



RwSbank
Respect with Stability

JOINT STOCK COMPANY "RWS BANK"

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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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:

- Stetsyuk Oleksandr Volodymyrovych, who owns a significant stake in the capital of the Bank, which owns 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

2022 is the year of a full-scale Russian war against Ukraine. This factor has completely absorbed the consequences of the occupation of Crimea and parts of Donetsk and Luhansk regions, as well as COVID-19.

Ukraine's direct losses from the war are estimated at 200 billion USD, and the total at almost 1 trillion USD.

War on the territory of a state usually means economic collapse. But until recently, Ukraine proved that it could survive economically and financially. The banking system survived, the government continued to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment.

Total international budget assistance to Ukraine in 2022 amounted to USD 28 billion. The main donor countries are: USA, EU, Canada, Great Britain. Their contribution is a third of the expenditures of the Ukrainian consolidated budget-2022. At the same time, the total need for financing exceeded 45 billion USD, and the lack of funds from international partners was covered by monetary financing from the NBU and domestic borrowing.

GDP dynamics

In 2022, Ukraine's GDP shrank by about a third, the largest economic decline in Ukraine's history. For comparison, the 2009 financial crisis led to a 15% decline, the outbreak of war with Russia led to a 6.6% decline in 2014 and a 9.8% decline in 2015. A further 5% decline is expected in 2023.

Metallurgy. During the first months of the full-scale invasion, the ferrous metallurgy industry lost about a third of its assets. Azovstal and Ilyich Iron and Steel Works, the second and third largest steel plants in Ukraine, were destroyed, and the Avdiivka Coke Plant was damaged and shut down. In the fall, the largest steel plant, ArcelorMittal Kryvyi Rih, was also partially damaged. Other plants initially stopped, and then periodically resumed production. In addition to the destruction itself, the blockade of sea trade ports, through which the vast majority of metal exports passed, was a huge problem.

All this led to a sharp drop in the industry's performance - the output of metallurgical products decreased by 70%. In the Worldsteel ranking of global steel producers, Ukraine fell from 14th place in 2021 to 22nd in 2022.

Energy and fuel. The first few months of the full-scale invasion, a fuel crisis raged in Ukraine. The aggressors destroyed the Kremenchuk Oil Refinery (the largest operating refinery) and a number of oil depots. Oil product supplies from Russia and Belarus, which were the main suppliers, also stopped. So Ukraine had to essentially establish fuel logistics from scratch. It was only in July that the shortage and long queues were eliminated, but literally at a high price. Since the beginning of the year, fuel prices have risen by 65%.

Later, an attack began on another segment of the energy sector – the production, transmission and distribution of electricity. In addition to the occupation of the Zaporizhzhia NPP, the largest in Europe, in October the aggressor began to strike at generation and distribution facilities. Two months after the start of such attacks, there was not a single hydroelectric and thermal power plant left in Ukraine that had not come under fire. At least half of the high-voltage elements were damaged. As a result, Ukraine faced a shortage of electricity. The national transmission operator Ukrenergo was forced to limit consumption. The entire country lived according to the schedules of disconnections, which, moreover, are not always adhered to. After each subsequent strike, the situation worsened, and after the missile strikes on November 23, there was a short but complete blackout.

However, gradually the critical energy infrastructure was restored, and generation reached a level that meets the basic needs of consumers (taking into account the 2-fold drop in industrial production). European countries have come up with a program to support Ukraine's energy sector by providing equipment and reserve energy capacity. Thus, stability in the energy market is expected in the near future.

Agriculture. Due to the loss and mining of territories, logistical problems and unclear export prospects, Ukraine has suffered significant losses in agriculture. Currently, 55% of the pre-war area is being cultivated. In addition, Russia has stolen almost 40 million tons of grain products that were in temporarily occupied territories.

In July, under pressure from international partners, Russia agreed to the Grain Initiative, which opened the Odessa ports for agricultural exports. In addition, traders and logisticians managed to establish supplies via land channels. In total, since the beginning of the 2022/23 marketing year, Ukraine has exported 20 million tons of grain crops. Of these, exports through seaports (as part of the Grain Initiative) amounted to 14 million tons. This factor added predictability to export opportunities.

External sector. The current account surplus in 2022 was USD 8.6 billion (5.8% of GDP³) compared to a deficit of USD 3.9 billion (1.9% of GDP) in 2021. The surplus was formed mainly due to the receipt of grants from international partners and a reduction in payments on investment income. At the same time, the negative balance of trade in goods and services expanded significantly, including due to significant spending by Ukrainian citizens abroad. Excluding reinvested income and grants from international partners, the deficit was USD 5.3 billion (in 2021, the surplus was USD 1.0 billion).

Exports of goods and services decreased by 29.9% mainly due to a reduction in exports of ferrous and non-ferrous metals by 62.6% and food products by 15.5% (increased by 34.3% in 2021), while their imports decreased by only 3.9% (increased by 33.4% in 2021).

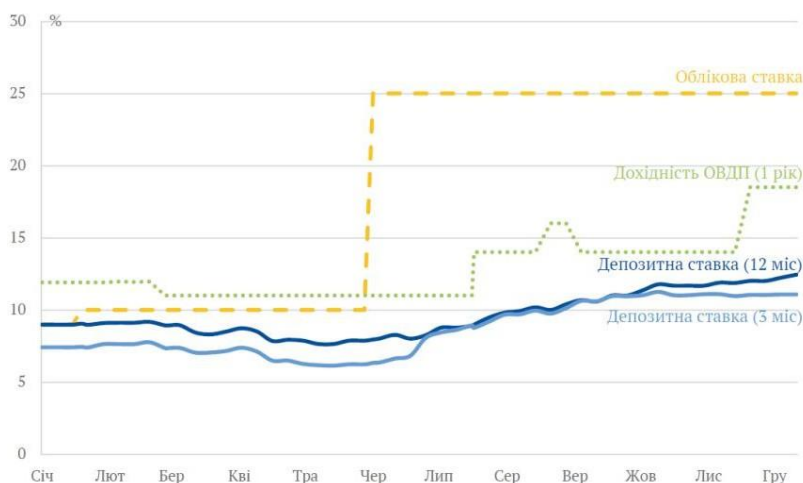
Monetary and financial sectors

Annual inflation in 2022 was about 30%. For a country at war, this level of inflation is quite moderate.

Gold and foreign exchange reserves remain stable at USD 28 billion. The key factor was the receipt of international assistance from the EU and the United States.

The National Bank has been pursuing a fixed exchange rate policy since the beginning of the full-scale war. The rate was fixed on February 24 at 29.25 UAH/USD; together with a number of administrative restrictions, this decision avoided panic and a collapse of the exchange rate. Over time, a discrepancy between the official and market exchange rates began to appear, and the NBU adjusted the rate, increasing it to 36.57 UAH/USD.

The NBU maintains the discount rate at 25%, and the Ministry of Finance has increased the yield on one-year hryvnia military bonds to 18.5%. Accordingly, average deposit rates have slowly crept up and almost reached the level of 12%.



Since the start of the full-scale war, the banking system has generally shown its resilience. The vast majority of banks are operational: only 2 banks have left the market and 2 more Russian banks have been closed by the NBU.

Lending remains depressed, partly due to high rates of state borrowing. For some time, corporate lending has been growing, exclusively through loans from state-owned banks, also helped by the 5-7-9 program.

Banks, in fact, act purely as payment intermediaries - lending is very limited, excess liquidity is held in NBU certificates of deposit, and the rest of the operations are almost inactive.

Fiscal sector

VAT usually provided half of all tax revenues. In the first months of the war, tax revenues from this largest source, VAT, were halved, with the budget losing about \$1 billion a month. Initially, the decline in economic activity was caused by the shock of the war, which affected consumption and logistics. Later, other factors came into play: a decrease in the number of consumers and workers due to departure from Ukraine and conscription into the armed forces, a temporary exemption of imports from VAT and customs duties, a significant expansion of the simplified taxation system, and a spring fuel shortage.

This decline was partially offset by large one-off revenues in February-March, such as profit distribution of state-owned enterprises (UAH 35.2 billion), corporate income tax, including advances (UAH 34.9 billion), NBU profit (UAH 18.8 billion), etc.

Immediately at the beginning of the war, Ukraine was faced with the need to finance rapidly increasing expenditures – primarily military.

Foreign financial (primarily budgetary) assistance has become extremely important in order to prevent the worst of the worst scenarios of the economic situation. The first foreign grants and loans began to arrive just a few days after the start of the full-scale invasion. Over time, foreign funding has become an extremely important source of budget financing: in 2022 its volume amounted to 28 billion dollars - this is 60% of all additional funding received by the Ukrainian budget.

Migration and the labor market

Russia's full-scale invasion of Ukraine has created a humanitarian crisis the likes of which Europe has not seen since the 1940s. According to conservative estimates, up to half of Ukraine's pre-war population, or at least 20 million people, are directly involved in the active migration processes caused by Russian aggression.

Approximately 8 million Ukrainians have found safe haven in European countries, of which 5 million have received temporary protection in one of the host countries. Half of all Ukrainian refugees have settled in Poland and Germany. Ukrainians displaced abroad are mainly women and children under 18 years of age. Ukrainian refugees are ready to work and invest in the economies of host countries (430 thousand and 160 thousand Ukrainian refugees have already found jobs in Poland and Germany, respectively). A significant part (up to 20%) continues to work remotely in Ukraine.

Up to 6.5 million Ukrainians are internally displaced persons (IDPs), a figure that has remained almost unchanged since March 2022. About 3.5 million Ukrainians have received official IDP status, which allows them to receive social assistance from the state and international organizations. People are moving from the most dangerous regions of the east and south, where fighting continues, to the calmer central and western regions; half a million residents of the country have found a new home in the capital. However, with the beginning of massive Russian shelling of civilian energy infrastructure, even regions remote from the borders with the aggressor country do not provide security assurance. Despite this, more than 70% of IDPs plan to return home. The situation with work and income among IDPs is improving slightly, but remains worse than the average in Ukraine. If in the summer of 2022 up to 40% of IDPs of working age were not working, then the current estimate is 31%.

The situation on the Ukrainian labor market remains tense. The Ministry of Economy estimates the actual number of unemployed in Ukraine at 2.6 million people (projected to increase to 2.8 million people in 2023). The National Bank of Ukraine estimates the unemployment rate at 30% and forecasts its partial decrease next year, with the preservation of imbalances in the labor market.

The war is causing a reduction in the incomes of Ukrainians, both nominal and real. In the context of reduced financial stability of enterprises, employers are opening vacancies with lower salaries, reducing or not increasing salaries for existing employees. 77% of Ukrainians note that their income has decreased compared to January 2022. Nominal wages in Ukraine have decreased by 5% compared to January 2022, which, given the current high inflation, means a significant reduction in wages in real terms - 21%.

In the fourth quarter of 2022, the Ukrainian economy and financial system continue to operate in difficult conditions of Russian military aggression against Ukraine. Full-scale military operations continue in the southern and eastern parts of Ukraine, and some territories are under temporary occupation. The threat of missile strikes persists throughout Ukraine, which does not allow for the complete restoration of the destroyed infrastructure and the full restoration of economic activity of enterprises. The decrease in the effectiveness of market instruments and high uncertainty in conditions of full-scale hostilities made it impossible to implement monetary policy in the traditional format of inflation targeting. In order to preserve

macroeconomic stability in Ukraine, curbing panic and preventing the inflationary spiral, the NBU continues to adhere to a fixed exchange rate of the hryvnia to the US dollar, and the introduced administrative restrictions on currency transactions and capital movements are gradually being eased. In June 2022, the NBU returned to an active interest rate policy, significantly increasing the discount rate, which has been stable during the fourth quarter of 2022. The NBU also gradually reduced the volume of budget monetization and ceased emission financing from the beginning of 2023.

