts and timing of future cash flows and the value of collateral when determining expected credit losses and assessing whether there has been a significant increase in credit risk. These estimates are determined by many factors, changes in which may result in the determination of provisions of different orders. The calculation of provisions for expected credit losses in the Bank is the result of the application of complex models with a certain number of specific judgments when selecting variable input data and assessing their interdependencies.

Elements of expected credit loss calculation models that involve accounting judgments and estimates are:

- the Bank's internal rating model;
- the Bank's qualitative and quantitative criteria for determining whether there has been a significant increase in credit risk and, accordingly, that provisions for financial assets are subject to assessment at the level of credit losses expected from default events over the entire life of the instrument;
- grouping of financial assets for the purpose of assessing provisions for expected credit losses on an aggregate basis;
- development of expected credit loss models, including definition of formulas and selection of input data;
- determining the interdependencies between macroeconomic scenarios and economic parameters, in particular the unemployment rate, the value of collateral, as well as determining the impact of scenarios on the indicators of the probability of default, debt at risk of default and the size of losses in the event of default;
- selection of forecast macroeconomic scenarios and their probability weighting coefficients, integration of economic parameters into the expected credit loss model.

According to the Bank's policy, the models are subject to regular review in the context of historical data on actual losses incurred and are subject to refinement if necessary.

Deferred income tax asset

A deferred income tax asset is recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred income tax asset that can be recognized, based on the probable timing and amount of future taxable profit, together with tax planning strategies.

5. STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET ENTERED INTO FORCE

The following are new standards, amendments and interpretations that have been issued but are not yet effective at the date of issue of the Bank's financial statements. The Bank intends to apply these standards, amendments and interpretations, if applicable, from their effective dates.

IFRS 17 "Insurance Contracts"

In May 2017, the IFRS Board issued IFRS 17 Insurance Contracts, a new comprehensive financial reporting standard for insurance contracts that addresses the recognition and measurement, presentation and disclosure of insurance contracts. When IFRS 17 becomes effective, it will replace IFRS 4 Insurance Contracts, which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life and non-life insurance, direct insurance and reinsurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features. There are a few exceptions to the scope. The primary objective of IFRS 17 is to provide a more efficient and consistent accounting model for insurance contracts for insurers. Unlike the requirements of IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a comprehensive model for accounting for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a common model, supplemented by the following:

Certain modifications for insurance contracts with direct participation terms (variable consideration method).

Simplified approach (premium allocation approach) mainly for short-term contracts.

IFRS 17 is effective for annual periods beginning on or after 1 January 2023, with comparative information required. Earlier application is permitted, provided that an entity also applies IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17. This standard is not applicable to the Bank.

Amendments to IAS 1 - “Classification of Liabilities as Current or Non-Current”

In January 2020, the IFRS Board issued amendments to paragraphs 69-76 of IAS 1, clarifying the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

what is meant by the right to postpone the settlement of obligations;

the right to postpone the settlement of obligations must exist at the end of the reporting period;

the classification of liabilities is not affected by the probability that the entity will exercise its right to defer settlement of the liability;

the terms of the liability will not affect its classification unless the derivative that is included in the convertible liability is itself an equity instrument.

These amendments are effective for annual periods beginning on or after 1 January 2023 and are applied retrospectively. The Bank is currently assessing the potential impact of these amendments on the current classification of liabilities.

Amendments to IFRS 3 - “References to Conceptual Frameworks”

In May 2020, the IFRS Board issued amendments to IFRS 3 Business Combinations - References to Conceptual Frameworks. The purpose of these amendments is to replace references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Framework for the Presentation of Financial Statements, issued in March 2018, without making significant changes to the requirements of the standard.

The Board also added an exception to the recognition principle in IFRS 3 to avoid the emergence of potential “day 2” gains or losses for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Obligatory Payments if they arose in separate transactions.

At the same time, the Board decided to clarify the existing requirements of IFRS 3 regarding contingent assets, which will not be affected by the replacement of references to the Framework for the Preparation and Presentation of Financial Statements.

These amendments are effective for annual reporting periods beginning on or after January 1, 2022, and are applied prospectively.

Amendments to IAS 16 - "Property, plant and equipment: Getting ready for use"

In May 2020, the IFRS Board issued "Property, plant and equipment: proceeds from intended use," which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products produced in the process of bringing the item to its location and condition necessary for its intended use. Instead, an entity recognizes the proceeds from the sale of such products, as well as the cost of producing those products, in profit or loss.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022 and shall be applied retrospectively to those items of property, plant and equipment that became available for use at (or after) the beginning of the earliest period presented in the financial statements in which the entity first applies these amendments.

These amendments are not expected to have a significant impact on the Bank.

Amendments to IAS 37 - "Onerous Contracts - Contract Fulfillment Costs"

In May 2020, the IFRS Board issued amendments to IAS 37 that clarify what costs an entity should consider when assessing whether a contract is onerous or onerous.

The amendments provide for the use of an approach based on "costs directly attributable to the contract". Costs directly attributable to a contract for the provision of goods or services include both incremental costs of performing that contract and allocated costs directly attributable to performing the contract. General and administrative expenses are not directly attributable to the contract and are therefore excluded unless they are clearly recoverable by the counterparty under the contract.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which all obligations have not yet been fulfilled at the beginning of the annual reporting period in which these amendments are first applied.

Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" - a subsidiary that first adopts International Financial Reporting Standards

As part of the annual improvements to IFRSs process, the 2018-2020 period, the IFRS Board issued an amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards". According to this amendment, a subsidiary that elects to apply paragraph D16(a) of IFRS 1 is entitled to measure accumulated exchange differences using the amounts recognised in the financial statements of the parent, based on the parent's date of transition to IFRSs. This amendment may also be applied to associates and joint ventures that elect to apply paragraph D16(a) of IFRS 1.

This amendment is effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendment to IFRS 9 "Financial Instruments" - Commission fee during the "10% test" in the event of derecognition of financial liabilities

As part of the annual improvements to IFRSs process, the 2018-2020 period, the IFRS Board issued an amendment to IFRS 9. The amendment clarifies the amounts of commission fees that an entity considers when assessing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. Such amounts include only those commission fees that were paid or received between a particular lender and borrower, including commission fees paid or received by a lender or borrower on behalf of another party. An entity shall apply this amendment to financial liabilities that are modified or replaced at or after the beginning of the annual reporting period in which the entity first applies this amendment.

This amendment is effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. The Bank shall apply this amendment to financial liabilities that are modified or replaced on or after the date of the beginning of the annual reporting period in which the amendment is first applied.

This amendment is not expected to have a significant impact on the Bank.

Amendment to IAS 41 "Agriculture" - Taxation in Fair Value Measurement

As part of the annual improvements to IFRSs process, the 2018-2020 period, the IFRS Board issued an amendment to IAS 41 Agriculture. This amendment removes the requirement in paragraph 22 of IAS 41 that entities do not include tax-related cash flows when measuring the fair value of assets within the scope of IAS 41.

An entity shall apply this amendment prospectively to fair value measurements at the beginning of (or after) the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

This amendment is not expected to have a significant impact on the Bank.

6. CASH AND CASH EQUIVALENTS

Table 6.1. Cash and cash equivalents

thousand UAH .	**December 31, 2020**	**December 31, 2019**
Cash	133,331	183,633
Funds in the National Bank of Ukraine	15,151	31,913
overnight loans in banks:		
Ukraine	34,666	13,957
Certificates of deposit issued by the National Bank of Ukraine	313,043	150 192
Total cash and cash equivalents	**496 191**	**379,695**

Table 6.2. Non-cash financial transactions

thousand UAH .	**December 31, 2020**	**December 31, 2019**
Accrued income on deposit certificates issued by the National Bank of Ukraine	43	192

There are no restrictions on the use of funds.

As of December 31, 2020, balances on correspondent accounts are neither past due nor impaired.

During 2020 and the previous year 2019, the Bank did not carry out investment and financial transactions without the use of cash and cash equivalents.

The data of Note 6 are specified in the "Statement of Financial Position", "Statement of Cash Flows".

As of December 31, 2020, the Bank complied with the requirements of the National Bank of Ukraine regarding mandatory reserves. Control over the formation of mandatory reserves is carried out monthly based on average data for the entire maintenance period.

The amount of required reserves in accordance with the established standards (reserve base) for the maintenance period from 11.12.2020 to 10.01.2021 is 29,673 thousand UAH. The average balance on the correspondent account for the maintenance period from 11.12.2020 to 10.01.2021 was 33,572 thousand UAH .

7. CUSTOMER LOANS AND DEBT

Table 7.1. Loans and receivables from customers

thousand UAH	**December 31, 2020**	**December 31, 2019**
Loans and receivables from customers carried at amortized cost	345,539	304 315
Loan impairment allowance	(11,619)	(26,498)
Total loans and advances to customers less provisions	**333,920**	**277,817**

Table 7.2. Loans and receivables from customers carried at amortized cost

thousand UAH	**December 31, 2020**	**December 31, 2019**
Loans granted to legal entities	283,658	213,911
Loans granted to individuals	61,881	90 210
Mortgage loans	-	194
Provision for loans to customers carried at amortized cost	(11,619)	(26,498)
Total loans and advances to customers carried at amortized cost	**333,920**	**277,817**

Note 7 data disclosed in the “Statement of Financial Position”, “ Statement of Cash Flows ” and in Note 18 .

Asset items are presented taking into account accrued and unearned interest income, which as of December 31, 2020 amounted to UAH 20,410 thousand and as of December 31, 2019 – UAH 7,541 thousand .

As of December 31, 2020, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 198,291 thousand (65% of the total loan portfolio). A provision of UAH 4,411 thousand was created for these loans. In 2019, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 179,394 thousand (65% of the total loan portfolio).

