



RwSbank
Respect with Stability

JOINT STOCK COMPANY "RWS BANK"

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

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MANAGEMENT REPORT (MANAGEMENT REPORT)

I. BASIC INFORMATION ABOUT THE BANK

Full name: JOINT STOCK COMPANY "RWS BANK".

Location: Ukraine, 04071, Kyiv, Vvedenska Street, building 29/58.

Date of state registration: June 22, 2015.

Main activities: Other types of monetary intermediation (KVED code 64.19).

The shareholders of the Bank 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.

The ultimate beneficiaries are individuals - citizens of Ukraine: Stetsyuk Oleksandr Volodymyrovych and Demchak Ruslan Yevheniyovych.

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

II. NATURE OF BUSINESS

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

In the fourth quarter of 2021, a number of risks materialized for the Ukrainian economy and financial system: the escalation of the conflict with Russia, a sharp increase in energy prices, the spread of a new strain of coronavirus. Taken together, these factors worsened expectations for economic development and led to an increase in the risk premium for investing in Ukraine. Therefore, the conditions for attracting financing for the public and private sectors in external markets have worsened. In view of this, cooperation with international financial organizations remains a prerequisite for proper management of macroeconomic risks. At the same time, the economy has a sufficient margin of safety to withstand the above-mentioned threats. Fiscal policy remained restrained, and the state budget deficit was moderate, public debt to GDP continues to decline, international reserves exceeded 90% of the IMF composite criterion, which is sufficient to smooth out possible fluctuations in the foreign exchange market. The financial system is in excellent condition: stable, well-capitalized, and liquid.

Global economic growth slowed in the fourth quarter due to the spread of new variants of COVID-19, which negatively affected business confidence, primarily in the services sector. In contrast, global industry recovered steadily, and companies expect further growth in production in 2022. A significant factor in this dynamics was the signs of improvement in supply chains, in particular, the growth in the cost of maritime transportation slowed down, delivery times began to decrease, the volume of unfulfilled orders decreased, and countries continued to lift trade restrictions related to the pandemic. However, pressure from supply chain disruptions was still at high levels at the end of 2021, and delays in the supply of individual components and raw materials caused the largest increase in their inventories in almost 24 years. As a result, growth in global merchandise trade slowed in the fourth quarter. Also in 2021, the world

faced increased demand and high prices for energy resources, which led to an energy crisis.

Thus, global oil and natural gas prices in Europe rose sharply in the fourth quarter of 2021. Despite OPEC+ production increases, oil prices rose under the influence of high demand. Only the partial release of strategic reserves from the US, China, Japan and South Korea and the spread of Omicron restrained price growth at the end of the year. Natural gas prices in Europe reached a historic record due to high demand and limited supply. The latter was due to low reserves, Russia's refusal to supply above the contracted volumes and high competition from Asian countries. Only the rapid growth of LNG imports, primarily from the US, slightly adjusted prices at the end of the year.

The economic situation in Ukraine is characterized by a slower than expected economic recovery. Growth is being held back by the still insufficient level of investment and the increase in energy prices. Given the gradual correction of prices for the main Ukrainian export commodities and the persistence of high fuel prices, the current account deficit will widen significantly next year. Economic growth is supported by sustained consumer demand, fueled by significant growth in household incomes. High consumer spending and global inflationary factors, in particular the rise in the cost of raw materials, have led to a rise in consumer prices to double-digit levels. Like the central banks of most emerging market countries, the NBU has responded to these challenges and increased the discount rate. After the crisis, enterprises in many industries increased their profits, primarily due to high product prices. This has improved their solvency and reduced their debt burden. In the future, their margins may decline due to high energy prices and the expected

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correction of world prices for Ukrainian exports. Another challenge is the persistence of logistical difficulties on the world market.

Consumer inflation was expected to decline at the end of 2021, but remained higher than forecast, and fundamental inflationary pressures even intensified. After peaking in September 2021 (11% y/y), consumer inflation declined as expected and reached 10% y/y in December. The deviation from the forecasts is primarily explained by the strengthening of pro-inflationary pressure from the secondary effects of rising costs, in particular: in the fourth quarter of 2021, the increase in the cost of energy affected the change in selling prices, the increase in the cost of raw materials and labor is also one of the most important factors in price changes in the second half of 2021. The impact of stable consumer demand and the background of increasing domestic prices for food and industrial goods also remained, which made it possible to slightly slow down the inflation rate at the end of 2021.

In response to the realization of a number of pro-inflationary risks and the transformation of transitory drivers of inflation (both domestic and global) into more long-term and systemic factors, the NBU accelerated the tightening of monetary policy. In particular, it significantly increased the key rate from the second quarter of 2021 and rolled back the monetary stimuli introduced during the 2020 pandemic. The tightening of monetary policy will continue in 2022.

In 2021, real GDP growth was estimated by the NBU at around 3%. The economic recovery was supported by robust consumer demand, increased investment by businesses after the crisis, and a record crop harvest. However, the economic recovery was slower than expected. The reasons include the rapid increase in energy prices and their shortages, the impact of low harvests in 2020, a slower recovery in the services sector, limited capacity in some manufacturing sectors, more significant losses from the pandemic, and faster fiscal consolidation.

The current account deficit was small in 2021, driven by favorable terms of trade, but will widen moderately in the future, driven by stronger domestic demand. The current account is projected to run a small deficit in 2021 (1.1% of GDP).

The banking sector in the fourth quarter of 2021 is characterized by the following indicators.

Banks maintain a significant capital buffer above minimum requirements. The capital adequacy of the vast majority of banks continues to significantly exceed minimum requirements. The core capital adequacy ratio for the system is over 15%. This indicator decreased slightly during 2021 due to brisk lending - new loans increased risk-weighted assets. However, capital was replenished both through reinvested earnings and through contributions from shareholders.

In 2021, solvent banks received a historically record 77.5 billion UAH. of net profit, which is almost twice as much as in 2020 (39.7 billion UAH), and 33% more than in the pre-crisis year 2019 (58.4 billion UAH). The sector's return on capital increased to 35.2% compared to 19.2% in 2020. In the fourth quarter of 2021, banks' net profit was the largest, when in addition to the record growth rates of interest income, banks dissolved reserves - 26.1 billion UAH., which is 12.6 times more compared to the fourth quarter of 2020. The main factors of the profitability of the banking sector in 2021 were the further increase in operating efficiency and a significant reduction in provisions. Thus, the annual growth of net interest and commission income was 39% and 25%, respectively. This was facilitated by an increase in interest income from lending, which significantly revived after the crisis. Further growth in the volume of non-cash transactions ensured an increase in banks' commission income. Faster growth in net interest and commission income compared to operating expenses increased banks' operational efficiency. Deductions to loan provisions for the year decreased by 58%. In addition, previously reserved funds related to legal risks were liquidated.

Net assets of banks increased by 6.3% in the fourth quarter due to the growth of the hryvnia component. Investments in government securities and the customer loan portfolio increased. The quarterly growth rate of net hryvnia loans to business entities slowed down to +2.3%. In 2021, the net hryvnia loan portfolio grew by 40.2%. The most active in lending were state-owned banks, except for PrivatBank (54.7% y/y). In December, hryvnia loans decreased due to seasonal repayment of loans by farmers and enterprises that performed state orders within the framework of the "Great Construction" project. At the end of the year, lending by foreign banks in foreign currency intensified. Net foreign currency loans increased by 7.8% per quarter and by 9.6% y/y. The pace of retail lending exceeded the pre-corona crisis level. The net hryvnia portfolio of loans to households grew by 8.0% in the quarter (36.9% y/y). The growth of net hryvnia loans for real estate at the end of 2021 again renewed the maximum: +62.4% y/y. The share of non-performing loans continued to decline: by 3.2 pp. per quarter and by 11.0 pp. per year in total – to 30.0%. The largest contribution to this reduction was made by state-owned banks. They had high rates of loan portfolio growth and wrote off old non-performing loans to implement relevant strategies.

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Bank liabilities in the fourth quarter of 2021 increased by 5.7%, largely due to the inflow of customer funds. They continue to dominate the structure of bank funding: at the end of the year, their share in liabilities was 84.9%. The share of NBU funds remained at the level of the third quarter - 5.3%. The volume of hryvnia funds of individuals in banks in the fourth quarter increased by 8.1% (15.3% y/y). The leaders in this indicator were private and foreign banks: +41.0% y/y and 22.4% y/y, respectively. At the same time, term deposits of individuals in the national currency grew more slowly - by 9.6% per year. The vast majority of new term deposits were attracted for a period of three months or more. The total amount of deposits of individuals in foreign currency decreased by 1.8%

(in USD equivalent) for the year due to the outflow of term funds. National currency funds of business entities increased by 15.5% in the quarter (26.4% y/y). Privately-owned banks were the leaders in this indicator as well, showing growth of 35.1% in the quarter (63.2% y/y). Foreign currency funds (in USD equivalent) decreased by 4.7% in the quarter due to outflows from private and foreign banks. Year-on-year, foreign currency funds of businesses increased by 3.9%. The share of clients' foreign currency funds decreased by 2.6 pp. to 32.9% despite the weakening of the national currency exchange rate. Dedollarization was facilitated by the faster growth of hryvnia deposits compared to foreign currency deposits.

During the last quarter of 2021, the NBU continued the cycle of increasing the discount rate, raising it to 9% per annum. However, only a few of the largest twenty banks increased rates on hryvnia deposits of individuals following the discount rate. The average cost of 12-month deposits increased to 9.2% per annum at the end of the fourth quarter. The spread between the cost of three-month and one-year deposits reached 1.7 pp. p. Rates on deposits in US dollars remained within 1% per annum, although they increased slightly during the quarter. The cost of hryvnia loans to business entities exceeded 10% per annum for the first time in a year and a half. Ultra-short (up to one month) loans were still the most sensitive to the increase in the discount rate. In contrast, the cost of foreign currency loans to businesses decreased in December to 3% per annum. Rates on new consumer loans to households fell by 1.5 ppt to 28.7% per annum in December. The cost of new mortgage loans increased by 0.7 ppt to 12.6% during the quarter.

Credit risk remains the main concern for banks in Q4 2021. Despite the improvement in the economic situation in the second half of the year, some bank borrowers are still experiencing financial difficulties, and the increased risk of an escalation of the conflict with Russia may negatively affect the quality of loan servicing, and therefore, will require banks to create additional reserves. The level of credit risk is still

remains high.

Further tightening of monetary policy is expected to affect the conditions for raising funds and make funding more expensive. Therefore, banks' interest rate risk will increase. In conditions of uncertainty, banks need to carefully monitor liquidity risks. To do this, it is necessary to analyze their own ability to cover significant outflows of funds with available high-quality liquid assets (HLA), which may be realized over short periods. At the same time, HLA should be sufficient not only for conversion into cash if necessary to return to customers, but also for further operating activities. In 2022, the NBU plans to decide on a schedule for the gradual restoration of capital buffers deactivated during the unfolding of the corona crisis. Capital buffers increase the ability of banks to withstand risks during periods of financial and economic instability. The formed capital reserve can be used both to absorb possible losses and for further lending. According to the NBU, current high profitability and available capital reserves allow banks to easily meet such regulatory requirements.

2. INFORMATION ABOUT THE BANK'S MANAGERS AND OFFICERS

The Bank is managed in accordance with the Law of Ukraine "On Banks and Banking Activities", "On Joint-Stock Companies" and on the basis of the Charter of JSC "RWS BANK".

The management bodies according to the Charter of RWS BANK JSC are:

- General Meeting of Shareholders of the Bank;
- Supervisory Board of the Bank;
- The Bank's Board of Directors.

According to the Charter of JSC "RWS BANK", the highest management body of the Bank is the General Meeting of Shareholders of the Bank, which can decide on any issues of the Bank's activities.

The executive body that carries out the day-to-day management of the Bank is the Bank's Management Board.

The Supervisory Board of the Bank exercises control over the activities of the Bank's Management Board, protection of the rights of depositors, other creditors and shareholders of the Bank. The Supervisory Board does not participate in the current management of the Bank.

Structural divisions subordinate to the Supervisory Board of the bank:

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- Risk Management Department (2nd line of defense) - within its powers, is responsible for implementing internal risk management regulations and procedures in accordance with the risk management strategy and policy determined by the Bank's Supervisory Board, implementing timely detection, identification, assessment, monitoring, control, reporting/informing of all types of risks inherent in the Bank's activities;

- Compliance Control Department (2nd line of defense) - within its powers, ensures the organization of control over the Bank's compliance with the

norms of legislation, internal bank documents and relevant standards of professional associations, the effect of which extends to the Bank;

Internal Audit Service (3rd line of defense) - within its powers, ensures the protection of the interests of the Bank's shareholders and its clients by conducting inspections and monitoring compliance by managers and employees of the bank, who ensure the provision of banking and other financial services, with the requirements of the legislation of Ukraine, including regulatory legal acts of the National Bank, and internal regulations of the bank, the fulfillment of professional duties and rules established by the Bank's Charter and internal documents of the bank, including on compliance and risk management issues; providing independent and objective consultations aimed at improving the Bank's activities; submitting to the Supervisory Board of the Bank an objective assessment of the Bank's condition and providing support in implementing effective management in order to ensure the Bank's stable operations in the long term; increasing the efficiency of the internal control system to achieve the goal set by the Bank's shareholders and preserving the Bank's assets; minimizing risks when conducting operations related to the rational and effective use of the Bank's resources.

The Corporate Secretary is elected by the Supervisory Board of the Bank and is subordinate to it in the performance of his duties and powers in accordance with the Regulations on the Corporate Secretary. The Corporate Secretary ensures the interaction of the Bank's management and control bodies, namely: the General Meeting of Shareholders of the Bank, the Supervisory Board of the Bank and the Management Board, informing shareholders and other interested parties about the Bank's activities within the scope of his competence.

As of December 31, 2021, the members of the Bank's Supervisory Board are: Iryna Borysivna Havrilchuk - Chairman of the Supervisory Board; Serhiy Oleksandrovych Yaremenko - Independent Member of the Supervisory Board; Pavlo Volodymyrovych Savchuk - Independent Member of the Supervisory Board; Vitaliy Oleksiyovych Mygashko - Independent Member of the Supervisory Board; Dmytro Mykolayovych Seredenko - Independent Member of the Supervisory Board.

The Bank's Management Board is the executive body of the Bank, which manages the current activities of the Bank, forms funds necessary for the statutory activities of the Bank, and is responsible for the efficiency of its work in accordance with the principles and procedures established by the Bank's Charter, decisions of the General Meeting of Shareholders and the Supervisory Board of the Bank.

The Management Board is accountable to the General Meeting of Shareholders and the Supervisory Board, organizes the implementation of their decisions. The Management Board acts on behalf of the Bank within the limits established by the current legislation, the Bank's Charter and the Regulations on the Management Board.

As of December 31, 2021, the members of the Bank's Management Board are: Oksana Volodymyrivna Kotlyarevska - Chairman of the Management Board; Valentyna Petrivna Vaskovska - Deputy Chairman of the Management Board, member of the Management Board; Petro Ivanovich Pylypchak - Deputy Chairman of the Management Board, member of the Management Board; Olena Mykhailivna Burdina - Chief Accountant, member of the Management Board; Taisiia Fedorivna Moseychuk - Director of the Legal Department, member of the Management Board. The personal composition of the Committees is established by the Management Board of the Bank.

To ensure additional measures for risk management, the Bank has established standing committees, in particular:

The Credit Committee, which assesses the quality of the Bank's assets and prepares proposals for the formation of reserves to cover possible losses from their depreciation. The Credit Committee is established and operates in accordance with the procedure determined by the Supervisory Board of the Bank and on the basis of the Regulation on the Credit Committee.

The Assets and Liabilities Management Committee, which reviews the cost of liabilities and the profitability of assets and makes decisions on the interest margin policy, reviews the issues of compliance with the maturity of assets and liabilities and provides recommendations to the relevant divisions of the Bank on eliminating any discrepancies in time that arise. The Assets and Liabilities Management Committee is established and operates in accordance with the procedure determined by the Bank's Management Board and on the basis of the Regulation on the Assets and Liabilities Management Committee of the Bank.

The Tariff Committee, which analyzes the ratio of the cost of services and the market competitiveness of current tariffs, is responsible for the Bank's policy on operating income.

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The Tariff Committee is established and operates in accordance with the procedure determined by the Bank's Management Board and on the basis of the Regulations on the Tariff Committee.

Information Security Management Systems Committee. The purpose of the Information Security Management Systems Committee is to ensure effective management of the Bank's information security management systems, coordinate the activities of its units to ensure information security, implement and effectively operate information security management systems, and optimize the company's resources, efforts, and potential. The main task of the Committee is to ensure the protection of the Bank's information assets from a wide range of threats in order to maintain the continuity of business processes, minimize risks, and maximize profitability and business opportunities.

The Financial Monitoring Committee, which reviews: the results of the analysis of financial transactions of clients, regarding which suspicion arises, and the approval of precautionary measures to minimize the risks of money laundering/terrorism financing; issues resulting from the refusal to conduct financial transactions and/or serve clients, including in the event that the client is found to have an unacceptably high level of risk; problematic issues arising during the identification and study of clients; changes in the legislation on financial monitoring, measures that must be taken by the bank and the deadlines for updating the bank's internal documents on financial monitoring, taking into account the specified changes; results of the analysis of the implementation of new banking products and the related compliance risks of financial monitoring; problematic issues arising during training of bank employees on financial monitoring; problematic issues related to establishing business relations and servicing public figures and persons close to or associated with public figures; other issues arising during the implementation of measures to prevent the legalization (laundering) of proceeds from crime, or the financing of terrorism or the financing of the proliferation of weapons of mass destruction.

3. STRUCTURAL UNITS

The organizational structure of the Bank has a matrix organizational structure, which consists of independent departments and divisions, divisions within divisions and departments. Independent structural units are subordinate to the Chairman of the Board, Deputy Chairman of the Board.

The following are subordinate to the Chairman of the Board: Deputy Chairman of the Board; Chief Accountant; Legal Department; Human Resources Management Department; Financial Monitoring and Currency Control Department; Methodology Department; Card Business Department; Information Technology Department; Retail Business Department; Interbank Business Department;

The following departments report to the Deputy Chairman of the Board: Security Department; Financial Planning Department; Non-Performing Assets Department; Corporate Business Department; Individual Financing and Documentary Operations Department; Economic Support Department; Information Security Department; Occupational Safety and Health Service.

The following departments report to the Chief Accountant: Banking Operations Support Department; Intrabank Operations Department; Financial and Statistical Reporting Department; Credit Administration Department; Document Preservation Department.

The following departments report to the Supervisory Board of the Bank: Risk Management Department, Compliance Control Department, Internal Audit Department, Corporate Secretary.

A schematic representation of the Bank's organizational structure is provided in Appendix 1.

As of December 31, 2021, the Bank had 19 branches in Ukraine.

The branches provide the full range of Bank operations, namely:

- settlement and cash services for legal entities and individuals;
- deposit transactions;
- non-trading transactions;
- distribution of plastic cards;
- lending to legal entities and individuals;
- documentary operations.

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As of December 31, 2021, the Bank has the following branches in its structure:

Branch name	Addresses
CENTRAL BRANCH PODILSH	01001, Kyiv, Prorizna St., 6
BRANCH No. 1	04071, Kyiv, Vvedenska St., 29/58
VINNITSA BRANCH	21018, Vinnytsia, Gogolya St., 1
SHEVCHENKIV BRANCH	01032, Kyiv, Saksaganskogo St., 96
SHEVCHENKIV BRANCH No. 1	04112, Kyiv, Oranjereyna St., 1

SHEVCHENKIV BRANCH No. 2 01050, Kyiv, Beloruska St., 8	
LVIV BRANCH SVIATOSHYN	79000, Lviv, Nechuya-Levytskoho St., 2
BRANCH ŷ 1 BORSCHAGIVA BRANCH	03164, Kyiv, Akademika Bulakhovskoho St., 4
HOLOSIIV BRANCH KOROSTEN	08131, Kyiv region, village of Sofiiivska Borshchahivka, Kyivska st., 34
BRANCH KHARKIV BRANCH	03127, Kyiv, Heroes of Defense St., 5
	11503, Korosten, Hrushevskoho St., 36
	61146, Kharkiv, Heroes of Labor St., 26
TERNOPIL BRANCH	46008, Ternopil region, Ternopil city, street Prince of Ostroh, building 19
ODESSA BRANCH	65044, Odessa, Shevchenko Ave. 11-A, office 65
TERNOPIL DEPARTMENT No. 1	46016, Ternopil region, Ternopil city, Tekstilna st., building 38
ODESSA BRANCH NO. 1	65039, Odessa, Kanatna St. 97
ODESSA CENTRAL DEPARTMENT	65104, Odessa, Academician Koroleva St., 72A
NOVOSILKIVSKY BRANCH	03027, Kyiv region, Fastiv district, Chabanivska territorial community, Novosilky village, Myru Street, house 4, room 152
CHORTKIVSKY BRANCH	48501, Ternopil region, Chortkiv city, Stepana street Bandera, house 30

4. INFORMATION ON THE PURCHASE OF SHARES

There are no shares announced for issue in the reporting year 2021.

The nominal value of one share as of the end of the day on December 31, 2021 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 2021.

5. DESCRIPTION OF THE CURRENT BUSINESS MODEL

The Bank's current business model is based on 9 main areas:

1. A fundamentally important direction of the Bank's development is maximum customer focus. This means that The bank strives to satisfy the maximum amount of financial service needs of each client and thereby maximize your revenue from the customer relationship format. This also means that the quality and depth customer relations, as well as the Bank's skills and capabilities in sales and service, which ensure the support and development of these relationships, and are an important basis for the Bank's competitive advantages.
2. An important direction of transformation is the comprehensive improvement of business processes and information systems, their transition to a new "industrial" basis. Such "industrialization" of systems and processes in the Bank increases the level of manageability and scalability, reduces costs, improves customer service quality and allows The bank can more flexibly and effectively manage credit and other types of risks.
3. An important element of the Bank's development strategy is the implementation of the ideology of continuous improvement and development at all levels and in all parts of the organization. This involves integrated work on optimization and rationalization of activities in all areas "from the bottom up", creation in the Bank of a systematic ability to renewal and self-improvement.

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4. The Bank, taking into account the current business model, needs a cohesive and professional team. The implementation of the strategy will require employees to acquire new skills and abilities that will allow them to change not only the Bank, but also their own habits and work methods. The task facing the Bank is to make efficiency and quality the business of every employee in every department, to involve both ordinary employees and Bank managers in the daily process of improving its work, to enable employees to feel like active participants in the Bank's development process, and not just passive performers. The Bank will develop a motivation system for each employee, which should be aimed at matching the vector of interests of the employee and the bank in this position, a personnel reserve will be formed, and succession planning systems will be introduced at all levels. Also, the Bank will conduct rigorous recruitment with the aim of attracting the best teams from competitors.
5. The bank plans to expand its branch network by opening universal branches.
6. The implementation of a mobile application for individuals will allow you to manage accounts, make payments and transfers using your customers' smartphone, and pay for purchases contactlessly using NFC and Apple Pay.
7. The implementation of the MasterCard P2P transfer service will allow you to transfer money from card to card, online and in the Bank's mobile application from any device. It will also allow the Bank's clients to make money transfers to cards of any banks that are part of the MasterCard MPS.
8. The modernization of the Bank's IT infrastructure will be carried out in stages using a process approach to managing the Bank's IT infrastructure to ensure the reliability, stability and continuity of all systems and applications.
9. The implementation of an electronic document management system will allow you to create an electronic document archive, organize corporate document management, and automate business processes in the Bank.

6. MAIN PRODUCTS AND SERVICES

JOINT-STOCK COMPANY "RWS BANK" is a universal banking institution with a wide range of banking services for corporate and private clients. According to the obtained banking license No. 277 dated November 24, 2016, the General License of the National Bank of Ukraine for currency transactions No. 277-2 dated December 5, 2016. The Bank may perform services and operations specified in Part Three of Article 47 of the Law of Ukraine "On Banks and Banking Activities", namely:

attracting funds and banking metals from an unlimited number of legal entities and individuals;

opening and maintaining current (correspondent) accounts for clients, including in banking metals;

placing funds and bank metals attracted into deposits, including current accounts, on one's own behalf, on one's own terms and at one's own risk;

issuing bank payment cards and carrying out transactions using these cards;

lending to legal entities and individuals;

provision of consulting and information services regarding banking transactions;

transactions with currency values:

non-trading transactions with currency values;

transactions with cash foreign currency and checks (purchase, sale, exchange, and acceptance for collection) carried out at cash desks and foreign currency exchange points of banks;

transactions with cash foreign currency (purchase, sale, exchange) carried out at foreign currency exchange points operating on the basis of agency agreements concluded by banks with resident legal entities;

maintaining accounts of clients (residents and non-residents) in foreign currency and non-resident clients in the monetary unit of Ukraine;

documentary operations;

transactions with securities (government bonds);

maintaining correspondent accounts of banks (residents and non-residents) in foreign currency;

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maintaining correspondent accounts of banks (non-residents) in the currency of Ukraine;

opening correspondent accounts in authorized banks of Ukraine in foreign currency and conducting transactions on them;

opening correspondent accounts in banks (non-residents) in foreign currency and conducting transactions on them;

attracting and placing foreign currency on the foreign exchange market of Ukraine;

attracting and placing foreign currency on international markets;

trading in foreign currency on the foreign exchange market of Ukraine (except for transactions with cash foreign currency and checks (purchase, sale, exchange), carried out at cash desks and foreign currency exchange points of banks and agents);

foreign currency trading on international markets;

attraction and placement of banking metals on the foreign exchange market of Ukraine;

attraction and placement of banking metals on international markets;

trading in banking metals on the foreign exchange market of Ukraine;

other transactions with currency values.

The Bank has the right to provide its clients (except banks) with financial services, including by concluding agency agreements with legal entities (commercial agents). The list of financial services that the Bank has the right to provide to its clients (except banks) by concluding agency agreements is established by the National Bank of Ukraine. The Bank is obliged to notify the National Bank of Ukraine of the agency agreements concluded by it. The Bank has the right to conclude an agency agreement with a legal entity that meets the requirements established by the National Bank of Ukraine.

The Bank, in addition to providing financial services, has the right to also carry out activities related to:

investments;

issuing own securities;

issuing, distributing and conducting lotteries;

storage of valuables or provision of an individual bank safe for lease;

collection of funds and transportation of currency values;

- maintaining registers of owners of registered securities (except for own shares);
- providing consulting and information services regarding banking and other financial services.