Consumer inflation in Ukraine accelerated compared to the third quarter of 2022, but at the same time, during the last three months of 2022, the annual inflation rate remained almost unchanged (in December, the rate was 26.6% y/y, in November 26.5 y/y, in October 26.6 y/y). The stabilization of inflationary pressure was facilitated by the deoccupation of territories, the expansion of food supply, and weaker consumer demand in the conditions of

Russia's energy terror. Inflation was also restrained by fixed tariffs for housing and communal services, a fixed hryvnia exchange rate, and the establishment of logistics. The NBU's measures, in particular the introduction of deposit instruments to hedge currency risk, as well as a limited amount of budget monetization, contributed to the stabilization of the situation in the cash foreign exchange market at the end of 2022. At the same time, price pressure remains significant due to the consequences of the war, including the destruction of enterprises and infrastructure, disruption of production and supply chains. In addition, business costs continued to increase as a result of Russia's energy terror. Inflation expectations, despite stabilization, remained elevated.

External environment.

The global economic downturn deepened in the fourth quarter, driven by a decline in output in both manufacturing and services. Activity fell across almost all sectors, marking the worst quarter since the global financial crisis, with the exception of the initial period of the pandemic. Geopolitical uncertainty, particularly following Russia's invasion of Ukraine, and tightening global financial conditions were key drivers. Business confidence remains low, with new orders falling further, further dampening global trade. The cooling in business sentiment and the decline in global demand in the fourth quarter of 2022 and early 2023 was reflected in the WTO's trade in goods barometer falling below trend. The services barometer also showed similar trends. Export restrictions, particularly on food, feed and fertilisers, are also having a negative impact on global trade. The number of such restrictions has increased since mid-October. After growing by 3.5% in 2022, driven by strong activity at the beginning of the year and some trade recovery following the opening of the grain corridor and China's change to a zero-tolerance policy on COVID-19, global merchandise trade is expected to grow by just 1% in 2023. This will be driven by a global recession in the first half of the year, the aftermath of the war in Ukraine, still relatively high energy prices and consumer inflation, and tightening monetary policy by leading central banks.

The weakening demand has allowed supply chains to recover somewhat, despite a slight deterioration in China's logistics due to the increase in cases at the end of the year. Accordingly, delivery times have also been shortened. On the other hand, this has led to a noticeable slowdown in job growth as the need to process the unprecedented backlog of work after the pandemic has ended.

A significant contraction in demand was a significant reason for the rapid weakening of economic activity in both advanced economies and most EM countries in the fourth quarter of 2022. The US economy slowed down, with growth rates well below the long-term trend. This was due to the winding down of pandemic support programs, the global impact of Russia's war against Ukraine, and tightening financial conditions, which most affected the housing market. Leading indicators pointed to a decline in production and new orders in late 2022, which led to a slowdown in job growth. Demand for goods and services fell at the fastest pace since the global financial crisis, which, combined with rising aggregate supply, leveled the balance in the economy. This also led to a sharp slowdown in input-cost inflation.

The decline in Eurozone economic activity, according to leading indicators, continued at the end of 2022, despite some improvement in logistics and easing price pressures. Overall business sentiment remains weak, with demand further constrained by falling real incomes and rising interest rates. Weak demand and energy risks remain significant factors in the Eurozone economic slowdown. As the negative factors dissipate and investment programs and structural changes under the new EU reform package are implemented, especially in the energy sector, economic activity will gradually recover.

Global oil and natural gas prices in Europe varied in different directions in the fourth quarter of 2022. Due to the slowdown in the global economy, demand for oil was increasingly declining, which put pressure on its price. Only the limitation of production volumes by OPEC+ countries kept prices from falling even deeper.

Natural gas prices have been quite volatile. On the one hand, Russian blackmail has led to their growth, while active LNG imports and almost full gas storage facilities in relatively warm weather have led to their decline. It is expected that the gradual reduction of European countries' dependence on Russian gas, a significant reduction in its consumption and the introduction of a maximum price level will contribute to the reduction of gas prices. World prices for steel and iron ore have decreased due to weak demand in most regions of the world and significant accumulated reserves.

Wheat and corn markets were under downward pressure, in particular due to the grain corridor. Weather conditions affected harvests in various countries: a weak corn harvest in the United States was offset by record results in Brazil, while a high wheat harvest in Australia offset a low harvest in Argentina. Sowing areas are expected to increase in Latin America.

America, India and Australia, amid improving weather conditions, which will contribute to increased yields. Together with the continued operation of the "grain corridor", this will create excess supply despite increasing demand, which will lead to a decrease in prices over the forecast horizon.

Ukraine's economy is operating under difficult war conditions.

As a result of Russia's energy terror, the decline in Ukraine's GDP in the fourth quarter of 2022 deepened (up to 35% year-on-year). Enterprises in the trade and service sectors adapted to power outages quite quickly. The impact on the agricultural sector was also limited. Instead, industry, in particular metallurgy, suffered significant output losses. At the same time, thanks to better results in the third quarter and the rapid adaptation of some businesses and the population to new conditions, the estimate of the fall in real GDP in 2022 has been improved to 30.3%.

In recent months, exports of Ukrainian goods have remained stable, despite massive missile attacks and Russian interference in the "grain corridor". In contrast, imports have increased significantly compared to previous periods due to the need to purchase alternative energy sources and fuel as a result of energy terror. This has led to an increase in the negative trade balance. The trade deficit has been offset by the receipt of official financing, including grants, and stable remittances from migrant workers. As a result, the current account balance at the end of 2022 is in surplus.

International support and cooperation with the IMF make it possible to finance a significant budget deficit and maintain international reserves at a sufficient level. In 2022, Ukraine received more than 32 billion USD of international assistance, of which more than 14 billion USD were grants. This made it possible to finance most of the consolidated budget deficit (more than 27% of GDP excluding grants), and also increase international reserves to 28.5 billion USD by the end of the year. The current level of reserves is sufficient to ensure the stability of the foreign exchange market. Given the already announced volumes of international assistance and progress in negotiations with the IMF, the total amount of official financing in 2023 may exceed 38 billion USD. This will make it possible to avoid emission financing of the budget deficit in 2023 and maintain international reserves at a sufficient level, even in conditions of prolonged high security risks. It is expected that by the end of 2023, international reserves will amount to about 27 billion USD.

USD will continue to grow.

Banking sector.

In the fourth quarter of 2022, the banking sector continued to operate stably, despite Russia's attacks on energy infrastructure. Banks resumed their networks in the liberated regions, although the total number of branches in the country decreased. Financial institutions maintained the trust of depositors, and the inflow of client funds continued, which mainly remained in current accounts. At the same time, term deposits also grew: more slowly in hryvnia and faster in foreign currency. The volume of net assets of the sector continued to increase. Demand for loans remained weak, losses from credit risk increased, so the net loan portfolio decreased. The increase in assets was primarily due to the growth in investments in NBU certificates of deposit and funds in other banks. The share of non-performing loans continued to increase. Despite significant deductions to reserves, the sector was able to make a profit for the quarter and for the year. This was facilitated by a further increase in interest and commission income. Credit risk remains key, while other risks have increased. The NBU will conduct a sector resilience assessment this year to assess portfolio quality and capital levels.

The number of operating banks in Ukraine – 67 – did not change in the fourth quarter. However, on February 7, 2023, the NBU classified Forward Bank, which accounted for 0.1% of the sector's net assets, as insolvent due to the financial institution's failure to bring its activities into compliance with the requirements of the law. So, over the year, the number of banks decreased by four small institutions, including two with Russian state capital – in February 2022.

The volume of net assets of solvent banks increased by 8.6% in the fourth quarter, and by 17.9% in 2022 (by 8.6% at the exchange rate fixed at the beginning of the year). The volumes of NBU certificates of deposit and funds in accounts with other banks increased mainly. At the same time, investments in government bonds decreased slightly during the year. The increase in demand for government securities occurred at the beginning of 2023. The net loan portfolio decreased primarily due to additional provisioning. The volumes of net loans to business entities decreased in the fourth quarter: hryvnia loans - by 6.7%, foreign currency loans - by 5.2% in dollar equivalent. The decrease in the net corporate hryvnia loan portfolio occurred in all groups of banks. At the same time, in 2022, net hryvnia loans to business entities in solvent banks increased by 0.5%, and in foreign currency decreased by 23.9% in dollar equivalent. The growth of the hryvnia loan portfolio occurred primarily in agriculture. Demand for loans remains subdued, so the key driver of hryvnia corporate lending will remain the state support program "Affordable Loans 5-7-9%. However, the pace of lending within the program has decreased in anticipation of updating its design, and the current debt of borrowers under the program in the fourth quarter decreased by 0.2%. Currently, loans provided within the program

loans already form about a third of the working gross hryvnia corporate loan portfolio of banks. The volume of the net retail hryvnia loan portfolio in the fourth quarter decreased by 12.6%, primarily in foreign and private banks. The main reason is the growth of loan loss provisions. In addition, slow new lending does not compensate for the repayment of "old" loans. The trend has been continuing since the beginning of the full-scale war - the reduction amounted to 32.7% over the year. Financial institutions accelerated the recognition of loan losses due to the war. Overall, the share of non-performing loans increased by 4.5 pp. to 38.1% over the quarter, and by 8.1 pp. over the year. According to the results of the year, the share of non-performing loans to individuals increased primarily by 13.6 pp., corporate loans by 6.8 pp.

The discount rate has been kept at an unchanged level of 25% since June 2022. At the same time, the NBU has additionally increased the requirements for banks' mandatory reserves, as announced in December. Thus, from February 11, the standards for the formation of mandatory reserves by banks on demand funds and funds in current accounts of legal entities and individuals, as well as on deposits and funds in current accounts of other non-resident banks and loans received from international (except financial) and other organizations, are increasing by 5 percentage points. In particular, from 5% to 10% - in national currency and from 15% to 20% - in foreign currency. Additionally, from March 11, the standards for the formation of mandatory reserves by banks on demand funds and funds in current accounts of individuals in both national and foreign currencies are increasing by 10 percentage points. However, this part of the reserves will not be covered by the benchmark domestic government bonds coverage mechanism.

Given that the discount rate remained at a high level during the fourth quarter (25% per annum), there was an uneven inflow of liquidity into the sector, which stimulated individual financial institutions to compete for client funds. Therefore, banks increased rates on deposits of both individuals and businesses, and also worked to extend their maturity. On average, the cost of 12-month deposits of individuals increased by 1.2 pp to 12.7% per annum. The spread between three-month and one-year deposits at the end of the quarter increased to 1.5 pp compared to 0.2 pp at the end of September. The average cost of business funds increased to 10.5% per annum. An increase in the required reserve ratio will prompt banks to review their interest rate policy during the first quarter of 2023. The rate on loans to individuals fluctuated around 30% per annum during the quarter – this is the market level before the full-scale war with Russia. The higher rate on transactions with the population made it possible to pursue a softer interest rate policy in the business segment without losses for the aggregate interest margin. The weighted average rate on hryvnia loans to business entities continued to grow slowly in October-November, but decreased slightly in December – to 20% per annum.

Despite significant provisions, according to the results of 2022, the sector received UAH 24.7 billion in profit, including UAH 17.3 billion in the quarter. 21 institutions, including two state-owned banks, were unprofitable for the year. The aggregate loss of these institutions amounted to UAH 20.8 billion. Most banks maintained high operating efficiency. Interest income grew rapidly, largely due to the investment of free liquidity in high-yielding certificates of deposit, while the increase in the cost of funding was moderate. Therefore, the net interest margin increased, and net interest income for the quarter increased by 36.7% year-on-year. The shelling of energy infrastructure moderately affected the dynamics of net commission income. In the fourth quarter, it grew by 9.9% compared to the previous quarter, and in annual terms, it decreased by 7.0%. The growth in operating income was also supported by profit from foreign exchange transactions. At the same time, operating expenses for the quarter decreased by 2.3% y/y. As a result, the ratio of operating expenses to operating income (CIR)¹ in the fourth quarter was 39.8% compared to 53.8% in the corresponding period last year. At the end of the year, 61 banks were operationally profitable. During the quarter, banks continued to form additional reserves for losses caused by the war. Deductions to reserves for loans amounted to UAH 21.1 billion, UAH 2.8 billion of reserves for securities were dissolved. In total, banks formed UAH 118.8 billion of reserves during the year, the bulk of which was from the beginning of the full-scale war.