Table 7.3. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2020

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables from customers accounted for under the AC	288 282	55,079	2,178	345,539
Minimal credit risk	288 282	-	-	28 8 282
Average credit risk	-	55,079	-	55,079
High credit risk	-	-	2,178	2,178
Total gross carrying amount of loans and advances to customers accounted for under the AC	288 282	55,079	2,178	3 45 539
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(9,202)	(1,193)	(1,224)	(11,619)
Total loans and receivables of customers accounted for by the AC	**279,080**	**53,886**	**954**	**333,920**

Table 7.4. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2019

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and receivables from customers accounted for under the AC	289 230	3,741	11,344	304 315
Minimal credit risk	289 230	-	-	289 230
Average credit risk	-	3,741	-	3,741
High credit risk	-	-	11,344	11,344
Total gross carrying amount of loans and advances to customers accounted for under the AC	289 230	3,741	11,344	304 315
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(13,780)	(3,071)	(9,647)	(26,498)
Total loans and receivables of customers accounted for by the AC	**275,450**	**670**	**1,697**	**277,817**

Table 7.5. Structure of loans by type of economic activity

thousand UAH	**December 31, 20 20**		**December 31, 201 9**	
	sum	%	sum	%
Agriculture and related services	8,827	3	2,232	1
Manufacture of other non-metallic mineral products	-	-	6,614	2
Trade in motor vehicles, their repair	49,098	14	82,096	27
Wholesale trade, except of motor vehicles	70,803	20	40,339	13
Provision of information services	3,034	1	3,010	1
Provision of financial services, except insurance and pension provision	38,040	11	30,197	10
Construction of buildings	25,490	7	-	-
Healthcare	51,725	15	45,352	15
Individuals	61,881	18	90,404	30
Retail trade, except of motor vehicles and motorcycles	1,938	1	-	-
Activities in the field of radio and television broadcasting	14,198	4	-	-
Rent, rental and leasing	15,212	4	-	-
Others	5,293	2	4,071	1
Total loans and receivables to customers without provisions	**345,539**	**100%**	**304 315**	**100%**

The Bank minimizes the risk of credit portfolio concentration (concentration of credit operations in a certain industry or group of interconnected industries or lending to certain categories of clients) through diversification of the credit portfolio, which consists in distributing loans among borrowers who differ from each other both in characteristics (capital size, form of ownership) and in terms of activity (industry of the economy, geographical region).

Table 7.6. Information on loans by type of collateral for 2020

thousand UAH	**Loans granted to legal entities**	**Loans granted to individuals for current needs**	**Total**
Unsecured loans	50,372	60,927	**111,299**
Loans secured by:	233,286	954	**234 240**
in cash	*24,933*	*-*	***24,933***
real estate	*78,285*	*954*	***79,239***
including residential use	*10,158*	*194*	***10,352***
other assets	*130,068*	*-*	***130,068***
Total loans and receivables to customers without provisions	**283,658**	**61,881**	**345,539**

Table 7.7. Information on loans by type of collateral for 2019

thousand UAH	**Loans granted to legal entities**	**Loans granted to individuals - entrepreneurs**	**Mortgage loans for individuals**	**Loans granted to individuals for current needs**	**Total**
Unsecured loans	43,998	-	-	89,490	**133,488**
Loans secured by:	168,821	1,092	194	720	**170,827**
in cash	*53*	*-*	*-*	*-*	***53***
real estate	*62,619*	*1,092*	*194*	*454*	***64,359***
including residential use	*995*	*1,092*	*194*	*214*	***2,495***
other assets	*106 149*	*-*	*-*	*266*	***106,415***
Total loans and receivables to customers without provisions	**212,819**	**1,092**	**194**	**90 210**	**304 315**

Table 7.8. Analysis of changes in provisions for impairment of loans and receivables from customers carried at amortized cost for 2020

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment reserve as of the beginning of the period 31.12.2019	(13,780)	(3,071)	(9,647)	(26,498)
Transition to stage 1	(4,578)	-	-	(4,578)
Transition to stage 2	-	(1,878)	-	(1,878)
Transition to stage 3	-	-	(8,423)	(8,423)
Impairment reserve as of the end of the period 31.12.2020	(9,202)	(1,193)	(1,224)	(11,619)

Table 7.9. Analysis of changes in the gross carrying amount for impairment of loans and receivables from customers carried at amortized cost for 2020

thousand UAH	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as of	**275,450**	**670**	**1,697**	**277,817**

December 31, 2019				
Transition to stage 1	3,630	-	-	3,630
Transition to stage 2	-	53,216	-	53,216
Transition to stage 3	-	-	-	-
Other changes (increase in trade payables carried at amortized cost)	-	-	(743)	(743)
Gross carrying amount as of December 31, 2020	**279,080**	**53,886**	**954**	**333,920**

Table 7.10. Impact of collateral value on loan quality for 2020

thousand UAH	**Carrying amount**	**Collateral value**	**Impact of collateral**
Loans granted to legal entities	283,658	243,475	40,183
Loans granted to individuals for current needs	61,881	5,539	56,342
Total loans	**345,539**	**249,014**	**96,525**

Table 7.11. Impact of collateral value on loan quality for 2019

thousand UAH	**Carrying amount**	**Collateral value**	**Impact of collateral**
Loans granted to legal entities	212,819	152,801	60,018
Loans granted to individuals - entrepreneurs	1,092	1,092	-
Mortgage loans for individuals	194	194	-
Loans granted to individuals for current needs	90 210	1,253	88,957
Total loans	**304 315**	**155,340**	**148,975**

Methods of assessing pledged property

When calculating the reserve, the bank uses the market (fair) value of collateral in the form of real estate, vehicles, based on the assessment of such property, carried out by an independent valuation entity. If, since the date of the last assessment, there have been significant changes in the operating conditions and physical condition of the property that is the subject of the pledge, and/or the market condition of similar property, the Bank conducts a revaluation of such property, but not less than once every twelve months in the case of pledge of real estate, equipment and vehicles and once every six months in the case of pledge of other property.

When determining the market (fair) value of the pledged property, the Bank sets the term for the sale of such property to no more than 360 calendar days.

During the reporting period, the Bank carried out foreclosure proceedings on mortgaged items, the total value of which is UAH 51,183 thousand.

The information is provided taking into account the assessment of the quality of collateral used to cover credit risk, in accordance with the requirements of the National Bank of Ukraine. The following types of collateral are taken into account as the cost of collateral:

- cash coverage – in full;
- passenger cars – with a 75% discount;
- movable property – with a 50% discount;

- residential real estate – with a 75% discount;
- non-residential real estate – with a 60% discount.

Collateral is accepted for settlement in an amount not exceeding the carrying amount of the loan under each contract covered by the relevant collateral.

8. INVESTMENTS IN SECURITIES

Table 8.1 Investments in securities

thousand UAH	**December 31, 2020**	**December 31, 2019**
Debt securities:		
Domestic government bonds refinanced by the NBU, which are accounted for at fair value through other comprehensive income	913,890	-
Revaluation of debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	(6,485)	-
Unamortized premium/discount on debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	33,146	-
Accrued income on debt securities refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income	39,595	-
Total securities less reserves	**980 146**	**-**

Table 8.2. Analysis of credit quality of debt securities for 2020

thousand UAH	**Government bonds**	**Total**
Not past due and not impaired		
Government institutions and enterprises	980 146	980 146
Total debt securities less reserves	**980 146**	**980 146**

As of December 31, 2020, debt securities accounts amounted to UAH 980,146 thousand . Domestic government bonds refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income, were recorded in the amount of 899,866 pieces, nominal with a value of 1000.00 UAH per bond and in the amount of 496 pieces, nominal worth 1000 USD per bond . The fair value of the securities was determined based on the internal bank regulation, as the fair value of the relevant series of government bonds published on the website of the National Bank on the relevant date. There was no impairment on these transactions.

9. INVESTMENT REAL ESTATE

Table 9.1. Investment property valued at fair value

Fair value of investment property at the beginning of the period	**308,377**	**193,260**
Incoming	88,369	309,352
Improvement	7,915	804

Elimination	(17 729)	(208,215)
Gains (losses) from revaluation to fair value	(5 470)	13 17 6
Fair value of investment property at the end of the period	**381,462**	**308,377**

The receipt of investment property in 2019, 2020 occurred due to the acceptance of real estate objects on the balance sheet as foreclosure of collateral on loans of legal entities and individuals. These loans were purchased by the bank with the understanding of their repayment by foreclosure of collateral. In accordance with paragraph 5 “Definitions” of IAS 40 “Investment Property” it is stated that investment property is real estate (land or a building, or part of a building, or a combination thereof), held (by the owner or lessee under a finance lease agreement) for the purpose of receiving rental payments or increasing the value of the capital or to achieve both purposes. Part of the Bank's investment property is leased out (Table 9.2), part is held for the purpose of increasing the capital and is planned to be sold in the future.

During 2020, 8 investment real estate properties were sold.

The fair value of investment property is determined based on the opinions of independent valuation entities who have the appropriate professional qualifications and experience in valuing similar properties in Ukraine. The fair value of investment property as of December 31, 2020 belongs to Level II of the fair value hierarchy.

Table 9.2. Amounts recognized in the Statement of Profit or Loss and Other Comprehensive Income

thousand UAH	**December 31, 2020**	**December 31, 2019**
Rental income from investment property	6,034	5,248

Table 9.3. Information on the minimum amounts of future lease payments under a non-cancellable operating lease, if the bank is the lessor

thousand UAH	**December 31, 2020**	**December 31, 2019**
Up to 1 year	4,308	5,249
From 1 to 5 years	1,001	1,604
Total payments receivable under operating leases	**5,309**	**6,853**

10. FIXED ASSETS, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

Table 10.1 Fixed assets and intangible assets

thousand UAH

	Machinery and equipment	Vehicles	Tools, appliances, inventory (furniture)	Right-of-use assets	Other non-current tangible assets	Incomplete capital investments in fixed assets and tangible assets	Intangible assets	**Total**
Carrying amount as of January 1 , 2019	12,228	370	289	-	462	385	2,690	16,424
Original cost	13,249	616	418	-	2,174	385	3 106	19,948
Depreciation at the beginning of the previous period	(1,021)	(246)	(129)	-	(1,712)	-	(416)	(3,524)
Incoming	2665	252	184	17799	567	9168	1875	32510
Commissioned	-	-	-	-	-	(6242)	-	(6242)
Depreciation deductions	(2590)	(145)	(93)	(5551)	(943)	-	(1479)	(10801)
Other changes	-	-	-	(274)	-	-	-	(274)
Carrying amount as of December 31 , 2019	**12303**	**477**	**380**	**11974**	**86**	**3311**	**3086**	**31617**
Original (revalued) cost	15914	868	602	17799	2741	3311	4981	46216
Depreciation at the end of the previous period (at the beginning of the reporting period)	(3611)	(391)	(222)	(5825)	(2655)	-	(1895)	(14599)
Incoming	1817	1228	-	2807	2891	9814	768	19325
Other transfers (put into operation)	-	-	-	-	-	(12964)	-	(12964)
Elimination	-	(144)	(3)	-	-	-	-	(14 7)
Disposal of original cost	-	(616)	(14)	-	(262)	-	-	(892)
Depreciation write-off	-	472	11	-	262	-	-	745
Depreciation deductions	(3042)	(228)	(106)	(5010)	(1404)	-	(2627)	(12417)
Other changes	-	-	-	(1214)	-	-	-	(1214)
Cessation of recognition	-	-	-	(3143)	-	-	-	(3143)
Carrying amount as of December 31, 20 20	**11078**	**1,333**	**271**	**5414**	**1573**	**161**	**1227**	**21057**
Original (revalued) cost	17,731	1480	588	17463	5370	161	5749	48542
Depreciation at the end of the reporting period	(6653)	(147)	(317)	(12049)	(3797)	-	(4522)	(27485)

There are no fixed assets on the bank's balance sheet for which restrictions on ownership, use and disposal are provided for by the legislation of Ukraine.