The Bank has identified the following main areas of development of banking products and services:

- Increasing the Bank's share in the guarantee market, primarily tender guarantees;
- Significant strengthening of the Bank's position in the market of services to enterprises and organizations participating in foreign economic activity;
- Increasing the Bank's share in the market for servicing payments for legal entities in national and foreign currency;
- Increasing the Bank's share in the market for servicing non-cash cash flows of the population, including salary projects;
- Increase in the volume of purchases and transactions with government bonds;
- Expanding participation in operations to service retail trade and the service sector, increasing the Bank's share in the market of non-cash payments for the benefit of enterprises and organizations;
- Increasing the Bank's share in the payment card transactions market;
- Increasing the volume of lending to legal entities and individuals;
- Optimization and increase in the volume of foreign exchange (non-trade) transactions.

The priority in the development of these areas of the Bank's activity was to increase the volume of services while simultaneously reducing their cost and improving the quality of standard and individual services.

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Corporate business.

Products and services:

- documentary operations;
- overdraft;
- settlement and cash services;
- loans to customers;
- deposit programs;
- making payments through "Client-Bank";
- accepting payments;
- withdrawal of funds from accounts;
- forward transactions on the MVRU;
- installation and maintenance of the "Client Bank";
- salary projects;
- providing certificates/statements on customer accounts.

Servicing individuals.

Products and services:

- consumer lending;
- settlement and cash services;
- loans to customers;
- deposit programs;
- operations with plastic cards;
- accepting payments;
- withdrawal of funds from accounts;
- implementation of a mobile application;
- launch of trade acquiring;

- use of international urgent money transfer systems "RIA", "Western Union", "Money Gram", "Welsend" and related internal payment systems "Monego", "iPay", "Portmone";

- providing certificates/statements on customer accounts.

Bank services and treasury operations.

Products and services:

- sale of cash hryvnia to other banks;
- buying and selling currency;
- purchase and sale of banking metals;
- purchase of government bonds into the bank's portfolio;
- transfers to other banks via the SWIFT system.

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III. MANAGEMENT GOALS AND STRATEGIES TO ACHIEVE THESE GOALS

1. STRATEGIC GOALS

Based on the analysis of the internal and external environment, the Bank believes that in the short term, the Bank must build an internal organizational and technological base and business processes, create a customer-oriented company; identify and implement its competitive advantages, provided that the Bank quickly adapts to the constantly changing situation in the financial markets and in the economy as a whole.

The implementation of the development strategy will allow the Bank to take a target position in the Ukrainian banking services market and achieve the set financial and operational indicators that correspond to the high level of financial institutions.

To successfully implement the strategy, the Bank is constantly working to attract new clients and sell new products to existing clients.

The bank approved a plan to reduce non-current assets, develop new lending programs, and expansion of services provided.

2. MAIN DIRECTIONS OF TRANSFORMATIONS

To achieve its development goal, the Bank will focus on 9 main areas of transformation:

1. A fundamentally important direction for the Bank's development will be maximum customer focus. This means that the Bank will strive to satisfy the maximum amount of financial service needs of each client and thereby maximize its revenues from the format of customer relations. This also means that the quality and depth of customer relationships, as well as the Bank's skills and capabilities in the field of sales and service, which will ensure the support and development of these relationships, will become an important basis for the Bank's competitive advantages.
2. An important direction of transformation is the comprehensive improvement of business processes and information systems, their transition to a new "industrial" basis. Such "industrialization" of systems and processes in the Bank will increase the level of manageability and scalability, reduce costs, improve the quality of customer service and allow the Bank to manage credit and other types of risks more flexibly and effectively.
3. An important element of the Bank's development strategy is the implementation of the ideology of continuous improvement and development at all levels and in all parts of the organization. This involves integrated work on optimizing and rationalizing activities in all areas "from the bottom up", creating a systematic ability in the Bank to renewal and self-improvement.
4. The implementation of the VIP client lending project based on a mobile application for individuals will allow attracting new clients to the service. Thanks to this project, clients will be able to instantly receive credit funds within the established limits, manage accounts, make payments and transfers using the clients' smartphones, and also pay for purchases contactlessly using NFC and Apple Pay.
5. As part of the increase in demand for credit operations, the Bank plans to implement a lending program for small, medium-sized businesses and micro-enterprises "Affordable Loans 5-7-

9%" for a period of up to 5 years.

6. Attracting a large number of individual clients to our services by introducing mortgage lending "Affordable Mortgage 7%", which provides for a reduction in the cost of mortgage loans through financial state support.
7. Development of long-term lending to legal entities, which will allow clients to obtain loans for long-term goals.
8. In addition to banking services, the Bank plans to carry out capital market operations from the 2nd quarter of 2022, and exactly:
 - financial instruments trading activities (subbrokerage, brokerage, dealer activities)
 - depository activities.
9. The modernization of the Bank's IT infrastructure will be carried out in stages using a process approach to managing the Bank's IT infrastructure to ensure the reliability, stability and continuity of all systems and applications.

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IV. RESOURCES, RISKS AND RELATIONSHIPS

1. CAPITAL STRUCTURE

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 31.12.2021, the Bank's regulatory capital amounted to 220,103 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 18.32% 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, 2021 and for 2020, 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.

Regulatory capital structure

thousand UAH

December 31, 2021 December 31, 2020

Fixed assets	196 599	218 854
Actual paid-up registered authorized capital	300 039	300 039
General reserves and reserve funds established in accordance with the laws of Ukraine	11 542	9 445
Financial assistance from bank shareholders, for which permission has been obtained	48 000	48 000
NBU regarding inclusion in fixed capital		
Reduction of fixed capital, including:	(162 981)	(138 630)
<i>intangible assets less depreciation</i>	(1 229)	(1 226)
<i>capital investment in intangible assets</i>	(160)	(142)
<i>losses from previous years</i>	(97 428)	(137 262)
<i>non-core assets</i>	(64 165)	
<i>estimated loss for the current year (Rpr/s)</i>		
Additional capital	23 504	44 352
Estimated profit for the current year (Ppr/p)	23 504	263 206
Total regulatory capital	220 103	218 854

2. LIQUIDITY

The Bank's liquidity is at a sufficient level. Short-term liquidity (N6) as of January 1, 2022 is 70.99%, with the established NBU standard of at least 60%. Liquidity coverage ratio (LCR) for all currencies (LCRbb) as of December 31, 2021 is 197.90%, with the established NBU standard of at least 100%.

The liquidity coverage ratio (LCR) in foreign currency (LCRib) as of December 31, 2021 is 284.41%, with the established NBU standard of not less than 100%. Compliance with the LCR standard indicates that the bank is provided with liquidity in an amount sufficient to fully fulfill its obligations within 30 days in crisis conditions. Compliance with prudential liquidity standards is in the risk-free zone, but the short-term liquidity standard (N6) is in the border zone. It should also be noted that the Bank complied with the standard of mandatory reserving attracted funds on the correspondent account during 2021.

The value of the NBU standard for long currency positions (L13-1) and (L13-2) was not exceeded, i.e. the standards were complied with and were in the risk-free zone.

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3. HUMAN RESOURCES, INTELLECTUAL CAPITAL

Human resources are the specific and most important of all types of economic resources. As a factor of economic development, human resources are employees who have certain professional skills and knowledge and can use them in the labor process.

The study of human resources is of great importance for assessing the labor market and developing appropriate demographic policies to influence the processes of population reproduction and employment.

Intellectual capital is knowledge that can be converted into value, in other words, it is the sum of everything that employees know and possess, which forms the competitiveness of the Bank. Intellectual capital is difficult to accurately identify and even more difficult to effectively apply.

Human capital is that part of intellectual capital that directly concerns a person. It is the knowledge, practical skills, creative and mental abilities of people, their moral values, and work culture. Human capital is important in carrying out innovations and any kind of renewal.

98% of the Bank's staff has a full higher education, only technical staff and specialists in the management of economic support have secondary education. 80% of employees have previous experience in the banking and financial sectors, on average from 5 to 10 years.

Considerable attention is paid to training of the Bank's personnel, not only mandatory, but also that related to improving qualifications, knowledge and skills, and revealing human potential. During 2021, the Bank conducted the following types of regular training: external; internal. During the year, as a rule, current training needs arise (for example, new banking products, programs, etc.), a desire to attend new seminars/trainings, participation in which is promptly decided. An employee training plan

for 2021 was drawn up and approved. Bank employees attended even more planned seminars and trainings. Internal classroom training was not conducted due to the coronavirus pandemic. It was transferred to the online plane, for example, in the following areas: cash discipline, financial monitoring, product line, customer service quality standards, new banking products, work with software updates, etc. Almost every employee of the Bank underwent specialized training during the year. In 2021, branch employees were tested for knowledge of banking products and services, cashiers were tested on changes to regulatory legal acts related to their activities, and office employees were tested on compliance control and operational risks. In addition, all Bank employees were regularly trained in the ISMS, compliance, operational risks, and the Code of Corporate Culture and Ethics. Bank managers underwent training in corporate governance, including training with heads of structural divisions on personnel management, the procedure for adapting new employees, etc.

The staff turnover rate for the period 01.01.2021-31.12.2021 is 5%.

Also, for the period from 01.01.2021 to 12.31.2021, there were no dismissals of employees for absenteeism and other violations of labor discipline, incompatibility with the position held, etc.

The Bank constantly improves the efficiency of the internal control system by:

- updating internal regulatory procedures and documents;
- attracting the optimal number of specialists (hiring new employees) and engaging professional consultants and experts in relevant areas of activity to achieve strategic goals.

The Bank strives to create comfortable working conditions for its staff that meet safety requirements. The Bank will make systematic investments in staff training and development and will actively use its own personnel reserve to fill management positions.

4. TECHNOLOGICAL RESOURCES

To ensure the technological process, the Bank has all the necessary server equipment, computer equipment, communication facilities (routers, switches), etc.

The bank uses the automated banking system SRBank5 for Oracle from SOFTVIEW TRADE LLC. This software package provides protection of information/documents from forgery, distortion and destruction, accounting and preparation of daily balance sheets and relevant statistical reporting, settlement and participation in the National Bank's electronic payment system.

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5. RISK MANAGEMENT SYSTEM

The Bank has created a comprehensive and adequate risk management system (hereinafter referred to as the RMS) taking into account the specifics of its activities, the nature and volume of the Bank's operations, and the risk profile.

The Bank's RIS ensures timely (at an early stage) detection, identification, assessment, monitoring, control, reporting and minimization of all material risks, assessment of the adequacy of the Bank's internal capital and liquidity in relation to its risk profile, market and macroeconomic conditions. The material risks that the Bank may be exposed to in its activities include: credit risk, liquidity risk, interest rate risk, market risk, operational risk, compliance risk

The risk management structure provides for a clear division of functions, responsibilities and authorities for risk management among all structural divisions and employees of the Bank, and their responsibilities in accordance with such division. The organizational structure for risk management takes into account the interchangeability of employees, in order to avoid a decrease in the effectiveness of the RMS in the event of the absence or dismissal of an employee.

The Bank's SUR is based on three lines of defense:

1. at the level of the Bank's structural units that carry out operations and directly accept risks (front offices), and structural units that register operations (back offices) - first-level control, are responsible for them, carry out current risk management and submit reports on the current management of such risks;
2. at the level of the risk management unit and the compliance unit – second-level control;
3. at the level of verification and assessment of the effectiveness of the functioning of the RMS by the internal audit department - third level control.

The subjects of the risk management system in RWS BANK JSC are:

Supervisory Board of the Bank;

Bank Board;

Credit Committee;

Asset and Liability Management Committee;

Information Security Management Systems Committee;

Risk Management Department;

Compliance Control Department;

Internal Audit Department;

structural divisions of the Bank, which perform back-office functions during the Bank's operations;

structural divisions of the Bank, which perform front office functions during the Bank's operations.

The Supervisory Board determines the overall risk management strategy in the Bank and monitors the effectiveness of the functioning of the Risk Management System.

The Management Board of the Bank is the executive body of the Bank, accountable to the Supervisory Board of the Bank, which organizes and ensures the effective functioning of the Bank's RMS. The Management Board of the Bank ensures constant interaction with the Supervisory Board of the Bank on the functioning of the Bank's RMS, which is based on generally accepted principles of corporate governance, takes into account the sequence of risk management processes, and provides for at least two components, namely reporting/informing and providing recommendations/proposals.

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;

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).

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To reduce credit risk, the committee constantly assesses the creditworthiness of the Bank's counterparties; identifies non-performing 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 risk and market risk, both for individual transactions and for banking activities at the level of asset and liability portfolios as a whole. Market risk management also includes management of interest rate risk and currency 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, 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 liquidity risk management arising in the current work of the Bank and/or related to changes in the market situation.

General risk management in the Bank is carried out by the Risk Management Department, which is engaged in the development and maintenance of up-to-date internal regulatory documents on RMS, in particular: policy/methodology on credit, market, interest rate and operational risks, liquidity risk, submitting them for approval to the Supervisory Board of the Bank; identifies and assesses risks (for specific agreements and in general at the portfolio level); organizes the Bank's risk control and monitoring system; assesses operational risks of all business processes, develops measures to minimize risks and measures that mitigate them

risks accepted by the Bank. Representatives of the Risk Management Department are members of the Credit Committee, the Assets and Liabilities Management Committee. .

The Risk Management Department reports on the functioning of the RMS by regularly preparing and submitting risk management reports to the Bank's Supervisory Board and the Bank's Management Board. In addition, this unit is responsible for monitoring and controlling the 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.

The Compliance Control Department identifies, assesses and manages compliance risks that accompany each process of the Bank's activities. Compliance risk management is an integral part of the corporate culture in the Bank's activities. Compliance with the principles of compliance is the responsibility of every employee of the Bank. The Bank encourages timely and frank discussion of problems and the ability of employees to freely report their concerns regarding illegal, unethical or questionable practices, without fear of possible sanctions. Early reporting concerns improper behavior, in particular fraud or corruption in the Bank, violation of bank policies or rules, waste or improper management of the Bank's resources, abuse of official position, behavior that causes or contributes to significant harm to society, may harm the implementation of operations or management of the Bank, as well as attempts to commit such actions.

The Compliance Control Department is subordinate to the Supervisory Board of the Bank.

Credit risk

Credit risk is the risk of financial loss as a result of a borrower or counterparty failing to fulfill its obligation to the Bank.

To manage credit risk, the Bank has developed rules and procedures, and a Credit Committee has been established to actively monitor credit risk. The Bank controls the level of credit risk it accepts by setting limits on the amounts of this risk. In order to manage credit risk, the Bank carries out transactions with clients and counterparties that are characterized by good financial condition and are secured by collateral.

The Bank's credit policy is reviewed and approved by the Bank's Supervisory Board.

As of January 1, 2022, the maximum amount of credit risk was UAH 42,060.16 thousand. (January 1, 2020: UAH 30,904.36 thousand.)

Market risk

Market risks arise from open positions in interest rate 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, security prices, exchange rates and credit spreads (not related to

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changes in the creditworthiness of the debtor/creditor), affect the Bank's income or the value of financial instruments owned 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.

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.

Operational risk

Operational 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 an assessment of operational risks, develops internal recommendations for their reduction. Operational risk assessment is always carried out when analyzing new products, internal bank 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 is an existing or potential risk to income and capital that arises from a negative perception of a financial institution's image by customers, counterparties, founders or supervisors. This affects the Bank's ability to establish new relationships with counterparties, provide new services or maintain relationships with existing customers.

Liquidity risk.

Liquidity 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.

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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.

Compliance risk

Compliance risk – the risk of legal sanctions, financial losses, or loss of reputation due to the Bank's failure to comply with the requirements of Ukrainian legislation, market standards, as well as the Bank's standards and internal documents and rules, etc.

6. RELATIONS WITH SHAREHOLDERS AND RELATED PARTIES

The Bank provides services in the relevant areas of banking activity, conducts transactions, and concludes agreements with shareholders and related parties on market terms, in compliance with the requirements of current legislation and internal documents of the Bank regulating relations with Related Parties of the Bank.

When carrying out transactions with related parties, the Bank and the responsible structural divisions of the Bank are guided by the current "Regulations on Transactions with Related Parties of the JOINT-STOCK COMPANY "RWS BANK", which is approved by the decision of the Bank's Management Board and approved by the decision of the Bank's Supervisory Board.

The list of Related Parties is approved by a decision of the Bank's Management Board. The list of Related Parties is reviewed by the Bank's Management Board as necessary, but not less than once a month as of the 1st of the current month.

The Risk Management Department and the Compliance Control Department constantly monitor the list of related parties and compliance with the norms of the current legislation of Ukraine and the Bank's internal regulatory documents regarding the identification of related parties to the Bank and proper document management on the basis of which related parties are identified.

The Risk Management Department controls the total amount of active transactions conducted with related parties in order to monitor them and comply with the requirements of the NBU regarding credit risk standards for transactions with related parties.

Information on whether counterparties are included in the list of Related Parties is necessarily checked by the Bank's employees, who sign contracts and take measures to ensure that transactions with related parties comply with the requirements of the law from the moment signs of a connection between an individual or legal entity and the Bank arise.

In order to timely identify relationships (connections) between related parties and their subsequent assessment, final identification of groups of related parties and control of credit risk concentrations per group, the Risk Management Department, based on identification data, forms groups of related parties and monitors the Bank's compliance with economic standards established by the NBU and internal documents of the Bank when the Bank conducts transactions with such related parties.

In order to limit the risk of transactions with Related Parties and reduce the negative impact of transactions with Related Parties on the bank's activities, the Bank sets internal limits on transactions with Related Parties and strictly adheres to the prudential standard for the maximum amount of credit risk on transactions with Related Parties ("standard H9").

The volume of transactions with related parties is small and the impact on the Bank's performance is insignificant.

Servicing of persons related to the Bank takes place on market terms, at market tariffs and rates, without violating the repayment of credit debt.

V. RESULTS OF ACTIVITIES AND PROSPECTS FOR FURTHER DEVELOPMENT

1. FINANCIAL INDICATORS

The structure and amount of the Bank's income for 2021 are indicated in the Bank's financial statements.

During 2021, the Bank developed dynamically in all directions, namely:

The bank has attracted a larger number of legal and individual clients to its services, which is noticeable in dynamics of growth of balances on current and deposit accounts: in 2021, the growth of balances on current accounts of the LU increased by 50% and amounts to 1,373 million UAH, term funds of the LU increased by 18%, and at the end of the year amount to UAH 275 million. Retail customer balances also increased, and at the end of 2021 amounted to: on current accounts of financial institutions – UAH 210 million, on term accounts of financial institutions – UAH 384 million.

Net interest income for the year amounted to UAH 125 million (for 2020 - UAH 57.6 million), net commission income is 119 million UAH. (for 2020 – 74.4 million UAH.) Significant positive dynamics are noticeable.

The bank is actively working on purchasing government bonds. In 2021, UAH 2,202 million was purchased into the bank's portfolio, which allowed the bank to receive interest income from government bonds in the amount of UAH 255 million per year. The balance sheet balance The value of government bonds as of January 1, 2022 is UAH 3,271 million.

The volume of documentary transactions has increased. At the end of 2021, the bank issued guarantees for an amount of more than UAH 1.9 million (UAH 555 million at the end of 2020) UAH 25.2 million in commission income was received warranty service (23.3 for 2020).

The bank is actively operating in the metals and currency market. In 2021, commission income from transactions with metals and in foreign currency amounted to 7.4 million UAH (for 2020 – 5.9 million UAH)

The Bank ended 2021 with a profit. The amount of net profit is UAH 15.4 million.

JSC "RWS BANK" has a long-term credit rating - NRA "Rurik" (Ukraine) June 18, 2021 assigned a long-term credit rating on the national rating scale at the level of uaAA+ and confirmed on November 12, 2021.

Key financial indicators for 2021:

thousand UAH	
Assets	
Total assets	4 808 864
Cash and banking metals	234 817
Correspondent accounts opened in other banks Securities refinanced by	98 220
the NBU (Government Bonds) Certificates of Deposit Loans	3 270 946
granted to clients, including	475 104
loans granted to business entities Loans	306 916
granted to individuals	304 428
	2 488
Liabilities	
Capital	252 954
of which: authorized capital Funds of	300 039
business entities Funds of individuals	1 648 664
	593 493

2. RESULTS OF ACTIVITIES

During 2021, the bank introduced:

A test version of the mobile application for individuals with the MasterCard P2P transfer service. Received the ability to make contactless payments using NFC and Apple Pay.

A new product for conducting transactions with domestic government bonds (OGBs) for individuals and legal entities.

Product "Credit card for individuals" using the mobile application at RWS BANK.

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Contribution to the question "Stash" - for the mobile application.

"Marine Card" package.

Banking product standard for targeted (consumer) lending to individual clients for the purchase of residential real estate in the secondary and primary markets "AFFORDABLE 7% MORTGAGE FOR INDIVIDUALS".


Targeted lending program for small, medium-sized businesses and micro-enterprises under the terms of the "AFFORDABLE LOANS 5-7-9%" Program, which is implemented by the Government of Ukraine at the initiative of the President of Ukraine through the Entrepreneurship Development Fund.

3. PROSPECTS FOR FURTHER DEVELOPMENT:

The Bank's strategy provides for its continued operation and development as a stable universal bank of Ukraine, namely:

JSC "RWS BANK" is a universal bank that is gaining its positions in retail lending and commission products, in the segments of corporate business and micro, small and medium-sized businesses. Operational efficiency and a stable level of profitability allow the bank to implement new lending programs and increase the range of services provided to clients.

To achieve its development goal, the Bank will focus on 9 main areas of transformation:

1. A fundamentally important direction for the Bank's development will be maximum customer focus. This means that the Bank will strive to satisfy the maximum amount of financial service needs of each client and thereby maximize its revenues from the format of customer relations. This also means that the quality and depth of customer relationships, as well as the Bank's skills and capabilities in the field of sales and service, which will ensure the support and development of these relationships, will become an important basis for the Bank's competitive advantages.
2. An important direction of transformation is the comprehensive improvement of business processes and information systems, their transition to a new "industrial" basis. Such "industrialization" of systems and processes in the Bank will increase the level of manageability and scalability, reduce costs, improve the quality of customer service and allow the Bank to manage credit and other types of risks more flexibly and effectively.
3. An important element of the Bank's development strategy is the implementation of the ideology of continuous improvement and development at all levels and in all parts of the organization. This involves integrated work on optimizing and rationalizing activities in all areas "from the bottom up", creating a systematic ability in the Bank to renewal and self-improvement.
4. The implementation of the VIP client lending project based on a mobile application for individuals will allow attracting new clients to the service. Thanks to this project, clients will be able to instantly receive credit funds within the established limits, manage accounts, make payments and transfers using the clients' smartphones, and also pay for purchases contactlessly using NFC  Apple Pay.
5. As part of the increase in demand for credit operations, the Bank plans to implement a lending program for small, medium-sized businesses and micro-enterprises "Affordable Loans 5-7-9%" for a period of up to 5 years.
6. Attracting a large number of individual clients to our services by introducing mortgage lending "Affordable Mortgage 7%", which provides for a reduction in the cost of mortgage loans through financial state support.
7. Development of long-term lending to legal entities, which will allow clients to obtain loans for long-term goals.
8. In addition to banking services, the Bank plans to carry out operations on the capital market, namely:

- financial instruments trading activities (subbrokerage, brokerage, dealer activities)

- depository activities.

9. The modernization of the Bank's IT infrastructure will be carried out in stages using a process approach to managing the Bank's IT infrastructure to ensure the reliability, stability and continuity of all systems and applications.