2022 was a year of overcoming operational challenges for banks. The sector successfully passed this period and adapted to the new operating conditions. In the future, banks need to focus on restoring lending and supporting their business models in the face of a protracted war. Credit risk will continue to dominate for banks. To determine the correctness of the reflection of the quality of the loan portfolio, the adequacy of the formation of reserves, and to assess the real size of regulatory capital, the NBU will conduct an assessment of the stability of banks in 2023. Its results will determine the deadlines for banks to restore capital, as well as the schedule for the abolition of temporary regulatory relaxations. Most financial institutions will be able to restore capital thanks to future profits, but a number of banks will likely need shareholder support. Taking into account the conclusions of the stability assessment, a strategy for working with non-performing assets will be determined.

The liquidity of the sector as a whole remains high, and the inflow of client funds continues. However, a further decrease in the share of term funds increases risks for banks. To encourage financial institutions to improve the term structure, the NBU is increasing reserve requirements for funds in current accounts and on demand. Banks should pay more attention to liquidity management, in particular, adhere to an interest rate policy that will stimulate

term deposits of the population. In the event of the implementation of the scenario with prolonged persistence of high security risks, the prospects for the recovery of the Ukrainian economy next year will significantly deteriorate. A longer period of suppressed demand, low investment activity and logistical constraints will be the main restraining factors for GDP growth. Under such conditions, a full recovery will not begin before 2024.

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:

- 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, 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 Bank's Supervisory Board and the Management Board, informing shareholders and other interested parties about the Bank's activities within its competence.

As of December 31, 2022, the members of the Bank's Supervisory Board are: Iryna Borysivna Gavrilchuk - 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, 2022, the members of the Bank's Management Board are: Kotlyarevska Oksana Volodymyrivna - Chairman of the Management Board; Vaskovska Valentyna Petrovna - Deputy Chairman of the Management Board, member of the Management Board; Moseychuk Taisiia Fedorivna - Deputy Chairman of the Management Board, member of the Management Board; Stepanets Ivan Volodymyrovych - Deputy Chairman of the Management Board, member of the Management Board; Burdina Olena Mykhailivna - Chief Accountant, 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:

- 1) 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.
- 2) 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.
- 3) 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. The Tariff Committee is established and operates in accordance with the procedure determined by the Bank's Board and on the basis of the Regulations on the Tariff Committee.
- 4) 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.
- 5) The Financial Monitoring Committee, which reviews: the results of the analysis of suspicious financial transactions of clients 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 identified as having 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 should be taken

carried out 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

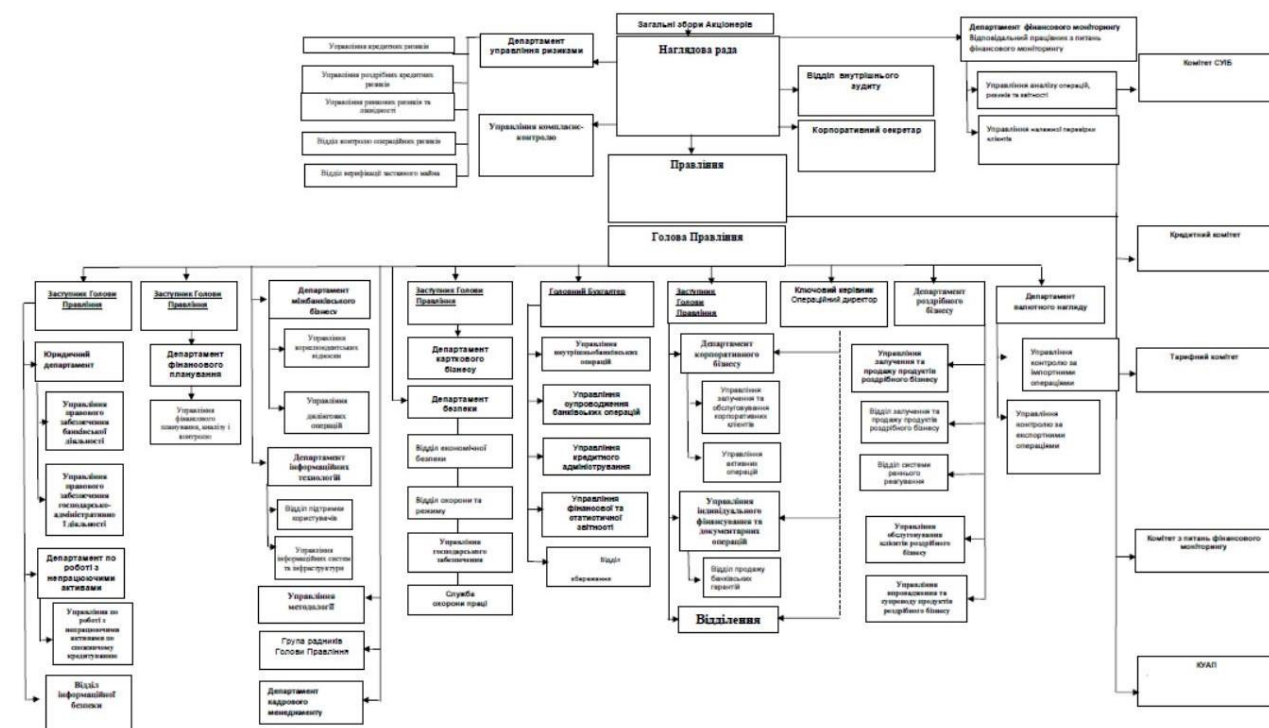
The organizational structure of the Bank has a matrix organizational structure, which consists of independent departments and divisions, divisions within divisions and departments. Independent structural units are subordinate to the Chairman of the Board, Deputy Chairman of the Board.

The following are subordinate to the Chairman of the Board: Deputy Chairman of the Board; Chief Accountant; Security Department; Human Resources Management Department; Currency Supervision Department; Methodology Department; Information Technology Department; Retail Business Department; Interbank Business Department;

The following departments report to the Deputy Chairman of the Board: Legal Department; Card Business Department; Financial Planning Department; Non-Performing Assets Department; Department

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.

ORGANIZATIONAL STRUCTURE



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 transactions.

As of December 31, 2022, the Bank has the following branches in its structure:

Branch name	Addresses
CENTRAL DEPARTMENT	01001, Kyiv, Prorizna St., 6
PODIL DEPARTMENT No. 1	04071, Kyiv, Vvedenska St., 29/58
VINNITSA BRANCH	21018, Vinnytsia, Gogolya St., 1
SHEVCHENKIVSKY BRANCH	01032, Kyiv, Saksaganskogo St., 96

SHEVCHENKIVSKE BRANCH No. 1 04112,	Kyiv, Oranzhereyna St., 1
SHEVCHENKIVSKE BRANCH No. 2 01050,	Kyiv, Beloruska St., 8
LVIV BRANCH	79000, Lviv, Nechuya-Levytskoho St., 2
BORSCHAGIVA BRANCH	08131, Kyiv region, village of Sofiivska Borshchahivka, Kyivska st., 34
HOLOSIYIV DEPARTMENT	03127, Kyiv, Heroes of Defense St., 5
KOROSTEN DEPARTMENT	11503, Korosten, Hrushevskoho St., 36
KHARKIV BRANCH	61146, Kharkiv, Heroes of Labor St., 26
TERNOPIL BRANCH	46008, Ternopil region, Ternopil city, Ostrohskeho knyazya street, 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
NOVOSILKIVSKY BRANCH	03027, Kyiv region, Fastiv district, Chabaniv territorial community, Novosilky village, Myru street, building 4, premises 152
Dnipro branch	Dnipro, Gagarina Ave., building 24
CHORTKIVSKY BRANCH	48501, Ternopil region, Chortkiv city, Stepana Bandera street, house 30
Lviv branch No. 1	Lviv, Kulparkivska St., 99 B

4. INFORMATION ON THE PURCHASE OF SHARES

There are no shares announced for issue in the reporting year 2022.

The nominal value of one share as of the end of the day on December 31, 2022 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 2022.

5. DESCRIPTION OF THE CURRENT BUSINESS MODEL

The development strategy for 2023-2025 provides for the continuation of its 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 successfully implement the strategy, the Bank is constantly working to expand its client base and sell products to existing and attracted clients.

The Bank has developed and successfully implemented, in accordance with the requirements of legislation in the field of financial monitoring, a mechanism for remote identification and verification of clients, namely the procedure for video verification of clients. Remote verification/identification provides full opportunities for clients to receive and use the Bank's products and services, saving their time on visiting the Bank.

The Strategy also determines the reduction of the impact of investment real estate on the Bank's regulatory capital by maximizing the sale of real estate on the Bank's balance sheet.

Reducing the level of administrative and operating expenses to operating income through prudent planning of the Bank's expenses.

It is planned to implement new programs that will be launched during 2023, which will allow the Bank to attract new clients and receive higher levels of profitability from both new and existing clients, both legal entities and individuals, and small and medium-sized business clients.

In addition to banking services, the Bank plans to carry out capital market operations from the 3rd quarter of 2023, namely to carry out professional activities in capital markets, subject to obtaining a license from the National Securities and Stock Market Commission, in particular:

- activities related to trading in financial instruments, which include the following activities:

- 1) sub-brokerage activities;
- 2) brokerage activities;
- 3) dealer activities;

- depository activities, which include the following types of activities:

- 1) depository activities of a depository institution.

6. MAIN PRODUCTS AND SERVICES

JOINT-STOCK COMPANY "RWS BANK" is a universal banking institution providing a wide range of banking services to 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 bank metals into deposits from an unlimited range of legal and individuals;
- opening and maintaining current (correspondent) accounts of clients, including in banks metals;
- placement of funds and bank deposits, including current accounts metals on their own behalf, on their own terms and at their 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 (OVDP);
- maintaining correspondent accounts of banks (residents and non-residents) in foreign currency;
- 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 making operations on them;
- attracting and placing foreign currency on the foreign exchange market of Ukraine;
- raising 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:

1. investments;
2. issue of own securities;
3. storage of valuables or provision of an individual bank safe for lease;
4. collection of funds and transportation of currency values;
5. provision of 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:

Retail client strategy:

6. Integrated product offering built on the basis of settlement and cash services – current account and payment card with extended functionality, both based on the national system "Postir" and the MPS "Master Card".

7. Expanded range of lending products for the Bank's clients.

8. Creating systematic skills for effective sales in all sales channels of the Bank and consistently forming "industrial" skills for managing relationships with customers and organizing cross-sales.

9. In connection with changes in the direction of creating new products, sales channels, improving service quality The Bank plans to develop and strengthen the brand, making a transition from the existing "inert" trust ("The Bank will not go bankrupt") to the concept of "positive trust" ("The Bank is financially stable, convenient, you will not be deceived, there are fair conditions, loyal tariffs, they provide good service, and most importantly, it will help you quickly make a well-founded and correct financial decision, based on the client's interests").

Strategy for working with the corporate sector, small and medium-sized businesses:

1. Attracting corporate clients, small and medium-sized businesses by focusing as clearly as possible on the client's needs and the industry specifics of their work.

2. The development of the product line will be aimed at ensuring the ability to sell the line to customers banking products adapted to the needs of relevant segments (client industries).

Corporate business clients are offered credit programs in the form of revolving and non-revolving credit lines (depending on the lending goals), overdrafts with a fixed interest rate for conducting business activities by corporate clients.

In 2023, it is planned to continue the targeted lending program "Affordable Loans 5-7-9%" and long-term lending "Loan for 3 years".

The Bank also plans to continue attracting clients to deposit products; in 2023, attention will be paid to insurance and non-banking financial companies.

3. Increasing the Bank's share in the guarantee market, primarily tender guarantees.

Strategy for working with card products

One of the areas of development of the card business is the development and implementation of new card products, in particular virtual cards.