There are no fixed assets pledged as collateral. There are no fixed assets that are temporarily not in use (conservation, reconstruction, etc.).

There are no fixed assets retired for sale. As of December 31, 2019, the original cost of fully depreciated fixed assets was 175 thousand UAH . and as of December 31, 20 20 - 372 thousand UAH. There are no intangible assets with restrictions on ownership rights on the bank's balance sheet. Intangible assets were not created during the reporting period.

There were no increases or decreases in fixed assets and intangible assets during the reporting period and the previous period arising from revaluations, as well as from impairment losses recognized or reversed directly in equity.

11. OTHER ASSETS

Table 11.1. Other assets

thousand UAH	**December 31, 2020**	**December 31, 2019**
Financial assets:	**15,121**	**17,776**
Accrued income from settlement and cash services	62	48
Accrued operating lease income	2,894	2,333
Accounts receivable for payment of debt under the guarantee	2,705	1,190
Receivables from payment card transactions	5,052	9,508
Restricted funds	4,049	3,524
Other financial assets	359	1,173
Reserve for other financial assets	(5,232)	(3,854)
Total other financial assets less reserves	**9,889**	**13,922**
Other assets	**88,827**	**68,645**
Property transferred to the bank as a mortgagee	16,570	17,900
Deferred expenses	29,323	9,799
Prepayment for services	1,901	12,979
Accounts receivable from asset acquisition	414	779
Banking metals at the bank branch	34,915	11,639
Receivables for taxes and mandatory payments, except for income tax	80	-
Other receivables	2,579	732
Other non-current assets	3,045	14,817
Reserve for other assets	(1,431)	(9,631)
Total other assets less reserves	**97,285**	**72,936**

According to the Decision of the Board, Protocol No. 06082020/1 dated August 6, 2020, real estate in the amount of UAH 4,306 thousand was written off from the balance sheet to expense accounts .

During the reporting and previous periods, the Bank did not have any concluded agreements on the provision of assets under financial leasing (rent), under which the Bank is the lessor.

Pledged property (non-current assets) to which the Bank has acquired ownership for the purpose of sale is valued at the lower of the two estimates: book value or fair value less costs to sell (10%).

The data of Note 11 are specified in the “ Statement of Financial Position ” and in Note 1 8 .

Table 11.2. Analysis of changes in the provision for impairment of other assets for 2020

thousand UAH	**Financial assets**	**Other assets**	**Total**
December 31, 2019	**(3,854)**	**(9,631)**	**(13,485)**
(Increase)/decrease reserve	(2,028)	8,200	6,172
Bad debt write-off at the expense of the reserve	650	-	650
December 31, 2020	**(5,232)**	**(1,431)**	**(6,663)**

Table 11.3. Analysis of changes in the provision for impairment of other assets for 2019

thousand UAH	**Financial assets**	**Other assets**	**Total**
December 31, 2018	**(3,175)**	**(9,141)**	**(12,316)**
(Increase)/decrease reserve	(679)	(490)	(1,169)
December 31, 2019	**(3,854)**	**(9,631)**	**(13,485)**

Table 11.4. Analysis of the credit quality of financial assets

thousand UAH	**December 31, 2020**	**December 31, 2019**
Not past due and not impaired debt	9 101	13,032
small companies	-	-
individuals	5,052	9,508
large companies	4,049	3,524
Debt impaired on an individual basis with delayed payment	6,020	4,744
up to 31 days	1,795	1,009
from 32 to 92 days	704	484
from 93 to 183 days	520	2,991
from 184 to 274 days	92	-
from 275 to 365 days	573	-
more than 365(366) days	2,336	260
Total financial assets before deduction of reserve	**15,121**	**17,776**
Reserve for other financial assets	(5,232)	(3,854)
Total other financial assets less reserve	**9,889**	**13,922**

12. BANKS' FUNDS

Table 12.1. Bank funds

thousand UAH .	**December 31, 2020**	**December 31, 2019**
Credits received:		
long-term	640,786	-
Total funds from other banks	**640,786**	**-**

During the reporting and previous periods, there were no facts of default by the Bank on its obligations regarding the principal amount of the debt and interest thereon. The Bank did not have assets provided to third parties as collateral for its obligations under funds received from other banks, as well as deposits of other banks taken as collateral for credit transactions.

13. CUSTOMER FUNDS

Table 13.1. Client funds

thousand UAH .	**December 31, 2020**	**December 31, 2019**
State and public organizations:	37,131	1,731
current accounts	*37,131*	*1,731*
Other legal entities:	906 356	455,644
current accounts	*653,941*	*390 174*
term funds	*183,282*	*65,470*
funds in the accounts	*57,777*	-
Individuals:	422,650	310 105
current accounts	*132,214*	*43,679*
term funds	*290,436*	*266,426*
Total customer funds	**1,366,137**	**767,480**

Client funds, recorded as of the end of the day on December 31, 2020, on balance sheet account 2932 "Funds in settlements of business entities", in the amount of UAH 57,777 thousand. were transferred to cash collateral (coverage) under the guarantees provided by the bank.

As of December 31, 2020, funds attracted from the ten largest clients of the Bank in the amount of UAH 357,742 thousand constituted 26% of the total amount of client funds (as of December 31, 2019: UAH 261,628 thousand (34%)).

The data of Note 13 are specified in the " Statement of Financial Position " and in Note 1 8 .

Table 13.2. Distribution of client funds by type of economic activity

thousand UAH .	**December 31, 2020**		**December 31, 2019**	
	sum	**%**	**sum**	**%**
Production and distribution of electricity, gas and water	36,248	3	3,743	-
Trade, repair of automobiles, household goods and personal items	206,768	15	65,529	9
Individuals	422,650	31	310 105	40
Production of other products	16,610	1	-	-
Professional, scientific and technical activities	18,517	1	-	-
Real estate transactions, leasing, engineering and service provision	88,529	7	24,325	3
Agriculture, hunting, forestry	11,945	1	4,931	1
Construction	172,626	13	182 282	24
Financial and insurance activities	165,042	12	83,490	11
Transport, warehousing, postal and courier	34,657	2	-	-

activities				
Mining industry	19,573	2	19,842	3
Healthcare and social assistance	36,448	2	-	-
Production and repair of machinery and equipment	33,391	3	15,901	2
Temporary accommodation and catering	15,356	1	-	-
Food production, provision of meals and beverages	14 140	1	10,558	1
Other	73,637	5	46,774	6
Total customer funds	**1,366,137**	**100**	**767,480**	**100**

During 2020 and the previous year, 2019, the Bank carried out operations to attract customer funds exclusively at market rates.

14. RESERVES FOR LIABILITIES

Table 14.1. Changes in provisions for liabilities for 2020

thousand UAH .	**2020**
Balance at the beginning of the period	**212**
Formation and/or increase of reserve	630
Impact of translation into reporting currency	(3)
Balance at the end of the period	**839**

The Bank applies the same risk management procedures to lending commitments as to credit transactions reflected on the balance sheet. The maximum potential credit risk on lending commitments is equal to the total amount of commitments. Taking into account the availability of collateral and the fact that such commitments (except for guarantees) are revocable, the Bank's management believes that the potential credit risk and potential liquidity risk when carrying out the specified transactions are virtually absent. The reserve in the reporting and previous periods was formed as collateral for guarantees.

The data of Note 14 are specified in the “Statement of Financial Position” and in Note 1 8 .

15. OTHER OBLIGATIONS

Table 15.1. Other liabilities

thousand UAH	**December 31, 2020**	**December 31, 2019**
Commission for providing guarantees	13,524	12,523
Other payables from transactions with bank clients	16,598	47,941
Bank customers' funds in inactive accounts	3,028	3,419
Accounts payable on transactions with banks	-	662
Deferred income	345	394
Accounts payable for services	794	372
Accounts payable for settlements with bank employees	2,830	2,678
Accounts payable for taxes and mandatory payments, except for income tax	1,219	1,317

Accounts payable for fees to the Fund guaranteeing deposits of individuals	929	550
Lease obligations	6,190	12,642
Accounts payable debt under contractual obligations	1,050	-
Others	307	212
Total	**46,814**	**82,710**

15 data disclosed in the “ Statement of Financial Position ” and in Note 1 8 .

16. AUTHORIZED CAPITAL AND SHARE DIFFERENCES (SHARE PROFIT)

Table 16.1 Authorized capital and share premium (share income)

thousand UAH	**Number of shares outstanding (thousands of shares)**	**Simple promotions**	**Total**
Balance as of December 31, 2018	**12,152**	**300,039**	**300,039**
Issuance of new shares (units)	-	-	-
Balance as of December 31, 2019	**12,152**	**300,039**	**300,039**
Issuance of new shares (units)	-	-	-
Balance as of December 31, 2020	**12,152**	**300,039**	**300,039**

There are no shares announced for issue in the reporting year 2020.

The nominal value of one share as of the end of the day on December 31, 2020 is 24.69 hryvnias.

The bank did not issue preferred shares, and no dividends were paid.

There are no restrictions on share ownership at the end of the reporting year 2020.

Ordinary registered shares of the Bank grant their owners the rights provided for by the current legislation of Ukraine, including: to participate in the management of the Bank, namely the right to vote when resolving issues at the General Meeting of Shareholders of the Bank on the principle of "one voting share - one vote"; to participate in the distribution of the Bank's profit and receive its share (dividends); to receive, in the event of liquidation of the Bank, part of its property or the value of part of its property; to receive information about the Bank's business activities; in the event of the issuance of additional shares through private placement, to exercise the preemptive right to purchase ordinary shares placed by the Bank in proportion to the share of ordinary shares owned by them (the shareholders) in the authorized capital of the Bank; to sell or otherwise alienate the shares owned by them without the consent of other shareholders and the Bank.

Notes 1 6 stated in the " Statement of Financial Position " and the " Statement of Changes in Equity (Statement of Equity) ".