**Assessment of the impact of key external factors on the financial condition and performance
(PEST analysis)**

		Problem description	Consequences for the bank	Opportunities for the bank
External	Economic	Political and economic crisis: a decrease in GDP growth rates, the acceleration of inflationary processes, economic instability, a decrease in foreign investment, uncertainty about the markets for strategic goods	<ul style="list-style-type: none"> of winding down the business of individual clients; a drop in the total balance of funds on current and deposit accounts accounts; outflow of funds from deposit accounts of individuals; adverse changes in foreign exchange rates; increased competition in the banking market; loss of strategic bank clients; - increase in the price of resources and, as a result, an increase in costs; 	<ul style="list-style-type: none"> exit from the market of some financial institutions that are competitors of the bank and expansion of the client base due to such financial institutions institutions; banking development product range; increased use of the services of a bank that is more stable and manageable than large systemic banks; increase in income due to attracting new customers for service,
		exports, reduction in real incomes of the population		
External	Social	Falling income levels of the population, increasing arrears in wages and pensions;	<ul style="list-style-type: none"> deterioration of asset quality and consequent reduction in bank income, increase in costs for forming reserves for active operations - outflow of funds from deposits of individuals; - curtailment of retail lending programs and the resulting decrease in income from lending to individuals; - increase in defaults and 	<ul style="list-style-type: none"> due to expansion of the product line and revision of tariffs - attracting new potential customers - individuals deposit and credit services from unstable banks;
		Payment discipline		
		The struggle between political parties for spheres of state and economic influence; The level of trust from international financial	<ul style="list-style-type: none"> negatively classified debt; increase in costs for forming reserves Strengthening of legislative requirements (NBU reserve requirements, capital requirements), positioning of the bank as insufficiently capitalized, inability to meet new regulatory requirements, need for bank recapitalization 	<ul style="list-style-type: none"> - introduction of new services and increase in bank commission income Possible increase authorized capital, which will consolidate the bank's positions and will allow it to compete among banks in
External	Political	organizations;		the relevant group.
		Possible changes in legislation related to the activities of banks and the country's economy. Negative: High cost of liabilities, significant amount of non-performing assets, insufficient premises, lack of a developed branch network	Difficulties in attracting the largest clients in the regions, lack of long-term resources, low profitability and margin of the bank	Increasing the number of customers due to the bank's image (comfortable bank, timely fulfillment of obligations, rapid response to customer needs), development product line, diversification of the resource base and reduction of concentrations; increase in commissions and
		Positive: individual approach to clients and high-quality service; wide range of traditional services; flexible and loyal tariff policy; availability of		
Internal	Internal	the necessary license points for providing services; convenient location		trading income

location; modern
structure and technologies used

Competitive position and advantages

External environment			
		Opportunities <ol style="list-style-type: none"> Exit from the market of some financial institutions. Increasing the number of customers using bank services due to the exit of some financial institutions from the market. Development of small and medium-sized businesses. Development of banking product range. Improving the legislative framework (tax, banking). 	Threats <ol style="list-style-type: none"> Economic instability. The NBU's dependence on the executive branch authorities Strengthening legislative requirements (NBU reserve requirements, capital requirements). Adverse changes in foreign exchange rates or trade policies of foreign countries. Lack of investment in the region. Changes in incomes of the region's population. The emergence of new products from competitors. Loss of strategic bank clients.
Advantages <ol style="list-style-type: none"> Systematic work with clients. Individual approach to customers, high-quality service. A wide range of traditional services. Competitive tariffs for products are analogues. Flexible and loyal tariff policy. Modern structure and technologies used; prompt response to necessary changes. Availability of all necessary license items for the provision of services. Providing consultations at a high professional level. Highly qualified personnel. Convenient location. 	Internal <p>Factors that represent the Bank's best position, as they are at the intersection of the fields of <i>Internal Strengths</i> and <i>External Opportunities</i> and combine them. By combining these factors, the Bank expects:</p> <p>An increase in the Bank's resource base and its reduction in cost.</p> <p>Increase in the number of customers.</p> <p>Product line development.</p> <p>Activation of cross-selling.</p> <p>Reduction in interest rates on loans.</p>	<p>The intersection of the <i>Bank's Strengths</i> and <i>External Threats</i> fields shows factors that reflect the ability to overcome external threats through the strengths of the Bank's activities.</p> <p>When combined, the Bank expects:</p> <p>The activity of competing banks contributes to the reduction of the bank's attractiveness for the client. The client should be informed (including through advertising) of the specific differences and advantages of the bank over its competitors, to emphasize competitive rates, quality of service, individual approach to the client. Respond in a timely manner to changes in the external environment.</p>	

<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Insufficient level of bank capitalization. 2. High cost of liabilities. 3. A significant portion of problem assets in the total loan portfolio. 4. Lack of new products and programs that are not yet on the market. 5. Insufficient room space. 6. Lack of a network of branches in the regions. 	<p>At the intersection of the <u>fields of Internal Weaknesses and External Opportunities</u>, we have factors that allow the Bank to overcome its weaknesses through the opportunities of the external environment.</p> <p>With the combination of these factors, the Bank expects: market activation population's use of banking services, an increase in the resource base and its reduction in price due to an increase in balances on current accounts of clients - legal entities, a decrease deposit rates on the market, increasing the share of commissions income.</p> <p>The exit of some financial institutions from the market provides an opportunity to directly attract their potential clients.</p>	<p>At the intersection of the <u>Weaknesses/Threats fields</u>, factors are formed that reflect the critical position of the Bank, in which its weaknesses are exacerbated by threats from the external environment, namely:</p> <p>inability to withstand new NBU requirements regarding reserves and standards may result in the bank being positioned as insufficiently capitalized, and the application of stricter measures by the NBU, which can be avoided by increasing the authorized capital, which will consolidate the bank's position and allow it to compete among banks of the higher (3rd) group.</p> <p>Significant competition may lead to difficulties in attracting the largest clients and subsequent lack of long-term resources and loss of strategic clients, low quality of the loan and investment portfolio.</p> <p>To increase income from active operations and attract long-term resources, attention should be paid to attracting a large number of large clients.</p>
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The Bank's management believes that the Bank is able to continue its activities in the future and ensure the sustainable development of the institution. In forming such a professional judgment, the Bank's management analyzed the current state and prospects of the Bank's activities. The management believes that the Bank is able in the near future to ensure operating profitability and increase the efficiency of activities in priority areas of work 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.

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 adhering to conservative approaches to risk assessment, while simultaneously seeking ways to minimize the impact of risks associated with this lending area by limiting the provision of loans to unscrupulous borrowers;
- sale of real estate, which has a significant impact on the bank's regulatory capital. The Bank plans to invest the funds received from the sale of real estate in lending to individuals and legal entities and in minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);
- obtaining cash flows from the effective use of investment property;
- expanding the range and improving the quality of service to bank customers;
- introduction of depository, brokerage and dealer activities.

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 to improve its internal regulatory framework and ensure sufficient human resources to meet these requirements.

VI. KEY PERFORMANCE INDICATORS

1. PERFORMANCE INDICATORS USED BY MANAGEMENT TO ASSESS PERFORMANCE RESULTS

The activities of the Bank, both as a business entity and the entire financial system of Ukraine, are affected by the slowness of market transformations, the instability of the political system due to the struggle between political parties for spheres of state and economic influence, the global financial crisis, the monetary policy of the National Bank of Ukraine, the presence of a "shadow" economy, a decrease in the volume of domestic and foreign investments, as well as increased competition in the banking market.

As of December 31, 2021, the Bank had the following structure of sources of financing its activities: equity - UAH 252,954 thousand; funds of business entities - UAH 1,648,664 thousand; funds of individuals - UAH 593,493 thousand; others - UAH 59,009 thousand. The Bank pays special attention to assessing the level of capital as the Bank's ability to protect the interests of its creditors and owners from unplanned losses, the amount of which depends on the amount of risks arising from the Bank's performance of active operations. When assessing capital, the Bank applies principles based on risk assessment. During the reporting period, the Bank had a stable structure and amount of capital. As of January 1, 2022: the size of the bank's regulatory capital (H1) is UAH 220,103 thousand, the regulatory capital adequacy/solvency ratio (H2) is 18.32% (min-10%).

Within the framework of determining liquidity risk and minimizing it through the balance of assets and liabilities, the Bank carries out the following measures: daily monitoring of the state of highly liquid assets and liabilities; decadal analysis of short-term and long-term liquidity indicators; monthly approval of the payment calendar and constant monitoring of its implementation; improvement of the financial planning mechanism; setting and reviewing limits; monitoring the liquidity of the interbank market of Ukraine; checking the adequacy of models by comparing forecast and actual levels of liquidity risk.

The Bank's divisions that directly or indirectly affect the Bank's liquidity implement measures to minimize the imbalance between assets and liabilities.

Total assets as of December 31, 2021 amounted to UAH 4,808,864 thousand.

The structure of the bank's liabilities for 2021 has undergone significant changes, namely:

The bank has attracted a larger number of legal entities and individuals to its services, which is noticeable in the dynamics of growth in balances on current and deposit accounts: in 2021, the growth in balances on current accounts of legal entities increased by 50% and amounted to UAH 1,373 million, term funds of legal entities increased by 18%, and at the end of the year amounted to UAH 275 million. The balances of retail customers also increased, and at the end of 2021 amounted to: on current accounts of financial institutions - UAH 210 million, on term accounts of financial institutions - UAH 384 million.

Net interest income for the year amounted to UAH 125 million (UAH 57.6 million in 2020), net commission income amounted to UAH 119 million (UAH 74.4 million in 2020). Significant positive dynamics are noticeable.

The bank is actively working on purchasing government bonds. In 2021, UAH 2,202 million was purchased into the bank's portfolio, which allowed the bank to receive interest income from government bonds in the amount of UAH 255 million per year. The balance of the book value of government bonds as of January 1, 2022 is UAH 3,271 million.

The volume of documentary transactions has increased. At the end of 2021, the bank issued guarantees for the amount of over UAH 1.9 million (at the end of 2020, UAH 555 million). UAH 25.2 million in income from commission services on guarantees was received (23.3 in 2020).

The bank is actively operating in the metals and currency market. In 2021, commission income from operations with metals and currency amounted to UAH 7.4 million (in 2020 – UAH 5.9 million).

The Bank ended 2021 with a profit. The amount of net profit is UAH 15.4 million.

During 2021, RWS BANK JSC was not a party to any legal cases involving claims amounting to 10 percent or more of the Bank's or a subsidiary's assets as of the beginning of the year, involving the Bank, its subsidiaries, or legal cases involving officials of the Bank.

VII. INFORMATION DISCLOSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE LAW OF UKRAINE "ON SECURITIES AND STOCK MARKET", THE LAW OF UKRAINE "ON FINANCIAL SERVICES AND STATE REGULATION OF FINANCIAL SERVICES MARKETS" AND NATIONAL SECURITIES AND STOCK MARKET COMMISSION REQUIREMENT

1. PROBABLE PROSPECTS FOR THE FUTURE DEVELOPMENT OF THE ISSUER

The Bank's management believes that the Bank is able to continue its operations in the future and provide sustainable development of the institution. In forming such a professional judgment, the Bank's management analyzed the current state and prospects of the Bank's activities. Management believes that the Bank is capable of in the near future ensure operational profitability and increase efficiency in priority areas work in compliance with the requirements of the regulatory legal acts of the National Bank of Ukraine and other requirements legislation of Ukraine regulating the activities of banking institutions.

The Bank's priority areas of activity are the following:

- ensuring profitability and regulating liquidity by carrying out transactions with securities (NBU certificates of deposit, other NBU financial instruments);
- a moderate increase in consumer lending volumes while adhering to conservative approaches to risk assessment while simultaneously seeking ways to minimize the impact of risks associated with this direction of lending, by restricting the provision of loans to unscrupulous borrowers;
- sale of real estate, which has a significant impact on the bank's regulatory capital. Funds received from real estate sales, the Bank plans to place in lending to individuals and legal entities and minimally risky financial instruments (NBU certificates of deposit, other financial instruments NBU);
- obtaining cash flows from the effective use of investment property;
- expanding the range and improving the quality of service to bank customers;
- introduction of depository, brokerage and dealer activities.

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

2. INFORMATION ON THE ISSUER'S DEVELOPMENT

The Bank ended 2021 with a profit. The net profit amounted to UAH 15.4 million.

According to the Strategy approved by the Supervisory Board:

- real estate was sold: the Ice Palace building, located in the city of Severodonetsk, and real estate in Vyshgorod, which allowed to reduce pressure on regulatory capital;
- 4 new branches were opened (Ternopil, Odesa, Chortkiv, Novosilky), which allows the Bank to gradually expand the network of clients throughout Ukraine and increase brand awareness and trust in the Bank.

The bank has introduced:

- test version of the mobile application for individuals with the MasterCard P2P transfer service. Received the possibility of contactless payments using NFC and Apple Pay;
- product "Credit card for individuals" using the mobile application at "RWS BANK";
- contribution to the question "Stash" - for the mobile application;
- "Marine Card" package;

Also, in 2021, the Bank became a participant in the Entrepreneurship Development Fund under the following programs:

- "AFFORDABLE 7% MORTGAGE FOR INDIVIDUALS";
- "AFFORDABLE LOANS 5-7-9%", which is implemented by the Government of Ukraine at the initiative of the President of Ukraine.

The bank has concluded agreements with the Ministry of Social Policy, the Employment Center, the Social Security Fund insurance for social benefits.

3. INFORMATION ON CONTRACTING DERIVATIVES OR COMMITTING DEEDS IN DERIVATIVE SECURITIES

During 2021, no derivatives were concluded, no transactions regarding derivative securities were made.

4. CORPORATE GOVERNANCE REPORT**Corporate Governance Code**

The Corporate Governance Code of JSC "RWS BANK", approved in a new edition by the decision of the General Meeting of Shareholders dated 11/26/2021, minutes No. 26112021/5, is posted on the Bank's official website at the link: <https://rwsbank.com.ua/o-banke/informaciya-k-obnarodovaniyu>

JSC "RWS BANK" does not apply corporate governance codes of stock exchanges, corporate governance codes of associations of legal entities or other corporate governance codes. When preparing its own internal regulatory documents, JSC "RWS BANK" takes into account the Recommendations on the practice of applying legislation on corporate governance (Corporate Governance Code: key requirements and recommendations), approved by the decision of the National Securities and Markets Commission of Ukraine dated March 12, 2020 No. 118, Methodological recommendations on the organization of corporate governance in banks of Ukraine, approved by the decision of the Board of the National Bank of Ukraine dated December 3, 2018 No. 814-yy, and the Principles of Corporate Governance for Banks of the Basel Committee on Banking Supervision.

JSC "RWS BANK" applies corporate governance practices in accordance with the legislation.
requirements.

JSC "RWS BANK" in its activities does not deviate from the provisions of the Corporate Governance Code of JSC "RWS BANK". The Bank has not made any decisions not to apply any provisions of the Code.

Information about the general meeting of shareholders

Type of general meeting		annual	extraordinary
			X
Date of event		12.03.2021	
Meeting quorum	98,99		
Description	Agenda items: 1. Election of the counting commission of the extraordinary General Meeting of Shareholders of JSC "RWS BANK" and adoption of a decision on the termination of their powers. 2. On the conclusion of significant transactions with the National Bank of Ukraine related to obtaining refinancing loans from the National Bank of Ukraine.		

<i>Type of general meeting</i>		<i>annual</i>	<i>extraordinary</i>
		X	
<i>Date of event</i>		26.04.2021	
<i>Meeting quorum</i>	100		
<i>Description</i>	Agenda items: 1. Election of the counting commission of the annual General Meeting of Shareholders of JSC "RWS BANK" and adoption of a decision on the termination of their powers. 2. Consideration of the report of the Management Board of JSC "RWS BANK" on the results of its activities for 2020 and approval of measures based on the results of its consideration. Adoption of a decision based on the results of consideration of the report of the Management Board of JSC "RWS BANK". 3. Consideration of the report of the Supervisory Board of JSC "RWS BANK" on the results of its activities for 2020 and approval of measures based on the results of its consideration. Adoption of a decision based on the results of consideration of the report of the Supervisory Board of JSC "RWS BANK". 4. Consideration of the conclusions of the external audit on the audit of the annual financial statements of JSC "RWS BANK", including the report on the results of the first stage of the bank's stability assessment, and approval of measures based on the results of its consideration. 5. Approval of the report on the remuneration of members of the Supervisory Board of JSC "RWS BANK". 6. Approval of changes to the terms of contracts concluded with		

	The Chairman and members of the Supervisory Board; election of a person authorized to sign additional agreements to the agreements with the Chairman and members of the Supervisory Board of JSC "RWS BANK". 7. Approval of the annual report of JSC "RWS BANK" for 2020. 8. On the distribution of profit of JSC "RWS BANK". 9. Determination of the main areas of activity of JSC "RWS BANK" for 2021. 10. On the conclusion of significant transactions with the National Bank of Ukraine related to obtaining refinancing loans from the National Bank of Ukraine. 11. On the conclusion of transactions related to conducting operations with domestic government loan bonds and deposit certificates of the National Bank of Ukraine.
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Type of general meeting		annual	extraordinary
			X
Date of event		02.07.2021	
Meeting quorum		100	
Description	Agenda items: 1. Election of the counting commission of the extraordinary General Meeting of Shareholders of JSC "RWS BANK" and adoption of a decision on the termination of their powers. 2. Adoption of a decision on the early termination of the powers of the Chairman and members of the Supervisory Board of JSC "RWS BANK". 3. Determination of the quantitative composition of the Supervisory Board of JSC "RWS BANK". 4. Election of members of the Supervisory Board of JSC "RWS BANK". 5. Election of the Chairman of the Supervisory Board of JSC "RWS BANK" from among the elected members of the Supervisory Board of JSC "RWS BANK". 6. Approval of the terms of contracts (civil law and labor) to be concluded with the Chairman and members of the Supervisory Board of JSC "RWS BANK", establishment of the amount of their remuneration, including incentive and compensation payments. Election of a person authorized to sign agreements with the Chairman and members of the Supervisory Board of JSC "RWS BANK". 7. Establishment of the term of office of the Chairman and members of the Supervisory Board of JSC "RWS BANK", elected to the Supervisory Board of JSC "RWS BANK". 8. On the conclusion of significant transactions with the National Bank of Ukraine related to obtaining refinancing loans from the National Bank of Ukraine.		

<i>Type of general meeting</i>			
		<i>annual</i>	<i>extraordinary</i>
		X	
<i>Date of event</i>		27.07.2021	
<i>Meeting quorum</i>	100		
<i>Description</i>	Agenda items: 1. Election of the counting commission of the extraordinary General Meeting of Shareholders of JSC "RWS BANK" and adoption of a decision on the termination of their powers. 2. Amendments to the Charter of JOINT-STOCK COMPANY "RWS BANK" by setting it out in a new wording. 3. Amendments to the Regulations on the Supervisory Board of JOINT-STOCK COMPANY "RWS BANK" by approving it in a new wording. 4. Amendments to the Regulations on the Management Board of JOINT-STOCK COMPANY "RWS BANK" by approving it in a new wording. 5. On the conclusion of significant transactions with the National Bank of Ukraine related to obtaining refinancing loans from the National Bank of Ukraine.		

<i>Type of general meeting</i>		<i>annual</i>	<i>extraordinary</i>
			X
<i>Date of event</i>		26.11.2021	
<i>Meeting quorum</i>		98,99	

Description

Agenda items: 1. Election of the counting commission of the extraordinary General Meeting of Shareholders of JSC "RWS BANK"

	the results of its consideration. 3. Amendments to the Charter of JOINT-STOCK COMPANY "RWS BANK" by setting it out in a new edition. 4. Amendments to the Regulations on the Supervisory Board of JOINT-STOCK COMPANY "RWS BANK" by approving it in a new edition. 5. Amendments to the Corporate Governance Code of JOINT-STOCK COMPANY "RWS BANK" by approving it in a new edition. 6. Adoption of a decision on the early termination of the powers of the Chairman and members of the Supervisory Board of JSC "RWS BANK". 7. Determination of the quantitative composition of the Supervisory Board of JSC "RWS BANK". 8. Election of members of the Supervisory Board of JSC "RWS BANK". 9. Election of the Chairman of the Supervisory Board of JSC "RWS BANK" from among the elected members of the Supervisory Board of JSC "RWS BANK". 10. Approval of the terms of contracts (civil law and labor) to be concluded with the Chairman and members of the Supervisory Board of JSC "RWS BANK", establishment of the amount of their remuneration, including incentive and compensation payments. Election of a person authorized to sign contracts with the Chairman and members of the Supervisory Board of JSC "RWS BANK". 11. Establishment of the term of office of the Chairman and members of the Supervisory Board of JSC "RWS BANK", elected to the Supervisory Board of JSC "RWS BANK".
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Type of general meeting		annual	extraordinary
			X
Date of event		20.12.2021	
Meeting quorum		98,99	
Description	Agenda items: 1. Election of the counting commission of the extraordinary General Meeting of Shareholders of JSC "RWS BANK" and adoption of a decision on the termination of their powers. 2. On the conclusion of significant transactions with the National Bank of Ukraine related to obtaining refinancing loans from the National Bank of Ukraine.		

The body that registered shareholders for participation in the general meeting of shareholders last time in the reporting year

		So	No
Registration committee appointed by the person who convened the general meeting			X
Shareholders			X
Depository institution			X
Other (specify)	Registration Committee appointed by the Supervisory Board.		

The body that monitored the status of registration of shareholders or their representatives for participation in the last general meeting in the reporting year

		So	No
National Securities and Stock Market Commission			X
Shareholders who collectively own more than 10 percent of the voting shares			X

The method in which voting on agenda items took place at the last general meeting in the reporting year

		So	No
By raising the cards			X
By ballot (secret ballot)		X	
Raising hands			X

Other (specify)	
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Main reasons for convening the last extraordinary meeting in the reporting year

	So	No
Reorganization		X
Additional share issue		X
Amendments to the statute		X
Adoption of a decision to increase the authorized capital of the company		X
Adoption of a decision to reduce the authorized capital of the company		X
Election or termination of the powers of the chairman and members of the supervisory board		X
Election or termination of powers of members of the executive body		X
Election or termination of powers of members of the audit committee (auditor)		X
Delegation of additional powers to the supervisory board		X
Other (specify)	Making significant transactions with the National Bank of Ukraine related to obtaining refinancing loans from the National Bank of Ukraine.	

Holding a general meeting of shareholders in the form of absentee voting

	So	No
		X

Initiators of extraordinary general meetings

	So	No
Supervisory Board	X	
Executive body		X
Audit Committee (Auditor)		X
Shareholders (shareholder) who (who) on the date of filing the claim collectively own (own) 10 percent or more of the voting shares of the company		
Other (specify)		

Supervisory Board and Executive Body

Composition of the Supervisory Board			
Personal composition of the supervisory board	Independent member of the supervisory board	Independent member of the supervisory board	Functional responsibilities of a member of the supervisory board
Iryna Borysivna Gavrylchuk		X	In accordance with the approved distribution of responsibilities and powers among the members of the Supervisory Board as of 01.01.2022, she was responsible for organizing the work of the Supervisory Board, ensuring the distribution of responsibilities between the members of the Supervisory Board, effective exchange of information between them, performing representative functions, as well as coordinating the work of the Bank's Internal Audit Department, monitoring the provision of audit reports to the Supervisory Board, and cooperating with

			external auditor.
Mygashko Vitaly Oleksiyovych	X		According to the distribution of responsibilities and powers between members of the Supervisory Board as of January 1, 2022, was responsible for the overall coordination of work on the implementation of the Financial Monitoring Policy in the Bank, control over the Supervisory Board's receipt of regular reporting information from the Bank, as well as employee responsible for financial monitoring in the Bank, as coordination of the work of the Compliance Control Department in providing reports on compliance risks to the Supervisory Board.
Yaremenko Serhiy Oleksandrovych	X		In accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, as of January 1, 2022, he was responsible for monitoring the implementation by the Management Board of the Bank's Development Strategy and business plan indicators.
Seredenko Dmytro Mykolayovych	X		In accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, as of January 1, 2022, he was responsible for monitoring the work of the Risk Management Department, monitoring the provision of risk management reports to the Supervisory Board, as well as monitoring the issue of remuneration policy.
Makarov Pavel Alexandrovich	X		In accordance with the distribution of duties and powers among the members of the Supervisory Board, he was responsible for monitoring the activities of the Management Board regarding the development of the main business areas (treasury interbank operations, and corporate, retail business, documentary operations, etc.) within the framework of the approved Bank Development Strategy. The powers of Makarov Pavel Aleksandrovich were terminated at his own request on 07.05.2021.

During 2021, 105 meetings of the Supervisory Board were held. At the meetings, decisions were made on the appointment (dismissal) of members of the Board, heads of control units, an employee responsible for financial monitoring in the Bank, the election of an external auditor to review the Bank's annual financial statements, the election of an appraiser of the Bank's property, the organization and holding of the General Meeting of Shareholders of the Bank, the approval of the Development Strategy and Business Plan (Business Model) for development, other internal regulatory documents, the granting of consent to the conclusion and approval of significant transactions, the approval of decisions of the Credit Committee and the Board of JSC "RWS BANK", decisions based on the results of consideration of reports of the Board, the Risk Management Department, Compliance Control Department, Internal Audit Department of the Bank and decisions on other issues within the competence of the Supervisory Board. Decisions of the Supervisory Board on all issues were made by a simple majority of votes of the members of the Supervisory Board who participated in the meeting and had the right to vote. At the meeting, each member of the Supervisory Board has one vote when voting. The Chairman of the Supervisory Board has the right to a casting vote in the event of an equal distribution of votes of the members of the Supervisory Board during decision-making. The procedures applied when the Supervisory Board made decisions are defined in the Regulations on the Supervisory Board of RWS BANK JSC, which are publicly available on the official website of the Bank. The Supervisory Board of the Bank took an active part in the development and approval of the new Development Strategy and Business Plan (Business Model) of the Bank for 2021-2024. The implementation of the approved Strategy and Business Plan in 2021 was successful, which was reflected in the main financial indicators of the Bank. During 2021, the Supervisory Board regularly received a report from the Bank's Management Board on the implementation of the indicators of the Business Plan (business model) of the Bank's development, based on the results of which it provided the necessary recommendations to the Management Board. During 2021, the Supervisory Board reviewed the Bank's Strategy and Business Plan three times.

The Supervisory Board decided not to create committees of the Supervisory Board of RWS BANK JSC in 2021, and to leave the functions of the Supervisory Board committees, as defined by the current legislation of Ukraine, within the powers of the Supervisory Board.

Information on the activities of the supervisory board and evaluation of its work

The organizational form of the work of the Supervisory Board, as a collegial body, is the meeting of the Supervisory Board. Meetings of the Supervisory Board were convened during the year in accordance with the Regulations on the Supervisory Board of JSC "RVS BANK" and the approved work plan of the Supervisory Board for 2021. The Chairman and members of the Supervisory Board meet the qualification requirements established by law, and independent directors also meet the requirements for independence. There were no cases of the Chairman or members of the Supervisory Board being absent from meetings of the Supervisory Board without good reason. At the meetings of the Supervisory Board, the Chairman and members of the Supervisory Board actively participated in the discussion of agenda items, made their proposals and expressed their own opinions on draft decisions proposed for voting by the Supervisory Board of the Bank. The Chairman and members of the Supervisory Board did not have any conflicts of interest during 2021 that would prevent them from fully fulfilling their duties in the interests of the Bank, its depositors and participants. No facts have been established that could indicate unacceptable behavior by the Chairman or members of the Supervisory Board of the Bank. The Chairman and members of the Supervisory Board comply with the duties of loyalty and care. The Supervisory Board of the Bank consists of more than one third of independent directors, their number was four people, and after the termination of the powers of Makarov P.O. - three people. The Chairman and members of the Supervisory Board of the Bank have diverse work experience and education, which ensures the appropriate level of their collective suitability, taking into account the size and specifics of the Bank's activities, the nature and scope of banking and other financial services, and the Bank's risk profile. The members of the Supervisory Board of the Bank, jointly as representatives of a collegial body, have the knowledge, skills and experience necessary for the Supervisory Board of the Bank to exercise its powers, i.e. the Supervisory Board of the Bank, as a collective body, has a proper understanding of those areas of the Bank's activities for which the members of the Supervisory Board of the Bank are jointly responsible, and also has the experience and skills to effectively manage the Bank. The Supervisory Board of the Bank has a sufficient number of members who have knowledge, skills and experience in all areas of the Bank's activities, which allows for professional discussion of issues on which decisions are made. Members of the Supervisory Board of the Bank have the skills to defend their views and influence the process of collective decision-making. Members of the Supervisory Board of the Bank openly and critically discuss issues at meetings of the Supervisory Board. An opinion that differs from the majority is always listened to and discussed before a final decision is made. Based on the results of the discussion of issues, members of the Supervisory Board of the Bank find a joint solution that best meets the interests of the Bank. Thus, a high level of interaction is observed between the members of the Supervisory Board during the meetings of the Supervisory Board of the Bank, which is confirmed by the content of the minutes of the meetings of the Supervisory Board of the Bank. The decisions made by the Supervisory Board are duly implemented by the Management Board and the structural units of the Bank. The Supervisory Board of the Bank develops and promotes high ethical and professional standards, adheres to such standards and ensures their implementation and compliance by the Bank's managers, heads of control units and other employees of the Bank. The members of the Supervisory Board of the Bank jointly also have the opportunity to effectively supervise the decisions made by the Management Board of the Bank and their implementation. During 2021, the Supervisory Board reviewed the reports of the Management Board and control units in accordance with the Regulation on Management Reporting of RVS BANK JSC. The Supervisory Board updated the Corporate Governance Code, approved by the decision of the General Meeting of Shareholders dated 26.11.2021, minutes No. 26112021/5. The Bank has organized and implemented a risk management system based on the distribution of responsibilities between the Bank's units using the three lines of defense model. The internal bank documents define the procedures and control measures applied by the units of each of the three lines of defense. Taking into account the above, the effectiveness of the work of the Supervisory Board of the Bank as a whole, of the members of the Supervisory Board individually in 2021 is at a sufficient (high) level. The work of the Supervisory Board is satisfactory. The collective suitability of the Supervisory Board corresponds to the size, characteristics of the Bank's activities, the nature and volume of banking and other financial services, the risk profile of the Bank and is at a sufficient (high) level.