We also note that the Bank has decided to acquire the status of an affiliated member of the international payment system and obtain a license from the Visa International Services Association (Visa) in 2022, which will significantly increase the product line of card products.

One of the main priorities remains expanding the functionality of the mobile application for individuals to the level of leading mobile applications introduced by other banks.

Despite the Bank's active work to increase cashless payments using payment cards, in 2022 the Bank plans to continue working on updating traditional banking services for its clients in terms of cash withdrawals, developing its own ATM network.

In 2022, it is planned to expand the card business by introducing the MasterCard World Elite VIP client lending program, which provides for obtaining a card loan in the shortest possible time with an average limit of UAH 150,000.

Development of banking metals trading direction

The Bank's main objectives for operations with banking metals:

- increasing the volume of purchase and sale of banking metals, such as gold, silver, palladium, platinum for the population and jewelry factories, by purchasing metal from the well-known world manufacturer of banking metals "Argor-Heraeus SA." (Argor-Heraeus SA.), with which a contract on cooperation and supply of metals for JSC "RWS BANK" has been signed to date.

- to increase the regional network of branches that will provide the full range of banking services metals;

- cooperation of the Bank with the State Treasury of Ukraine and a number of other Ukrainian banks regarding the supply of banking metal;

- attracting new non-resident clients for the purchase and sale of banking metals.

Development of financial instruments trading and depository activities.

The Bank will offer its clients a number of basic investment strategies in the capital market: from conservative to the most profitable, which correspond to certain portfolios of securities (conducting transactions with hryvnia or foreign currency government bonds, transactions with other financial instruments). In the course of its activities, the Bank plans to enter into sale and repurchase agreements ("REPO agreements"), as well as agreements to purchase and resell financial assets ("reverse REPO agreements"). REPO agreements and reverse REPO agreements will be used by the Bank as an element of liquidity management.

The Bank's income will consist of commission fees from securities transactions, profits from short-term price fluctuations or dealer margin.

The capital market is a significant component of both the financial system and the national economy of Ukraine as a whole. It is one of the most effective mechanisms for regulating financial resources. The capital market simultaneously acts as a segment of the money market and the capital market. In addition, it contributes to the accumulation of capital for investment in all spheres of public life, the structural restructuring of the economy, as well as increasing the well-being of each person through the ownership and free disposal of securities.

After receiving permission to conduct depository activities as a depository institution, the Bank will perform one of the most important functions in the national depository system of Ukraine and the Depository of the National Bank of Ukraine, namely, servicing the circulation of securities issued in book-entry form.

The bank plans to focus on the following services:

- depository accounting of securities - accounting of securities, rights to securities and their restrictions on securities accounts;
- servicing of securities circulation in securities accounts;
- servicing the issuer's corporate transactions on securities accounts;
- formation and provision of accounting registers.

The depository system, as an important segment of the stock market infrastructure, is an integral part and a general condition for the functioning of the stock market.

The effective functioning of the depository system is a guarantee of the implementation of the principles of transparency and fairness in the prices of investment resources.

To carry out trading in financial instruments and depository activities of the depository institution, two management departments separate from other divisions of the bank have been created at RWS BANK JSC.

The bank already has some experience with its client base, and it plans to conduct advertising campaigns based on market research to attract other clients.

The main components of income are comprehensive customer service in the capital markets - this includes providing brokerage and subbrokerage operations, conducting dealer operations, and servicing clients' securities accounts.

JSC "RWS BANK" has every reason to believe that the planned development indicators will be achieved, and the services with financial instruments that the Bank will offer to its clients will be favorably received by users.

III. MANAGEMENT GOALS AND STRATEGIES TO ACHIEVE THESE GOALS

7. 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 develop new lending programs and expand services that are provided.

8. MAIN DIRECTIONS OF TRANSFORMATIONS

To achieve its development goal, the Bank will focus on 7 main areas of transformation:

1. Sale of assets on the Bank's balance sheet.
2. Increase in interest income through long-term and short-term lending to corporate clients and small and medium-sized business clients.
3. Increase in interest income due to placement in NBU certificates of deposit.
4. Increase in commission income by attracting individuals and developing the card business.
5. Increase in commission income due to the issuance of depository transactions (guarantees), conversion transactions - for legal entities and individuals.
6. Increase in trading income due to operations with banking metals.
7. Development of remote sales channels and affiliate programs, active work with payment systems systems.

IV. RESOURCES, RISKS AND RELATIONSHIPS

9. 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 December 31, 2022, the Bank's regulatory capital amounted to UAH 230,136 thousand, which is sufficient to meet all licensing requirements as of the reporting date. The regulatory capital adequacy ratio as of the reporting date was 23.51% 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, 2022 and for 2021, 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. Regulatory capital structure

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Fixed assets	152 098	196 599
Actual paid-up registered authorized capital	300 039	300 039
General reserves and reserve funds established in accordance with the laws of Ukraine	12 313	11 541
Financial assistance from bank shareholders, for which permission has been obtained NBU regarding inclusion in fixed capital	48 000	48 000
Reduction of fixed capital, including:	(208 254)	(162 981)
<i>intangible assets less depreciation</i>	(3 617)	(1 229)
<i>capital investment in intangible assets</i>	(386)	(160)
<i>losses from previous years</i>	(97 522)	(97 427)
<i>estimated loss for the current year (Rpr/s)</i>		
Additional capital		
Estimated profit for the current year (Ppr/p)	78 038	23 504
Total regulatory capital	230 136	220 103

10. LIQUIDITY

The Bank's liquidity is at a sufficient level. The liquidity coverage ratio (LCR) for all currencies (LCRbb) as of December 31, 2022 is 252.2477%, with the established NBU standard of not less than 100%.

The liquidity coverage ratio (LCR) in foreign currency (LCRyb) as of December 31, 2022 is 256.5395%, 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 meet its obligations within 30 days in crisis conditions. It should also be noted that the Bank complied with the standard of mandatory reserving of funds attracted to the correspondent account during 2022.

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

11. 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.

The facts of the change in the size of the payroll fund, its increase in 2022 by 15%, are noted.

In 2022, the Bank operates the "Remuneration Policy in RWS BANK JSC", approved by the Decision of the Supervisory Board of RWS BANK JSC, Minutes No. 12/22 dated 04/21/2022.

The remuneration policy defined the following components of remuneration:

1) the basic fixed part of the remuneration (positional salary), which reflects the level of professional experience and organizational responsibility in view of the employee's job descriptions;

2) financial rewards:

- personal financial motivation;

- additional payments according to the personnel evaluation procedure;

- payment for achieved goals of the Working Groups;

- bonuses to the Chairman and members of the Bank's Management Board and the Chairman and members of the Supervisory Board for the implementation of the Bank's Development Strategy;

- remuneration for curatorship;

- reward for a implemented idea related to improving the Bank's work.

The personnel assessment procedure has been implemented and is functioning for front office employees. By order of the Chairman of the Board No. 228-K dated 07.09.2020, a reward for successfully passing the assessment and increasing one's category in the form of a salary increase for department employees was established. The adaptation program for new employees is also actively working. In accordance with the order of the Chairman of the Board No. 290-K dated 01.12.2020, an additional reward for supervision was established.

Considerable attention is paid to training the Bank's personnel, not only mandatory, but also that related to improving qualifications, knowledge and skills, and revealing human potential. During 2022, the following types of regular training were conducted at the Bank: external; internal. An employee training plan for 2022 was drawn up and approved. Internal classroom training was not conducted due to the full-scale war. It was transferred to the online plane, for example, in the following areas: cash discipline, financial monitoring, product line, customer service quality standards, working with objections, new banking products, working with software updates, etc. Almost every employee of the Bank underwent specialized training during the year. In addition, regular training was conducted for all employees of the Bank on the ISMS, compliance, operational risks, the Code of Corporate Culture and Ethics. The Bank's managers underwent training on corporate governance, including training with the heads of structural divisions on personnel management, the procedure for adapting new employees, etc.

The staff turnover rate for the period 01.01.2022 - 31.12.2022 is 29%.

Also, for the period from 01.01.2022 to 12.31.2022, there were no cases of dismissal of employees for absenteeism and other violations of labor discipline, incompatibility with the position held, etc.

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

1) updating internal regulatory procedures and documents;

2) attracting the optimal number of specialists (hiring new employees) and involving 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.

12. 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.

13. 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 MAS 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;
- The bank's board of directors;
- 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).

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 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 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 December 31, 2022, the maximum amount of credit risk was UAH 45,889 thousand (December 31, 2021: UAH 42,060 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.

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.

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.

14. 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 is carried out on market terms, at market tariffs and rates, without violating the repayment of credit debt.

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V. RESULTS OF ACTIVITIES AND PROSPECTS FOR FURTHER DEVELOPMENT

15. FINANCIAL INDICATORS

2022 was a difficult year for the Banking System as a whole due to the military aggression of the Russian Federation. Suspension of lending, outflow of attracted funds, deterioration in asset quality, significant depreciation of the national currency and increase in the NBU discount rate caused an imbalance in the Bank's activities. However, despite these factors, starting from the second half of 2022, the Bank managed to maintain its position and end the year with profitable activity.

1) In 2022, the balances of funds on current accounts of financial institutions amounted to UAH 1,375 million, and term funds of financial institutions at the end of the year amounted to UAH 220 million. The balances of retail customers at the end of 2022 were: on current accounts of financial institutions - UAH 261 million, on term accounts of financial institutions - UAH 363 million. In 2022, there was no negative trend in attracting resources.

2) Net interest income for 2022 is negative, and amounted to UAH 9.8 million (for 2021 - UAH 125 million), which is due to an increase in the NBU discount rate and, accordingly, an increase in interest expenses on refinancing loans received from the NBU, net commission income is UAH 282 million (for 2021 - UAH 119 million).

UAH) Significant positive dynamics are noticeable.

3) In 2022, the bank fully repaid its credit obligations to the NBU, as a result of which the number of government bonds on the bank's balance sheet decreased. The balance of the book value of government bonds as of January 1, 2023 is UAH 822 million.

4) Trading income at the end of the year amounted to UAH 19 million. The main part of the income is related to the trade of banking metals (80%) and currency exchange operations (20%).

5) The bank revalued real estate in the amount of UAH 38 million and partially sold investment property, which was recorded on the balance sheet with a positive result.

The Bank ended 2022 with a profit. The amount of net profit was UAH 29.6 million.

JSC "RWS BANK" has a long-term credit rating - NRA "Rurik" (Ukraine) assigned a long-term credit rating on the national rating scale at the level of uaAAA on June 18, 2021 and confirmed on February 17, 2023.

Key financial indicators for 2022

thousand UAH

Assets	
Total assets	2 544 353
Cash and banking metals	137 166
Correspondent accounts opened in other banks	116 624
Securities refinanced by the NBU (Government Bonds)	822 185
Certificates of deposit	640 807
Loans provided to customers, incl.	471 144
loans granted to business entities	456 929
loans granted to individuals	14 215
Liabilities	
Capital	254 839
<i>of which: authorized capital</i>	300 039
Funds of business entities	1 554 831
Individual funds	624 586

16. RESULTS OF ACTIVITIES

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In 2022, in order to generate additional profit, expand the segment and attract new Clients, new banking products were developed and implemented, including deposit products, which are relevant today. In their development, all possible risks were taken into account and they do not expose the Bank to significant compliance risk, namely:

- Loan for the purchase of agricultural land for individuals
- Placement and attraction of resources for REPO transactions with financial instruments in RWS BANK JSC
- Loan for business entities - legal entities, secured by government bonds in RWS BANK JSC
- Voluntary declaration
- "Military" and "Victorious" deposits.