17. MOVEMENTS IN REVALUATION RESERVES (COMPONENTS OF OTHER COMPREHENSIVE INCOME)

Table 1 7 .1. Movement in revaluation reserves (components of other comprehensive income)

thousand UAH	**2020**	**2019**
Balance at the beginning of the year	**-**	**(41)**
Revaluation of financial assets carried at fair value through other comprehensive income	-	41
changes in revaluation to fair value	*(11,929)*	*(49)*
income (expenses) from sales	*5,443*	*90*

reclassified in the reporting period to profit or loss		
Balance at the end of the year	**(6,486)**	**-**

18. ANALYSIS OF ASSETS AND LIABILITIES BY MATURITY TERM

Table 1 8 .1. Analysis of assets and liabilities by maturity

thousand UAH

	December 31, 2020			**December 31, 2019**		
	less than 12 months	**more than 12 months**	**total**	**less than 12 months**	**more than 12 months**	**total**
ASSETS						
Cash and cash equivalents	496 191	-	496 191	379,695	-	379,695
Loans and customer debt	333,668	252	333,920	254,398	23,419	277,817
Investments in securities	980 146	-	980 146	-	-	-
Investment property	-	381,462	381,462	-	308,377	308,377
Current income tax receivable	182	-	182	182	-	182
Fixed assets and intangible assets	-	21,057	21,057	-	31,617	31,617
Other assets	97,285	-	97,285	72,936	-	72,936
Total assets	**1,907,472**	**402,771**	**2,310,243**	**707 211**	**363,413**	**1,070,624**
OBLIGATION						
Bank funds	-	640,786	640,786	-	-	-
Client funds	1,275,313	90,824	1,366,137	703,252	64,228	767,480
Provisions for liabilities	835	4	839	206	6	212
Other obligations	43,094	3,720	46,814	70,197	12,513	82,710
Total liabilities	**1,319,242**	**735,334**	**2,054,576**	**773,655**	**76,747**	**850 402**

19. INTEREST INCOME AND EXPENSES

Table 19.1 . Interest income and expenses

thousand UAH .	**December 31, 2020**	**December 31, 2019**
Interest income:		
Loans and customer debt	88,486	58,459
Bank loans and debt	1,837	8,065
Investments in securities	27,196	185
Correspondent accounts in other banks	-	98
NBU certificates of deposit, which are recorded under the AS	7,068	19,048
Total interest income	**124,587**	**85 855**
Interest expenses:		
Bank funds	(11,167)	(2,285)
Term funds of legal entities	(8,276)	(3,894)
Term funds of individuals	(32,399)	(34,910)
Current accounts	(13,121)	(12,953)
Interest expense on lease liability	(1,508)	(2,417)
Other interest expenses	(513)	-
Total interest expense	**(66,984)**	**(56,459)**
Net interest income (expenses)	**57,603**	**29,396**

The data of Note 19 are specified in the “ Statement of profit or loss and other comprehensive income (Statement of financial performance) ” and in Note 2 5 .

20. COMMISSION INCOME AND EXPENSES

Table 2 0 .1. Commission income and expenses

thousand UAH	**December 31, 2020**	**December 31, 2019**
Commission income		
Settlement and cash transactions	61,915	42,268
Customer credit service	63	24
Foreign exchange market operations for clients	5,902	3,428
Guarantees provided	23,286	14,849
Others	-	36
Total commission income	**91,166**	**60 605**
Commission costs		
Settlement and cash transactions	(16,810)	(7,917)
Securities transactions for clients	(2)	(1)
Total commission expenses	**(16,812)**	**(7,918)**
Net commission income/expenses	**74,354**	**52,687**

Note data 2 0 disclosed in the “Statement of profit or loss and other comprehensive income (Statement of financial performance)” and in note 2 5 .

21. OTHER OPERATING INCOME

Table 2 1 .1. Other operating income

thousand UAH .	**December 31, 2020**	**December 31, 2019**
Fines, penalties received by the bank	386	15,070
Income from operating leasing (rent)	6,605	5,248
Income from derecognition of financial assets	9	-
Income on initial recognition of financial assets (Government bonds)	1,737	-
Income from satisfaction of mortgagee's claims	51,183	82,663
Income from derecognition of financial liabilities	15,653	16,281
Compensation for utility costs for rented premises	749	531
Others	3,316	4,857
Total operating income	**79,638**	**124,650**

Notes 2 1 disclosed in the “Statement of profit or loss and other comprehensive income (Statement of financial performance)” and in note 2 5 .

22. ADMINISTRATIVE AND OTHER OPERATING COSTS

Table 22.1. Administrative and other operating expenses

thousand UAH	**December 31, 2020**	**December 31, 2019**
Marketing and advertising expenses	(5,505)	(16,709)
Costs associated with customer acquisition	(42,420)	(33,004)
Expenses for maintenance of fixed assets and intangible assets, telecommunication and other operational services	(31,017)	(33,026)
Operating lease (rent) expenses	(5,120)	(5,892)
Payment of other taxes and fees, except for income tax	(6,593)	(5,539)
Expenses for information and consulting services received and financial consulting services	(14,788)	(44,106)
Security costs	(1,226)	(1,202)
Expenses from derecognition of financial assets	(16,940)	-
Costs for collecting valuables	(1,181)	(1,437)
Audit costs	(501)	(904)
Payment card support	(3,482)	(1,922)
Staff education and training costs	(3,757)	(8,092)
Impairment of assets held for sale and assets in disposal groups	(23,536)	(9,087)
Others	(4,275)	(7,437)
Total administrative and other operating expenses	**(160,341)**	**(168,357)**

Notes 2 2 disclosed in the “Statement of profit or loss and other comprehensive income (Statement of financial performance)” and in note 2 5 .

23. INCOME TAX

The Bank records income tax on the basis of tax accounting data in accordance with the requirements of the Tax Code of Ukraine, which is based on accounting data maintained in accordance with IFRS requirements.

The income tax rate applied to the calculation of item indicators was based on the current tax rate of 18% in 2020 and 2019.

The Bank's financial statements are affected by permanent temporary differences due to the fact that certain income and expenses are not included in income and expenses for tax purposes.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are mainly related to different methods of recognizing income and expenses, as well as to the carrying amounts of certain assets.

The table "Profit tax expenses" was not submitted due to the absence of current tax expenses and income/expenses related to deferred tax in the reporting and previous reporting periods.

Table 2 3 .1. Reconciliation of the amount of accounting profit (loss) and the amount of tax profit (loss)

thousand UAH	**2020 year**	**2019 year**
Profit before tax	**41,931**	**(40,481)**
Theoretical tax deductions at the applicable tax rate	7,548	7,286
Adjustment of accounting profit (loss)		
Expenses that are not included in the amount of expenses for the purpose of calculating taxable profit, but are recognized in accounting (amount of accrued depreciation, use of reserve)	1,182	(15)
Expenses that are included in the amount of expenses for the purpose of calculating taxable profit, but are not recognized in accounting (losses of previous years)	(15,901)	(17,161)
Income that is subject to income tax but is not recognized (does not belong) to accounting profit (loss) (shareholder's material assistance)		8,640
Changes in deferred tax assets not reflected in the statement of financial position	**(7,171)**	**(8,536)**
Income tax expenses	–	–

Table 2 3 .2. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2020

thousand UAH	**December 31, 2019**	**Charged to profit and loss accounts**	**December 31, 2020**
Tax effect of temporary differences that reduce the taxable base			
Loan impairment allowance	63	289	352
Tax losses before carryforward	17,161	(1,260)	15,901
Fixed assets and intangible assets	(48)	14	(34)
Loss on sale of securities		(408)	(408)
Shareholder financial assistance	(8,640)	-	(8,640)
Deferred tax asset, gross amount	**8,536**	**(1,365)**	**7,171**
Deferred tax assets are not reflected in the statement of financial position	8,536	(1,365)	7,171
Deferred tax asset	–	–	-

Table 2 3 .3. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2019

thousand UAH	**December 31, 2018**	**Charged to profit and loss accounts**	**December 31, 2019**
Tax effect of temporary differences that reduce the taxable base			
Loan impairment allowance	132	(69)	63
Tax losses before carryforward	17,501	(340)	17,161
Fixed assets and intangible assets	10	(58)	(48)
Deferred tax asset, gross amount	**-**	(8,640)	(8,640)
Deferred tax assets are not reflected in the statement of financial position	**17,643**	**(9107)**	**8,536**
Deferred tax asset	(17,643)	9 107	(8,536)

24. PROFIT (LOSS) PER COMMON SHARE

Table 2 4 .1. Net and adjusted earnings/(loss) per common share

thousand UAH	**December 31, 2020**	**December 31, 2019**
Profit/(loss) cumulative total since the beginning of the year	41,931	(7 5 79)
Profit/(loss) attributable to owners of the bank's common shares	41,931	(7 5 79)
Average annual number of common shares outstanding (thousands of shares)	12,152	12,152
Net and adjusted profit/(loss) per common share (UAH)	**3.45**	**(0.62)**

Note data 2 4 stated in the “Statement of profit or loss and other comprehensive income (Statement of financial results)”.

The amount of earnings/(loss) per share was calculated by dividing the net income/(loss) attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The Bank does not have shares that could result in a decrease in earnings per share. Thus, the adjusted net income/(loss) per share is equal to the earnings per share attributable to shareholders of ordinary shares.

The net profit/(loss) indicator does not differ from the adjusted net profit/(loss) indicator.

Table 2 4 .2. Calculation of profit/(loss) attributable to owners of the bank's common shares

thousand UAH	**December 31, 2020**	**December 31, 2019**
Profit/(loss) for the period attributable to owners of the bank	41,931	(7 5 79)
Retained earnings/(loss) for the period	41,931	(7 5 79)
Retained earnings/(loss) for the period attributable to ordinary shareholders based on the terms of the shares	41,931	(7 5 79)
Profit/(loss) for the period attributable to ordinary shareholders	**41,931**	**(7 5 79)**

25. OPERATING SEGMENTS

Operating segments are components of a business entity that engage in commercial activities from which the entity may earn income and incur expenses, whose operating results are regularly reviewed by the chief operating decision maker, and for which financial information is available.

A segment is a distinguishable component of the Bank's business that is engaged in either providing services or products (business segment), or providing services or products within a specific economic environment (geographic segment), and is exposed to risks and returns.

The Bank's main format for reporting segment information is business segments.

The Bank recognizes the following reportable segments: corporate banking, retail banking, treasury.

Corporate banking − represents tools for managing accounts (current, deposit), providing loans, overdrafts and other types of financing, trade financial instruments, structured financing, foreign currency and banknote transactions.

Unallocated items also include the amounts of expenses that are not included in segment expenses: income tax expenses, general administrative expenses, and other expenses that arise at the Bank level and relate to the Bank as a whole.

Retail banking − represents banking services for individuals, current, savings and deposit accounts for individuals, credit and debit cards, mortgages and loans for current needs.

Treasury activities - conducting operations on the credit and foreign exchange markets, securities transactions (both on behalf of clients and for their own account), relationships with professional participants in the financial market - banks, insurance companies, financial intermediaries in the capital markets.

The Bank recognizes as revenue of a reporting segment the revenue directly attributable to the segment and the relevant part of the bank's revenue that can be attributed to the segment from external activities or from transactions between other segments within the same bank. Revenues of reporting segments are presented net of value added tax, excise duty, other duties and deductions from income. Revenues of reporting segments do not include income from extraordinary events and income from income tax.