Requirements for supervisory board members are set out in internal documents

	So	No
Industry knowledge and experience in the industry	X	
Knowledge in finance and management	X	
Personal qualities (honesty, responsibility)	X	
No conflict of interest	X	
Age limit		X
There are no requirements.		X
Other (specify):	X	
Requirements for the compliance of the Chairman and members of the Supervisory Board with qualifications		

requirements established by law, as well as regarding the compliance of independent directors with the independence requirements, requirements regarding the collective suitability of the Supervisory Board.		
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As a member of the supervisory board, he becomes familiar with his rights and obligations

	So	No
The new member of the supervisory board independently familiarized himself with the content of the internal documents of the joint-stock company	X	
A meeting of the Supervisory Board was held, at which the new member of the Supervisory Board was informed of his rights and responsibilities.		X
Special training (in corporate governance or financial management) was organized for the new member of the supervisory board		X
All members of the supervisory board were re-elected for a second term or no new member was elected.		X
Other (specify)		

Determining the amount of remuneration for members of the supervisory board

	So	No
The reward is a fixed amount	X	
The reward is a percentage of net profit or increase in the market value of the shares		X
The remuneration is paid in the form of company securities.		X
Supervisory board members do not receive remuneration.		X
Other (write down)	The remuneration of the members of the Supervisory Board of JSC "RWS BANK" consists of a basic fixed part of the remuneration and a variable part of the remuneration.	

Composition of the executive body

<i>Personnel of the executive body</i>	<i>Functional responsibilities of a member of the executive body</i>
Chairman of the Board Oksana Volodymyrivna Kotlyarevska	Organizes the work of the Bank's Management Board, exercises the powers assigned to the Chairman of the Bank's Management Board by the Charter and the Regulations on the Management Board of RWS BANK JSC.
Deputy Chairman of the Board Valentyna Vaskovska	Provides methodological guidance and control over the activities of the Financial Planning Department, which includes the Financial Planning, Analysis and Control Department, in ensuring the implementation of the tasks assigned to them.
Deputy Chairman of the Board Pylypchak Petro Ivanovich	In accordance with the organizational structure of the Bank, he managed the work of the Security Department and the Information Security Department. Termination of powers from 02.02.2022.
Chief Accountant, Member of the Board Burdina Olena Mykhailivna	The employees of the Internal Banking Operations Department, the Banking Operations Support Department, the Credit Administration Department, the Financial and Statistical Reporting Department, and the Document Preservation Department are under administrative and functional subordination; the Bank's employees involved in the implementation of the Bank's accounting operations are under functional subordination on accounting issues.

Director of the Legal Department, Member of the Board Moseychuk Taisia Fedorovna	Carried out methodological guidance and control over the activities of the Legal Department and ensured the protection of the Bank's interests in all areas of banking activity, including legal support for banking operations, business transactions, and assistance in observing the law in the implementation of corporate and labor relations. Transferred to the position of Deputy Chairman of the Management Board from 04.02.2022.
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During 2021, 124 meetings of the Board were held. At the meetings of the Board, decisions were made on issues of the Bank's current activities, including the purchase of domestic government loan bonds, approval of internal regulatory documents, approval of lists of related parties of the Bank, approval of the results of the calculation of reserves for active operations of the Bank, approval of the results of the calculation of credit risk for active operations of the Bank, reports of the responsible person for internal control, reports on the implementation of the operational plan for working with non-performing assets and on the volumes and status of the portfolio of non-performing assets, etc. were considered. The Bank's Management Board implemented the Business Plan (Business Model) of JSC "RWS BANK" Bank approved by the Supervisory Board. Based on the results of the implementation of the Business Plan (Business Model) of JSC "RWS BANK" for 2021, the Bank received a profit.

The effectiveness of the activities of the Board, Board committees and Board members during 2021 is at a sufficient (high) level. The work of the Board is satisfactory. The members of the Board meet the qualification requirements established by law. The collective suitability of the Bank's Board corresponds to the size, specifics of the Bank's activities, the nature and volume of banking and other financial services, the Bank's risk profile and is at a sufficient level.

Description of the main characteristics of internal control and risk management systems

The Bank has created and implemented an internal control and risk management system based on the division of responsibilities between the bank's units that initiate, implement or reflect operations, assume risks in the process of their activities and are responsible for the ongoing management of these risks, and implement control measures, except for functions that are attributed to the exclusive competence of the Supervisory Board / Management Board of the Bank in accordance with the norms of Ukrainian legislation.

The distribution of powers, subordination, accountability, description and distribution of functional responsibilities of persons involved in the functioning of the internal control and risk management system, their responsibilities are clearly defined by technological maps/descriptions of business processes/ regulations approved by the Bank and are based on the application of the three lines of defense model, namely:

1. The first line of defense is at the level of the bank's business units and support units. These units initiate, execute or reflect transactions, assume risks in the course of their activities and are responsible for the ongoing management of these risks, and implement control measures (front office, back office);
2. the second line of defense - at the level of the Risk Management Department and the Compliance Control Department. These units provide confidence to the Bank's managers that the control and risk management measures implemented by the first line of defense have been developed and are functioning properly;
3. The third line of defense is at the level of the internal audit unit, which carries out an independent assessment of the effectiveness of the activities of the first and second lines of defense and an overall assessment of the effectiveness of the internal control system.

For the proper functioning of the internal control system, the Bank implements control procedures on an ongoing basis, namely:

All drafts or amendments to internal regulatory and organizational and administrative documents regulating the professional conduct of general banking activities, business processes, banking operations and products are analyzed for completeness and compliance with the requirements of the current legislation of Ukraine and regulatory legal acts of the Regulators;

a consolidated register of internal regulatory documents is maintained in an up-to-date state;

Monitoring is carried out to ensure that tariffs and interest rates are up-to-date for the Bank's corporate and retail clients.

The issuer's internal control system is aimed at:

achievement of goals, including the fulfillment of planned performance indicators, ensuring the efficiency and effectiveness of the issuer's operations, and preserving assets;

ensuring the effectiveness of corporate governance through the functioning of a comprehensive, effective and adequate risk management system; ensuring the completeness, timeliness and reliability of the preparation and submission of financial, statistical, management and other reporting; compliance of the Bank's activities with the legislation of Ukraine, regulatory legal acts of the National Bank of Ukraine, standards of professional associations whose activities apply to the Bank, and internal bank documents.

Issuer risk management. The general risk management strategy in the Bank is determined by the Supervisory Board. Operational risk management in the Bank is carried out by the Risk Management Department, which is subordinate to the Supervisory Board of the Bank. The Compliance Control Department constantly analyzes regulatory and organizational and administrative documents that regulate the professional conduct of general banking activities, business processes, banking operations and products, taking into account compliance with the requirements of the legislation of Ukraine, which expose the Bank to significant compliance risk and affect the Bank in the event of its implementation. The Compliance Control Department carries out general coordination regarding the risk of conflict of interest, compliance by the bank's employees with the code of corporate conduct and ethics, functionally ensures the process of managing such risk, constantly monitors changes in legislation and relevant standards of professional associations, the effects of which apply to the Bank, and also ensures control over the implementation of relevant changes in the Internal Audit Department.

The work of the Bank's internal audit. The Internal Audit Department is an independent structural unit of the Bank, which is subordinate to the Supervisory Board and reports to it, and acts on the basis of the regulations approved by the Supervisory Board of the Bank. The Internal Audit Department, through interaction with the Supervisory Board of the Bank and the Management Board of the Bank, participates in improving the internal control and corporate governance system in order to ensure:

protecting the interests of the Bank's shareholders and its clients by conducting inspections and monitoring compliance by the bank's managers and employees who provide banking and other financial services with the requirements of the legislation of Ukraine, including regulatory legal acts of the National Bank, and internal regulations of the bank, fulfillment of professional duties and rules established by the Bank's Charter and internal documents of the bank, including those on compliance and risk management;

providing independent and objective assurance and advice aimed at improving the Bank's operations. Helping the Bank achieve its goals by using a systematic and consistent approach to assessing and improving the effectiveness of risk management processes, control systems and corporate governance;

providing the Bank's Supervisory Board with an objective assessment of the Bank's condition and providing support in implementing effective management in order to ensure the Bank's stable operations in the long term;

increasing the efficiency of the internal control system to achieve the goal set by the Bank's shareholders and preserve the Bank's assets;

minimizing risks when conducting operations related to the rational and effective use of the Bank's resources.

Internal Audit Plans were formed in accordance with the approved regulatory requirements of the National Bank, they included areas that pose the highest level of risk for the Bank and the plans are being implemented in full. The Internal Audit Department conducted audits at the appropriate, proper level, identified shortcomings during the audits and provided recommendations to the responsible structural divisions of the Bank to prevent them in the future. The Internal Audit Department constantly monitored and checked the status of implementation of recommendations. The Internal Audit Department actively interacts with external audit firms through the exchange of information and practical experience, and provided information and documentary support for the process of selecting an external auditor by the Supervisory Board.

auditing firm to verify the reliability of the Bank's financial statements.

The Bank has not established an audit committee.

According to the charter of your joint-stock company, which body (general meeting of shareholders, supervisory board, or executive body) is responsible for resolving each of these issues?

	<i>General meeting</i>	<i>Supervisory Board</i>	<i>Executive organ</i>	<i>Not belongs to</i>

	<i>shareholders</i>			<i>competent none organ</i>
Definition of main areas of activity (strategy)	So	no	no	no
Approval of activity plans (business plans)	no	So	no	no
Approval of the annual financial report, or balance sheet, or budget	So	So	no	no
Election and termination of powers of the chairman and members of the executive body	no	So	no	no
Election and termination of powers of the chairman and members of the supervisory board	So	no	no	no
Election and termination of powers of the chairman and members of the audit commission	no	no	no	no
Determining the amount of remuneration for the chairman and members of the executive body	no	So	no	no
Determining the amount of remuneration for the chairman and members of the supervisory board	So	no	no	no
Adoption of a decision to hold members of the executive body liable	no	So	no	no
Decision-making on additional share issuance	So	no	no	no
Making a decision on the repurchase, sale and placement of own shares	So	So	no	no
External auditor approval	no	So	no	no
Approval of contracts in respect of which there is a conflict of interest	no	no	no	no

Does the charter of the joint-stock company contain a provision that limits the authority of the executive body to make decisions on the conclusion of contracts, taking into account their amount, on behalf of the joint-stock company? (yes/no) yes

Do the charter or internal documents of the joint-stock company contain a provision on conflict of interest, i.e. a contradiction between the personal interests of an official or persons related to him and the obligation to act in the interests of the joint-stock company? (yes/no) yes

What documents exist in your joint-stock company?

	So	No
Regulations on general meetings of shareholders	X	
Regulations on the Supervisory Board	X	
Regulations on the executive body	X	
Regulations on officers of a joint-stock company		X
Regulations on the Audit Commission (or Auditor)		X
Regulations on the procedure for distributing profits		X

How shareholders can obtain information about the activities of your joint-stock company

<i>Information about the activities of the joint-stock company societies</i>	<i>Information disseminates is on general</i>	<i>The information is published in a publicly available database.</i>	<i>Documents are provided for review.</i>	<i>Copies document are provided</i>	<i>Information is posted on its own website</i>
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	<i>meeting</i>	<i>data of the National Securities and Stock</i>	<i>directly</i> V	<i>sya na request</i>	<i>joint-stock company societies</i>
		<i>Market Commission on the securities market or through a person who carries out activities to publish regulated information on behalf of stock market participants</i>	<i>joint-stock company</i>	<i>shareholder A</i>	
		<i>market</i>			
Financial reporting, performance results	So	So	So	So	So
Information about shareholders who own 5 percent or more of the voting shares	So	So	So	So	So
Information about the composition of the company's management bodies	So	So	So	So	So
Minutes of the general meeting of shareholders after their carrying out	no	no	So	So	no
Amount of remuneration for officials of a joint-stock company	So	no	So	So	no

Does the joint-stock company prepare financial statements in accordance with international financial reporting standards? (yes/no) yes

How many times were the joint-stock company audited by an independent auditor during the reporting period?		
	So	No
Not held at all		X
Once a year	X	
More often than once a year		X
The body that made the decision to approve the independent auditor		
	So	No
General Meeting of Shareholders		X
Supervisory Board	X	
Other (specify)		

List of persons who directly or indirectly own a significant block of shares

No. of the company	Full name of the legal entity - owner(s) or surname, first name, patronymic (if any) of an individual - owner(s) of a significant stake	Identification code according to the Unified State Register of Legal Entities, Individuals - entrepreneurs and public organizations (for a legal entity - resident), code/ number from the trade, banking or court register, registration certificate of the local authority of a foreign state on the registration of a legal entity (for a legal entity - non-resident)	Shareholder (owner) share size (as a percentage of statutory capital)
1	Stetsyuk Oleksandr Volodymyrovych	3013801036	99

Information about any restrictions on the rights of shareholders (participants) to participate and vote at the general meeting of shareholders

Total number of shares	Number of restricted shares	Reason for the restriction	Date of occurrence of the restriction
12 152 250	0	There are no restrictions on the rights of shareholders to participate and vote at the issuer's general meeting.	
Description	According to the register of shareholders received from the National Bank of Ukraine as of January 1, 2022, there are no restrictions on the rights of shareholders to participate and vote at the issuer's general meeting.		

Procedure for appointment and dismissal of Bank officials

In accordance with the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the officials of JSC "RWS BANK" as an issuer are individuals - the Chairman and members of the Supervisory Board, the Chairman and members of the Management Board.

The Chairman of the Supervisory Board is elected by the General Meeting of Shareholders from among the members of the Supervisory Board elected by the General Meeting of Shareholders of the Bank. A member of the Supervisory Board who was the Chairman of the Management Board of the Bank during the previous year may not be elected as the Chairman of the Supervisory Board of the Bank. The powers of the Chairman of the Supervisory Board are terminated by the decision of the General Meeting of Shareholders.

The members of the Supervisory Board of the Bank are elected by the General Meeting of Shareholders from among the shareholders of the Bank, their representatives and independent members (independent directors) who have an impeccable business reputation, for a term of no more than 3 (three) years. The election of the personal composition of the Supervisory Board is carried out by cumulative voting. The powers of a member of the Supervisory Board elected by cumulative voting may be terminated early by the decision of the General Meeting of Shareholders only on condition of the simultaneous termination of the powers of the entire composition of the Supervisory Board. In such a case, the decision to terminate the powers of the members of the Supervisory Board shall be adopted by the General Meeting of Shareholders by a simple majority of votes of shareholders who have registered to participate in the General Meeting of Shareholders and are owners of shares voting on the relevant issue.

The powers of a member of the Bank's Council are valid from the moment of his/her assumption of office until the moment of termination (revocation) of his/her powers by decision of the General Meeting of Shareholders in accordance with the procedure established by the Charter, the Regulations on the Supervisory Board of the Bank and the current legislation of Ukraine.

Without a decision of the General Meeting of Shareholders of the Bank, the powers of a member of the Bank's Council shall be terminated:

- at his/her request, subject to written notification to the Bank two weeks in advance;
- in case of inability to perform the duties of a member of the Bank Council due to health reasons;
- in the event of a court judgment or decision entering into legal force, by which he is sentenced to a punishment that excludes the possibility of performing the duties of a member of the Bank's Council;
- in the event of death, recognition of him as incapacitated, limitedly incapacitated, missing, deceased;

in the event that the Bank receives a written notification about the replacement of a member of the Bank's Council who is a representative of the shareholder(s).

If an independent member of the Supervisory Board, during the term of his/her authority, ceases to meet the requirements specified by the current legislation of Ukraine, he/she must resign his/her authority early by submitting a relevant written notification to the Bank.

The National Bank of Ukraine has the right to demand the termination of the powers of a member of the Supervisory Board of the Bank if he improperly performs his functions.

The quantitative and personal composition of the Management Board and the term of office of the Management Board members are determined by the Supervisory Board. The number of members of the Management Board of the Bank cannot be less than 3 (three) persons, including the Chairman of the Management Board. The National Bank of Ukraine, in accordance with the procedure established by it, approves the Chairman of the Management Board, his deputies and members of the Management Board. The Chairman of the Management Board takes office after approval by the National Bank of Ukraine. The members of the Management Board exercise their powers from the moment of their appointment (election) by the Supervisory Board. The same person may be appointed as a member of the Management Board (including the Chairman of the Management Board, Deputy Chairman of the Management Board) an unlimited number of times.

The powers of the Chairman and members of the Board shall be terminated by decision of the Supervisory Board. At any time and for any reason, in accordance with the current legislation of Ukraine, the Supervisory Board may adopt a decision on the early termination of the powers (dismissal) of a member of the Board. The Supervisory Board may adopt a decision on the recall of all or individual members of the Board and the simultaneous election of new members. A member of the Board shall be informed of the decision taken by the Supervisory Board on the termination of his powers within the period specified in the employment contract with him (if concluded).

Without a decision of the Supervisory Board, the powers of a member of the Management Board shall be terminated:

- at his/her request, subject to two weeks' written notice to the Bank;
- in case of inability to perform the duties of a member of the Board due to health reasons;
- in the event of a court judgment or decision entering into legal force, by which he is sentenced to a punishment that excludes the possibility of performing the duties of a member of the Board;
- in the event of death, recognition of him as incapacitated, with limited legal capacity, missing, deceased.

In the event of dismissal (termination of powers) of the Chairman of the Management Board, the Supervisory Board shall assign the duties of the Chairman of the Management Board to a person appointed by the Supervisory Board. The specified person, after approval by the National Bank of Ukraine, shall have all the powers of the Chairman of the Management Board provided for by the Charter, the Regulations on the Management Board and the current legislation, including acting without a power of attorney on behalf of the Bank and representing its interests in all institutions, enterprises and organizations.

Powers of Bank officials

In accordance with the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the officials of JSC "RWS BANK" as an issuer are individuals - the Chairman and members of the Supervisory Board, the Chairman and members of the Management Board.

The Supervisory Board of the Bank exercises its powers to protect the rights of the Bank's shareholders, depositors, other creditors of the Bank and exercises control over the activities of the Management Board. The competence of the Supervisory Board includes resolving issues stipulated by the legislation and the Bank's Charter. The Supervisory Board of the Bank also performs the functions stipulated by the Methodological Recommendations on the Organization of Corporate Governance in Banks of Ukraine, approved by the decision of the Management Board of the National Bank of Ukraine dated December 3, 2018 No. 814-yy. The powers of the Chairman and members of the Supervisory Board of the Bank, as well as their rights and obligations, are determined by the Law of Ukraine "On Joint-Stock Companies", the Law of Ukraine "On Banks and Banking Activities", other acts of the current legislation of Ukraine, the Charter of the Bank, the Regulations on the Supervisory Board of the Bank, as well as civil law and employment agreements (contracts) concluded with them.

The Chairman of the Supervisory Board, Iryna Borysivna Gavrlichuk, in accordance with the approved distribution of duties and powers among the members of the Supervisory Board as of 01.01.2022, was responsible for organizing the work of the Supervisory Board, ensuring the distribution of duties among the members of the Supervisory Board, effective exchange of information between them, implementation of representative functions, as well as coordinating the work of the Bank's internal audit department, monitoring the provision of audit reports to the Supervisory Board, and cooperation with the external auditor. The Chairman of the Supervisory Board organizes the work of the Supervisory Board; convenes and chairs meetings of the Supervisory Board, determines the agenda of the meetings; opens the General Meeting of Shareholders; ensures open discussion and free exchange of opinions at the meetings of the Supervisory Board and the proper level (completeness) of consideration of all issues at them; cooperates with the Chairman and members of the Management Board, as well as with the Bank's shareholders; presides over the General Meeting of the Bank (except in cases

when the General Meeting is chaired by another person authorized by the Supervisory Board); exercises other powers provided for by the Charter and the Regulations on the Supervisory Board of the Bank.

Member of the Supervisory Board (independent director) Vitaliy Oleksiyovych Mygashko, in accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, as of January 1, 2022, was responsible for the general coordination of work on the implementation of the Financial Monitoring Policy in the Bank, control over the Supervisory Board's receipt of regular information and reporting from the employee responsible for financial monitoring in the Bank, as well as coordination of the work of the Compliance Control Department on providing reports on compliance risks to the Supervisory Board.

Member of the Supervisory Board (independent director) Serhiy Oleksandrovych Yaremenko, in accordance with the distribution of responsibilities and powers among the members of the Supervisory Board as of January 1, 2022, was responsible for monitoring the implementation by the Management Board of the Bank's Development Strategy and business plan indicators.

Member of the Supervisory Board (independent director) Dmytro Mykolayovych Seredenko, in accordance with the distribution of responsibilities and powers among the members of the Supervisory Board as of January 1, 2022, was responsible for monitoring the work of the Risk Management Department, monitoring the provision of risk management reports to the Supervisory Board, as well as monitoring the issue of remuneration policy.

Member of the Supervisory Board (independent director) Makarov Pavlo Alexandrovich, in accordance with the distribution of duties and powers among the members of the Supervisory Board in 2021, was responsible for monitoring the activities of the Management Board regarding the development of the main business areas (treasury and interbank operations, corporate, retail business, documentary operations, etc.) within the framework of the approved Bank Development Strategy. The powers of Makarov Pavlo Alexandrovich were terminated at his own request on 07.05.2021.

The Chairman and members of the Supervisory Board have the right to receive from the Bank's officials and employees any information (documents and materials) necessary for the performance of their duties; to submit proposals, petitions, comments, ask questions, speak and vote on issues on the agenda of the Supervisory Board meetings, taking into account the limitations of authority established by the General Meeting of Shareholders; to resign from office at their own request or based on the decision of the General Meeting of Shareholders, in accordance with the procedure provided for by the Regulations on the Supervisory Board; to independently determine the method of participation in the meetings of the Supervisory Board: direct arrival at the meeting venue or participation via telephone, video and Internet conferences; to demand the inclusion in the minutes of the Supervisory Board meeting of his personal opinion on the agenda, the essence of the decisions made at the meeting, etc. The Chairman and members of the Supervisory Board are obliged to participate in the meetings of the Supervisory Board and vote on issues within the competence of the Supervisory Board; to communicate with other bodies and officials of the Bank; to personally fulfill the duties assigned to a member of the Supervisory Board by the Charter, the Regulations on the Supervisory Board, agreements concluded with them and decisions of the Supervisory Board; to take a self-examination when making decisions in relation to which there is a conflict of interest; not to receive from individuals or legal entities gifts, services or any benefits that constitute or may be considered as remuneration for decisions or actions taken or performed by a member of the Supervisory Board as an official of the Bank; while performing his duties as a member of the Supervisory Board, act in the interests of the Bank and its shareholders, in good faith and reasonably, without exceeding his powers provided for by the legislation of Ukraine, the Charter of the Bank, other internal documents of the Bank, decisions of the General Meeting of Shareholders and the agreement concluded with it; fulfill his fiduciary duties towards the Bank (act in favor of the Bank and its clients and put the interests of the Bank above his own, perform his duties in good faith, not use his own position for personal purposes), etc.

The Management Board manages the current activities of the Bank and organizes the implementation of the decisions of the General Meeting and the Supervisory Board of the Bank. The Management Board is responsible for the formation of funds necessary for the statutory activities of the Bank and for the efficiency of its work in accordance with the principles and procedure established by the Bank's Charter, decisions of the General Meeting and the Supervisory Board of the Bank. The Management Board resolves all issues related to the management of the current activities of the Bank, except for those that are within the exclusive competence of the General Meeting and the Supervisory Board of the Bank. The Bank's Management Board also performs the functions stipulated by the Methodological Recommendations on the Organization of Corporate Governance in Ukrainian Banks, approved by the decision of the Management Board of the National Bank of Ukraine dated December 3, 2018 No. 814-rsh. The powers of the Chairman and members of the Management Board of the Bank, as well as their rights and obligations are determined by the Law of Ukraine "On Joint-Stock Companies", the Law of Ukraine "On Banks and Banking Activities", other acts of the current legislation of Ukraine, the Bank's Charter, the Regulation on the Management Board of the Bank, as well as employment agreements (contracts) concluded with them and job descriptions of the members of the Management Board of the Bank.

The Chairman of the Board organizes the work of the Board, convenes meetings, ensures the keeping of minutes of meetings. The Chairman of the Board has the right to act on behalf of the Bank without a power of attorney in accordance with the decisions of the Board, including to represent the interests of the Bank, to enter into transactions on behalf of the Bank, to issue orders and give instructions,

are mandatory for all employees of the Bank. The Chairman of the Board exercises other powers stipulated by the Charter and the Regulations on the Board of the Bank.

Valentyna Petrivna Vaskovska, as Deputy Chairman of the Board, provides methodological guidance and control over the activities of the Financial Planning Department, which includes the Financial Planning, Analysis and Control Department, in ensuring the fulfillment of the tasks assigned to them.

Deputy Chairman of the Management Board, Petro Ivanovich Pylypchak, in accordance with the organizational structure of the Bank, managed the work of the Security Department and the Information Security Department during 2021. The powers of Petro Ivanovich Pylypchak were terminated on 02.02.2022 due to his resignation at his own request.

The employees of the Internal Banking Operations Department, the Banking Operations Support Department, the Credit Administration Department, the Financial and Statistical Reporting Department, and the Document Preservation Department are under the administrative and functional subordination of the Chief Accountant, Member of the Board, Burdina Olena Mykhailivna. The employees of the Bank involved in the implementation of the Bank's accounting operations are under their functional subordination on accounting issues.