17. PROSPECTS FOR FURTHER DEVELOPMENT

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

1. ensuring profitability and regulating liquidity by conducting transactions with securities (NBU certificates of deposit, other NBU financial instruments);
2. increasing the volume of lending to legal entities while adhering to conservative approaches to risk assessment, while simultaneously seeking ways to minimize the impact of risks associated with this area of lending by limiting the provision of loans to unscrupulous borrowers;
3. sale of real estate that 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 legal entities and minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);

4. obtaining cash flows from the effective use of investment property;
5. expanding the range and improving the quality of service to bank customers;
6. increasing the volume of issuance of depository transactions (guarantees);
7. development of remote sales channels and affiliate programs, active work with payment cards;
8. increase in the volume of trading operations with banking metals;

The Bank's management considers sufficient resources 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. The Bank is currently working on expanding the network and improving existing processes that bring and will bring income to the Bank in the future.

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

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External	Economic	Political and economic crisis: slowing GDP growth, accelerating inflation, economic instability, reduced foreign investment, uncertainty about strategic export markets, and reduced real incomes of the population	<ul style="list-style-type: none"> winding down the business of individual clients; a drop in the total balance of funds on current and deposit 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; rising prices for resources and, as a result, increased costs; deterioration of asset quality and consequent reduction in bank income, increase in costs for forming reserves for active operations 	<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 at the expense of such financial 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 revenue due to attracting new customers for service, expanding the product line and revising tariffs
External	Social	Falling income levels of the population, increasing arrears in wages and pensions; Payment discipline	<ul style="list-style-type: none"> outflow of funds from deposits of individuals; curtailment of retail lending programs and a consequent reduction in income from lending to individuals; growth in defaults and negatively classified debt; growth in costs for forming reserves 	<ul style="list-style-type: none"> attracting new potential clients - individuals for deposit and credit services from unstable banks; introduction of new services and increase in bank commission income
	Political	The struggle between political parties for spheres of state and economic influence; Level of trust from international financial organizations; Possible changes in legislation related to the activities of banks and the country's economy.	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	An increase in authorized capital is possible, which will consolidate the bank's positions and allow it to compete among banks in the relevant group.
Internal	Organizational	Negative: High cost of liabilities, significant amount of non-performing assets, insufficient premises, lack of a developed branch network Positive: individual approach to clients and high-quality service; wide range of traditional services; flexible and loyal tariff policy; availability of the necessary license points for providing services; convenient location; modern structure and technologies used	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 clients due to the bank's image (convenient bank, timely fulfillment of obligations, rapid response to customer needs), development product line, diversification of the resource base and reduction of concentrations; increase in commission and trading income

Competitive position and advantages

18. External environment			
		<p>Opportunities</p> <p>1. Exit from the market of some financial institutions.</p> <p>2. Increased activity of clients in using bank services due to the exit of some financial institutions from the market.</p> <p>3. Development of small and medium-sized businesses.</p> <p>4. Development of banking product range.</p> <p>5. Improving the legislative framework (tax, banking).</p>	<p>Threats</p> <p>1. Economic instability.</p> <p>2. The NBU's dependence on the executive branch authorities</p> <p>3. Strengthening legislative requirements (NBU reserve requirements, capital requirements).</p> <p>4. Adverse changes in foreign exchange rates or trade policies of foreign countries.</p> <p>5. Lack of investment in the region.</p> <p>6. Changes in incomes of the region's population.</p> <p>7. The emergence of new products from competitors.</p> <p>8. Loss of strategic bank clients.</p>
	<p>Advantages</p> <p>1. Systematic work with clients.</p> <p>2. Individual approach to customers, high-quality service.</p> <p>Internal</p> <p>3. Wide range of traditional services.</p> <p>4. Competitive tariffs for products - analogues.</p> <p>5. Flexible and loyal tariff policy.</p> <p>6. Modern structure and technologies used; prompt response to necessary changes.</p> <p>7. Availability of all necessary license items for the provision of services.</p> <p>8. Providing consultations at a high professional level.</p> <p>9. Highly qualified personnel.</p> <p>10. Convenient location.</p>	<p>Factors that represent the Bank's best position, as they are at the intersection of the fields of Internal <i>Strengths</i> and <u>External Opportunities</u> and combine them.</p> <p>_____</p> <p>When combining these factors, the Bank expects:</p> <p>Increasing the Bank's resource base and reducing its 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 <u>Bank's Strengths</u> and <u>External Threats</u> 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>

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Weaknesses	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.	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:
1. Insufficient level of bank capitalization.		
2. High cost of liabilities.		
3. A significant portion of problem assets in the total loan portfolio.	With the combination of these factors, the Bank expects: activation in the residential market	Failure to meet the new NBU requirements regarding reserves and standards may result in the bank being positioned as undercapitalized 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.
4. Lack of new products and programs that are not yet on the market.	banking services, an increase in the resource base and its reduction in cost due to an increase in balances on current accounts of clients - legal entities, a decrease in deposit rates on the market, an increase in the share of commission income.	
5. Insufficient room space.		
6. Lack of a network of branches in the regions.	The exit of some financial institutions from the market provides an opportunity to directly attract their potential clients.	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.
		To increase income from active operations and attract long-term resources, attention should be paid to attracting a large number of large clients.

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:

1. ensuring profitability and regulating liquidity by carrying out transactions with securities (NBU certificates of deposit, other NBU financial instruments);
 2. 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;
 3. sale of real estate that 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);
4. obtaining cash flows from the effective use of investment property;
 5. expanding the range and improving the quality of service to bank customers;
 6. 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

19. PERFORMANCE INDICATORS USED BY MANAGEMENT TO EVALUATE RESULTS OF ACTIVITIES

On February 24, 2022, all subjects of the Ukrainian economy faced unforeseen challenges caused by the full-scale invasion of Russian troops into Ukraine. It should be noted that the financial sector was prepared for these events, primarily due to the fruitful work of market participants and the systematic work of the regulator over the previous years, including in the conditions of work during quarantine restrictions associated with the COVID-19 pandemic. Thanks to the prudent actions of the regulator, the banking sector has survived and continues to develop, because in the context of accelerated European integration, the planned normative and regulatory changes have become urgent.

Since the beginning of martial law throughout Ukraine, the National Bank of Ukraine has introduced temporary restrictions, in particular regarding currency regulation, which has significantly complicated the activities of both Ukrainian business and the population. The business community understands the regulator's actions, however, some provisions of Resolution No. 18 should be revised as soon as possible to ensure that enterprises fulfill contractual terms with foreign investors and partners. Due to the significant acceleration of the depreciation of the national currency, which in April "fell" by 16.4% and confidently reached the level of depreciation for the year of 20%, the NBU radically increased the discount rate to 25% per annum, which led to an increase in the rate on NBU refinancing loans used by banks. At the same time, the increase in the NBU discount rate led to an increase in the cost of placing deposit certificates with the NBU by banks.

As of December 31, 2022, the Bank had the following structure of sources of financing its activities: equity - UAH 254,839 thousand; funds of business entities - UAH 1,595,735 thousand; funds of individuals - UAH 624,586 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, 2023: the amount of the bank's regulatory capital (H1) was UAH 230,136 thousand. The regulatory capital adequacy ratio as of the reporting date was 23.51%, with a regulatory value of at least 10%. During the reporting period, the Bank never violated the established regulatory capital adequacy ratios. The Bank's liquidity is at a sufficient level. The liquidity coverage ratio (LCR) for all currencies (LCRbb) as of December 31, 2022 is 252.2477%, with the established NBU standard of at least 100%.

The liquidity coverage ratio (LCR) in foreign currency (LCRȳb) as of December 31, 2022 is 256.5395%, 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 meet its obligations within 30 days in crisis conditions. Compliance with prudential liquidity standards is in the risk-free zone. It should also be noted that the Bank complied with the standard of mandatory reserving attracted funds on the correspondent account during 2022.

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.

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, 2022 amounted to UAH 2,544,353 thousand, including:

Cash and bank metals 137,166 thousand UAH.

Correspondent accounts opened in other banks UAH 116,624 thousand.

Securities refinanced by the NBU (Government Bonds) UAH 822,185 thousand.

Certificates of deposit 640,807 thousand UAH.

Loans granted to clients UAH 471,144 thousand, including

loans granted to business entities 456,929 thousand UAH.

loans granted to individuals 14,215 thousand UAH.

During 2022, the Bank managed to maintain its indicators at a sufficient level, despite military operations and significant difficulties from the outflow of funds in the first half of the year. Already in the 3rd quarter of 2022, the Bank managed to reach the pre-war level of attracted funds and increased trading operations, which allowed it to end 2022 profitably.

- 1) Net interest income for 2022 is negative, and amounted to UAH 9.8 million (UAH 125 million in 2021), which is due to an increase in the NBU discount rate and, accordingly, an increase in interest expenses on refinancing loans received from the NBU, net commission income is UAH 282 million (UAH 119 million in 2021). Significant positive dynamics are noticeable.
- 2) The volume of trading operations with banking metals has increased. By the end of 2022, the total The Bank's trading result amounted to UAH 18,970 thousand.

Overall, the Bank ended 2022 with a profit. The amount of net profit is UAH 29.6 million.

During 2022, 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. MANAGEMENT REPORT

20. PROBABLE PROSPECTS FOR THE FUTURE DEVELOPMENT OF THE ISSUER

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

- 1) ensuring profitability and regulating liquidity by conducting transactions with securities (NBU certificates of deposit, other NBU financial instruments);
- 2) increasing the volume of lending to legal entities while adhering to conservative approaches to risk assessment and simultaneously seeking ways to minimize the impact of risks associated with this area of lending by limiting the provision of loans to unscrupulous borrowers;
- 3) 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 legal entities and minimally risky financial instruments (NBU certificates of deposit, other NBU financial instruments);
- 4) receiving cash flows from the effective use of investment property;
- 5) expanding the range and improving the quality of service to the Bank's clients;
- 6) increase in the volume of issuance of depository transactions (guarantees);
- 7) development of remote sales channels and affiliate programs, active work with payment cards;
- 8) increase in the volume of trading transactions with banking metals.

The Bank's management considers sufficient resources 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. The Bank is currently working on expanding the network and improving existing processes that bring and will bring income to the Bank in the future.

21. INFORMATION ON THE ISSUER'S DEVELOPMENT

In 2022, in order to generate additional profit, expand the segment and attract new clients, new banking products were developed and implemented, including deposit products, which are relevant today. Among them: a loan for the purchase of agricultural land plots for individuals; placement and attraction of resources under REPO transactions with financial instruments in RWS BANK JSC; a loan for business entities - legal entities, secured by government bonds in RWS BANK JSC; voluntary declaration; deposits "Military" and "Victory".

22. CORPORATE GOVERNANCE REPORT

1) link to:

own corporate governance code, which is governed by the issuer

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>

the corporate governance code of a stock exchange, association of legal entities or other corporate governance code that the issuer has voluntarily decided to apply

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.

all relevant information about corporate governance practices applied beyond the specified requirements by law

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

requirements.

2) if the issuer deviates from the provisions of the corporate governance code specified in the second or third paragraphs of paragraph 1 of this part, provide an explanation of which parts of the code

corporate governance code such issuer deviates from and the reasons for such deviations. If the issuer has decided not to apply some provisions of the corporate governance code specified in paragraphs two or three of paragraph 1 of this part, justify the reasons for such actions

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.

3) information about the general meeting of shareholders (participants)

Type of general meeting		annual	extraordinary
			X
Date of event		03.02.2022	
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. 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 General Meeting of Shareholders of JOINT-STOCK COMPANY “RWS BANK” by setting it out in a new wording. 4. Amendments to the Regulations on the Supervisory Board of JOINT-STOCK COMPANY “RWS BANK” by setting it out in a new wording.		