The Bank recognizes as expenses of a reporting segment expenses related to the main activities of the segment that are directly attributable to it and the appropriate portion of expenses that can be reasonably attributed to the segment, including expenses from external activities and expenses related to operations of other segments within the same bank.

Indicators of dissimilar segments are included in the unallocated items "Unallocated amounts", which are used to reconcile the relevant indicators of the performance of the reporting segments and the Bank as a whole.

Table 2 5 .1. Revenues, expenses and results of reporting segments for 2020

thousand UAH	**Corporate business**	**Retail business**	**Treasury**	**Other segments and operations**	**Total**
Interest income	42,062	46,423	36 102	-	**124,587**
Commission income	44,849	43,784	2,533	-	**91,166**
Other operating income	17,341	1,020	-	61,277	**79,638**
Total segment revenues	**104,252**	**91,227**	**38,635**	**61,277**	**295,391**
Interest expenses	(20,826)	(32,893)	(910)	(12,355)	**(66,984)**
Commission costs	(3)	(262)	(16,547)	-	**(16,812)**
Employee benefits expenses	(23,554)	(14,133)	(2,356)	(7,064)	**(47,107)**
Depreciation and amortization expenses	-	-	-	(12,417)	**(12,417)**
Other administrative and operating expenses	(80,171)	(48,102)	(8,017)	(24,051)	**(160,341)**
Total segment costs	**(124,554)**	**(95,390)**	**(27,830)**	**(55,887)**	**(303,661)**
Net profit/(loss) from FI transactions accounted for under the CIF	-	-	(1,438)	-	**(1,438)**
Net profit/(loss) from FI transactions accounted for under the SVISD	-	-	-	(2,269)	**(2,269)**
Net profit/(loss) from foreign currency transactions	-	-	10,276	-	**10,276**
Net profit/(loss) from revaluation of investment property	-	-	-	9,977	**9,977**
Net profit/(loss) from foreign currency revaluation	297	(6,513)	15,122	4,340	**13,246**
Net gain/(loss) from impairment of financial assets	(2,193)	14,588	-	325	**12,720**
Net gain/(loss) from impairment of other assets	-	-	-	8,317	**8,317**
Net loss/(gain) from increase/(decrease) in provisions for liabilities	(628)	-	-	-	**(628)**
Segment result	**(22,826)**	**3,912**	**34,765**	**26,080**	**41,931**

The components of line 3 "Other operating income" in the amount of UAH 79,638 thousand are disclosed in note 2 1 .

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 160,341 thousand are disclosed in note 2 2 .

Table 2 5 .2. Revenues, expenses and results of reporting segments for 2019

thousand UAH	**Corporate business**	**Retail business**	**Treasury**	**Other segments and operations**	**Total**
Interest income	31,940	26,519	27,396	-	**85 855**
Commission income	28,271	26,008	6,326	-	**60 605**
Other operating income	16,281	15,537	-	92,832	**124,650**
Total segment revenues	**76,492**	**68,064**	**33,722**	**92,832**	**271 110**
Interest expenses	(16,386)	(35,371)	(2,285)	(2,417)	**(56,459)**
Commission costs	(1)	(283)	(7,634)	-	**(7,918)**
Employee benefits expenses	(23,558)	(14,135)	(2,356)	(7,066)	**(47,115)**
Depreciation and amortization expenses	-	-	-	(10,801)	**(10,801)**
Other administrative and operating expenses	(84,178)	(50,507)	(8,418)	(25,254)	**(168,357)**
Total segment costs	**(124 123)**	**(100,296)**	**(20,693)**	**(45,538)**	**(290,650)**
Net profit/(loss) from FI transactions accounted for under the CIF	-	-	(2,303)	-	**(2,303)**
Net profit/(loss) from FI transactions accounted for under the SVISD	-	-	5 4	-	**5 4**
Net profit/(loss) from foreign currency transactions	3,100	7,971	(2,851)	-	**8,220**
Net profit/(loss) from revaluation of investment property	-	-	-	13 17 6	**13 17 6**
Net profit/(loss) from foreign currency revaluation	-	-	5,987	-	**5,987**
Net gain/(loss) from impairment of financial assets	(449)	(20,781)	-	-	**(21,230)**
Net gain/(loss) from impairment of other assets	-	-	-	7,807	**7,807**
Net loss/(gain) from increase/(decrease) in provisions for liabilities	250	-	-	-	**250**
Segment result	**(44,730)**	**(45,042)**	**13 91 6**	**68 27 7**	**(7 5 79)**

The components of line 3 "Other operating income" in the amount of UAH 124,650 thousand are disclosed in note 2 1 .

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 168,357 thousand are disclosed in note 2 2 .

Table 2 5 .3. Assets and liabilities of reporting segments for 2020

thousand UAH	**Corporate business**	**Retail business**	**Treasury**	**Other segments and operations**	**Total**
Segment assets					
Segment assets	350 400	56,231	1,262,150	**-**	**1,668,781**
Total segment assets	350 400	56,231	1,262,150	**-**	**1,668,781**
Undistributed assets	**-**	**-**	**-**	641,462	**641,462**
Total assets	**350 400**	**56,231**	**1,262,150**	**641,462**	**2,310,243**
Segment liabilities					
Segment liabilities	942,852	423,285	**-**	640,787	**2,006,924**
Total segment liabilities	942,852	423,285	**-**	640,787	**2,006,924**
Unallocated liabilities	**-**	**-**	**-**	47,652	**47,652**
Total liabilities	931,496	423,285	**-**	**699,795**	**2,054,576**

Data for line 3 "Undistributed assets" in the amount of 641,462 thousand UAH consist of:

- 183,397 thousand UAH . "Cash and funds on correspondent accounts in other banks";
- 381,462 thousand UAH **-** investment property;
- 21,057 thousand UAH **-** fixed assets and intangible assets;
- 55,546 thousand UAH **-** other assets.

The data of line 7 "Unallocated liabilities" in the amount of UAH 47,652 thousand consist of:

- 27,658 thousand UAH – accounts payable for business operations, taxes, deferred income and other liabilities;
- 19,994 thousand – other liabilities.

Table 2 5 .4. Assets and liabilities of reporting segments for 2019

thousand UAH	**Corporate business**	**Retail business**	**Treasury**	**Other segments and operations**	**Total**
Segment assets					
Segment assets	208,788	69,307	389,255	**-**	**667,350**
Total segment assets	208,788	69,307	389,255	**-**	**667,350**
Undistributed assets	**-**	**-**	**-**	403,274	**403,274**
Total assets	**208,788**	**69,307**	**389,255**	**403,274**	**1,070,624**
Segment liabilities					
Segment liabilities	485,580	327,764	7,743	**-**	**821,087**
Total segment liabilities	485,580	327,764	7,743	**-**	**821,087**
Unallocated liabilities	**-**	**-**	**-**	29,315	**29,315**
Total liabilities	**485,580**	**327,764**	**7,743**	**29,315**	**850 402**

Data of line 3 "Undistributed assets" in the amount of UAH 403,274 thousand consist of:

- 308,377 thousand UAH **-** investment property;
- 31,617 thousand UAH **-** fixed assets and intangible assets;

- 63,280 thousand UAH - other assets.

The data of line 7 "Unallocated liabilities" in the amount of UAH 29,315 thousand consist of:

- 29,315 thousand UAH – other liabilities.

The Bank does not submit "Information on Geographic Regions" because it carries out its business activities only in Ukraine.

26. FINANCIAL RISK MANAGEMENT

Risk management is important in banking and is an essential element of operations. The main risks that the Bank may be exposed to in its activities include credit risk, liquidity risk, market risk, and operational and technological risk, legal, strategic and reputational risks.

The structure of the risk management system in JSC "RWS BANK" consists of three lines of defense, the first line of defense is the business units and support units, the second line of defense is the risk management and compliance control units, the third line is the Supervisory Board of the bank and the audit unit. Permanent committees: Credit Committee; Asset and Liability Management Committee; Tariff Committee. The overall risk management strategy in the Bank is determined by the Supervisory Board.

The Credit Committee's activities are aimed at forming a loan portfolio with minimal credit risk, i.e., a minimal level of overdue debt. To this end, the Bank:

- sets lending limits, concentration limits;
- assesses the quality of assets and makes decisions on the formation of reserves to cover possible losses from their depreciation;
- supports the implementation of risk standards established by the National Bank of Ukraine (standard for the maximum amount of credit risk per counterparty, standard for the maximum amount of credit risk for transactions with persons related to the bank, standard for large credit risks).

To reduce credit risk, the committee constantly assesses the creditworthiness of the Bank's counterparties; identifies problem assets in a timely manner; controls the determination of the amount of credit risk and the calculation of provisions for asset impairment.

The Asset and Liability Management Committee assesses and manages liquidity and market risks, both for individual transactions and for banking activities at the level of asset and liability portfolios as a whole. Market risk management includes the management of interest rate risk, currency risk and liquidity risk.

The Committee reviews the cost of liabilities and the profitability of assets on a monthly basis and makes decisions on the interest margin policy. It considers the issue of matching the maturity of assets and liabilities and provides recommendations to the relevant divisions of the Bank on eliminating discrepancies between the maturities of liabilities and asset placement that arise.

In terms of liquidity risk management and cash flows, it calculates prospective liquidity; assesses the liquidity situation and makes decisions on liquidity management within the framework of delegated powers and internal regulatory procedures; takes preventive measures to minimize and ensure the management of liquidity risk arising in the current work of the Bank and/or related to changes in the market situation.

The Tariff Committee regularly analyzes the ratio of the cost of services and the market competitiveness of current tariffs. In this regard, in order to implement a unified tariff policy of the Bank, the Committee:

- reviews the tariff system, makes changes and recommends them for approval;
- considers and approves tariffs for new products/services;
- controls the implementation of the Bank's tariff policy by structural divisions.

Operational risk management in the Bank is carried out by the Risk Management Department, which is engaged in the development of policies on credit, market and operational risks, submitting them for approval by the Bank's committees; identifies and assesses risks (by specific agreements and in general at the portfolio level); organizes the Bank's risk control and monitoring system; assesses the operational risks of all business processes, develops measures to prevent risks and measures that minimize the risks taken by the Bank. Representatives of the Risk Management Department are members of the Credit Committee, the Assets and Liabilities Management Committee. At meetings of the relevant committees, representatives of the Risk Management Department have one vote.

The Risk Management Department carries out expert verification of solvency and other quantitative and qualitative characteristics of borrowers when issuing loans, including collateral, monitors, identifies and promptly assesses risks related to these loans, develops and maintains the Bank's borrower assessment systems, identifies, monitors, assesses and optimizes liquidity risk, interest rate risk, market and currency risks assumed by the Bank in its current activities. In addition, this unit is entrusted with the functions of analyzing, managing, monitoring and controlling credit risks of interbank transactions and the functions of monitoring and controlling risks of violating economic standards, limits and special requirements of the National Bank of Ukraine.