Director of the Legal Department, member of the Management Board, Taisia Fedorovna Mosiychuk, during 2021, carried out methodological guidance and control over the activities of the Legal Department and ensured the protection of the Bank's interests in all areas of banking activity, including legal support for banking operations, business transactions, and assistance in observing the law in the implementation of corporate and labor legal relations. Taisia Fedorovna Mosiychuk was transferred to the position of Deputy Chairman of the Management Board from 04.02.2022.

Information provided by the Law of Ukraine "On Financial Services and State Regulation of the Financial Services Market"

The purpose of the Bank's activities

The Bank was established to provide individuals and legal entities with a full range of domestic and international banking services, including, without limitation, banking operations related to the implementation of commercial, investment and any other activities that may be permitted to banks by the legislation of Ukraine. The task and purpose of JSC "RWS BANK" is to generate profit from the use of its own and borrowed funds to ensure profit for shareholders and the development of banking.

Compliance/non-compliance with the principles or code of corporate governance (with reference to the source of their text), deviations and reasons for such deviations during the year

JSC "RWS BANK" adheres to the Corporate Governance Code of JSC "RWS BANK", approved by the decision of the General Meeting of Shareholders dated 26.11.2021, minutes No. 26112021/5, posted on the Bank's official website at the link: <https://rwsbank.com.ua/o-banke/informaciya-k-obnarodovaniyu>. JSC "RWS BANK" does not deviate from the provisions of the Corporate Governance Code of JSC "RWS BANK" in its activities.

Owners of significant interests (including persons exercising control over the financial institution), their compliance with the requirements established by law and changes in their composition during the year

The owner of a significant stake in RWS BANK JSC and the person exercising control over the Bank is Oleksandr Volodymyrovych Stetsyuk (owns 99% of the shares in the authorized capital). The owner of a significant stake in the Bank meets the requirements established by law. The owner of a significant stake in the Bank did not change during 2021.

Composition of the Supervisory Board of a financial institution and its changes during the year, including committees established by it

The composition of the Supervisory Board changed during 2021.

In the period from 01.01.2021 to 07.05.2021, the Supervisory Board consisted of:

- Chairman of the Supervisory Board (shareholder representative) - Iryna Borysivna Gavrylchuk;
- Member of the Supervisory Board (independent member) - Mygashko Vitaly Oleksiyovych;
- Member of the Supervisory Board (independent member) - Serhiy Oleksandrovych Yaremenko;
- Member of the Supervisory Board (independent member) - Dmytro Mykolayovych Seredenko;
- Member of the Supervisory Board (independent member) - Makarov Pavel Alexandrovich.

The Supervisory Board was elected in the specified composition by the decision of the Extraordinary General Meeting of Shareholders of the Bank dated August 21, 2020, minutes No. 21082020/1.

From 05/07/2021, the powers of the member of the Supervisory Board (independent member) Makarov Pavel Alexandrovich were terminated at his own request.

By the decision of the General Meeting of Shareholders dated 02.07.2021, minutes No. 02072021/3, Vasyl Oleksiyovych Sluch was elected to the position of member of the Supervisory Board (independent member). Sluch V.O. did not take up the elected position.

By the decision of the General Meeting of Shareholders dated November 26, 2021, minutes No. 26112021/5, Savchuk P.V. was elected to the position of member of the Supervisory Board (independent member). Savchuk P.V. did not take up the elected position.

The Supervisory Board decided not to create committees of the Supervisory Board of RWS BANK JSC in 2021, and to leave the functions of the Supervisory Board committees, as defined by the current legislation of Ukraine, within the powers of the Supervisory Board.

Composition of the executive body of a financial institution and its changes during the year

The Bank's Management Board consisted of 5 people in 2021:

- Chairman of the Board - Kotlyarevska Oksana Volodymyrivna;
- Deputy Chairman of the Board - Valentyna Petrivna Vaskovska;
- Deputy Chairman of the Board - Petro Ivanovich Pylypchak;
- Chief Accountant, Member of the Board - Burdina Olena Mikhailivna;
- Director of the Legal Department, member of the Board - Taisia Fedorovna Moseychuk.

The composition of the Board did not change during 2021. At the beginning of 2022, there were changes in the composition of the Board:

- By decision of the Supervisory Board dated 02/01/2021, the powers of the Deputy Chairman of the Board, Petro Ivanovich Pylypchak, were terminated from 02/02/2022;
- By decision of the Supervisory Board dated 02/03/2021, Taisia Fedorovna Moseychuk was transferred to the position of Deputy Chairman of the Board from 02/04/2022.

Facts of violation of internal rules by members of the Supervisory Board and executive body of a financial institution, which resulted in harm to the financial institution or its clients

There were no facts of violation of internal rules by members of the Supervisory Board and the executive body of the Bank, which led to harm to the financial institution or its clients.

Measures of influence applied during the year by state authorities to a financial institution, including members of its Supervisory Board and executive body

In August 2021, the Bank received a written warning from the National Bank of Ukraine for violating the deadlines for assessing/reassessing the client's risk level, as well as improper fulfillment of the obligation to develop and implement internal documents on financial monitoring issues (violating the requirements of parts two, five of Article 7 and part one of Article 8 of the Law of Ukraine "On Prevention and Counteraction to the Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction").

No measures of influence were applied by state authorities to members of the Supervisory Board and the Management Board of the Bank.

Annual remuneration of members of the Supervisory Board and executive body of a financial institution

The amount of remuneration for 2021 for members of the Supervisory Board and the executive body of JSC "RWS BANK" totals UAH 6,173,437.47.

Risk factors that affected the financial institution's operations during the year

The main external risk factor that affected the bank's activities is the global crisis related to the spread of COVID-19 and the introduction of quarantine restrictions in Ukraine, which were in effect throughout 2021. The overall decline in economic activity due to the quarantine restrictions in effect for a long time starting in 2019 had a negative impact on household incomes and did not lead to an improvement in the financial condition of enterprises, as expected. Such a decline in income over a long period of time led to difficulties in servicing loans, both by individuals and the corporate sector, and also led to a deterioration in the quality of the bank's loan portfolio. As a result, the bank experienced credit risk factors, mainly in the loan portfolio of individuals, which would have had a significant impact on the size of the Bank's capital, but the timely application by the Bank of measures to deal with problem debt made it possible to mitigate such an impact.

The presence of a risk management system in a financial institution and its key characteristics:

The Bank has created a comprehensive and adequate risk management system (hereinafter referred to as the RMS) taking into account the specifics of its activities, the nature and volume of the Bank's operations, and the risk profile.

The Bank's RMS ensures timely (at an early stage) detection, identification, assessment, monitoring, control, reporting and minimization of all material risks, assessment of the adequacy of the Bank's internal capital and liquidity in relation to its risk profile, market and macroeconomic conditions. The material risks that the Bank may be exposed to in its activities include: credit risk, liquidity risk, interest rate risk, market risk, operational risk, compliance risk

The risk management structure provides for a clear distribution of functions, responsibilities and authorities for risk management among all structural units and employees of the Bank, and their responsibility in accordance with such distribution. The organizational structure for risk management takes into account the interchangeability of employees in order to avoid a decrease in the effectiveness of the RMS in the event of the absence of an employee or his dismissal.

The Bank's SUR is based on three lines of defense:

1. at the level of the Bank's structural units that carry out operations and directly accept risks (front offices), and structural units that register operations (back offices) - first-level control, are responsible for them, carry out current risk management and submit reports on the current management of such risks;
2. at the level of the risk management unit and the compliance unit - second-level control;
3. at the level of verification and assessment of the effectiveness of the functioning of the RMS by the internal audit unit - third-level control.

The subjects of the risk management system in JSC "RWS BANK" are:

- Supervisory Board of the Bank;
- The Bank's Board of Directors;
- Credit Committee;
- Asset and Liability Management Committee;
- Risk Management Department;
- Compliance Control Department;
- Internal Audit Department;
- structural units of the Bank that perform back-office functions during the Bank's operations;
- structural units of the Bank that perform front office functions during the Bank's operations.

The Supervisory Board determines the overall risk management strategy of the Bank and monitors the effectiveness of the functioning of the Risk Management System.

The Bank's Management Board is the executive body of the Bank, accountable to the Supervisory Board of the Bank, which organizes and ensures the effective functioning of the Bank's RAS. The Bank's Management Board ensures constant interaction with the Supervisory Board of the Bank on the functioning of the Bank's RAS, which is based on generally accepted principles of corporate governance, takes into account the consistency of risk management processes, and provides for at least two components, namely reporting/informing and providing recommendations/proposals.

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

- sets lending 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 non-performing assets in a timely manner; controls the determination of the size of credit risk and the calculation of provisions for asset impairment.

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

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 the correspondence of the maturity of assets and liabilities and provides the relevant divisions of the Bank with recommendations on eliminating any discrepancies between the maturities of liabilities and the placement of assets that arise.

In terms of liquidity and cash flow risk management, assesses the liquidity situation and makes decisions on liquidity management within the scope of delegated powers and internal regulatory procedures; takes preventive measures to minimize and ensure liquidity risk management arising in the Bank's current operations and/or related to changes in the market situation.

General risk management in the Bank is carried out by the Risk Management Department, which is engaged in the development and maintenance of internal regulatory documents regarding the RMS, in particular: policies/methodologies on credit, market, interest rate and operational risks, liquidity risk, submitting them for approval to the Supervisory Board of the Bank; identifies and assesses risks (for specific agreements and overall at the portfolio level); organizes the Bank's risk control and monitoring system; assesses the operational risks of all business processes, develops measures to minimize risks and measures that mitigate the risks taken by the Bank. Representatives of the Risk Management Department are members of the Credit Committee and the Assets and Liabilities Management Committee.

The Risk Management Department reports on the functioning of the RMS by regularly preparing and submitting risk management reports to the Bank's Supervisory Board and the Bank's Management Board. In addition, this unit is responsible for monitoring and controlling the risks of violating economic regulations, limits and special requirements of the National Bank of Ukraine.

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

The Compliance Control Department identifies, assesses and manages compliance risks that accompany each process of the Bank's activities. Compliance risk management is an integral part of the corporate culture in the Bank's activities. Compliance with the principles of compliance is the responsibility of every employee of the Bank. The Bank encourages timely and open discussion of problems and allows employees to freely report their concerns regarding illegal, unethical or questionable practices, without fear of possible sanctions. Early warning concerns improper conduct, including fraud or corruption in the Bank, violation of bank policies or regulations, waste or mismanagement of the Bank's resources, abuse of office, conduct that causes or contributes to significant harm to society, may harm the conduct of operations or management of the Bank, as well as attempts to commit such actions. The Compliance Control Department is subordinate to the Supervisory Board of the Bank.

Credit risk. Credit risk is the risk of financial loss as a result of a borrower or counterparty failing to fulfill its obligation to the Bank.

To manage credit risk, the Bank has developed rules and procedures, and has established a Credit Committee, which actively monitors credit risk. The Bank controls the level of credit risk it accepts by setting limits on the amounts of this risk. In order to manage credit risk, the Bank carries out operations with clients and counterparties that are characterized by good financial condition, secured by collateral.

The Bank's credit policy is reviewed and approved by the Bank's Supervisory Board. As of December 31, 2021, the maximum amount of credit risk was UAH 42,060.16 thousand (December 31, 2020 - UAH 30,904.36 thousand).

Market risk. Market risks arise as a result of 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 prices, 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 it holds.

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 establishing and maintaining 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 exercising control over 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.

Interest rate risk. Interest rate risk arises from the possibility that the value of financial instruments or future cash flows of financial instruments will fluctuate due to changes in interest rates. Interest rate risk is measured 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 interest income on assets and interest rates on liabilities, and adjusts prices for banking products.

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

The main method of operational risk management is the creation of an internal control system. The Bank regularly audits operational procedures together with the assessment of operational risks, 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 units and employees of the Bank when performing all banking operations with limited access to the operational system.

Main measures for operational risk management: monitoring of 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 is an existing or potential risk to income and capital that arises from a negative perception of a financial institution's image by clients, 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 clients.

Liquidity risk. Liquidity 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 due time and at appropriate rates, and the risk of being unable to liquidate an asset at an acceptable price and in due time.

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

To manage liquidity risk, the Bank uses economic and administrative tools.

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

In addition, as part of its liquidity risk management strategy, the Bank maintains a portfolio of liquid assets and adheres to the gaps between attracted 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 currency exchange rates on its financial position and cash flows.

Compliance risk. Compliance risk is the risk of legal sanctions, financial losses, or loss of reputation due to the Bank's failure to comply with the requirements of Ukrainian legislation, market standards, as well as the Bank's standards and internal documents and rules, etc.

The results of the functioning of the internal audit (control) system during the year, as well as the data specified in the notes to the financial and consolidated financial statements in accordance with the accounting regulations (standards)

The Internal Audit Department is an independent structural unit of the Bank, which is subordinate to and reports to the Supervisory Board of the Bank, and operates on the basis of the Regulation on the Internal Audit Department and the Internal Audit Standards. The Internal Audit Department, through interaction with the Supervisory Board of the Bank and the Management Board of the Bank, participates in improving the internal control system and corporate governance of the Bank in order to ensure:

- protecting the interests of the Bank's shareholders and its clients by conducting audits and monitoring compliance by the Bank's managers and employees, who ensure the provision of banking and other financial services, with the requirements of the legislation of Ukraine, including regulatory legal acts of the National Bank, and internal regulations of the Bank, fulfillment of professional duties and rules established by the Bank's Charter and internal documents of the Bank, including those on compliance and risk management;
- providing independent and objective guarantees and consultations aimed at improving the Bank's activities;
- assisting the Bank in achieving its goal by using a systematic and consistent approach to assessing and improving the effectiveness of risk management processes, control systems and corporate governance;
- providing the Bank's Supervisory Board with an objective assessment of the Bank's condition and support in implementing effective management in order to ensure the Bank's stable operations in the long term;
- increasing the efficiency of the internal control system to achieve the goal set by the Bank's shareholders and preserve the Bank's assets;
- minimizing risks when conducting operations related to the rational and effective use of the Bank's resources.

Internal Audit Plans were formed in accordance with the approved regulatory requirements of the National Bank of Ukraine, they included areas that pose the highest level of risk for the Bank, the plans are fully implemented by the Internal Audit Department. The Internal Audit Department conducted audits at the appropriate, proper level, identified shortcomings during the audits and provided recommendations to the responsible structural divisions of the Bank to prevent them in the future. The Internal Audit Department constantly monitored and checked the status of implementation of recommendations. The Internal Audit Department actively interacts with external audit firms by exchanging information and practical experience, and provides information and documentary support for the process of selecting an external audit firm by the Supervisory Board to verify the reliability of the Bank's financial statements.

Facts of alienation during the year of assets in an amount exceeding the amount established in the charter of the financial institution

There were no facts of alienation of assets in the amount exceeding the amount established in the charter of JSC "RWS BANK" during 2021. Information on the execution of significant transactions is indicated in Section XIV of the Issuer's Annual Report.

Results of asset valuation in case of their purchase and sale during the year in an amount exceeding the amount established in the charter of the financial institution

There were no facts of alienation of assets in the amount exceeding the amount established in the charter of JSC "RWS BANK" during 2021. Information on the execution of significant transactions is indicated in Section XIV of the Issuer's Annual Report.

Transactions with related parties, including within the same industrial and financial group or other association, carried out during the year

The Bank provides services in the relevant areas of banking activity, conducts operations, concludes agreements with shareholders and related parties on market terms, in compliance with the requirements of current legislation and internal regulatory documents of the Bank regulating relations with related parties. When carrying out operations with related parties, the Bank, in particular, is guided by the "Regulations on operations with related parties of RWS BANK JSC", approved by the decision of the Supervisory Board of the Bank. The Compliance Control Department ensures

контроль за дотриманням Банком норм щодо визначення переліку пов'язаних з Банком осіб для забезпечення цілісності та повноти процесу ідентифікації пов'язаних з Банком осіб і контролю за операціями з ними. Департамент управління ризиками здійснює контроль загальної суми активних операцій, проведених з пов'язаними особами, з метою їх моніторингу та додержання вимог НБУ щодо нормативів кредитного ризику по операціям з пов'язаними особами. Упродовж 2021 року нормативи не порушувались.

Використані рекомендації органів, які здійснюють державне регулювання ринків фінансових послуг, щодо аудиторського висновку

Відсутні рекомендації органів, які здійснюють державне регулювання ринків фінансових послуг, щодо аудиторського висновку.

Зовнішній аудитор

В 2021 році рішенням Наглядової ради для проведення аудиту річної фінансової звітності призначено ТОВАРИСТВО З ОБМЕЖЕНОЮ ВІДПОВІДАЛЬНІСТЮ "АУДИТОРСЬКА КОМПАНІЯ "КРОУ УКРАЇНА"". Аудиторська компанія включена до Реєстру аудиторських фірм та аудиторів № 3681.

Досвід роботи ТОВ "АК "Кроу Україна"" - більше 10 років.

Кількість років, протягом яких ТОВ "АК "Кроу Україна"" надає аудиторські послуги АТ "РВС БАНК" - 3 роки (2019 р., 2020 р., 2021 р.).

Перелік інших аудиторських послуг, що надавалися ТОВ "АК "Кроу Україна"": ТОВ "АК "Кроу Україна"" надавалися послуги з аудиту річної фінансової звітності Банку і щодо висловлення думки аудитора (аудиторської фірми) та перевірки інформації, зазначеної у звіті про управління (звіті керівництва).

Випадки виникнення конфлікту інтересів та/або суміщення виконання функцій внутрішнього аудитора відсутні.

Ротація аудиторів у АТ "РВС БАНК" здійснювалася у відповідності до вимог законодавства.

У ТОВ "АК "Кроу Україна"", керівників цієї аудиторської компанії та/або зовнішніх аудиторів компанії відсутні будь-які стягнення протягом останніх трьох років, що застосовуються органом, який регулює/регулював аудиторську діяльність: факти подання недостовірної звітності фінансової установи, що підтверджена аудиторським висновком, - відсутні.

Захист фінансовою установою прав та інтересів споживачів фінансових послуг

26.12.2019 року рішенням Правління АТ "РВС БАНК" було затверджено Положення про порядок розгляду звернень громадян, юридичних осіб та державних органів в АТ "РВС БАНК". Скарги Клієнтів розглядаються керівництвом Банку та керівниками підрозділів, до компетенції яких віднесено розгляд відповідних питань. Керівники банку проводять особистий прийом громадян, керівників та представників юридичних осіб, державних органів. Прийом проводиться регулярно за попереднім записом у помічника Голови Правління Банку. Звернення громадян, керівників та представників юридичних осіб, державних органів на особистому прийомі реєструються в тому разі, якщо питання не вирішено безпосередньо на прийомі. Про результати розгляду громадянину повідомляється письмово або усно за бажанням заявника. Загальний контроль за дотриманням порядку прийняття, отримання, реєстрації, розгляду та надання відповідей на звернення громадян, юридичних осіб та державних органів покладається на керівника Управління комплаєнс-контролю Банку. Контроль за дотриманням термінів розгляду звернень покладається на адміністративного секретаря.

Працівники АТ "РВС БАНК", уповноважені розглядати скарги, - Яворська Діана Олександрівна, Мислюк Тетяна Валентинівна.

Всі скарги, що надходили протягом року були задоволені. Скарги стосувались питань отримання споживчих кредитів, погашення заборгованості за ними, а також депозитів фізичних осіб.

Позови до суду стосовно надання фінансових послуг та результати їх розгляду:

- Справа № 755/14206/20, Дніпровський р/с м. Києва, Биковець О.В. до АТ "РВС БАНК", третя особа ГУ Держпродспоживслужби в м. Києві, про визнання недійсним пункту кредитного договору та зобов'язання вчинити дії. Рішенням суду першої інстанції позовні вимоги були задоволені частково, визнано недійсним пункт кредитного договору, а в іншій частині відмовлено. Постановою Київського апеляційного суду рішення суду першої інстанції залишено без змін.

Голова Правління



О.В. Котляревська

JOINT STOCK COMPANY "RWS BANK"

Financial statements for the year ended December 31, 2021

FINANCIAL STATEMENTS

АКЦІОНЕРНЕ ТОВАРИСТВО «РВС БАНК»

Фінансова звітність за рік, що закінчився 31 грудня 2021 року

ЗВІТ ПРО ФІНАНСОВИЙ СТАН СТАНОМ НА 31 ГРУДНЯ 2021 РОКУ

тис. грн.	Примітки	31 грудня 2021	31 грудня 2020	31 грудня 2019
АКТИВИ				
Грошові кошти та їх еквіваленти	6	773 312	496 191	379 695
Кредити та заборгованість клієнтів	7	306 916	333 920	277 817
Інвестиції в цінні папери	8	3 270 946	980 146	-
Інвестиційна нерухомість	9	340 682	381 462	308 377
Дебіторська заборгованість щодо поточного податку на прибуток		182	182	182
Відстрочений податковий актив		637	-	-
Основні засоби, активи у формі права користування та нематеріальні активи	10	30 524	21 057	31 617
Інші активи	11	85 665	82 543	61 586
Усього активів		4 808 864	2 295 501	1 059 274
ЗОБОВ'ЯЗАННЯ				
Кошти банків	12	2 266 356	640 786	-
Кошти клієнтів	13	2 242 157	1 366 137	767 480
Резерви за зобов'язаннями	14	2 035	839	212
Інші зобов'язання	15	56 371	46 814	82 710
Усього зобов'язань		4 566 919	2 054 576	850 402
ВЛАСНИЙ КАПІТАЛ				
Статутний капітал	16	300 039	300 039	300 039
Інший додатковий капітал		48 000	48 000	48 000
Резервні та інші фонди банку		11 542	9 445	9 445
Резерви переоцінки		(20 884)	(6 486)	-
Нерозподілений прибуток (непокритий збиток)		(96 752)	(110 073)	(148 612)
Усього власного капіталу		241 945	240 925	208 872
Усього зобов'язань та власного капіталу		4 808 864	2 295 501	1 059 274

Затверджено до випуску та підписано 20 травня 2022 року

Голова Правління

О.В. Котляревська

Головний бухгалтер

О.М. Бурдіна



АКЦІОНЕРНЕ ТОВАРИСТВО «РВС БАНК»

Фінансова звітність за рік, що закінчився 31 грудня 2021 року

ЗВІТ ПРО ПРИБУТКИ І ЗБИТКИ ТА ІНШИЙ СУКУПНИЙ ДОХІД ЗА 2021 РІК

тис. грн.	Примітки	2021 рік	2020 рік
Процентні доходи	19	333 312	124 587
Процентні витрати	19	(207 631)	(66 984)
Чистий процентний дохід/(Чисті процентні витрати)		125 681	57 603
Комісійні доходи	20	146 712	91 166
Комісійні витрати	20	(27 363)	(16 812)
Чистий прибуток/(збиток) від операцій із фінансовими інструментами, які обліковуються за справедливою вартістю через прибуток або збиток		101	(1 438)
Чистий прибуток/(збиток) від операцій із борговими фінансовими інструментами, які обліковуються за справедливою вартістю через інший сукупний дохід		608	(2 269)
Чистий прибуток/(збиток) від операцій із іноземною валютою		20 003	10 276
Чистий прибуток/(збиток) від переоцінки іноземної валюти		725	13 246
Чистий прибуток/(збиток) від переоцінки об'єктів інвестиційної нерухомості		29 662	9 977
Чистий прибуток/(збиток) від зменшення корисності фінансових активів		(7 061)	12 720
Чистий прибуток/(збиток) від зменшення корисності інших активів		(329)	8 317
Чистий збиток/(прибуток) від збільшення/(зменшення) резервів за зобов'язаннями	14	(1 196)	(628)
Інші операційні доходи	21	64 488	79 638
Витрати на виплати працівникам		(71 448)	(47 107)
Витрати зносу та амортизація		(11 723)	(12 417)
Інші адміністративні та операційні витрати	22	(254 079)	(163 733)
Прибуток/(збиток) до оподаткування		14 781	38 539
Витрати на податок на прибуток		637	-
Прибуток/(збиток)		15 418	38 539
ІНШИЙ СУКУПНИЙ ДОХІД:			
СТАТТІ, ЩО БУДУТЬ РЕКЛАСИФІКОВАНІ В ПРИБУТОК ЧИ ЗБИТОК			
Зміни результатів переоцінки боргових фінансових інструментів		(14 398)	(6 486)
Усього сукупного доходу		1 020	32 053

Затверджено до випуску та підписано 20 травня 2022 року

Голова Правління

О.В. Котляревська

Головний бухгалтер

О.М. Бурдіна



АКЦІОНЕРНЕ ТОВАРИСТВО «РВС БАНК»

Фінансова звітність за рік, що закінчився 31 грудня 2021 року

ЗВІТ ПРО ЗМІНИ У ВЛАСНОМУ КАПІТАЛІ ЗА 2021 РІК

тис. грн.