Type of general meeting		annual	extraordinary
		X	
Date of event		23.05.2022	
Meeting quorum		98,99	
Description	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 its powers. 2. Approval of the annual report of JSC “RWS BANK” for 2021. 3. Consideration of the report of the Management Board of JSC “RWS BANK” on the results of its activities for 2021 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”. 4. Consideration of the report of the Supervisory Board of JSC “RWS BANK” on the results of its activities for 2021 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”. 5. Consideration of the conclusions of the external audit on the audit of the annual financial statements of JSC “RWS BANK” and approval of measures based on the results of its consideration. 6. Consideration of the issue of payment of the variable part of the remuneration to the Chairman and members of the Supervisory Board of JSC “RWS BANK”. 7. Approval of the report on the remuneration of the members of the Supervisory Board of JSC “RWS BANK”. 8. Amendments to the Regulations on the remuneration of members of the Supervisory Board of JOINT-STOCK COMPANY “RWS BANK” by approving it in a new edition. 9. On the distribution of profit of JSC “RWS BANK”. 10. Determination of the main areas of activity of JSC “RWS BANK” for 2022-2024. 11. On the conclusion of transactions related to the conduct of operations with domestic government loan bonds (including "Military Bonds") and deposit certificates of the National Bank of Ukraine.		

Type of general meeting		annual	extraordinary
			X
Date of event		30.11.2022	
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. Amendments to the Regulations on the Supervisory Board of JOINT-STOCK COMPANY "RWS BANK" by approving it in a new edition. 3. Adoption of a decision on the early		

	<p>termination of the powers of the Chairman and members 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 contracts with the Chairman and members of the Supervisory Board of JSC "RWS BANK". 7.</p> <p>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".</p>
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Which body registered shareholders to participate in the last general meeting of shareholders 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.	

Which body monitored the status of registration of shareholders or their representatives for participation in the last general meeting in the reporting year (if there was monitoring)?

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

How was voting on agenda items 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)	Through the depository system of Ukraine.	

What are the 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)		

Were general meetings of shareholders held in the reporting year in the form of absentee voting?

	So	No
	X	

In the event of convening an extraordinary general meeting, their initiators shall be indicated:

	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	rather	
Other (specify)		

In the event that a regular general meeting is convened but not held, the reason for its non-holding shall be stated.	There were no cases of convening but not holding regular general meetings in the reporting year.
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In the event that an extraordinary general meeting is convened but not held, the reason for it shall be stated. non-conduct	There were no cases of convening but not holding an extraordinary general meeting in the reporting year.
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4) information about the supervisory board and executive body of the issuer

Composition of the Supervisory Board

Supervisory Board personnel for	Independent member supervisory board	Dependent member supervisory board	Functional responsibilities of a member of the supervisory board
Iryna Borysivna Gavrylchuk		X	In accordance with the approved distribution of duties and powers among the members of the Supervisory Board, it is responsible for organizing the work of the Supervisory Board, ensuring the distribution of duties 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, controlling the provision of audit reports to the Supervisory Board, cooperating with the external auditor; monitoring the Bank's activities in the direction of Corporate Governance.
Mygashko Vitaly Oleksiyovych	X		In accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, it is responsible for monitoring the Bank's activities in the areas of Compliance Control, Financial Monitoring and Control.

			providing reports on these areas to the Supervisory Board; coordinating the implementation of the remuneration policy.
Yaremenko Serhiy Oleksandrovych	X		In accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, it is responsible for monitoring the implementation by the Management Board of the Bank's Strategy and the planned indicators of the Business Plan; monitoring the activities of the Management Board regarding the development of the main business areas (trade in banking metals, interbank transactions) within the framework of the approved Bank Strategy.
Seredenko Dmytro Mykolayovych	X		In accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, it is responsible for monitoring the work of the Risk Management Department, monitoring the provision of risk management reports to the Supervisory Board; monitoring the Bank's activities in the areas of Security and Information Technology.
Savchuk Pavlo Volodymyrovych	X		In accordance with the distribution of responsibilities and powers among the members of the Supervisory Board, it is responsible for monitoring the activities of the Management Board regarding the development of the main business areas (retail and corporate business; documentary operations; card business) within the framework of the approved Bank Strategy; monitoring the Bank's work with non-performing assets.

<p>Have the meetings of the supervisory board been held, the general description of the decisions made thereon; procedures applied when the supervisory board makes decisions; determination of how the activities of the supervisory board have led to changes in the financial and economic activities of the company</p>	<p>During 2022, 66 meetings / absentee votes of the Supervisory Board were held. At the meetings / absentee votes, decisions were made on the appointment (dismissal) of members of the Management Board, the head of the internal audit department, the employee responsible for financial monitoring at the Bank, the election of an external auditor to audit the annual financial statements of the Bank, election of the Bank's property appraiser, organization and holding of the General Meeting of Shareholders of the Bank, approval of the Development Strategy and Business Plan (Business Model) for development, other internal regulatory documents, 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, the Compliance Control Department, the 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. 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 used when making decisions by the Supervisory Board are defined in the Regulations on the Supervisory Board of JSC "RWS BANK", which is publicly available on the Bank's official website. The Supervisory Board of the Bank took an active part in the development and approval of the new Strategy and Business Plan (Business Model) of the Bank. The implementation of the approved Strategy and Business Plan in 2022 was successful, which was reflected in the main financial indicators of the Bank. During 2022, the Supervisory Board regularly received a report from the Bank's Management Board on the implementation of the Bank's Business Plan indicators, and based on the results of its review, it provided the necessary recommendations to the Management Board.</p>
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Committees within the Supervisory Board

	So	No	Personal composition of committees
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On audit issues		X	
On appointments		X	
From rewards		X	
Other (specify)			

Have meetings of the supervisory board committees been held, a general description of the decisions made at them?	The Supervisory Board decided not to create committees of the Supervisory Board of RWS BANK JSC in 2022, 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.
In the event of an assessment of the work of committees, information on their competence and effectiveness is provided.	

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

Evaluation of the supervisor's work for	<p>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 "RWS BANK" and the approved work plan of the Supervisory Board for 2022. 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 2022 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 three, and after the election of Pavlo Volodymyrovych Savchuk - four. 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,</p>
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	<p>There is a high level of interaction between members of the Supervisory Board during the meetings of the Bank's Supervisory Board, which is confirmed by the content of the minutes.</p> <p>meetings of the Supervisory Board of the Bank. The decisions made by the Supervisory Board are duly implemented by the Management Board and structural divisions 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 2022, the Supervisory Board considered the reports of the Management Board and control units in accordance with the Regulation on management reporting of RWS BANK JSC. The Bank has organized and implemented a risk management system based on the division of responsibilities between the Bank's units using the three lines of defense model. The internal banking 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 and of the members of the Supervisory Board individually in 2022 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, specifics of the Bank's activities, the nature and volume of banking and other financial services, and the Bank's risk profile and is at a sufficient (high) level.</p>
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What requirements for members of the supervisory board are set out in the internal documents of a joint-stock company?

	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): Requirements for the compliance of the Chairman and members of the Supervisory Board with the qualification requirements established by law, as well as for the compliance of independent directors with the independence requirements, requirements for the collective suitability of the Supervisory Board.	X	

When was the last time a new member of the supervisory board was elected, how did he become familiar with his rights and responsibilities?

	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)		

How is the remuneration of supervisory board members determined?

	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

Personnel of the executive body	Functional responsibilities of a member of the executive body
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 Department. planning, analysis and control, in ensuring the implementation of the tasks assigned to them tasks.
Deputy Chairman of the Board Taisia Fedorovna Moseychuk	Provides methodological guidance and control over the activities of the Legal Department and ensures 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. Also, provides methodological guidance and control over the activities of the Department for Work with Non-Performing Assets and the Bank's Information Security Department.
Deputy Chairman of the Board Stepanets Ivan Volodymyrovych	Manages the Bank's digitalization process and controls the activities of the Card Business Department.
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.

Were meetings of the executive body held: a general description of the decisions made at them; information on the results of the work of the executive body; determination of how the activities of the executive body led to changes in financial and economic activities societies	During 2022, 148 meetings / absentee votes of the Board were held. At the meetings / absentee votes 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 work 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.
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	As a result of the implementation of the Business Plan (business model) of RWS BANK JSC for 2022, the Bank received a profit.
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Executive performance evaluation organ	<p>The effectiveness of the activities of the Board, Board committees and Board members during 2022 is at a sufficient (high) level. The work of the Board is satisfactory.</p> <p>The members of the Board meet the qualification requirements established by law.</p> <p>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.</p>
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5) description of the main characteristics of the issuer's 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:

- the first line of defense - at the level of business units and support units of the bank. These units initiate, carry out 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 (front office, back office);
- the second line of defense - at the level of the Risk Management Department and the Compliance Control Department. These units provide the Bank's managers with confidence that the control and risk management measures implemented by the first line of defense have been developed and are functioning properly;
- the third line of defense - 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 Bank's general risk management strategy 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 Bank's Supervisory Board. 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, carries out constant monitoring of 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 GNI.

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 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 assurance and advice aimed at improving the Bank's activities. 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 audit firm by the Supervisory Board to verify the reliability of the Bank's financial statements.

Has the Bank established an audit committee or introduced the position of auditor? (yes, an audit committee has been established / yes, an auditor has been introduced / no)

An audit commission has not been created, and the position of auditor has not been introduced.

According to the Bank's charter, which body (general meeting of shareholders, supervisory board or executive body) is responsible for resolving each of these issues?

	General meeting of shareholders	Supervisory work	By doing the organ	Not within the jurisdiction of any authority
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)

So.

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)

So.

What documents does the Bank have?

	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
Other (write down)		

How can shareholders obtain information about the Bank's activities?

Information about the activities of the joint-stock company	Information disseminates is on general meeting	Information is published in the publicly available information database of the National Securities and Stock Market Commission on the securities market or through a person who carries out activities with	Documents are provided for review directly v joint-stock company	Copies document tive provide sya na request shareholder A	The information is posted on the joint-stock company's own website. societies
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		disclosure of regulated information on behalf of stock market participants			
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 holding	no	no	So	So	So
Amount of remuneration for officials of a joint-stock company	So	So	So	So	So

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

So.

How many times were audits of the joint-stock company conducted by an independent auditor (audit firm) during the reporting period?

	So	No
Not held at all		X
Once a year	X	
More often than once a year		X

Which body made the decision to approve the independent auditor (audit firm)?

	So	No
General Meeting of Shareholders		X
Supervisory Board	X	
Other (specify)		

On the initiative of which body did the audit commission (auditor) conduct the last audit?

	So	No
On your own initiative		X
By order of the general meeting		X
By order of the Supervisory Board		X
At the request of the executive body		X
At the request of shareholders who collectively own more than 10		X

percentage of voting shares		
Other (specify)	An audit committee was not created.	

6) a list of persons who directly or indirectly own a significant block of shares in the Bank

No. of the company	Full name of the legal entity - owner(s) or surname, first name, patronymic (if any) of the individual - owner(s) of a significant block of shares	Identification code according to the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations (for a resident legal entity), code/number from the trade, banking or court register, registration certificate of a 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 authorized capital)
1	Stetsyuk Oleksandr Volodymyrovych	3013801036	99

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

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 Securities Market Authority, there are no restrictions on the rights of shareholders to participate and vote at the issuer's general meeting.		

8) procedure for appointment and dismissal of 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 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 of the Bank receiving 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 request, subject to written notification to the Bank two weeks in advance;
- in case of impossibility of fulfilling 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, limitedly incapacitated, 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.

9) powers of 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-ж/р. 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 Gavrilchuk, in accordance with the approved distribution of duties and powers among the members of the Supervisory Board, is responsible for organizing the work of the Supervisory Board, ensuring the distribution of duties between the members of the Supervisory Board, effective exchange of information between them, and the implementation of

representative functions, as well as coordination of the work of the Bank's Internal Audit Department, control of the submission of audit reports to the Supervisory Board, cooperation with the external auditor; control over the Bank's activities in the direction of Corporate Governance. 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 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; chairs the General Meeting of the Bank (except for cases when another person authorized by the Supervisory Board chairs the General Meeting); 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 duties and powers among the members of the Supervisory Board, is responsible for monitoring the Bank's activities in the areas of Compliance Control, Financial Monitoring and monitoring the provision of reports in these areas to the Supervisory Board; coordinating the implementation of the remuneration policy.