The Risk Management Department is subordinate to the Supervisory Board of the Bank.

Credit risk

The Bank is exposed to credit risk, which is the risk that counterparties will not meet their obligations on time and in full. The Bank structures credit risk levels by approving credit limits for the amount of risk acceptable for one borrower or group of borrowers. Such risks are under constant control and analyzed in accordance with the established procedure. Limits for the level of credit risk per borrower are regularly approved by the Supervisory Board. Credit risk is managed by regularly analyzing the ability of borrowers and potential borrowers to repay interest and principal on loans, as well as by changing the relevant credit limits if necessary. In addition, credit risk management involves obtaining liquid collateral.

The analysis of loan impairment includes determining whether payments of principal or interest on a loan are more than 90 days past due (for legal entities and individually significant loans to individuals) and 90 days (for individuals not included in the individually significant segment), whether there are any known difficulties with regard to the counterparties' cash flows, a decrease in the credit rating or a violation of the original terms of the relevant agreement. The Bank carries out an analysis of impairment in two directions: the creation of a provision for impairment of individual loans and a provision for impairment of loans on a collective basis.

As of December 31, 2020, the maximum amount of credit risk was UAH 30,904 thousand (December 31, 2019: UAH 56,906 thousand)

Market risk

Market risks arise from open positions in interest rates and currency instruments that are affected by general and specific market changes. Market risk is the risk that changes in market conditions, such as interest rates, securities quotes, exchange rates and credit spreads (not related to changes in the creditworthiness of the debtor/creditor), will affect the Bank's income or the value of financial instruments held by it.

In order to limit losses, the Bank manages market risk by periodically assessing potential losses that may arise from adverse changes in market conditions, and by setting and adhering to appropriate limits.

The Bank, within the framework of market risk, also considers price risk regarding the decrease in the value of securities and collateral (mortgage), etc.

Overall responsibility for controlling market risk is assigned to the Asset and Liability Management Committee, which manages market risk by establishing reasonable restrictions (limits, standards, interest rates).

Currency risk

Currency risk arises when actual or forecast assets in a foreign currency are greater or less than liabilities in the same currency.

Currency risk management includes the following elements: using all possible means to avoid a risk that leads to significant losses, controlling the risk and minimizing the amount of probable losses if it cannot be avoided completely, and insuring currency risk if it cannot be avoided.

The Bank sets limits and constantly monitors currency positions in accordance with the requirements of the regulatory legal acts of the National Bank of Ukraine.

Table 2 6 .1. Currency risk analysis

thousand UAH	**December 31, 2020**			**December 31, 2019**		
	monetary assets	**monetary obligations**	**net position**	**monetary assets**	**monetary obligations**	**net position**
US dollars	126,394	(140,431)	(14,037)	108,969	(97,209)	11,760
Euro	115,712	(116,362)	(650)	45,811	(48,590)	(2,779)
Pounds Sterling	1,436	(1,301)	135	37	(5)	32
Others	36,072	(18,156)	17,916	13,058	(13,129)	(71)
Total	279,614	(276,250)	3,364	167,875	(158,933)	8,942

Table 26.2. Change in profit or loss and equity as a result of possible changes in the official exchange rate of the hryvnia against foreign currencies, set at the reporting date, provided that all other variables remain fixed

The calculation is made for cash balances in currencies other than the functional currency.

thousand UAH	**December 31, 2020**		**December 31, 2019**	
	impact on profit/(loss)	**impact on equity**	**impact on profit/(loss)**	**impact on equity**
US dollar strengthens by 53%	(488)	(488)	23,520	23,520
US dollar weakens by 13%	120	120	(2,569)	(2,569)
Euro strengthens by 53%	(7,301)	(7,301)	(955)	(955)
Euro weakens by 15%	2,066	2,066	111	111
53% strengthening of the pound sterling	74	74	8	8
15% weakening of the pound sterling	(21)	(21)	(1)	(1)
Strengthening of other currencies by 15%	2,577	2,577	24	24
Weakening of other currencies by 15%	(2,577)	(2,577)	(33)	(33)

Interest rate risk

Interest rate risk arises from the possibility of changes in the value of financial instruments or future cash flows of financial instruments due to changes in interest rates. Interest rate risk is assessed by the extent to which changes in market interest rates affect the interest margin and net interest income. When the terms of interest-bearing assets differ from the terms of interest-bearing liabilities, net interest income will increase or decrease as a result of changes in interest rates. In order to manage interest rate risk, the Bank sets limits (restrictions) on the interest rate spread (margin), monitors the interest rate yield on assets and interest rates on liabilities and adjusts the prices of banking products.

Table 26.3. General analysis of interest rate risk

For assets and liabilities with a fixed interest rate, maturity is determined based on the period from the balance sheet date to the contractual maturity date, and for assets and liabilities with a variable interest rate, maturity is determined based on the earliest interest rate reset date or maturity date.

thousand UAH	**On demand and less than 1 month.**	**From 1 to 6 months.**	**From 6 to 12 months.**	**More than a year**	**Total**
December 31, 2020					

Total financial assets	653,628	131,668	770 227	254,734	**1,810,257**
Total financial liabilities	892,986	95,919	124,831	914,981	**2,028,717**
Net interest rate gap at the end of the previous period	(239,358)	35,749	645,396	(660,247)	**(218,460)**
December 31, 2019					
Total financial assets	411,160	122,399	114,456	23,419	**671,434**
Total financial liabilities	536,908	43,557	213,581	37,979	**832,025**
Net interest rate gap at the end of the previous period	(125,748)	78,842	(99,125)	(14,560)	**(160,591)**

The Bank does not have financial instruments with variable interest rates , the change in the value of which would affect the Bank's financial result or capital.

Table 2 6 .4. Monitoring of interest rates on financial instruments

%	**2020**			**2019**		
	hryvnia	**US dollars**	**euro**	**hryvnia**	**US dollars**	**euro**
Assets						
Cash and cash equivalents	8.35	-	-	17.56	-	-
Loans and customer debt	25.09	8.3	9.85	22.31	10.7	10
Investments in securities	15.84	3.6	-	-	-	-
Obligation						
Bank funds	6	-	-	15.10	-	-
Client funds:						
current accounts	0.2	-	-	0.10	-	-
term funds	11.1	3.28	2.68	15.10	4.69	4.55

Table 26.5. Analysis of geographical concentration of financial assets and liabilities for 2020

thousand UAH	**Ukraine**	**OECD**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	496 191	-	-	496 191
Loans and customer debt	333,920	-	-	333,920
Investments in securities	980 146	-	-	980 146
Other financial assets	97,285	-	-	97,285
Total financial assets	1,907,542	-	-	1,907,542
Obligation				
Bank funds	640,786	-	-	640,786
Client funds	7 76 315	399,769	190,053	1,366,137
Other financial liabilities	46,530	166	118	46,814
Provisions for liabilities	839	-	-	839
Total financial liabilities	1,464,470	399,935	190 171	2,054,576

Net balance sheet position by financial instruments	443,072	(399,935)	(190,171)	(147,034)
Credit obligations	669,175	-	-	669,175

Table 26.6. Analysis of geographical concentration of financial assets and liabilities for 2019

thousand UAH	**Ukraine**	**OECD**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	379,695	-	-	379,695
Loans and customer debt	277,817	-	-	277,817
Other financial assets	13,922	-	-	13,922
Total financial assets	671,434	-	-	671,434
Obligation				
Client funds	760,073	6,703	704	767,480
Other financial liabilities	63,688	210	647	64,545
Provisions for liabilities	212	-	-	212
Total financial liabilities	823,973	6,913	1,351	832,237
Net balance sheet position by financial instruments	(152,539)	(6,913)	(1,351)	(160,803)
Credit obligations	500 484	-	-	500 484

Assets, liabilities and credit-related obligations were classified based on the country in which the counterparty is located. Cash on hand was classified according to the country of their physical location.

Liquidity risk

This risk arises in the general financing of activities and in the management of positions. It includes both the risk of being unable to finance assets in a timely manner and at appropriate rates, and the risk of being unable to liquidate an asset at an acceptable price and in a timely manner.

The Bank has access to various sources of funding. Funds are raised through the use of various instruments, including contributions from participants to the authorized fund. This diversifies funding sources, reduces dependence on a single source of funding and, as a rule, reduces the cost of resources involved. The Bank tries to maintain a balance between continuity of funding and its diversity by using obligations with different payment periods.

The Bank uses economic and administrative tools to manage liquidity risk.

The Bank continuously assesses liquidity risk by identifying and monitoring changes in funding required to achieve business objectives defined within the overall strategy.

In addition, as part of the liquidity risk management strategy, the Bank maintains a portfolio of liquid assets and adheres to the gaps between borrowed and placed funds by maturity established by the National Bank of Ukraine.

The Bank has assets and liabilities denominated in several foreign currencies and is exposed to fluctuations in foreign exchange rates on its financial position and cash flows.

Table 2 6 .7. Analysis of financial liabilities by maturity for 2020

thousand UAH	**On demand and less than 1 month.**	**From 1 to 3 months.**	**From 3 to 12 months.**	**From 12 months to 5 years**	**Total**
Client funds:	872,370	94,150	118,537	281,080	1,366,137
Individual funds	171,770	91,795	110,386	48,699	422,650
Funds of legal entities	700 600	2,355	8,151	232,381	943,487
Other financial liabilities	20,616	1769	6,294	4,471	33,150

Financial guarantees	34,241	125,374	214,028	181,647	555 290
Other credit obligations	113,885	-	-	-	113,885
Total potential future payments on financial liabilities	1,041,112	221,293	338,859	467,198	2,068,462

Table 2 6 .8. Analysis of financial liabilities by maturity for 2019

thousand UAH	**On demand and less than 1 month.**	**From 1 to 3 months.**	**From 3 to 12 months.**	**From 12 months to 5 years**	**Total**
Client funds:	477,509	43,164	212,579	34,228	767,480
Individual funds	*122,794*	*18,066*	*145 201*	*24,470*	*310,531*
Funds of legal entities	*354,715*	*25,098*	*67,378*	*9,758*	*456,949*
Other financial liabilities	59,399	393	1,002	3,751	64,545
Financial guarantees	88,261	69,151	56,852	274,031	488,295
Other credit obligations	37,470	-	-	-	37,470
Total potential future payments on financial liabilities	662,639	112,708	270,433	312,010	1,357,790