	Статутний капітал	Інший додатковий капітал	Резервні та інші фонди	Резерви переоцінки	Нерозподілений прибуток	Усього
Залишок на 1 січня 2020 року	300 039	48 000	9 445	-	(148 612)	208 872
Усього сукупного доходу за 2020 рік	-	-	-	(6 486)	38 539	32 053
прибуток/(збиток)	-	-	-	-	38 539	38 539
інший сукупний дохід	-	-	-	(6 486)	-	(6 486)
Фінансова допомога	-	-	-	-	-	-
Залишок на 31 грудня 2020 року	300 039	48 000	9 445	(6 486)	(110 073)	240 925
Усього сукупного доходу за 2021 рік	-	-	2 097	(14 398)	13 321	1 020
прибуток/(збиток)	-	-	-	-	15 418	15 418
інший сукупний дохід	-	-	-	(14 398)	-	(14 398)
Розподіл прибутку до резервних та інших фондів	-	-	2 097	-	(2 097)	-
Залишок на 31 грудня 2021 року	300 039	48 000	11 542	(20 884)	(96 752)	241 945

Затверджено до випуску та підписано 20 травня 2022 року

Голова Правління

О.В. Котляревська

Головний бухгалтер

О.М. Бурдіна



ЗВІТ ПРО РУХ ГРОШОВИХ КОШТІВ ЗА 2021 РІК

тис. грн.	Примітки	2021 рік	2020 рік
ОПЕРАЦІЙНА ДІЯЛЬНІСТЬ			
Процентні доходи, що отримані		205 705	37 674
Процентні витрати, що сплачені		(205 152)	(64 367)
Комісійні доходи, що отримані		146 502	90 201
Комісійні витрати, що сплачені		(27 361)	(16 832)
Результат операцій з іноземною валютою		20 104	8 837
Інші отримані операційні доходи		64 488	23 534
Виплати на утримання персоналу, сплачені		(69 698)	(46 955)
Адміністративні та інші операційні витрати, сплачені		(260 788)	(154 255)
Грошові кошти, отримані/(сплачені) від операційної діяльності до змін в операційних активах і зобов'язаннях		(126 200)	(122 163)
Зміни в операційних активах та зобов'язаннях			
Чисте (збільшення)/зменшення кредитів та заборгованості клієнтів		10 002	(26 907)
Чисте (збільшення)/зменшення інших активів		(4 369)	(15 714)
Чисте збільшення/(зменшення) коштів банків		1 625 854	640 786
Чисте збільшення/(зменшення) коштів клієнтів		866 140	596 033
Чисте збільшення/(зменшення) інших зобов'язань		7 804	(35 367)
Чисті грошові потоки від операційної діяльності		2 379 231	1 036 668
ІНВЕСТИЦІЙНА ДІЯЛЬНІСТЬ			
Придбання цінних паперів		(4 001 445)	(900 925)
Надходження від реалізації інвестицій у цінні папери		1 877 051	-
Придбання інвестиційної нерухомості		(11 119)	(63 102)
Надходження від реалізації інвестиційної нерухомості		50 714	46 400
Надходження від реалізації основних засобів		-	(3)
Придбання основних засобів		(17 349)	(1 749)
Придбання нематеріальних активів		(749)	(910)
Чисті грошові потоки від інвестиційної діяльності		(2 102 897)	(920 289)
Чиста курсова різниця		725	267
Чисте збільшення/(зменшення) грошових коштів		277 059	116 646
Грошові кошти на початок періоду		496 149	379 503
Грошові кошти на кінець періоду	6	773 208	496 149

Затверджено до випуску та підписано 20 травня 2021 року

Голова Правління

О.В. Котляревська

Головний бухгалтер

О.М. Бурдіна



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, 2021, the shareholders of the Bank 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 "UkrSVIFT". The Bank is a member of the Public Union "UNION OF UKRAINIAN ENTREPRENEURS".

The Bank is a member of the Association of Ukrainian Banks.

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

In the fourth quarter of 2021, a number of risks materialized for the Ukrainian economy and financial system: the escalation of the conflict with Russia, a sharp increase in energy prices, the spread of a new strain of coronavirus. Taken together, these factors worsened expectations for economic development and led to an increase in the risk premium for investing in Ukraine. Therefore, the conditions for attracting financing for the public and private sectors in external markets have worsened. In view of this, cooperation with international financial organizations remains a prerequisite for proper management of macroeconomic risks. At the same time, the economy has a sufficient margin of safety to withstand the above-mentioned threats. Fiscal policy remained restrained, and the state budget deficit was moderate, public debt to GDP continues to decline, international reserves exceeded 90% of the IMF composite criterion, which is sufficient to smooth out possible fluctuations in the foreign exchange market. The financial system is in excellent condition: stable, well-capitalized, and liquid.

Global economic growth slowed in the fourth quarter as new COVID-19 variants spread, weighing on business confidence, particularly in services. Global industry, however, recovered steadily, with companies expecting further output growth in 2022. Signs of supply chain recovery were a key driver of this momentum, with shipping costs slowing, delivery times starting to fall, backlogs shrinking, and countries continuing to lift pandemic-related trade restrictions. However, supply chain disruptions remained high at the end of 2021, and delays in the supply of certain components and raw materials led to the largest increase in inventories in almost 24 years. As a result, global merchandise trade growth slowed in the fourth quarter. Also in 2021, the world

faced increased demand and high prices for energy resources, which led to an energy crisis. Thus, world prices for oil and natural gas in Europe rose rapidly in the fourth quarter of 2021. Despite the increase in OPEC+ production, oil prices rose under the influence of high demand. Only the partial release of strategic reserves by the United States, China, Japan and South Korea and the spread of Omicron restrained price growth at the end of the year. Natural gas prices in Europe reached a historic high

record due to high demand and limited supply. The latter was due to low inventory levels, Russia's refusal to supply more than the contracted volumes, and high competition from Asian countries. Only a rapid increase in LNG imports, primarily from the United States, slightly adjusted prices at the end of the year.

The economic situation in Ukraine is characterized by a slower than expected economic recovery. Growth is being held back by the still insufficient level of investment and the increase in energy prices. Given the gradual correction of prices for basic Ukrainian exports and the persistence of high fuel prices, the current account deficit will widen significantly next year. Economic growth is supported by sustained consumer demand, fueled by significant growth in household incomes. High consumer spending and global inflationary factors, in particular the rise in the cost of raw materials, have led to a double-digit increase in consumer prices. Like the central banks of most emerging market countries, the NBU has responded to these challenges and increased the discount rate. After the crisis, enterprises in many industries increased their profits, primarily due to high product prices. This has improved their solvency and reduced their debt burden. In the future, their margins may decline due to high energy prices and the expected correction of world prices for Ukrainian exports. Another challenge is the persistence of logistical difficulties on the world market.

Consumer inflation was expected to decline at the end of 2021, but remained higher than forecast, and fundamental inflationary pressures have even intensified. After peaking in September 2021 (11% y/y), consumer inflation has been declining as expected and reached 10% y/y in December. The deviation from forecasts is primarily explained by the strengthening of pro-inflationary pressure from the secondary effects of rising costs, in particular: in Q4 2021, the increase in the cost of energy carriers affected the change in selling prices, the increase in the cost of raw materials and labor resources are also one of the most important factors in price changes in the second half of 2021. The impact of stable consumer demand and the background of increasing domestic prices for food and industrial goods also persisted, which made it possible to slightly slow down the inflation rate by the end of 2021.

In response to the realization of a number of pro-inflationary risks and the transformation of transitory drivers of inflation (both domestic and global) into more long-term and systemic factors, the NBU accelerated the tightening of monetary policy. In particular, it significantly increased the key rate from the second quarter of 2021 and rolled back the monetary stimuli introduced during the 2020 pandemic. The tightening of monetary policy will continue in 2022.

In 2021, real GDP growth was estimated by the NBU at around 3%. The economic recovery was supported by robust consumer demand, increased investment by businesses after the crisis, and a record crop harvest. However, the economic recovery was slower than expected. The reasons include the rapid increase in energy prices and their shortages, the impact of low harvests in 2020, a slower recovery in the services sector, limited capacity in some manufacturing sectors, more significant losses from the pandemic, and faster fiscal consolidation.

The current account deficit was small in 2021, driven by favorable terms of trade, but will widen moderately in the future, driven by stronger domestic demand. The current account is projected to run a small deficit in 2021 (1.1% of GDP).

The banking sector in the fourth quarter of 2021 is characterized by the following indicators.

Banks maintain a significant capital buffer above minimum requirements. The capital adequacy of the vast majority of banks continues to significantly exceed minimum requirements. The core capital adequacy ratio for the system is over 15%. This indicator decreased slightly during 2021 due to brisk lending - new loans increased risk-weighted assets. However, capital was replenished both through reinvested earnings and through contributions from shareholders.

In 2021, solvent banks received a historically record 77.5 billion UAH of net profit, which is almost twice as much as in 2020 (39.7 billion UAH), and 33% more than in the pre-crisis year of 2019 (58.4 billion UAH). The sector's return on capital increased to 35.2% compared to 19.2% in 2020. In the fourth quarter of 2021, banks' net profit was the highest, when, in addition to the record growth rates of interest income, banks dissolved reserves - 26.1 billion UAH, which is 12.6 times more compared to the fourth quarter of 2020. The main factors of the profitability of the banking sector in 2021 were the further increase in operating efficiency and a significant reduction in deductions to reserves. Thus, the annual growth of net interest and commission income was 39% and 25%, respectively. This was facilitated by an increase in interest income from lending, which significantly revived after the crisis. Further growth in the volume of non-cash transactions ensured an increase in banks' commission income. Faster growth in net interest and commission income compared to operating expenses increased banks' operational efficiency. Allocations to loan reserves decreased by 58% during the year. In addition, previously reserved funds related to

legal risks.

Net assets of banks increased by 6.3% in the fourth quarter due to the growth of the hryvnia component. Investments in government securities and the customer loan portfolio increased. The quarterly growth rate of net hryvnia loans to business entities slowed down to +2.3%. In 2021, the net hryvnia loan portfolio increased by 40.2%. The most active in lending were state-owned banks, except for PrivatBank (54.7% y/y). In December, hryvnia loans decreased due to seasonal repayment of loans by farmers and enterprises that performed state orders within the framework of the "Great Construction" project. At the end of the year, lending by foreign banks in foreign currency intensified. Net foreign currency loans increased by 7.8% per quarter and by 9.6% y/y. The pace of retail lending exceeded the pre-corona crisis level. The net hryvnia portfolio of loans to households grew by 8.0% in the quarter (36.9% y/y). The growth of net hryvnia loans for real estate at the end of 2021 again renewed the maximum: +62.4% y/y. The share of non-performing loans continued to decrease: by 3.2 p. p. in the quarter and by 11.0 p. p. in total per year – to 30.0%. The largest contribution to this reduction was made by state-owned banks. They had high rates of loan portfolio growth and wrote off old non-performing loans to implement relevant strategies.

Bank liabilities increased by 5.7% in the fourth quarter, largely due to the inflow of customer funds. They continue to dominate the structure of bank funding: at the end of the year, their share in liabilities was 84.9%. The share of NBU funds remained at the level of the third quarter - 5.3%. The volume of hryvnia funds of individuals in banks increased by 8.1% in the fourth quarter (15.3% y/y). The leaders in this indicator were private and foreign banks: +41.0% y/y and 22.4% y/y, respectively. At the same time, term deposits of individuals in the national currency grew more slowly - by 9.6% per year. The vast majority of new term deposits were attracted for a period of three months or more. The total amount of deposits of individuals in foreign currency decreased by 1.8% (in USD equivalent) for the year due to the outflow of term funds. National currency funds of business entities increased by 15.5% in the quarter (26.4% y/y). Privately-owned banks were the leaders in this indicator as well, showing growth of 35.1% in the quarter (63.2% y/y). Foreign currency funds (in USD equivalent) decreased by 4.7% in the quarter due to outflows from private and foreign banks. Year-on-year, foreign currency funds of businesses increased by 3.9%. The share of clients' foreign currency funds decreased by 2.6 pp. to 32.9% despite the weakening of the national currency exchange rate. Dedollarization was facilitated by the faster growth of hryvnia deposits compared to foreign currency deposits.

During the last quarter of 2021, the NBU continued the cycle of increasing the discount rate, raising it to 9% per annum. However, only a few banks from the largest twenty increased rates on hryvnia deposits of individuals following the discount rate. The average cost of 12-month deposits increased to 9.2% per annum at the end of the fourth quarter. The spread between the cost of three-month and one-year deposits reached 1.7 pp. p. Rates on deposits in US dollars remained within 1% per annum, although they increased slightly during the quarter. The cost of hryvnia loans to business entities exceeded 10% per annum for the first time in a year and a half. Ultra-short (up to one month) loans were still the most sensitive to the increase in the discount rate. In contrast, the cost of foreign currency loans to businesses decreased in December to 3% per annum. Rates on new consumer loans to households fell by 1.5 ppt to 28.7% per annum in December. The cost of new mortgage loans increased by 0.7 ppt to 12.6% during the quarter

Credit risk remains the main concern for banks in Q4 2021. Despite the improvement in the economic situation in the second half of the year, some bank borrowers are still experiencing financial difficulties, and the increased risk of an escalation of the conflict with Russia may negatively affect the quality of loan servicing, and therefore, will require banks to create additional reserves. The level of credit risk is still

remains high.

Further tightening of monetary policy is expected to affect the conditions for raising funds and make funding more expensive. Therefore, banks' interest rate risk will increase. In conditions of uncertainty, banks need to carefully monitor liquidity risks. To do this, it is necessary to analyze their own ability to cover significant outflows of funds with available high-quality liquid assets (HLA), which may be realized over short periods. At the same time, HLA should be sufficient not only for conversion into cash if necessary to return to customers, but also for further operating activities. In 2022, the NBU plans to decide on a schedule for the gradual restoration of capital buffers deactivated during the unfolding of the corona crisis. Capital buffers increase the ability of banks to withstand risks during periods of financial and economic instability. The formed capital reserve can be used both to absorb possible losses and for further lending. According to the NBU, current high profitability and available capital reserves allow banks to easily meet such regulatory requirements.

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.

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 lending volumes, including through participation in state-owned programs;
- 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 by exercising the rights of the mortgagee in accordance with the terms of the contracts and current legislation;
- obtaining cash flows from the effective use of investment property;
- expanding the range and improving the quality of services for legal entities and individuals.

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, 2021	December 31, 2020
1 US dollar	27,2782	28,2746
1 euro	30,9226	34,7396
1 Russian ruble	0,36397	0,37823

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;
- capital 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 usefulness

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) is a component of the calculation of the amount of the reserve, which reflects 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 the calculation of 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 size of the reserve, consisting of the following components: principal loan debt, 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 difficulties, 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 recognised in profit or loss as they arise as a result of one or more events ("loss events") that have occurred after the initial recognition of a financial asset and have an effect on the carrying amount of the asset.

or the timing of estimated cash flows associated with a financial asset or group of financial assets, if these losses can be reliably estimated. 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.

and) 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.

g) Derivative financial instruments

In the normal course of its business, the Bank uses various derivative financial instruments, including forward contracts and swaps on foreign exchange markets, entered into with Ukrainian banks. Derivatives initially

are recognized at fair value on the contract date, 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 receivables

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 investment category 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 this 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 objects belonging to the group "Buildings, structures and transmission devices", further accounting for such an object 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 2021.

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 at 100 percent of its cost during the period of transfer to operation.

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, property use rights, rights to trademarks for goods and services, copyright and related rights, and 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.

Based on internal policy, the Bank has established the following useful lives of fixed assets and intangible assets:

- 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

The Bank applies IFRS 16 "Leases" which introduced significant changes in 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 date of commencement of recognition for all leases, except for short-term leases and leases of low-value assets. Unlike the lessee's accounting, the lessor's accounting remained largely unchanged.

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 for deducting selling expenses.

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) Funds raised

Borrowings, including due from credit institutions, due from customers and issued debt securities, are initially recognised 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 amortised cost using the effective interest method.

rates. Income and expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income when the obligation 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 calculated at the tax rates that will apply during 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.

Costs directly attributable to the issue of new shares of the Bank, in accordance with the requirements of IFRS 32 "Financial Instruments: Presentation", are recognised as a deduction from equity to the extent that they are incremental 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) Obligations for pensions and other benefits

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.

in) 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 adopted for the first time certain standards and amendments that are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Bank has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - "Base Interest Rate Reform - Phase 2"

The amendments provide a number of exemptions that are applied to eliminate the financial reporting implications in cases where the interbank offered rate (IBOR) is replaced by an alternative virtually risk-free interest rate.

The amendments provide for:

a practical simplification, whereby contractual changes or changes in cash flows directly necessitated by the reform should be treated as changes in the floating interest rate equivalent to a change in the market interest rate;

it is permitted to make changes required by the IBOR reform to the definition of hedging relationships and hedging documentation without terminating the hedging relationship;

Entities are granted a temporary exemption from the requirement to comply with the separately identified components requirement in cases where a risk-free rate instrument is designated at the entity's discretion as the risk component within a hedging relationship.

These amendments did not impact the Bank's financial statements. The Bank intends to apply the practical expedients in future periods as necessary.

Amendments to IFRS 16 – "Lease Concessions Related to the Covid-19 Pandemic, Effective after June 30, 2021 year»

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 was intended to be effective until June 30, 2021, but due to the impact of the Covid-19 pandemic, on March 31, 2021, the IFRS Board decided to extend the period of application of the practical expedients until June 30, 2022.

This amendment applies to annual reporting periods beginning on or after April 1, 2021.

The Bank does not have any lease concessions related to the Covid-19 pandemic, but if necessary, it plans to apply practical simplifications during the permissible period.

3.4. ERROR FIXING

When analyzing expenses for January-April 2022, the Bank identified expenses related to expenses in 2021. To compare information in accordance with paragraph 39 of IAS1 "Presentation of Financial Statements", expenses in 2020 incurred in 2021 and expenses in 2021 incurred in 2022 were recalculated. The reporting was corrected by retrospective restatement of items. The statement of financial position is provided for three periods.

Impact on equity

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Other assets	(11 009)	(14 742)
Total assets	(11 009)	(14 742)
Total liabilities	-	-
Net impact on equity	(11 009)	(14 742)

Impact on the income statement

<i>thousand UAH</i>	2021 year	2020 year
Net gain/(loss) from impairment of other assets	(2 156)	-
Other administrative and operating expenses	(1 577)	(3 392)
Net impact on profit for the year	(3 733)	(3 392)

Impact on earnings (loss) per share

	2021 year	2020 year
Net and adjusted profit/(loss) per common share (UAH)	1,29	3,17

The changes had no impact on IDS or cash flows.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 include:

- 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 formula definition and input selection 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.

be used. 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 the tax planning strategy.

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 obligation;

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 and the need to review the terms of existing loan agreements.

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 their intended 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.

Amendments to IAS 8 – "Determination of Accounting Estimates"

In February 2021, the IFRS Board issued amendments to IAS 8 that introduce a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and corrections of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are effective for changes in accounting policies and accounting estimates that occur on or after the beginning of that period. Earlier application is permitted, provided that disclosure is made.

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

Amendments to IAS 1 and Practice Statement No. 2 on the Application of IAS – "Accounting Policy Disclosures"

In February 2021, the IFRS Board issued amendments to IAS 1 and IAS 2, Making Materiality Judgments, which provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments are intended to help entities disclose more useful accounting policy information by replacing the requirement for entities to disclose "significant provisions" of accounting policies with a requirement to disclose "material information" about accounting policies, and by adding guidance on how entities should apply the concept of materiality when making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. As the amendments to Practice Note 2 on the Application of IASs do not provide mandatory guidance on the application of the definition of materiality to accounting policy information, no effective date is required for these amendments.

The Bank is currently assessing the impact of these amendments on the disclosure of information about the Bank's accounting policies.

6. CASH AND CASH EQUIVALENTS

Table 6.1. Cash and cash equivalents

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Cash	202 336	133 331
Funds in the National Bank of Ukraine	3 401	15 151
Correspondent accounts, deposits and overnight loans in banks:		
Ukraine	92 471	34 666
Certificates of deposit issued by the National Bank of Ukraine	475 104	313 043
Total cash and cash equivalents	773 312	496 191

Table 6.2. Non-cash financial transactions

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Accrued income on deposit certificates issued by the National Bank of Ukraine	104	43

There are no restrictions on the use of funds.

As of December 31, 2021, the balances on correspondent accounts are neither past due nor impaired.

During 2021 and the previous year 2020, 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, 2021, 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 according to the established standards (reserve base) for the maintenance period from 11.12.2021 to 10.01.2022 is 42,725 thousand UAH. The average balance on the correspondent account for the maintenance period from 11.12.2021 to 10.01.2022 was 42,730 thousand UAH.

7. CUSTOMER LOANS AND DEBT

Table 7.1. Loans and receivables from customers

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Loans and receivables from customers carried at amortized cost	321 835	345 539
Loan impairment allowance	(14 919)	(11 619)
Total loans and advances to customers less provisions	306 916	333 920

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

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Loans granted to legal entities	310 973	283 658
Loans granted to individuals	10 862	61 881
Mortgage loans		
Provision for loans to customers carried at amortized cost	(14 919)	(11 619)
Total loans and advances to customers carried at amortized cost	306 916	333 920

The data in Note 7 are included in the Statement of Financial Position and in Note 18.

Asset items are presented taking into account accrued and unearned interest income, which as of December 31, 2021 amounted to UAH 6,702 thousand and as of December 31, 2020 – UAH 20,410 thousand.

As of December 31, 2021, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 255,817 thousand (83% of the total loan portfolio). A provision of UAH 5,821 thousand was created for these loans. For 2020, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 198,291 thousand (59% of the total loan portfolio).

Table 7.3. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2021

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Loans and receivables from customers accounted for under the AC	265 438	48 413	7 984	321 835
Minimal credit risk	265 438			265 438
Average credit risk		48 413		48 413
High credit risk			7 984	7 984
Total gross carrying amount of loans and advances to customers accounted for under the AC	265 438	48 413	7 984	321 835
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(6 710)	(432)	(7 777)	(14 919)
Total loans and receivables of customers accounted for by the AC	258 728	47 981	207	306 916

Table 7.4. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2020

<i>thousand UAH</i>	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			288 282
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	345 539
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 7.5. Structure of loans by type of economic activity

<i>thousand UAH</i>	December 31, 2021		December 31, 2020	
	sum	%	sum	%
Agriculture and related services	8 058	3	8 827	3
Trade in motor vehicles, their repair	36 546	11	49 098	14
Wholesale trade, except of motor vehicles	97 211	30	70 803	20
Provision of information services	3 013	1	3 034	1
Provision of financial services, except insurance and pension provision	41 118	13	38 040	11
Construction of buildings	72 009	22	25 490	7
Healthcare	47 828	15	51 725	15
Individuals	10 862	3	61 881	18
Retail trade, except trade in motor vehicles and motorcycles	2 440	1	1 938	1
Activities in the field of radio and television broadcasting			14 198	4
Rent, rental and leasing			15 212	4
Others	2 750	1	5 293	2
Total loans and receivables to customers without provisions	321 835	100%	345 539	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.

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loan 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 2021

<i>thousand UAH</i>	Loans granted legal entities	Loans granted to individuals for current needs	Total
Unsecured loans	55 746	10 237	65 983
Loans secured by:	255 227	625	255 852
<i>in cash</i>	27 304	220	27 524
<i>real estate</i>	138 404	405	138 809
<i>including residential use</i>	49 219	204	49 423
<i>other assets</i>	89 519	-	89 519
Total loans and receivables to customers without provisions	310 973	10 862	321 835

Table 7.7. Information on loans by type of collateral for 2020

<i>thousand UAH</i>	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
<i>in cash</i>	24 933	-	24 933
<i>real estate</i>	78 285	954	79 239
<i>including residential appointment</i>	10 158	194	10 352
<i>other assets</i>	130 068	-	130 068
Total loans and receivables to customers without provisions	283 658	61 881	345 539

Table 7.8. Analysis of changes in provisions for impairment of loans and receivables from customers carried at amortized cost for 2021

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Impairment reserve as of the beginning of the period 31.12.2020	(9 202)	(1 193)	(1 224)	(11 619)
Transition to stage 1	2 492	-	-	2 492
Transition to stage 2	-	761	-	761
Transition to stage 3	-	-	(6 553)	(6 553)
Impairment reserve as of the end of the period 31.12.2021	(6 710)	(432)	(7 777)	(14 919)

Table 7.9. Analysis of changes in the gross carrying amount for impairment of loans and receivables to customers carried at amortized cost for 2021

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2020	279 080	53 886	954	333 920
Transition to stage 1	(20 353)			(20 353)
Transition to stage 2		(5 904)		(5 904)
Transition to stage 3				
Other changes (increase in trade payables carried at amortized cost)			(747)	(747)
Gross carrying amount as of December 31, 2021	258 727	47 982	207	306 916

Table 7.10. Impact of collateral value on loan quality for 2021

<i>thousand UAH</i>	Balance sheet cost	Cost pledges	Impact of collateral
Loans granted to legal entities	310 973	268 160	42 813
Loans granted to individuals for current needs	10 862	3 482	7 380
Total loans	321 835	271 642	50 193

Table 7.11. Impact of collateral value on loan quality for 2020

<i>thousand UAH</i>	Carrying amount	Cost pledges	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

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

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Debt securities:		
<i>Domestic government bonds refinanced by the NBU, which are accounted for at fair value through other comprehensive income</i>	3 151 749	913 890
Revaluation of debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	(20 900)	(6 485)
Unamortized premium/discount on debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	24 266	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	115 831	39 595
Total securities less reserves	3 270 946	980 146

Table 8.2. Analysis of credit quality of debt securities for 2021

<i>thousand UAH</i>	Government bonds	Total
Not past due and not impaired		
<i>Government institutions and enterprises</i>	3 270 946	3 270 946
Total debt securities less reserves	3 270 946	3 270 946

As of December 31, 2021, the debt securities accounts in the amount of UAH 3,270,946 thousand included domestic government loan bonds refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income in the amount of 3,096,538 units, with a nominal value of UAH 1,000.00 per bond and in the amount of 2,024 units, with a nominal value of USD 1,000 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 PROPERTY

Table 9.1. Investment property valued at fair value

December 31, 2021 December 31, 2020

	381 462	308 377
Fair value of investment property at the beginning of the period		
Incoming	8 848	88 369
Improvement	2 765	7 915
Elimination	(62 827)	(17 729)
Gains (losses) from revaluation to fair value	10 434	(5 470)
Fair value of investment property at the end of the period	340 682	381 462

The receipt of investment property in 2021, 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 -

Property (land or a building, or part of a building, or a combination thereof) held (by the owner or by the lessee under a finance lease) to earn rental income or to earn capital appreciation or both. Some of the Bank's investment property is leased out (Table 9.2), some is held for capital appreciation and is intended to be sold later.