Member of the Supervisory Board (independent director) Serhiy Oleksandrovych Yaremenko, in accordance with the distribution of duties and powers among the members of the Supervisory Board, is responsible for monitoring the implementation by the Management Board of the Bank's Strategy and the planned indicators of the Business Plan; monitoring the activities of the Management Board regarding the development of the main business areas (trade in banking metals, interbank transactions) within the framework of the approved Bank's Strategy.

Member of the Supervisory Board (independent director) Dmytro Mykolayovych Seredenko, in accordance with the distribution of duties and powers among the members of the Supervisory Board, is responsible for monitoring the work of the Risk Management Department, monitoring the provision of risk management reports to the Supervisory Board; monitoring the Bank's activities in the areas of Security and Information Technology.

Member of the Supervisory Board (independent director) Pavlo Volodymyrovych Savchuk, in accordance with the distribution of duties and powers among the members of the Supervisory Board, is responsible for monitoring the activities of the Management Board regarding the development of the main business areas (retail and corporate business; documentary transactions; card business) within the framework of the approved Bank Strategy; monitoring the Bank's work with non-performing assets.

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) and job descriptions concluded with them.

instructions of the members of the Bank's Board of Directors.

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 that 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.

for 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.

Taisiya Fedorovna Moseychuk, as Deputy Chairman of the Board, provides methodological guidance and control over the activities of the Legal Department and ensures 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. Taisiya Fedorovna Moseychuk also provides methodological guidance and control over the activities of the Department for Work with Non-Performing Assets and the Information Security Department of the Bank.

Deputy Chairman of the Board Stepanets Ivan Volodymyrovych manages the Bank's digitalization process and controls the activities of the Card Business Department.

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.

11) Information provided by the Law of Ukraine "On Financial Services and State Regulation of the Financial Services Market" (for financial institutions)

Information about:

1) the purpose of the financial institution'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.

2) 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.

3) owners of significant participation (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 JSC "RWS BANK" 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 2022.

4) the composition of the Supervisory Board of the financial institution and its changes during the year, including the committees established by it:

The composition of the Supervisory Board changed at the end of 2022.

In the period from 01.01.2022 to 30.11.2022 inclusive, 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) - Seredenko Dmytro Mykolayovych.

By the decision of the Extraordinary General Meeting of Shareholders of the Bank dated November 30, 2022, minutes No. 30112022/3, the Supervisory Board was elected in a new composition of 5 people.

From 01.12.2022, an additional 5th member (independent member) Savchuk Pavlo Volodymyrovych was elected to the Supervisory Board. The Chairman and other members (independent members) of the Supervisory Board were re-elected for a new term.

The Supervisory Board decided not to create committees of the Supervisory Board of RWS BANK JSC in 2022, 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.

5) composition of the executive body of a financial institution and its changes during the year:

The composition of the Board changed during 2022.

Until February 2, 2022, the Bank's Management Board consisted of 5 people:

- 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.

From 02.02.2022, by decision of the Supervisory Board, the powers of the Deputy Chairman of the Board, Petro Ivanovich Pylypchak, were terminated and he was dismissed by agreement of the parties.

From 02/04/2022, by decision of the Supervisory Board, Taisia Fedorovna Moseychuk was transferred to the position of Deputy Chairman of the Board.

From October 3, 2022, Stepanets Ivan Volodymyrovych was appointed to the position of Deputy Chairman of the Board for Digitalization.

As of January 1, 2023, the Bank's Management Board consists of 5 people:

- Chairman of the Board - Kotlyarevska Oksana Volodymyrivna;
- Deputy Chairman of the Board - Valentyna Petrivna Vaskovska;
- Deputy Chairman of the Board – Taisia Fedorovna Moseychuk;
- Deputy Chairman of the Board – Stepanets Ivan Volodymyrovych;
- Chief Accountant, Member of the Board - Burdina Olena Mikhailivna.

6) facts of violation of internal rules by members of the Supervisory Board and executive body of a financial institution, which led to damage to the financial institution or clients of this institution:

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.

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

No measures of influence were applied to the Bank, members of the Supervisory Board and the Management Board of the Bank during 2022 by state authorities.

8) the amount of remuneration per year for members of the Supervisory Board and the executive body of a financial institution:

The amount of remuneration for 2022 for members of the Supervisory Board and the executive body of JSC "RWS BANK" totals UAH 6,164,981.15.

9) significant risk factors that affected the activities of the financial institution during the year:

The main risk factors that had an impact on the Bank's activities in 2022 are external. In particular, the worst-case scenario for the Ukrainian economy and financial system of Ukraine was implemented, which led to high risks - on February 24, 2022, Russia launched a full-scale military aggression against Ukraine. A large number of deaths, destruction of housing and infrastructure, a humanitarian catastrophe of enormous scale led to devastating economic consequences. Business activity was suspended in the first weeks of the war and is recovering very slowly throughout 2022. More than half of the member companies of the European Business

associations in Ukraine ceased or suspended their activities during wartime. The situation is similar among smaller businesses. Despite the war, Ukraine was able to survive economically and financially. The banking system survived, the government continued to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment. In fact, the Bank, like the entire banking system of Ukraine, operates in 2022 in conditions of a systemic economic crisis in Ukraine, which in turn increases the sensitivity indicators to all significant types of risk in the Bank.

10) the presence of a risk management system in the 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 EMS 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 Management Board;
- 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 implementation of operations by the Bank;
- structural units of the Bank that perform front office functions during the implementation of operations by the Bank.

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 RMS. The Bank's Management Board 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 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, 2022, the maximum amount of credit risk was UAH 45,889.3 thousand (December 31, 2021 - UAH 42,060.16 thousand).

Market risk. Market risks arise as a result of 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 (which

not related to 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 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.

11) 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):

During the organization and conduct of audits, constant monitoring and support of the implementation of the internal audit function was carried out, a fair final assessment was provided, and a list of necessary measures was determined to determine the quality of the implementation of the internal audit function, namely:

- monitoring of the internal regulatory framework;
- work planning and status of audit plans;
- conducting internal audits;
- interaction with the Bank's external auditor;
- interaction with the National Bank of Ukraine.

The internal regulatory framework for internal audit was fully updated during the year and is sufficient to ensure the activities, development and improvement of the quality of internal audit in the Bank. The work plans of the Internal Audit Department were formed in accordance with the International Standards for the Professional Practice of Internal Auditing and the regulatory requirements of the National Bank of Ukraine, they included the areas that posed the highest level of risk for the Bank, and the plan was fully implemented. 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, and information on the audits was discussed by the Management and Supervisory Boards of the Bank.

Notes to the financial statements are included in the annual financial statements, which are part of the issuer's annual report, of which this management report (management report) is also a component.

12) 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 2022. Information on the execution of significant transactions is indicated in Section XIV of the Issuer's Annual Report.

13) results of asset valuation in the event of their purchase or 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 2022. Information on the execution of significant transactions is indicated in Section XIV of the Issuer's Annual Report.

14) 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 control over the Bank's compliance with the norms for determining the list of persons related to the Bank to ensure the integrity and completeness of the process of identifying persons related to the Bank and controlling transactions with them.

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. During 2022, the standards were not violated.

15) recommendations of bodies that carry out state regulation of financial services markets regarding the audit opinion were used:

There are no recommendations from the bodies that carry out state regulation of financial services markets regarding the audit opinion.

16) external auditor of the Supervisory Board of a financial institution, appointed during the year:

In 2022, by decision of the Supervisory Board, the LIMITED LIABILITY COMPANY "AUDIT COMPANY "CROU UKRAINE"" was appointed to audit the annual financial statements. The audit company is included in the Register of Audit Firms and Auditors No. 3681.

17) activities of the external auditor, in particular:

Total audit experience:

The experience of LLC "AK "Crow Ukraine"" is more than 15 years.

Number of years during which it has provided audit services to such a financial institution:

The number of years during which LLC "AK "Crow Ukraine"" has been providing audit services to JSC "RWS BANK" is 4 years (2019, 2020, 2021, 2022).

List of other audit services provided to such financial institution during the year:

List of other audit services provided by LLC "AK "Crow Ukraine"": LLC "AK "Crow Ukraine"" provided services for the audit of the Bank's annual financial statements and for the expression of the auditor's (audit firm's) opinion and verification of the information specified in the management report (management report).

Cases of conflict of interest and/or combination of internal auditor functions:

There are no cases of conflict of interest and/or combination of internal auditor functions.

auditor rotation at the financial institution over the past five years:

Auditor rotation at RWS BANK JSC was carried out in accordance with the requirements of the legislation.

penalties applied to the auditor by the Audit Chamber of Ukraine during the year, and facts of submission of unreliable reporting by a financial institution, confirmed by an audit opinion, identified by the bodies carrying out state regulation of financial services markets:

LLC "AK "Crow Ukraine"", the managers of this audit company and/or the company's external auditors have not had any penalties imposed by the body that regulates/regulated auditing activities over the last three years; there are no facts of submission of unreliable financial statements by a financial institution, confirmed by an audit opinion.

18) protection by a financial institution of the rights and interests of consumers of financial services, in particular:

the existence of a complaints mechanism:

On 12/21/2022, by decision of the Board of JSC "RWS BANK", a new version of the Regulations on the procedure for registering, considering and processing appeals of citizens, legal entities and state bodies in JSC "RWS BANK" was approved. Complaints of Clients are considered by the Bank's management and heads of departments whose competence includes consideration of relevant issues. Bank managers conduct personal receptions of citizens, managers and representatives of legal entities, state bodies. Receptions are held regularly by prior appointment with the Assistant to the Chairman of the Bank's Board. Appeals of citizens, managers and representatives of legal entities, state bodies at a personal reception are registered if the issue is not resolved directly at the reception. The citizen is notified of the results of the consideration in writing or orally at the request of the applicant. General control over compliance with the procedure for accepting, receiving, registering, considering and providing responses to applications from citizens, legal entities and state bodies is entrusted to the head of the Bank's Compliance Control Department. Control over compliance with the deadlines for considering applications is entrusted to the administrative secretary.

Employees of JSC "RWS BANK", authorized to consider complaints, are Diana Yavorska, Tetyana Valentynivna Myslyuk.

the status of the financial institution's handling of complaints regarding the provision of financial services during the year (nature,

кількість скарг, що надійшли, та кількість задоволених скарг):

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

наявність позовів до суду стосовно надання фінансових послуг фінансовою установою та результати їх розгляду:

Позови до суду стосовно надання фінансових послуг Банком відсутні.