Table 2 6 .9. Analysis of financial assets and liabilities by maturity based on expected maturities for 2020

thousand UAH	**On demand and less than 1 month.**	**From 1 to 3 months.**	**From 3 to 12 months.**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	496 191	-	-	-	-	496 191
Loans and customer debt	152,991	38,320	142,283	326	-	333,920
Investments in securities	4,446	93,348	627,944	254,408	-	980 146
Total financial assets	653,628	131,668	770 227	254,734	-	1,810,257
Obligation						
Bank funds	-	-	-	640,786	-	640,786
Client funds	872,370	94,150	118,537	281,080	-	1,366,137
Other financial liabilities	20,616	1,769	6,294	4,471	-	33,150
Total financial liabilities	892,986	95,919	124,831	926,337	-	2,040,073
Net liquidity gap at the end of the day December 31, 2020	(239,358)	35,749	645,396	(671,603)	-	(229,816)
Aggregate liquidity gap at the end of the day December 31, 2020	(239,358)	(203,609)	441,787	(229,816)	(229,816)	

Table 2 6 .10. Analysis of financial assets and liabilities by maturity based on expected maturities for 2019

thousand UAH	**On demand and less than 1 month.**	**From 1 to 3 months.**	**From 3 to 12 months.**	**From 12 months to 5 years**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	379,695	-	-	-	-	379,695
Loans and customer debt	31,464	122,397	100,537	23,419	-	277,817
Other financial assets	1	2	13,919	-	-	13,922
Total financial assets	411,160	122,399	114,456	23,419	-	671,434
Obligation						
Client funds	477,509	43,164	212,579	34,228	-	767,480
Other financial liabilities	59,399	393	1,002	3,751	-	64,545
Total financial liabilities	536,908	43,557	213,581	37,979	-	832,025
Net liquidity gap at the end of the day December 31, 2019	(125,748)	78,842	(99,125)	(14,560)	-	(160,591)
Aggregate liquidity gap at the end of the day December 31, 2019	(125,748)	(46,906)	(146,031)	(160,591)	(160,591)	

Concentration of other risks

Operational and technological risk – is the risk of direct or indirect losses as a result of incorrectly designed business processes, ineffective internal control procedures, technological failures, unauthorized personnel actions, or external influence.

The main method of managing operational risk is to create an internal control system. The Bank regularly audits operational procedures along with assessing operational risks, and develops internal recommendations for their reduction. Operational risk assessment is always carried out when analyzing new products, internal banking regulations, processes, and operational, payment, and settlement procedures.

The Bank implements a system of clear delegation of authority, distribution of incompatible responsibilities, distribution of authority of individual structural divisions and employees of the Bank when performing all banking operations with limited access to the operating system.

Key operational risk management measures: monitoring operations at the unit level, limiting physical access of personnel to data on electronic and paper media, ensuring verification and double-checking procedures, ensuring compliance of the Bank's activities with internal procedures and regulations, as well as the requirements of legislation and regulatory authorities.

Reputational risk − an existing or potential risk to income and capital arising from a negative perception of the image of a financial institution by customers, counterparties, founders or supervisory authorities. This affects the Bank's ability to establish new relationships with counterparties, provide new services or maintain relationships with existing customers.

The Bank has established a procedure for the participation of management bodies and heads of structural units in reputation risk management.

Strategic risk – is an existing or possible negative impact on the Bank's activities, which is a consequence of making incorrect management, strategic decisions, imperfect implementation of such decisions or lack of reaction to changes in external market factors. Strategic risk is associated with errors in strategic management, primarily with the possibility of incorrect formulation of the Bank's goals, inadequate resource provision for their implementation and incorrect approach to risk management in banking activities in general. In order to minimize strategic risk, the Bank uses the following main methods:

- records in the Bank's internal documents, including the Bank's Charter, the division of powers of management bodies to make decisions;
- controls the mandatory implementation of decisions adopted by the Bank's supreme body by subordinate units and employees of the Bank;
- standardizes basic banking operations;
- establishes an internal procedure for agreeing on changes to internal documents and procedures related to decision-making;
- carries out an analysis of the impact of strategic risk factors (both in aggregate and in terms of their classification) on the Bank's performance indicators as a whole;
- monitors changes in Ukrainian legislation and current regulations in order to identify and prevent strategic risk on an ongoing basis;
- monitors the Banking services market in order to identify likely new areas of the Bank's activity and set new strategic objectives;
- monitors resources, in particular financial, material and technical and human resources for the implementation of the Bank's strategic objectives;
- stimulates the Bank's employees depending on the impact of their activities on the level of strategic risk;
- ensures continuous professional development of the Bank's employees in order to identify and prevent strategic risk;
- ensures constant access for the maximum number of Bank employees to up-to-date information on legislation and internal Bank documents.

Legal risk – is an existing or potential risk to cash flows and capital that arises due to non-repayment of loans granted, violation or non-compliance with the requirements of laws, regulations, agreements, accepted practices and ethical norms, as well as due to the possibility of ambiguous interpretation of established laws and regulations.

In order to effectively manage and prevent legal risk, the Bank has developed an operational system for communicating changes to the Bank's regulatory documents (regulations, rules, procedures) to management and employees. Preliminary legal expertise of internal bank regulatory documents and the introduction of new banking products is mandatory.

To minimize legal risks when carrying out such banking operations, standard forms of contracts and other standardized documentation have been developed and applied. To prevent the occurrence of legal cases on banking operations, methodical and consulting work is carried out with clients. The level of legal awareness of employees and management is increased through systematic training and education.

27. CAPITAL MANAGEMENT

The main objective of the bank capital management process is to attract and maintain a sufficient amount of capital in order to obtain confidence that the Bank will function on a going concern basis to expand its activities and create protection against risks. The Bank's management, when managing capital, adheres to the requirements established for regulatory capital by the National Bank of Ukraine. In the process of analysis, it uses methods for determining capital adequacy in accordance with the requirements of the National Bank of Ukraine.

As of 31.12.2020, the Bank's regulatory capital amounted to 263,206 thousand UAH, which is sufficient to meet all licensing requirements as of the reporting date. The regulatory capital adequacy ratio as of the reporting date was 19.38% with a regulatory value of at least 10%. During the reporting period, the Bank never violated the established regulatory capital adequacy ratios.

The table below shows the structure of regulatory capital as of December 31, 2020 and for 2019, which was calculated in accordance with the requirements of the National Bank of Ukraine and according to reporting data, on the basis of which control over the size of the Bank's regulatory capital is carried out.

Table 2 7 .1. Regulatory capital structure

thousand UAH .	**December 31, 2020**	**December 31, 2019**
Fixed assets	218,854	209,618
Actual paid-up registered authorized capital	300,039	300,039
General reserves and reserve funds established in accordance with the laws of Ukraine	9,445	9,445
Financial assistance from bank shareholders, for which permission has been obtained	48,000	-
NBU regarding inclusion in fixed capital Reduction of fixed capital, including:	(138,630)	(99,866)
intangible assets less depreciation	*(1,226)*	*(3,085)*
capital investment in intangible assets	*(142)*	-
losses from previous years	*(137,262)*	*(96,781)*
estimated loss for the current year (Rpr /s)	-	-
Additional capital	44,352	209,618
Estimated profit for the current year (Ppr /p)	44,352	235,548
Total regulatory capital	263,206	419,236

28. POTENTIAL LIABILITIES OF THE BANK

Hearing cases in court

The presence of lawsuits in court regarding the provision of financial services by the Bank and the results of their consideration:

- Claim for recovery of tender offer security of UAH 254 thousand. The claim was dismissed. The decision was upheld by the appellate court. The case was returned to the court of first instance for consideration, the claim was satisfied and recovered from the Bank. The case is in the appellate court. 910/17308/18.
- Claim for recovery of UAH 11,004,000 from the Bank in the court of first instance. 910/19906/20
- The lawsuit to recover UAH 759,000 from the Bank was suspended in the court of first instance and an examination was ordered 910/1136/20
- Claim to recover UAH 335,000 from the Bank in the court of first instance 910/20403/20
- Claim to recover UAH 119,000 from the Bank in the court of first instance. 910/20739/20
- Claim for recovery of tender offer security of UAH 130 thousand . The claim was left without consideration. It is being considered in appeal 910/8149/19.
- The lawsuit to collect the tender offer security of UAH 151 thousand . The Bank's motion was granted and the statement of claim was left without consideration. The case was returned from cassation and is being considered in the court of first instance 910/9737/19.
- Claim for recovery of tender offer security of UAH 132 thousand . 910/9735/19. Proceedings in the case have been suspended until the Supreme Court of Ukraine adopts a decision in case No. 910/12705/18.
- The lawsuit to collect the tender offer security of 148 thousand UAH. the statement of claim was returned. It was returned from the cassation instance to the first 910/9736/19.

The bank's management considers the risk of losses to the bank due to these lawsuits to be unlikely, as it has experience in resolving similar legal cases in favor of the bank.

Potential tax liabilities

Currently, Ukraine has a number of laws and regulations in force regarding various taxes and fees levied by both state and local authorities. The taxes that are applied include income tax, value added tax, payroll tax, and other taxes and fees. The laws that regulate these taxes change frequently, and their provisions are often unclear or not developed. There is also a lack of judicial precedents on these issues. There are different points of view regarding the interpretation of legal norms among state ministries and organizations (for example, the tax administration and its inspectorates), which causes general uncertainty. The correctness of tax declarations, as well as other issues of compliance with the law, are subject to verification and study by a number of regulatory bodies, which are legally authorized to impose fines and penalties in significant amounts. The listed factors determine the presence of tax risks in Ukraine that are much greater than those that exist in countries with more developed tax systems.

Management believes that the Bank's activities are carried out in full compliance with the applicable legislation governing its activities and that the Bank has accrued all applicable taxes. In cases where there is uncertainty regarding the amounts of taxes payable, accruals are made based on the Bank's management's estimates based on the analysis of information available to it.

Capital investment commitments

The Bank has no contractual obligations related to the reconstruction of buildings, the acquisition of fixed assets and intangible assets.

Operating lease obligations (rent)

Table 2 8 .1. Future minimum lease payments under a non-cancellable operating lease agreement of the lessee bank

thousand UAH	**December 31, 2020**	**December 31, 2019**
Up to 1 year	7,010	1,903
From 1 to 5 years	-	355
Total	**7,010**	**2,258**

Compliance with special requirements

The Bank did not enter into agreements to obtain loan funds on special terms.

Lending commitments

The main purpose of these instruments is to provide funds to meet the financial needs of customers. Guarantees and standby letters of credit, which are irrevocable guarantees that the Bank will make payments in favor of third parties in the event of a customer's default, have the same credit risk as loans.

Documentary and commodity letters of credit, which are written obligations of the Bank on behalf of its clients, authorizing third parties to demand payment from the Bank in specified amounts in accordance with specific conditions, are secured by the consignments of goods to which they relate or by cash deposits, therefore, have a lower level of risk than loans.

Commitments to extend credit represent unused amounts intended for lending in the form of loans, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Bank is exposed to potential losses in the total amount of unused commitments in the event of full disbursement of the unused amount of such credits to customers. However, the potential amount of losses is less than the total amount of unused commitments, as the fulfillment of most commitments to extend credit depends on customers' compliance with certain credit standards.