During 2021, 16 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, 2021 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

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Rental income from investment property	6 145	6 034

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

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Up to 1 year	5 182	4 308
From 1 to 5 years	195	1 001
More than 5 years	2 435	-
Total payments receivable under operating leases	7 812	5 309

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

Table 10.1 Fixed assets and intangible assets

thousand UAH

		Vehicles	Transportation equipment	Outlets	Leasehold improvements	Intangible assets	Other assets	Intangible assets	Total
Carrying amount as of December 31, 2019	12303	477	380	11974	86	3311	---	---	---
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)					(147)	
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, 2020	11078	1333	271	5414	1573	161	1227	21057	
Original (revalued) cost	17731	1480	588	17463	5370	161	5749	48542	
Depreciation at the end of the reporting period	(6653)	(147)	(317)	(12049) (3797)			(4522) (27485)		
Incoming	1458	517		3092	9299	18371	731	33468	
Other transfers (put into operation)						(12278)		(12278)	
Depreciation deductions	(3276)	(239)	(56)	(5132) (2292)			(728) (11723)		
Carrying amount as of December 31, 2021	9260	1611	215	3374	8580	6254	1230	30524	
Original (revalued) cost	19189	1997	588	20555	14669	6254	6480	69732	

Depreciation at the end of the reporting period	(9929)	(386)	(373) (17181) (6089)	(5250) (39208)
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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 withdrawn from operation for sale. As of December 31, 2020, the original cost of fully depreciated fixed assets was UAH 372 thousand. and as of December 31, 2021 - UAH 460 thousand. 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, 2021	December 31, 2020
Financial assets:	36 502	15 121
Accrued income from settlement and cash services	91	62
Accrued operating lease income	2 707	2 894
Accounts receivable for payment of debt under the guarantee	5 052	2 705
Accounts receivable for payments under agency agreements	15 078	
Receivables from payment card transactions	5 674	5 052
Restricted funds	5 750	4 049
Receivables from transactions with payment systems	1 712	
Other financial assets	438	359
<i>Reserve for other financial assets</i>	(8 932)	(5 232)
Total other financial assets less reserves	27 570	9 889
Other assets	59 549	74 085
Property transferred to the bank as a mortgagee	14 388	16 570
Deferred expenses	5 004	14 581
Prepayment for services	6 369	1 901
Accounts receivable from asset acquisition	134	414
Banking metals at the bank branch	32 481	34 915
Receivables for taxes and mandatory payments, except for income tax	113	80
Other receivables	1 060	2 579
Other non-current assets		3 045
<i>Reserve for other assets</i>	(1 454)	(1 431)
Total other assets less reserves	85 665	82 543

According to the Board Decision, 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. In 2021, assets were not written off.

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 in Note 11 are included in the Statement of Financial Position and in Note 18.

Table 11.2. Analysis of changes in the provision for impairment of other assets for 2021

<i>thousand UAH</i>	Financial assets	Other assets	Total
December 31, 2020	(5 232)	(1 431)	(6 663)
(Increase)/decrease reserve	(3 700)	(23)	(3 723)
December 31, 2021	(8 932)	(1 454)	(10 386)

Table 11.3. Analysis of changes in the provision for impairment of other assets for 2020

<i>thousand UAH</i>	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	650		650
at the expense of the reserve			
December 31, 2020	(5 232)	(1 431)	(6 663)

Table 11.4. Analysis of the credit quality of financial assets

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Not past due and not impaired debt	28 214	9 101
<i>small companies</i>	15 078	
<i>individuals</i>	5 674	5 052
<i>large companies</i>	7 462	4 049
Debt impaired on an individual basis with delayed payment	8 288	6 020
<i>up to 31 days</i>	1 795	1 795
<i>from 32 to 92 days</i>	1 609	704
<i>from 93 to 183 days</i>	711	520
<i>from 184 to 274 days</i>	162	92
<i>from 275 to 365 days</i>	673	573
<i>more than 365(366) days</i>	3 338	2 336
Total financial assets before deduction of reserve	36 502	15 121
Reserve for other financial assets	(8 932)	(5 232)
Total other financial assets less reserve	27 570	9 889

12. BANKS' FUNDS

Table 12.1. Bank funds

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Credits received:		
<i>Long-term</i>	2 266 356	640 786
Total funds from other banks	2 266 356	640 786

Loans received are funds received from the National Bank of Ukraine through refinancing.

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

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
State and public organizations:	23 297	37 131
<i>current accounts</i>	23 297	37 131
Other legal entities:	1 625 367	906 356
<i>current accounts</i>	1 274 171	665 297
<i>term funds</i>	275 449	183 282
<i>funds in the accounts</i>	75 747	57 777
Individuals:	593 493	422 650
<i>current accounts</i>	182 600	132 214
<i>term funds</i>	383 615	290 436
<i>funds in the accounts</i>	27 278	
Total customer funds	2 242 157	1 366 137

Client funds, recorded as of the end of the day on December 31, 2021, on balance sheet account 2932 "Funds in settlements of business entities", in the amount of UAH 75,747 thousand. and on balance sheet account 2942 "Funds in settlements of individuals", in the amount of UAH 27,278 thousand. were transferred to cash collateral (coverage) under the guarantees provided by the bank.

As of December 31, 2021, funds raised from the Bank's ten largest clients in the amount of UAH 573,785 thousand constituted 26% of the total amount of client funds (as of December 31, 2020: UAH 357,742 thousand (26%)).

The data in Note 13 are included in the Statement of Financial Position and in Note 18.

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

thousand UAH	December 31, 2021		December 31, 2020	
	sum	%	sum	%
Production and distribution of electricity, gas and water	29 188	1	36 248	3
Trade, repair of automobiles, household goods and personal items	271 260	12	206 768	15
Individuals	593 493	26	422 650	31
Production of other products	45 659	2	16 610	1
Professional, scientific and technical activities	43 128	2	18 517	1
Real estate transactions, leasing, engineering and service provision	107 456	5	88 529	7
Agriculture, hunting, forestry	30 205	1	11 945	1
Construction	461 567	21	172 626	13
Financial and insurance activities	235 870	10	165 042	12
Transport, warehousing, postal and courier activities	67 618	3	34 657	2
Mining industry	34 484	2	19 573	2
Health care and social services assistance	25 286	1	36 448	2
Production and repair of machinery and equipment	33 658	2	33 391	3
Temporary accommodation and catering	16 368	1	15 356	1
Food production, provision of meals and beverages	11 209	1	14 140	1
Arts, sports, entertainment and recreation	121 294	5	0	0
Other	114 414	5	73 637	5
Total customer funds	2 242 157	100	1 366 137	100

During 2021 and the previous year 2020, the Bank carried out operations to attract customer funds exclusively at market rates.

14. PROVISIONS FOR LIABILITIES

Table 14.1. Changes in provisions for liabilities for 2021

<i>thousand UAH</i>	December 31, 2021
Balance at the beginning of the period	839
Formation and/or increase of reserve	1 201
Impact of translation into reporting currency	(5)
Balance at the end of the period	2 035

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 in Note 14 are included in the Statement of Financial Position and in Note 18.

15. OTHER OBLIGATIONS

Table 15.1. Other liabilities

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Commission for providing guarantees	23 863	13 524
Other payables from transactions with bank clients	11 506	16 598
Bank customers' funds in inactive accounts	1 200	3 028
Deferred income	538	345
Accounts payable for services	197	794
Accounts payable for settlements with bank employees	4 580	2 830
Accounts payable for taxes and mandatory payments, except for income tax	1 224	1 219
Accounts payable for fees to the Deposit Guarantee Fund for Individuals	1 231	929
Lease obligations	3 872	6 190
Accounts payable under contractual obligations	8 145	1 050
Others	15	307
Total	56 371	46 814

The data in Note 15 are included in the Statement of Financial Position and in Note 18.

16. AUTHORIZED CAPITAL AND SHARE DIFFERENCES (SHARE PROFIT)

Table 16.1 Authorized capital and share premium (share income)

<i>thousand UAH</i>	Number of shares	Simple promotions	Total
	outstanding (thousands of shares)		
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
Issuance of new shares (units)			
Balance as of December 31, 2021	12 152	300 039	300 039

There are no shares announced for issue in the reporting year 2021.

The nominal value of one share as of the end of the day on December 31, 2021 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 2021.

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.

The data of Note 16 are included in the "Statement of Financial Position" and "Statement of Changes in Equity (Statement of Equity)".

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

Table 17.1. Movement in revaluation reserves (components of other comprehensive income)

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Balance at the beginning of the year	(6 486)	
Revaluation of financial assets at cost through . accounted for at fair value other comprehensive income		
<i>changes in revaluation to fair value</i>	<i>(45 966)</i>	<i>(11 929)</i>
<i>income (expenses) resulting from sales, in</i>	<i>31 568</i>	<i>5 443</i>
<i>reclassified in the reporting period to profit or loss</i>		
Balance at the end of the year	(20 884)	(6 486)

18. ANALYSIS OF ASSETS AND LIABILITIES BY MATURITY TERM

Table 18.1. Analysis of assets and liabilities by maturity

thousand UAH

	December 31, 2021			December 31, 2020		
	Less than 12 months	more than 12 months	total	Less than 12 months	more than 12 months	total
ASSETS						
Cash and cash equivalents	773 312	-	773 312	496 191	-	496 191
Loans and customer debt	306 627	289	306 916	333 668	252	333 920
Investments in securities	3 270 946	-	3 270 946	980 146	-	980 146
Investment property	-	340 682	340 682	-	381 462	381 462
Accounts receivable regarding the current tax on profit	182	-	182	182	-	182
Deferred tax active	637	-	637	-	-	-
Fixed assets and intangible assets	-	30 524	30 524	-	21 057	21 057
Other assets	85 665	-	85 665	82 543	-	82 543
Total assets	4 447 369	371 495	4 818 864	1 892 730	402 771	2 295 501
OBLIGATION						
Bank funds	-	2 266 356	2 266 356	-	640 786	640 786
Client funds	1 977 102	265 055	2 242 157	1 275 313	90 824	1 366 137
Provisions for liabilities	880	1 155	2 035	835	4	839
Other obligations	44 954	11 417	56 371	43 094	3 720	46 814
Total liabilities	2 022 936	2 543 983	4 566 919	1 319 242	735 334	2 054 576

19. INTEREST INCOME AND EXPENSES

Table 19.1. Interest income and expenses

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Interest income:		
Loans and customer debt	77 797	88 486
Bank loans and debt	745	1 837
Investments in securities	243 768	27 196
Correspondent accounts in other banks	1	-
NBU certificates of deposit, which are recorded under the AS	10 958	7 068
Other interest income	43	-
Total interest income	333 312	124 587
Interest expenses:		
Bank funds	(137 681)	(11 167)
Term funds of legal entities	(19 119)	(8 276)
Term funds of individuals	(28 069)	(32 399)
Current accounts	(19 841)	(13 121)
Interest expense on lease liability	(890)	(1 508)
Other interest expenses	(2 031)	(513)
Total interest expense	(207 631)	(66 984)
Net interest income (expenses)	125 681	57 603

The data of Note 19 are included in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 25

20. COMMISSION INCOME AND EXPENSES Table 20.1.

Commission income and expenses

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Commission income		
Settlement and cash transactions	113 274	61 915
Customer credit service	111	63
Foreign exchange market operations for clients	8 037	5 902
Guarantees provided	25 290	23 286
Total commission income	146 712	91 166
Commission costs		
Settlement and cash transactions	(27 319)	(16 810)
Securities transactions for clients	(44)	(2)
Total commission expenses	(27 363)	(16 812)
Net commission income/expenses	119 349	74 354

The data of Note 20 are included in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 25.

21. OTHER OPERATING INCOME

Table 21.1. Other operating income

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Fines, penalties received by the bank	357	386
Income from operating leasing (rent)	6 827	6 605
Income from derecognition of financial assets	-	9
Income on initial recognition of financial assets (Government bonds)	17 332	1 737
Income from satisfaction of mortgagee's claims	6 014	51 183
Income from derecognition of financial liabilities	15 527	15 653
Compensation for utility costs for rented premises	861	749
Income from assignment of claims	14 076	-
Income from posting to the balance sheet of mortgaged property	1 441	-
Others	2 053	3 316
Total operating income	64 488	79 638

The data of Note 21 are disclosed in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 25.

22. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Table 22.1. Administrative and other operating expenses

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Marketing and advertising expenses	(6 675)	(5 505)
Costs associated with customer acquisition	(84 487)	(42 420)
Expenses for maintenance of fixed assets and intangible assets, telecommunication and other operational services	(38 475)	(31 017)
Operating lease (rent) expenses	(9 139)	(5 120)
Payment of other taxes and fees, except for income tax	(6 770)	(6 593)
Expenses for information and consulting services received and financial consulting services	(5 035)	(18 180)
Security costs	(1 487)	(1 226)
Expenses from derecognition of financial assets	(51 571)	(16 940)
Costs for collecting valuables	(1 457)	(1 181)
Audit costs	(790)	(501)
Payment card support	(2 753)	(3 482)
Staff education and training costs	(3 196)	(3 757)
Impairment of assets held for sale and assets in disposal groups	(37 819)	(23 536)
Others	(4 425)	(4 275)
Total administrative and other operating expenses	(254 079)	(163 733)

The data of Note 22 are disclosed in the "Statement of Profit or Loss and Other Comprehensive Income (Statement of Financial Results)" and in Note 25.

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 2021 and 2020.

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.

Table 23.1. Expenses for paying income tax

<i>thousand UAH</i>	2021 year	2020 year
Current income tax	-	-
Change in deferred income tax related to:	(637)	-
arising or reversal of temporary differences	(637)	-
increasing or decreasing the tax rate	-	-
Total income tax expense	(637)	-

Table 23.2. Reconciliation of accounting profit (loss) and taxable profit (loss)

<i>thousand UAH</i>	2021 year	2020 year
Profit before tax	11 685	41 931
Theoretical tax deductions at the applicable rate taxation	2 103	7 548
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)	1 287	1 182
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)	(7 171)	(15 901)
Income that is not included in the amount of income for the purpose of calculating taxable income, but is recognized in accounting (result from securities transactions)	3 144	-
Income that is subject to income tax but is not recognized (does not belong) to accounting profit (loss) (shareholder's material assistance)	-	-
Changes in deferred tax assets not reflected in the statement of financial position	-	(7 171)
Income tax expenses	(637)	-

Table 23.3. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2021

<i>thousand UAH</i>	December 31, 2020	Assigned to bills profit and loss	December 31, 2021
Tax effect of temporary differences that reduce the taxable base			
Loan impairment allowance	352	(137)	215
Tax losses before carryforward	15 901	(8 730)	7 171
Fixed assets and intangible assets	(34)	671	637
Loss on sale of securities	(408)	1 662	1 254
Shareholder financial assistance	(8 640)		(8 640)
Deferred tax asset, gross amount	7 171	(6 534)	637
Deferred tax assets are not reflected in the statement of financial position	7 171	(7 171)	
Deferred tax asset		637	637

Table 23.4. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2020

<i>thousand UAH</i>	December 31, 2019	Assigned 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			

24. EARNINGS (LOSS) PER COMMON SHARE

Table 24.1. Net and adjusted earnings/(loss) per common share

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Profit/(loss) cumulative total since the beginning of the year	15 418	38 539
Profit/(loss) attributable to owners of the bank's common shares	15 418	38 539
Average annual number of common shares outstanding (thousands of shares)	12 152	12 152
Net and adjusted profit/(loss) per common share (UAH)	1,29	3,17

The data of Note 24 are included 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 24.2. Calculation of profit/(loss) attributable to owners of the bank's common shares

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Profit/(loss) for the period attributable to owners of the bank	15 418	38 539
Retained earnings/(loss) for the period	15 418	38 539
Retained earnings/(loss) for the period attributable to ordinary shareholders based on the terms of the shares	15 418	38 539
Profit/(loss) for the period attributable to ordinary shareholders	15 418	38 539

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 25.1. Revenues, expenses and results of reporting segments for 2021

<i>thousand UAH</i>	Corporate and business	Retail business	Treasury	Other segments and operations	Total
Interest income	127 160	24 894	181 258		333 312
Commission income	65 073	80 694	945		146 712
Other operating income	33 195	748		30 545	64 488
Total segment revenues	225 428	106 336	182 203	30 545	544 512
Interest expenses	(38 403)	(28 483)	(139 751)	(994)	(207 631)
Commission costs	(45)	(370)	(26 948)		(27 363)
Employee benefits expenses	(35 725)	(21 435)	(3 574)	(10 714)	(71 448)
Depreciation and amortization expenses				(11 723)	(11 723)
Other administrative and operating expenses	(127 833)	(76 699)	(12 787)	(36 760)	(254 079)
Total segment costs	(202 006)	(126 987)	(183 060)	(60 191)	(572 244)
Net profit/(loss) from FI transactions accounted for under the CIF			101		101
Net profit/(loss) from FI transactions accounted for under the SVISD				608	608
Net profit/(loss) from foreign operations currency			20 003		20 003
Net profit/(loss) from revaluation of investment property				29 662	29 662
Net profit/(loss) from revaluation of foreign currencies	(124)	2 615	(1 779)	13	725
Net gain/(loss) from impairment of financial assets	(575)	(2 725)		(3761)	(7 061)
Net gain/(loss) from impairment of other assets				(329)	(329)

Net loss/(gain) from increase/
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(decrease) in provisions for liabilities

(1 196)

(1 196)

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Income tax expenses

637

637

Segment Result

21 527

(20 761)

17 468

(2816)

15 418

The components of line 3 "Other operating income" in the amount of UAH 64,488 thousand are disclosed in Note 21.

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 254,079 thousand are disclosed in Note 22.

Table 25.2. Revenues, expenses and results of reporting segments for 2020

<i>thousand UAH</i>	Corporate and 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)	(27 443)	(163 733)
Total segment costs	(124 554)	(95 390)	(27 830)	(59 279)	(307 053)
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 operations currency			10 276		10 276
Net profit/(loss) from revaluation of investment property				9 977	9 977
Net profit/(loss) from revaluation of foreign currencies	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)

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The components of line 3 "Other operating income" in the amount of UAH 79,638 thousand are disclosed in Note 21.

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 163,733 thousand are disclosed in Note 22.

Table 25.3. Assets and liabilities of reportable segments for 2021

<i>thousand UAH</i>	Corporates business	Retail business	Treasury	Others segment and so operations	Total
Segment assets					
Segment assets	444 468	2 488	3 707 028	-	4 153 984
Total segment assets	444 468	2 488	3 707 028	-	4 153 984
Undistributed assets	-	-	-	- 654 880	654 880
Total assets	444 468	2 488	3 707 028	654 880	4 808 864
Segment liabilities					
Segment liabilities	1 675 067	567 093	2 266 356	-	4 508 516
Total segment liabilities	1 675 067	567 093	2 266 356	-	4 508 516
Unallocated liabilities	-	-	-	58 403	58 403
Total liabilities	1 675 067	567 093	2 266 356	58 403	4 566 919

The data of line 3 "other undistributed assets" in the amount of UAH 654,880 thousand are:

- UAH 238,218 thousand. "Cash and funds on correspondent accounts in other banks";
- UAH 340,682 thousand - "Investment real estate";
- UAH 30,524 thousand "Fixed assets and intangible assets";
- UAH 637 thousand – "Deferred tax asset";
- UAH 44,819 thousand – "Other assets"

The data of line 7 "Other unallocated liabilities" in the amount of UAH 58,403 thousand are:

- UAH 45,930 thousand. "Accounts payable for business transactions, taxes, deferred income, other liabilities";
- UAH 12,473 thousand – Other liabilities.

Table 25.4. Assets and liabilities of reporting segments for 2020

<i>thousand UAH</i>	Corporate party business	Retail business	Treasuries	Others	Total
				segments and operations	
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				626 720	626 720
Total assets	350 400	56 231	1 262 150	626 720	2 295 501
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	942 852	423 285		688 439	2 054 576

Data of line 3 "Undistributed assets" in the amount of UAH 626,720 thousand consist of:

- UAH 183,397 thousand "Cash and funds on correspondent accounts in other banks";
- 381,462 thousand UAH - investment property;
- 21,057 thousand UAH - fixed assets and intangible assets;
- 40,804 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 transactions, future periods and other liabilities; on taxes, income
- UAH 19,994 thousand – 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, 2021, the maximum amount of credit risk was UAH 42,060 thousand (December 31, 2020: UAH 30,904 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 26.1. Currency risk analysis

	December 31, 2021			December 31, 2020		
	monetary and assets	monetary and obligations tation	clean position	monetary and assets	monetary and obligations tation	clean position
US dollars	227 779 (218 859)		8 920	126 394 (140 431)		(14 037)
Euro	165 240 (167 213)		(1 974)	115 712 (116 362)		(650)
Pounds Sterling	2 945	(2 920)	25	1 436	(1 301)	135
Others	40 048	(39 426)	622	36 072	(18 156)	17 916
Total	436 012 (428 418)		7 594	279 614 (276 250)		3 364

thousand UAH

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, 2021		December 31, 2020	
	impact on profit/(loss)	impact on own capital	impact on profit/(loss)	impact on own capital
US dollar strengthens by 10%	892	731	(1 404)	(1 151)
US dollar weakens by 5%	(446)	(365)	702	575
Euro strengthening by 10%	(197)	(161)	(65)	(53)
Euro weakens by 5%	98	80	32	26

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.

<i>thousand UAH</i>	On demand and less than 1 month.	From 1 to 6 months.	From 6 to 12 months.	More than a year	Total
December 31, 2021					
Total financial assets	1 422 906	314 323	1 541 466	1 100 049	4 378 744
Total financial liabilities	1 623 079	312 457	168 077	2 441 469	4 545 082
Net gap for interest rates on end of previous period	(512 416)	154 127	1 612 974	(970 527)	284 158
December 31, 2020					
Total financial assets	663 517	131 668	770 227	254 734	1 820 146
Total financial liabilities	892 986	95 919	124 831	926 337	2 040 073
Net interest rate gap at the end of the previous period	(229 469)	35 749	645 396	(671 603)	(219 927)

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

Table 26.4. Monitoring interest rates on financial instruments

%	2021				2020		
	hryvnia	US dollars	euro	platinum	hryvnia	US dollars	euro
Assets							
Cash and cash equivalents	0,02				8,35		
Loans and customer debt	19,2	7,7	9,57		25,09	8,3	9,85
Investments in securities papers	11,7	3,78			15,84	3,6	
Obligation							
Bank funds	8,36				6		
Client funds:							
current accounts	3,6				0,2		
term funds	11,97	2,69	2,96	0,1	11,1	3,28	2,68

Table 26.5. Analysis of geographical concentration of financial assets and liabilities for 2021

<i>thousand UAH</i>	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	773 312	-	-	773 312
Loans and customer debt	306 916	-	-	306 916
Investments in securities	3 270 946	-	-	3 270 946
Other financial assets	27 570	-	-	27 570
Total financial assets	4 378 744	-	-	4 378 744
Obligation				
Bank funds	2 266 356	-	-	2 266 356
Client funds	1 550 705	653 896	37 556	2 242 157
Other financial liabilities	36 234	237	98	36 569
Total financial liabilities	3 853 295	654 133	37 654	4 545 082
Net balance sheet position by financial instruments	525 449	(654 133)	(37 654)	(166 338)
Credit commitment character	2 183 688	-	-	2 183 688

Table 26.6. Analysis of geographical concentration of financial assets and liabilities for 2020

<i>thousand UAH</i>	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	9 889	-	-	9 889
Total financial assets	1 820 146	-	-	1 820 146
Obligation				
Bank funds	640 786	-	-	640 786
Client funds	776 315	399 769	190 053	1 366 137
Other financial liabilities	32 866	166	118	33 150
Total financial liabilities	1 449 967	399 935	190 171	2 040 073
Net balance sheet position by financial instruments	370 179	(399 935)	(190 171)	(219 927)
Credit obligations	669 175	-	-	669 175

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 26.7. Analysis of financial liabilities by maturity for 2021

<i>thousand UAH</i>	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:	1 611 213	307 010	164 249	159 684	2 242 157
<i>Individual funds</i>	300 677	31 296	156 442	105 077	593 493
<i>Funds of legal entities</i>	1 310 536	275 714	7 807	54 607	1 648 664
Other financial liabilities	11 865	5 447	3 828	15 429	36 569
Financial guarantees	87 700	176 850	39 163	1 669 128	1 972 841
Other obligations credit nature	210 848				210 848
Total potential future payments on financial liabilities	1 921 626	489 307	207 240	1 844 241	4 462 415

Table 26.8. Analysis of financial liabilities by maturity for 2020

<i>thousand UAH</i>	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
<i>Individual funds</i>	171 770	91 795	110 386	48 699	422 650
<i>Funds of legal entities</i>	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 obligations credit nature	113 885				113 885
Total	1 041 112	221 293	338 859	467 198	2 068 462

Table 26.9. Analysis of financial assets and liabilities by maturity based on expected maturities for 2021

<i>thousand UAH</i>	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	773 312	-	-	-	-	773 312
Loans and customer debt	85 328	54 287	69 614	97 687	-	306 916
Investments in securities	547 961	255 515	1 465 108	1 002 362	-	3 270 946
Other financial assets	27 570	-	-	-	-	27 570
Total financial assets	1 434 171	309 802	1 534 722	1 100 049	-	4 378 744
Obligation						
Bank funds	-	-	-	2 266 356	-	2 266 356
Client funds	1 611 214	307 010	164 249	159 684	-	2 242 157
Other financial liabilities	11 865	5 447	3 828	15 429	-	36 569
Total financial liabilities	1 623 079	312 457	168 077	2 441 469	-	4 545 082
Net liquidity gap at the end of the day December 31, 2021	(216 040)	(2 655)	1 366 645 (1 341 420)	-	-	(193 470)
Aggregate liquidity gap at the end of the day December 31, 2021	(216 040)	(218 695)	1 147 950	(193 470)	(193 470)	-

Table 26.10. Analysis of financial assets and liabilities by maturity based on expected maturities for 2020

<i>thousand UAH</i>	On requirement 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
Other financial assets	9 889					9 889
Total financial assets	663 517	131 668	770 227	254 734		1 820 146
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	(229 469)	35 749	645 396 (671 603)			(219 927)
Aggregate liquidity gap at the end of the day December 31, 2020	(229 469) (193 720)		451 676 (219 927) (219 927)			

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 is an existing or potential risk to income and capital that arises from a negative perception of a financial institution's image by customers, counterparties, founders or supervisors. 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, inappropriate

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, 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 31.12.2021, the Bank's regulatory capital amounted to 220,103 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 18.32% 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, 2021 and for 2020, 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 27.1. Structure of regulatory capital (excluding adjusting entries)

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Fixed assets	196 599	218 854
Actual paid-up registered authorized capital	300 039	300 039
General reserves and reserve funds established in accordance with the laws of Ukraine	11 541	9 445
Financial assistance from bank shareholders, for which the NBU has received permission to be included in the fixed capital	48 000	48 000
Reduction of fixed capital, including:	(162 981)	(138 630)
<i>intangible assets less depreciation</i>	(1 229)	(1 226)
<i>capital investment in intangible assets</i>	(160)	(142)
<i>losses from previous years</i>	(97 427)	(137 262)
<i>estimated loss for the current year (Rpr/s)</i>		
Additional capital		
Estimated profit for the current year (Ppr/p)	23 504	44 352
Total regulatory capital	220 103	263 206

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 security UAH 132 thousand. Under consideration in the court of first instance 910/9735/19
- 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
- The lawsuit to recover UAH 215,000 from the Bank is being considered by the court of appeal. 910/899/21
- The lawsuit to recover UAH 537,000 from the Bank is being considered in the court of first instance. 910/3397/21
- The lawsuit to recover from the bank a guarantee in the amount of UAH 140 thousand is being considered in the court of first instance. 910/7833/21
- The lawsuit to recover from the bank a guarantee in the amount of UAH 145,000 is being considered in the court of appeal. 910/7835/21
- The lawsuit to recover from the bank a guarantee in the amount of UAH 239 thousand is being considered in the court of first instance. 910/16220/21
- The lawsuit to recover from the Bank under the guarantee of 84 thousand UAH is being considered in the court of first instance. 910/21795/21
- The lawsuit to recover from the Bank under the guarantee of 323 thousand UAH is being considered in the court of first instance. 910/21793/21
- The lawsuit to recover from the Bank under the guarantee of 155 thousand UAH is being considered in the court of first instance. 910/21822/21
- The lawsuit to recover from the Bank under the guarantee of 1,258 thousand UAH is being considered in the court of first instance. 910/21878/21

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 28.1. Future minimum lease payments under a non-cancellable operating lease agreement of the lessee bank

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Up to 1 year	8 287	7 010
Total	8 287	7 010

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 28.2. Structure of lending commitments

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
Guarantees issued	1 972 840	555 290
Lending commitments provided	27 551	17 471
Unused credit lines	183 297	96 414
Reserve for issued guarantees	(2 035)	(839)
Total liabilities related to lending, minus reserve	2 181 653	668 336

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 28.3. Lending commitments by currency

<i>thousand UAH</i>	December 31, 2021	December 31, 2020
US dollar	31 614	68 583
Euro	68 498	2 995
Hryvnia	2 081 541	596 758
Total	2 181 653	668 336

Assets pledged as collateral and assets subject to restrictions on ownership, use As of December 31, 2021, 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 5,720 thousand;
- guarantee deposits for settlements with the international payment system Welsend in the amount of 20 thousand UAH;
- guarantee deposits for payments with the international payment system Apple Pay in the amount of 10 thousand UAH.

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, 2021		December 31, 2020	
	Fair value	Balance sheet cost	Fair value	Balance sheet cost
Financial assets				
Cash and cash equivalents:	773 312	773 312	496 191	496 191
<i>cash</i>	202 336	202 336	133 331	133 331
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	3 401	3 401	15 151	15 151
<i>correspondent accounts, deposits and overnight loans in banks</i>	92 471	92 471	34 666	34 666
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	475 104	475 104	313 043	313 043
Loans and customer debt:	306 916	306 916	333 920	333 920
<i>loans to legal entities</i>	304 427	304 427	277 688	277 688
<i>loans to individuals</i>	2 489	2 489	56 232	56 232
Other financial assets	27 570	27 570	9 889	9 889
Total financial assets accounted for under the AS	1 107 798	1 107 798	840 000	840 000
Financial obligations				
Bank funds	2 266 356	2 266 356	640 786	640 786
Client funds:	2 242 157	2 242 157	1 366 137	1 366 137
<i>legal entities</i>	1 648 664	1 648 664	943 487	943 487
<i>individuals</i>	593 493	593 493	422 650	422 650
Other financial obligations:	36 569	36 569	33 150	33 150
<i>Other payables from transactions with bank clients</i>	11 506	11 506	16 598	16 598
<i>Commission for providing guarantees</i>	23 863	23 863	13 524	13 524
<i>Bank customers' funds in inactive accounts</i>	1 200	1 200	3 028	3 028
Total financial liabilities accounted for under the AC	4 545 082	4 545 082	2 040 073	2 040 073

Table 29.2. Analysis of financial instruments by fair value measurement levels for 2021

thousand UAH	Fair value under different valuation models			Total fair	Total book value
	Level I	Level II	Level III		
	and the cost				
Financial assets					
Cash and cash equivalents:	773 312	-	-	773 312	773 312
<i>cash</i>	202 336	-	-	202 336	202 336
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	3 401	-	-	3 401	3 401
<i>correspondent accounts, deposits and overnight loans in banks</i>	92 471	-	-	92 471	92 471
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	475 104	-	-	475 104	475 104
Loans and customer debt:	-	-	306 916	306 916	306 916
<i>loans to legal entities</i>	-	-	304 427	304 427	304 427
<i>loans to individuals</i>	-	-	2 489	2 489	2 489
Other financial assets	-	-	27 570	27 570	27 570
Total financial assets accounted for under the AS	773 312		334 486	1 107 798	1 107 798
Financial obligations					
Bank funds	-	-	640 786	640 786	640 786
Client funds:	-	-	1 366 137	1 366 137	1 366 137
<i>legal entities</i>	-	-	932 131	932 131	932 131
<i>individuals</i>	-	-	422 650	422 650	422 650
Other financial obligations:	-	-	33 150	33 150	33 150
<i>Other payables from transactions with bank clients</i>	-	-	16 598	16 598	16 598
<i>Commission for providing guarantees</i>	-	-	13 524	13 524	13 524
<i>Bank customers' funds in inactive accounts</i>	-	-	3 028	3 028	3 028
Total financial liabilities accounted for under the AC			2 040 073	2 040 073	2 040 073

Table 29.3. Analysis of financial instruments by fair value measurement levels for 2020

thousand UAH	Fair value under different valuation models			Total fair	Total book value
	Level I	Level II	Level III		
				and the cost	
Financial assets					
Cash and cash equivalents:	496 191	-	-	496 191	496 191
<i>cash</i>	133 331	-	-	133 331	133 331
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	15 151	-	-	15 151	15 151
<i>correspondent accounts, deposits and overnight loans in banks</i>	34 666	-	-	34 666	34 666
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	313 043	-	-	313 043	313 043
Loans and customer debt:	-	-	333 920	333 920	333 920
<i>loans to legal entities</i>	-	-	277 688	277 688	277 688
<i>loans to individuals and entrepreneurs</i>	-	-	-	-	-
<i>loans to individuals</i>	-	-	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
<i>legal entities</i>	-	-	932 131	932 131	932 131
<i>individuals</i>	-	-	422 650	422 650	422 650
Other financial obligations:	-	-	33 150	33 150	33 150
<i>Other payables from transactions with bank clients</i>	-	-	16 598	16 598	16 598
<i>Commission for providing guarantees</i>	-	-	13 524	13 524	13 524
<i>Bank customers' funds are inactive accounts</i>	-	-	3 028	3 028	3 028
Total financial liabilities accounted for under the AC	-	-	2 040 073	2 040 073	2 040 073

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 sides.

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 30.1. Balances on transactions with related parties as of December 31, 2021

<i>thousand UAH</i>	The largest participants	Management staff	Other related sides
	(bank shareholders)		
Client funds	360	1 247	1 284
Loans and customer debt	-	48	-
Loan impairment allowance	-	(4)	-
Other obligations	-	1 310	-

Table 30.2. Income and expenses from related party transactions for 2021

<i>thousand UAH</i>	The largest participants	Management staff	Other related sides
	(bank shareholders)		
Interest income	1 325	18	-
Commission income	292	35	123
Foreign currency revaluation	(2)	1	(3)
Other operating income	8	9	36
Interest expenses	-	(61)	(575)
Impairment loss on financial assets	-	1	-
Employee benefits expenses	-	(9 678)	-
Other administrative and operating expenses	-	-	(4 503)

Table 30.3. Balances on transactions with related parties as of December 31, 2020

<i>thousand UAH</i>	The largest participants	Management staff	Other related sides
	(bank shareholders)		
Client funds	1 745	919	749
Loans and customer debt	-	72	-
Loan impairment allowance	-	(6)	-
Other obligations	-	2 129	-

Table 30.4. Income and expenses from related party transactions for 2020

thousand UAH

	The largest participants (bank shareholders)	Management staff	Other related sides
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 30.5. Payments to key management personnel

thousand UAH

	2021 year		2020 year	
	Costs	Accrued liability	Costs	Accrued liability
Current employee benefits	9 672	2 128	5 804	1 277
Severance payments	6	1	148	33

31. EVENTS AFTER THE BALANCE SHEET DATE

On February 24, 2022, the Russian president announced that he had ordered a "special military operation" in eastern Ukraine. Immediately after, dozens of cities across the country, including the Ukrainian capital, Kyiv, were hit by rocket attacks. Shortly after, the Ukrainian border guard service said that its border posts with Russia and Belarus had come under fire. Russian troops began an invasion of Ukraine from Russia, Belarus, Crimea, and eastern Ukraine.

The President of Ukraine, by his Decree No. 64/2022 dated February 24, 2022, introduced martial law in Ukraine, which was approved by the Verkhovna Rada of Ukraine on the same day. In accordance with the Decree of the President of Ukraine dated February 24, 2022, No. 69/2022, a general mobilization of conscripts and reservists was announced in Ukraine.

The war in Ukraine has resulted in tragic loss of life and suffering. While the future is uncertain, the economic consequences are already severe: the number of refugees exceeds 7 million, almost 10 million people are internally displaced in Ukraine, and there is extensive destruction of key infrastructure in Ukraine. The damage inflicted on Ukraine's infrastructure by the Russian army is estimated at at least \$200 billion, with total losses exceeding \$500 billion. As a result of the military operations, half of Ukrainian enterprises and businesses have temporarily or completely ceased operations.

The nine most affected regions account for 30% of the national GDP. According to various forecasts, the GDP drop in 2022 will be from -10% to -35-40% (provided that the occupied territories do not increase and the active phase lasts for several months). These figures correspond to a decrease in electricity consumption of about 35%. The sources of at least 70% of Ukraine's GDP remain more or less untouched.

The general budget fund deficit for the first quarter of 2022 is UAH 67.5 billion (about \$ 2.3 billion). But it is likely to quickly worsen even compared to the March level. About 30% of general budget revenues, or UAH 32.5 billion, came from dividend payments by state-owned enterprises (excluding UAH 19 billion in revenues from the NBU at the end of February), this source has been exhausted. The remaining 70% of revenues are likely to will decrease.

Ukrainian agriculture is a direct victim of Russian aggression, as fighting often takes place in Ukrainian fields and farms. About 13% of Ukraine's territory is mined by the Russians. There is a risk of a protracted war in Kharkiv, Luhansk, Donetsk, Zaporizhia and Kherson regions – their share of wheat production is 23%, corn – 3%, barley – 21%, sunflower seeds – 20%.

Industrial asset losses total \$7 billion (about a hundred industrial enterprises were reported to have been damaged or destroyed). The metallurgical industry lost at least 30% of its assets. Among the largest losses were Azovstal and Ilyich MMK, the second and third largest steel plants in Ukraine, respectively.

The National Bank of Ukraine has postponed the decision to change the discount rate. In the context of large-scale armed aggression and the forced introduction of administrative restrictions, market monetary instruments, including the discount rate, do not significantly affect the functioning of the monetary and foreign exchange markets. The National Bank of Ukraine remains committed to the inflation targeting regime.

The foreign exchange market is currently operating under significant restrictions that were introduced during martial law. Authorized institutions are actually prohibited from trading in foreign exchange, except in a number of cases. Most transactions on the interbank market take place with the participation of the National Bank of Ukraine - both for the purchase and sale of currency. Since the beginning of the war, the hryvnia exchange rate has been fixed at the level of February 24, 2022. What the exchange rate will be after the end of the war will depend on many parameters, so it is impossible to predict the exchange rate now. It is expected that after the situation normalizes, the full operation of the foreign exchange market will be restored as soon as possible, and the currency restrictions introduced during the war will be lifted. As soon as market monetary instruments become operational, the NBU will be able to return to smoothing exchange rate fluctuations and stabilizing the market situation in the event of imbalances. For this, the NBU has a sufficient stock of international reserves - almost 30 billion US dollars.

As part of the support from the international community, Ukraine received financial assistance from other countries (USA, EU, Canada, UK, etc.) and financial organizations (World Bank, IMF, etc.) in the amount of 11 billion USD. This ensured financial stability in the short term.

The impact of the war on the banking sector is manifested through such components as:

- disruptions in the work of bank branches and ATMs, significant damage or destruction of banking infrastructure in areas of military operations;
- decrease in liquidity due to the outflow of client funds, which is partially offset by support from the NBU through refinancing instruments;
- reduction of the loan portfolio due to the actual cessation of new lending by banks (except for lending by state-owned banks to sectors of the economy and enterprises that are critically important in the conditions of martial law);

- a sharp (at least 50%) decrease in banks' operating income due to reduced demand for services from clients, introduced "credit holidays", restrictions on foreign exchange transactions, etc., which may result in banks' operating losses in the medium term;
- inability of some borrowers to service loans, deterioration of payment discipline due to the cessation of operations of enterprises, loss of sources of income for individuals, forced change of residence of millions of Ukrainian citizens;
- reduction in the value of banks' capital due to lack of income, material losses and depreciation of the loan portfolio.

The unpredictability of scenarios for further military operations makes it impossible to accurately assess what proportion of clients will be able to return to normal loan servicing and in what time frame. However, even under the optimistic scenario, the losses for banks will be significant.

Under these conditions, the NBU simplified the requirements for the current operation of banks and refused to introduce new regulatory requirements. The annual assessment of bank stability has been canceled, the regulatory capital requirements for banks related to market risk have been postponed, and capital buffers will not be activated.

Bank assets

Investments in securities

68% of the Bank's assets consist of investments in securities, namely government bonds. Accordingly, no significant decrease in the carrying value of these assets is expected under any scenario.

Cash

The Bank's assets consist of 16% cash. The Bank's correspondent accounts are opened only in Ukrainian banks, the majority of the balances are in accounts with the NBU and state-owned banks. Accordingly, no significant decrease in the carrying value of these assets is expected under any scenario.

Loan portfolio

97% of the Bank's loan portfolio is represented by loans to legal entities. Half of the loan portfolio is secured by real estate and cash.

As of 05/01/2022, the bank's clients, legal entities, who have credit obligations to the Bank, were not affected by military operations, the property that is collateral for loans was not damaged, the clients only suspended their economic activities, some have already begun to resume their activities. There are no loans to clients who conduct their activities in the territory of military operations (Kharkiv, Kherson, Mykolaiv, Donetsk, Luhansk regions). Accordingly, the Bank does not predict that legal entity clients will not be able to service their credit debt, the Bank considers the situation that in the conditions of suspension of economic activity, the financial condition of debtors will deteriorate, and accordingly, the credit risk for such debtors will increase.

In a low-risk scenario, the Bank may provide credit holidays to borrowers, which will temporarily reduce interest income.

Under the medium-risk scenario, the borrower class will decrease by 2 classes in the middle, which will lead to an increase in credit risk by UAH 5-10 million.

Under the high-risk scenario, the borrower class will decrease by 3 classes in the middle, which will lead to an increase in credit risk by UAH 10-30 million.

Investment property

The main part of the investment property is represented by land plots in the Kyiv region. The Bank assesses the investment potential of these assets as very high.

Currently, the Bank has only one facility located in the combat zone, the integral property complex of the "Karavan" recreation center with an estimated value of UAH 5,293 thousand. Currently, the facility has not suffered any damage from combat operations.

Under the low-risk scenario, the Bank is not expected to lose investment property.

Under the medium-risk scenario, the destruction of the facility located in the temporarily occupied territory and its depreciation to the level of the land value are expected.

Under the high-risk scenario, the loss of an object located in temporarily occupied territory is expected.

Other assets

The Bank does not expect significant losses on other assets.

Marginality

During the first quarter of 2022, the Bank maintained normal margin:

	31.03.2022	31.12.2021
Margin in UAH, %	3,1	2,7
Margin in US dollars, %	3,8	4,1

The main factor of margin for the Bank is the difference in interest income on government bonds and interest expenses on NBU loans. The bulk of government bonds are short-term, but still have significant inertia of interest rate changes. NBU loans make up 50% of the Bank's liabilities, are mainly long-term and their value directly depends on the discount rate (refinancing rate) of the NBU. Thus, the discount rate is critically important for the Bank's activities.

As of December 31, 2021, the discount rate was 9%.

Under the low-risk scenario, the discount rate will increase by 3%, which will maintain the profitability of the Bank's operations and will not require additional actions from management.

Under the medium-risk scenario, the discount rate will increase by 6%, leading to a marginal increase in interest expenses, the need to limit other expenses, and will require partial repayment of liabilities to the NBU through the repayment of government bonds.

In the high-risk scenario, the discount rate will increase by more than 6%. Such an increase is stressful for the banking system as a whole, as well as for the government bond market. The Bank's activities will become unprofitable until the financial assets are replaced with more profitable ones or until securities transactions are closed. In this situation, the consequences will depend not so much on the actions of the Bank's management as on the position of the NBU and the Ministry of Finance on the issues of refinancing the banking system and financing the state debt of Ukraine.

Capital

The Bank complies with the capital ratio and all other mandatory standards. As of 31.12.2021, equity amounted to UAH 242 million, and regulatory capital was UAH 220 million, which allows the Bank to comply with the capital ratio under low- and medium-risk scenarios. A high-risk scenario will lead to a violation of the capital ratio and will require the support of the Bank from shareholders.

Liquidity

More than 80% of the Bank's assets are represented by absolutely liquid financial assets - cash and government bonds. At the same time, the Bank has a significant positive short-term liquidity gap. These facts indicate a low liquidity risk and, accordingly, a low probability of the Bank losing its solvency.

Business continuity

The Bank currently has the consent of the final beneficiary for financial support to ensure the maintenance of liquidity and capital adequacy to cover both the Bank's existing liabilities as of 31.12.2021 and new liabilities to ensure the continuity of the Bank's operations for at least twelve months from the date of approval of the financial statements.

In view of the above, the Bank's management conducts daily operational monitoring of its activities and ensures a rapid response to current events and changes in the situation. Also, assessing possible scenarios, the Bank's management assesses possible losses as acceptable from the point of view of the available capital and the need to maintain it at a sufficient level and such that they will not affect the Bank's ability to continue its activities on a going concern basis.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of JSC "RWS BANK"

Financial Statement Audit Report

Opinion

We have audited the financial statements of RWS BANK JSC (hereinafter referred to as the Bank), which comprise the Statement of Financial Position as of December 31, 2021, the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for thought

We conducted our audit in accordance with International Standards on Auditing (ISAs).

Our responsibilities under those standards are set out in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including the International Standards on Independence) of the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable in Ukraine to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty regarding going concern

We draw attention to Note 31 in the financial statements, which discloses that on February 24, 2022, Russian troops began their invasion of Ukraine from Russia, Belarus, Crimea, and eastern Ukraine. While the future prospects are completely uncertain, the economic consequences are already very serious: the number of refugees exceeds 7 million, in addition, there is large-scale destruction of key infrastructure in Ukraine. The damage that the Russian army has caused to Ukraine's infrastructure amounts to at least 200 billion.

USD, and total losses exceeded USD 500 billion. As a result of military operations, half of Ukrainian enterprises and business entities temporarily or completely ceased their activities. As noted in Note 31, these events or conditions, together with the other matters set out in Note 31, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion on this matter has not been modified.

During our audit of the financial statements, we concluded that management's use of the going concern basis of accounting is appropriate. Our assessment of management's assumption regarding the Bank's ability to continue to apply the going concern basis of accounting included:

- assessment of the negative consequences of continued military aggression for the banking sector of Ukraine;
- analysis of scenarios for the development of the situation identified by the Bank's management staff and possible responses by the leadership of Ukraine, the international community, and the Bank's management staff;
- analysis of possible changes in the basic indicators of the Bank's activities in terms of asset depreciation, decline in volumes and margins of banking operations;
- analysis of the adequacy of regulatory capital and liquidity, ways to maintain them at a sufficient level.

We found that forecasts regarding the development of the situation and the corresponding negative consequences are very difficult to build due to the unpredictability of the actions of the Russian leadership. At the same time, the assumptions of the management staff regarding the most likely scenarios are relevant.

Our responsibilities and those of management regarding going concern are described in the relevant sections of this report.

Key audit issues

Key audit matters are those matters that, in our professional judgment, were of significance in our audit of the financial statements of the current period. These matters were considered in the context of our audit of the financial statements as a whole and were taken into account in forming our opinion thereon, but we do not express a separate opinion on these matters.

In addition to the matter described in the "Material Uncertainty Regarding Going Concern" section, we have determined that the matters described below are key audit matters that should be addressed in our report.

Key audit issue	How our audit addressed the key audit matter
<p><i>Allowance for impairment of loans to customers (Note 7)</i></p> <p>The assessment of the amount of the allowance for impairment of loans to customers is a key area of professional judgment of the Bank's management. The identification of impairment and the determination of the amount of expected recovery involve certain assumptions and analysis of various factors, including the financial condition of the borrower, expected future cash flows and the fair value of the collateral.</p> <p>The use of different assumptions may result in different estimates of the allowance for impairment of loans to customers. Given the materiality of the balances of loans to customers, and a certain level of subjectivity in judgments, we identified the assessment of the allowance for impairment as a key audit matter.</p>	<p>Our audit procedures regarding the key assumptions used in management's assessment of the amount of the allowance for impairment of loans to customers included:</p> <ul style="list-style-type: none"> Assessment of the methodology used by the Bank to identify signs of impairment and, when calculating the allowance for impairment, testing of input data and analysis of assumptions. For impairment allowances for loans with identified individual impairment indicators, we reviewed the assumptions underlying the impairment identification and quantification, including analysis of borrowers' financial performance, projections of future cash flows, and collateral valuations. For collectively calculated loan impairment provisions for which no individual impairment indicators were identified, we analyzed the Bank's models and verified the appropriateness and accuracy of the inputs used in these models. <p>We found that the key assumptions used by management in estimating the amount of the allowance for impairment of loans to customers are supported by the available evidence.</p> <p>Our procedures regarding key assumptions used in management's valuation of investment properties included:</p>
<p><i>Investment property valuation (Note 9)</i></p> <p>The Bank's investment property portfolio includes commercial and residential real estate, as well as land.</p> <p>Management engaged independent appraisers to estimate the fair value of investment properties.</p>	<ul style="list-style-type: none"> The valuation of investment property depends on certain key assumptions that require

Assessment of the competence, capabilities and
objectivity of independent appraisers.



INDEPENDENT AUDITOR'S REPORT

JSC "RVS BANK"

Receiving appraisal reports and meeting with
independent appraisers for
discussion of the evaluation methodology.

Checking the accuracy of input data on a sample basis
used

significant management judgment. For investment properties, the key assumptions were capitalization rates and prevailing market rents. The valuation uncertainty and management judgment led us to consider this a key audit matter.

by independent appraisers, including rental income, operating expenses, and cumulative depreciation.

- Comparison of key assumptions used by independent valuers with our own expectations using data from comparable market transactions and

historical records by comparing the capitalization rate, the prevailing market rent with similar properties, estimated costs and profits.

We found that the key assumptions that used in the management's assessment of investment property, supported by available evidence.

Other information

Management is responsible for the other information. The other information received as of the date of this auditor's report is the Management Report (Management Report). The other information we expect to receive after the date of this auditor's report is the Annual Information of the Issuer of Securities.

Our opinion on the financial statements does not extend to the other information and we do not express any assurance conclusion on this other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated or non-compliant with the law.

If, based on the work we have performed on other information obtained up to the date of our auditor's report, we conclude that there is a material misstatement or non-compliance with the law of that other information, we are required to report that fact. We have not identified any such facts that require inclusion in the report.

When we review the Annual Information of a securities issuer, if we conclude that it contains a material misstatement, we will be required to communicate the matter to those charged with governance and the NSSMC.

Responsibility of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibility for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error; they are considered material when, individually or in the aggregate, they

aggregate, as reasonably expected, they could influence the economic decisions of users taken on the basis of these financial statements.

In conducting an audit in accordance with ISAs, we exercise professional judgment and professional skepticism throughout the audit engagement. In addition, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to operate as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the list of all matters communicated to the Supervisory Board, we have determined those that were of most significance in the audit of the financial statements of the current period, i.e. those that are key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits public disclosure of the matter or unless, in extremely exceptional circumstances, we determine that the matter should not be disclosed in our report because the adverse consequences of such disclosure would reasonably be expected to outweigh the public interest benefits.

Report on the requirements of other legislative and regulatory acts

Law of Ukraine "On Audit of Financial Statements and Auditing Activities"

According to the Law of Ukraine "On Audit of Financial Statements and Auditing Activities", auditors must provide additional information and assurance.

Basic information about the audit firm

Full name

LLC AUDIT COMPANY "CROU UKRAINE"

Location

04210, Kyiv, Obolonska Naberezhna 33

Information on inclusion in the Register of
Audit Firms and Auditors

Registration number in the Register of
Auditors and Auditing Entities 3681

An audit entity that has the right to conduct a statutory audit of
financial statements

An audit entity that has the right to conduct a statutory
audit of the financial statements of public interest
entities

Name of the body that appointed the audit entity to
conduct the statutory audit

Supervisory Board of the Bank

Date of appointment of the audit entity

10/20/2021 (Minutes of the Supervisory Board
meeting No. 20102021/1)

Duration of audit engagement 3 years

The audit report is agreed with the additional report for the audit committee.

We did not provide services prohibited by law.

The key audit partner and the audit entity are independent of the Bank when conducting the audit.

We did not provide any services other than statutory audit services and services disclosed in the management
report or financial statements.

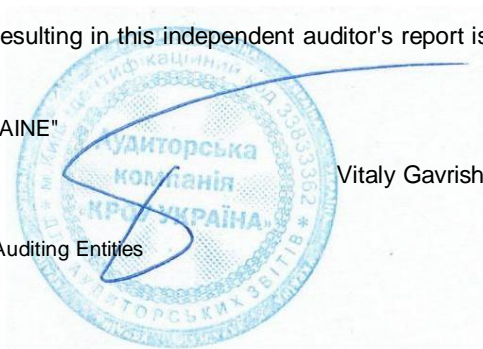
ISAs require that the auditor plan and perform the audit to obtain reasonable assurance that the financial
statements are free from material misstatement. The term "reasonable assurance" acknowledges some risk that
material misstatements of a monetary nature may not be detected; it also acknowledges that the auditor
cannot provide absolute assurance that the financial statements are accurate and complete. An audit involves
a test of the financial statements to verify the amounts and disclosures in the financial statements. ISAs require that the
audit be planned to provide reasonable assurance that errors and misstatements that could materially affect
the financial statements are detected. However, because the auditor will not examine all of the entity's transactions
during the year, an audit cannot provide absolute assurance that errors and misstatements, including fraud, will be
detected.

The partner on the audit engagement resulting in this independent auditor's report is Vitaliy Gavrish.

For and on behalf of LLC AK "KROU UKRAINE"

Partner /
Audit Director

No. 100594 in the Register of Auditors and Auditing Entities



Vitaliy Gavrish

Kyiv, Ukraine

May 20, 2022