The Bank monitors the maturity of its lending commitments as longer-term commitments are generally characterized by higher credit risk than short-term commitments. Outstanding lending commitments were as follows:

Table 2 8 .2. Structure of lending commitments

thousand UAH	**December 31, 2020**	**December 31, 2019**
Guarantees issued	555 290	461,013
Lending commitments provided	17,471	12,642
Unused credit lines	96,414	26,829
Reserve for issued guarantees	(839)	(212)
Total lending-related liabilities, less provision	**668,336**	**500 272**

The total amount of credit-related obligations under the contract does not necessarily represent the amount of cash that will be required to be paid in the future, as many of these obligations may be unclaimed or terminated before their term expires.

Table 2 8 .3. Lending commitments by currency

thousand UAH	**December 31, 2020**	**December 31, 2019**
US dollar	68,583	27,478
Euro	2,995	6,243
Hryvnia	596,758	466,551
Total	**668,336**	**500 272**

Assets pledged as collateral and assets subject to restrictions on ownership, use As of December 31, 2020, the Bank had assets with restricted use with the following carrying amount:

- guarantee deposits for settlements with the international payment system Mastercard in the amount of UAH 4,029 thousand.
- guarantee deposits for settlements with the international payment system Welsend in the amount of UAH 20 thousand.

There are no other assets subject to restrictions on their ownership, use and disposal.

29. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's length transaction between knowledgeable, willing parties. Fair value for financial assets that are actively quoted in an active market is the quoted price in an active market. If the market for a financial instrument is not active, or if there is no observable price information in the market or if it is impossible to find similar valuation objects, the Bank uses a valuation technique and assumptions for each class of financial assets or financial liabilities to determine the estimated fair value.

If the market for a financial instrument is not active, the Bank establishes fair value using the following methods:

- a valuation method based on the application of recent market transactions between knowledgeable, willing and independent parties;
- method of reference to the current fair value of another identical instrument (similar in currency, term, interest rate type, cash flow structure, credit risk, collateral and other characteristics);
- discounted cash flow analysis method, etc.

Financial instruments recognized at fair value are, for disclosure purposes, classified into three fair value hierarchies based on their observability as follows:

- Level 1 – valuations are based on observable prices in active markets that exist and are regularly available in an active market.
- Level 2 – Estimates are based on information for which all significant data are observable, either directly or indirectly. Typically, one or more observable prices for current transactions in markets that are not considered active are used.
- Level 3 – estimates are based on unobservable information that is significant to the overall fair value estimate.

Table 29.1 . Analysis of financial instruments carried at amortized cost

thousand UAH	**December 31, 20 20**		**December 31, 201 9**	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Financial assets				
Cash and cash equivalents:	496 191	496 191	379,695	379,695
cash	*133,331*	*133,331*	*183,633*	*183,633*
funds in the National Bank of Ukraine (except for required reserves)	*15,151*	*15,151*	*31,913*	*31,913*
correspondent accounts, deposits and overnight loans in banks	*34,666*	*34,666*	*13,957*	*13,957*
Certificates of deposit issued by the National Bank of Ukraine	*313,043*	*313,043*	*150 192*	*150 192*
Loans and customer debt:	333,920	333,920	277,817	277,817
loans to legal entities	*277,688*	*277,688*	*207,612*	*207,612*
loans to individuals	*56,232*	*56,232*	*70,205*	*70,205*
Other financial assets	9,889	9,889	13,922	13,922
Total financial assets accounted for under the AS	**840,000**	**840,000**	**671,434**	**671,434**
Financial obligations				
Bank funds	640,786	640,786	-	-
Client funds:	1,366,137	1,366,137	767,480	767,480
legal entities	932 131	932 131	457,375	457,375
individuals	422,650	422,650	310 105	310 105
Other financial obligations:	39,340	39,340	77,187	77,187
Other payables from transactions with bank clients	16,598	16,598	47,941	47,941
Commission for providing guarantees	13,524	13,524	12,523	12,523
Bank customers' funds in inactive accounts	3,028	3,028	3,419	3,419
Accounts payable on transactions with banks	-	-	662	662
Lease obligations	6,190	6,190	12,642	12,642
Total financial liabilities accounted for under the AC	**2,046,263**	**2,046,263**	**844,667**	**844,667**

Table 29.2 . Analysis of financial instruments by fair value measurement levels for 20 20

thousand UAH	Fair value under different valuation models			Total fair value	Total book value
	Level I	Level II	Level III		
Financial assets					
Cash and cash equivalents:	496 191	-	-	496 191	496 191
cash	*133,331*	-	-	*133,331*	*133,331*
funds in the National Bank of Ukraine (except for required reserves)	*15,151*	-	-	*15,151*	*15,151*
correspondent accounts, deposits and overnight loans in banks	*34,666*	-	-	*34,666*	*34,666*
Certificates of deposit issued by the National Bank of Ukraine	*313,043*	-	-	*313,043*	*313,043*
Loans and customer debt:	-	-	333,920	333,920	333,920
loans to legal entities	-	-	*277,688*	*277,688*	*277,688*
loans to individuals and entrepreneurs	-	-	-	-	-
loans to individuals	-	-	*56,232*	*56,232*	*56,232*
Other financial assets	-	-	9,889	9,889	9,889
Total financial assets accounted for under the AS	**496 191**	**-**	**343,809**	**840,000**	**840,000**
Financial obligations					
Bank funds	-	-	640,786	640,786	640,786
Client funds:	-	-	1,366,137	1,366,137	1,366,137
legal entities	-	-	*932 131*	*932 131*	*932 131*
individuals	-	-	*422,650*	*422,650*	*422,650*
Other financial obligations:	-	-	39,340	39,340	39,340
Other payables from transactions with bank clients	-	-	*16,598*	*16,598*	*16,598*
Commission for providing guarantees	-	-	*13,524*	*13,524*	*13,524*
Bank customers' funds in inactive accounts	-	-	*3,028*	*3,028*	*3,028*
Lease obligations	-	-	*6,190*	*6,190*	*6,190*
Total financial liabilities accounted for under the AC	**-**	**-**	**2,046,263**	**2,046,263**	**2,046,263**

Table 29.3 . Analysis of financial instruments by fair value measurement levels for 2019

thousand UAH	**Fair value under different valuation models**			**Total fair value**	**Total book value**
	Level I	**Level II**	**Level III**		
Financial assets					
Cash and cash equivalents:	379,695	-	-	379,695	379,695
cash	*183,633*	-	-	*183,633*	*183,633*
funds in the National Bank of Ukraine (except for required reserves)	*31,913*	-	-	*31,913*	*31,913*
correspondent accounts, deposits and overnight loans in banks	*13,957*	-	-	*13,957*	*13,957*
Certificates of deposit issued by the National Bank of Ukraine	*150 192*	-	-	*150 192*	*150 192*
Loans and customer debt:	-	-	277,817	277,817	277,817
loans to legal entities	-	-	*207,418*	*207,418*	*207,418*
loans to individuals and entrepreneurs	-	-	*1,092*	*1,092*	*1,092*
loans to individuals	-	-	*69,113*	*69,113*	*69,113*
mortgage loans to individuals	-	-	*194*	*194*	*194*
Other financial assets	-	-	13,922	13,922	13,922
Total financial assets accounted for under the AS	**379,695**	-	**291,739**	**671,434**	**671,434**
Financial obligations					
Client funds:	-	-	767,480	767,480	767,480
legal entities	-	-	*457,375*	*457,375*	*457,375*
individuals	-	-	*310 105*	*310 105*	*310 105*
Other financial obligations:	-	-	77,187	77,187	77,187
Other payables from transactions with bank clients	-	-	*47,941*	*47,941*	*47,941*
Commission for providing guarantees	-	-	*12,523*	*12,523*	*12,523*
Bank customers' funds in inactive accounts	-	-	*3,419*	*3,419*	*3,419*
Accounts payable on transactions with banks	-	-	*662*	*662*	*662*
Lease obligations	-	-	*12,642*	*12,642*	*12,642*
Total financial liabilities accounted for under the AC	-	-	**844,667**	**844,667**	**844,667**

30. RELATED PARTY TRANSACTIONS

According to IAS 24 " *Related Party Disclosures* ", related parties are considered parties if one of them has the ability to control or significantly influence the operating and financial decisions of the other party.

The Bank recognizes persons related to the Bank in accordance with the requirements of Article 52 of the Law of Ukraine "On Banks and Banking Activities".

Table 3 0 .1. Balances on transactions with related parties as of December 31, 2020

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Client funds	1,745	919	749
Loans and customer debt	-	72	-
Loan impairment allowance	-	(6)	-
Other obligations	-	1,310	-

Table 3 0 .2. Income and expenses from transactions with related parties for 2020

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Interest income	101	66	21
Commission income	115	68	120
Foreign currency revaluation	-	5	3
Other operating income	24	41	225
Interest expenses	(11)	(87)	(81)
Impairment loss on financial assets	-	(5)	1
Employee benefits expenses	-	(5,952)	-
Other administrative and operating expenses	-	(3)	(4,503)

Table 3 0 .3. Balances on transactions with related parties as of December 31, 2019

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Client funds	68	600	11 115
Loans and customer debt	-	150	-
Loan impairment allowance	-	(23)	-
Other obligations	-	2,639	11

Table 3 0 .4. Income and expenses from transactions with related parties for 2019

thousand UAH	**Largest participants (bank shareholders)**	**Management staff**	**Other related parties**
Interest income	5	102	65
Commission income	49	83	53
Foreign currency revaluation	(371)	(176)	(4,280)
Other operating income	-	5	5
Interest expenses	8	96	143
Impairment loss on financial assets	62	25	17
Employee benefits expenses	-	12,092	-
Other administrative and operating expenses	-	(10)	(1,775)

Table 3 0 .5. Payments to key management personnel

thousand UAH	**2020 year**		**2019 year**	
	Costs	**Accrued liability**	**Costs**	**Accrued liability**
Current employee benefits	5,804	1,277	11,898	2,596
Severance payments	148	33	194	43

31. EVENTS AFTER THE BALANCE SHEET DATE

Developments surrounding the COVID-19 virus since the beginning of 2020 indicate that the global economic growth is expected to be negatively impacted in the first half of 2020 due to the spread of the disease and the disruption of economic activity. This could impact our ability to generate revenues and negatively impact our loan portfolios through negative rating migration, higher than expected loan losses and potential asset write-downs. The ongoing COVID-19 pandemic and its potential impact on the economy could impact our ability to achieve our financial objectives. While it is too early for us to predict the impact of the expanding pandemic on our business or our financial objectives, as well as government responses, the negative impact could be material due to a prolonged local, regional or global economic downturn.

INDEPENDENT AUDITOR'S REPORT