Голова Правління



О.В. Котляревська

FINANCIAL STATEMENTS

ЗВІТ ПРО ФІНАНСОВИЙ СТАН СТАНОМ НА 31 ГРУДНЯ 2022 РОКУ

тис. грн.	Примітки	31 грудня 2022	31 грудня 2021
АКТИВИ			
Грошові кошти та їх еквіваленти	6	887 718	773 312
Кредити та заборгованість клієнтів	7	471 144	306 916
Інвестиції в цінні папери	8	822 185	3 270 946
Інвестиційна нерухомість	9	254 179	340 682
Дебіторська заборгованість щодо поточного податку на прибуток		182	182
Відстрочений податковий актив		3 727	637
Основні засоби, активи у формі права користування та нематеріальні активи	10	25 213	30 524
Інші активи	11	80 005	85 665
Усього активів		2 544 353	4 808 864
ЗОБОВ'ЯЗАННЯ			
Кошти банків	12	-	2 266 356
Кошти клієнтів	13	2 220 320	2 242 157
Резерви за зобов'язаннями	14	1 597	2 035
Інші зобов'язання	15	67 597	56 371
Усього зобов'язань		2 289 514	4 566 919
ВЛАСНИЙ КАПІТАЛ			
Статутний капітал	16	300 039	300 039
Інший додатковий капітал		48 000	48 000
Резервні та інші фонди банку		12 313	11 542
Резерви переоцінки		(37 594)	(20 884)
Нерозподілений прибуток (непокритий збиток)		(67 919)	(96 752)
Усього власного капіталу		254 839	241 945
Усього зобов'язань та власного капіталу		2 544 353	4 808 864

Затверджено до випуску та підписано 19 квітня 2023 року

Голова Правління

Головний бухгалтер



О.В. Котляревська

О.М. Бурдіна

ЗВІТ ПРО ПРИБУТКИ І ЗБИТКИ ТА ІНШИЙ СУКУПНИЙ ДОХІД ЗА 2022 РІК

тис. грн.	Примітки	2022 рік	2021 рік
Процентні доходи	19	351 673	333 312
Процентні витрати	19	(361 537)	(207 631)
Чистий процентний дохід/(Чисті процентні витрати)		(9 864)	125 681
Комісійні доходи	20	319 642	146 712
Комісійні витрати	20	(37 456)	(27 363)
Чистий прибуток/(збиток) від операцій із фінансовими інструментами, які обліковуються за справедливою вартістю через прибуток або збиток		(1 250)	101
Чистий прибуток/(збиток) від операцій із борговими фінансовими інструментами, які обліковуються за справедливою вартістю через інший сукупний дохід		(22 235)	608
Чистий прибуток/(збиток) від операцій із іноземною валютою		23 591	20 003
Чистий прибуток/(збиток) від переоцінки іноземної валюти		(3 370)	725
Чистий прибуток/(збиток) від переоцінки об'єктів інвестиційної нерухомості		38 286	29 662
Чистий прибуток/(збиток) від зменшення корисності фінансових активів		(16 537)	(7 061)
Чистий прибуток/(збиток) від зменшення корисності інших активів		1 491	(329)
Чистий збиток/(прибуток) від збільшення/(зменшення) резервів за зобов'язаннями	14	438	(1 196)
Інші операційні доходи	21	57 740	64 488
Витрати на виплати працівникам		(79 865)	(71 448)
Витрати зносу та амортизація		(11 828)	(11 723)
Інші адміністративні та операційні витрати	22	(232 269)	(254 079)
Прибуток/(збиток) до оподаткування		26 514	14 781
Витрати на податок на прибуток		3 090	637
Прибуток/(збиток)		29 604	15 418
ІНШИЙ СУКУПНИЙ ДОХІД:			
СТАТТІ, ЩО БУДУТЬ РЕКЛАСИФІКОВАНІ В ПРИБУТОК ЧИ ЗБИТОК			
Зміни результатів переоцінки боргових фінансових інструментів		(16 710)	(14 398)
Усього сукупного доходу		12 894	1 020

Затверджено до випуску та підписано 19 квітня 2023 року

Голова Правління

О.В. Котляревська

Головний бухгалтер

О.М. Бурдіна



ЗВІТ ПРО ЗМІНИ У ВЛАСНОМУ КАПІТАЛІ ЗА 2022 РІК

<i>тис. грн.</i>	Статутний капітал	Інший додатковий капітал	Резервні та інші фонди	Резерви переоцінки	Нерозподілений прибуток	Усього
Залишок на 1 січня 2021 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
Усього сукупного доходу за 2022 рік	-	-	771	(16 710)	28 833	12 894
Прибуток/(збиток)	-	-	-	-	29 604	29 604
Інший сукупний дохід	-	-	-	(16 710)	-	(16 710)
Розподіл прибутку до резервних та інших фондів	-	-	771	-	(771)	-
Залишок на 31 грудня 2022 року	300 039	48 000	12 313	(37 594)	(67 919)	254 839

Затверджено до випуску та підписано 19 квітня 2023 року

Голова Правління

О.В. Котляревська

Головний бухгалтер

О.М. Бурдіна



ЗВІТ ПРО РУХ ГРОШОВИХ КОШТІВ ЗА 2022 РІК

тис. грн.	Примітки	2022 рік	2021 рік
ОПЕРАЦІЙНА ДІЯЛЬНІСТЬ			
Процентні доходи, що отримані		469 539	205 705
Процентні витрати, що сплачені		(359 338)	(205 152)
Комісійні доходи, що отримані		316 580	146 502
Комісійні витрати, що сплачені		(36 668)	(27 361)
Результат операцій з іноземною валютою		22 341	20 104
Інші отримані операційні доходи		8 913	64 488
Виплати на утримання персоналу, сплачені		(78 403)	(69 698)
Адміністративні та інші операційні витрати, сплачені		(223 390)	(260 788)
Грошові кошти, отримані/(сплачені) від операційної діяльності до змін в операційних активах і зобов'язаннях		119 574	(126 200)
Зміни в операційних активах та зобов'язаннях			
Чисте (збільшення)/зменшення кредитів та заборгованості клієнтів		(172 298)	10 002
Чисте (збільшення)/зменшення інших активів		22 229	(4 369)
Чисте збільшення/(зменшення) коштів банків		(2 266 641)	1 625 854
Чисте збільшення/(зменшення) коштів клієнтів		(23 752)	866 140
Чисте збільшення/(зменшення) інших зобов'язань		(11 843)	7 804
Чисті грошові потоки від операційної діяльності		(2 332 731)	2 379 231
ІНВЕСТИЦІЙНА ДІЯЛЬНІСТЬ			
Придбання цінних паперів		(637 167)	(4 001 445)
Надходження від реалізації інвестицій у цінні папери		2 931 802	1 877 051
Придбання інвестиційної нерухомості		(1 797)	(11 119)
Надходження від реалізації інвестиційної нерухомості		165 724	50 714
Надходження від реалізації основних засобів		10	-
Придбання основних засобів		(3 254)	(17 349)
Придбання нематеріальних активів		(3 380)	(749)
Чисті грошові потоки від інвестиційної діяльності		2 451 938	(2 102 897)
Чиста курсова різниця		(3 372)	725
Чисте збільшення /(зменшення) грошових коштів та їх еквівалентів		115 835	277 059
Грошові кошти на початок періоду		773 208	496 149
Грошові кошти на кінець періоду	6	889 043	773 208

Затверджено до випуску та підписано 19 квітня 2023 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, 2022, the shareholders of the Bank are:

- Oleksandr Volodymyrovych Stetsyuk, who owns a significant stake in the capital of the Bank, which is owned by 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

On February 24, 2022, Russian troops began their invasion of Ukraine. 2022-2023 are the years of Russia's full-scale war against Ukraine. This factor completely absorbed the consequences of the occupation of Crimea and parts of the Donetsk and Luhansk regions, as well as COVID-19.

Ukraine's direct losses from the war are estimated at 200 billion USD, and the total at almost 1 trillion USD.

War on the territory of a state usually means economic collapse. But until recently, Ukraine proved that it could survive economically and financially. The banking system survived, the government continued to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment.

Total international budget assistance to Ukraine in 2022 amounted to USD 28 billion. The main donor countries are: USA, EU, Canada, Great Britain. Their contribution is a third of the expenditures of the Ukrainian consolidated budget-2022. At the same time, the total need for financing exceeded 45 billion USD, and the lack of funds from international partners was covered by monetary financing from the NBU and domestic borrowing.

GDP dynamics

In 2022, Ukraine's GDP shrank by about a third, the largest economic decline in Ukraine's history. For comparison, the 2009 financial crisis led to a 15% decline, the outbreak of war with Russia led to a 6.6% decline in 2014 and a 9.8% decline in 2015. A further 5% decline is expected in 2023.

Metallurgy. During the first months of the full-scale invasion, the ferrous metallurgy industry lost about a third of its assets. Azovstal and Ilyich Iron and Steel Works, the second and third largest steel plants in Ukraine, were destroyed, and the Avdiivka Coke Plant was damaged and shut down. In the fall, the largest steel plant, ArcelorMittal Kryvyi Rih, was also partially damaged. Other plants initially stopped, and then periodically resumed production. In addition to the destruction itself, the blockade of sea trade ports, through which the vast majority of metal exports passed, was a huge problem.

All this led to a sharp drop in the industry's performance - the output of metallurgical products decreased by 70%. In the Worldsteel ranking of global steel producers, Ukraine fell from 14th place in 2021 to 22nd in 2022.

Energy and fuel. The first few months of the full-scale invasion, a fuel crisis raged in Ukraine. The aggressors destroyed the Kremenchuk Oil Refinery (the largest operating refinery) and a number of oil depots. Oil product supplies from Russia and Belarus, which were the main suppliers, also stopped. So Ukraine had to essentially establish fuel logistics from scratch. It was only in July that the shortage and long queues were eliminated, but literally at a high price. Since the beginning of the year, fuel prices have risen by 65%.

Later, an attack began on another segment of the energy sector – the production, transmission and distribution of electricity. In addition to the occupation of the Zaporizhzhia NPP, the largest in Europe, in October the aggressor began to strike at generation and distribution facilities. Two months after the start of such attacks, there was not a single hydroelectric and thermal power plant left in Ukraine that had not come under fire. At least half of the high-voltage elements were damaged. As a result, Ukraine faced a shortage of electricity. The national transmission operator Ukrenergo was forced to limit consumption. The entire country lived according to the schedules of disconnections, which, moreover, are not always adhered to. After each subsequent strike, the situation worsened, and after the missile strikes on November 23, there was a short but complete blackout.

However, gradually the critical energy infrastructure was restored, and generation reached a level that meets the basic needs of consumers (taking into account the 2-fold drop in industrial production). European countries have come up with a program to support Ukraine's energy sector by providing equipment and reserve energy capacity. Thus, stability in the energy market is expected in the near future.

Agriculture. Due to the loss and mining of territories, logistical problems and unclear export prospects, Ukraine has suffered significant losses in agriculture. Currently, 55% of the pre-war area is being cultivated. In addition, Russia has stolen almost 40 million tons of grain products that were in temporarily occupied territories.

In July, under pressure from international partners, Russia agreed to the Grain Initiative, which opened Odessa ports for agricultural exports. In addition, traders and logisticians managed to establish supplies via land channels. In total, since the beginning of the 2022/23 marketing year, Ukraine has exported 20 million tons of grain crops. Of these, exports through seaports (as part of the Grain Initiative) amounted to 14 million tons. This factor added predictability to export opportunities.

External sector. The current account surplus in 2022 was USD 8.6 billion (5.8% of GDP³) compared to a deficit of USD 3.9 billion (1.9% of GDP) in 2021. The surplus was formed mainly due to the receipt of grants from international partners and a reduction in payments on investment income. At the same time, the negative balance of trade in goods and services expanded significantly, including

due to significant expenditures by Ukrainian citizens abroad. Excluding reinvested income and grants from international partners, the deficit was USD 5.3 billion (in 2021, the surplus was USD 1.0 billion).

Exports of goods and services decreased by 29.9% mainly due to a reduction in exports of ferrous and non-ferrous metals by 62.6% and food products by 15.5% (increased by 34.3% in 2021), while their imports decreased by only 3.9% (increased by 33.4% in 2021).

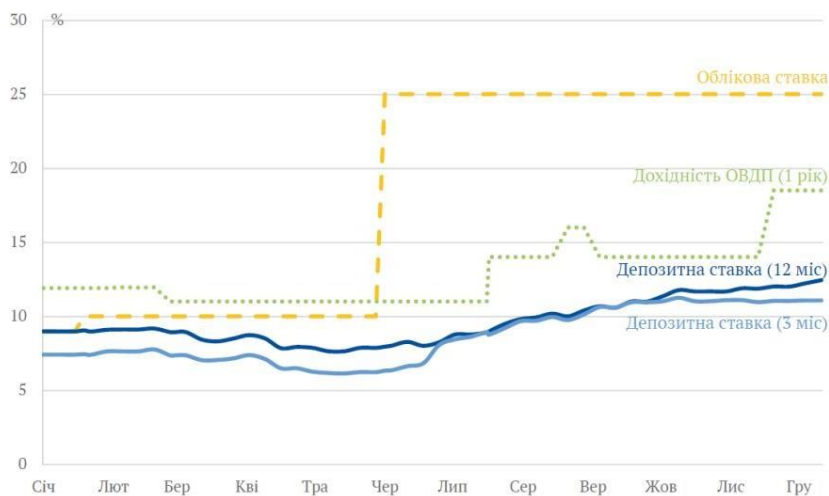
Monetary and financial sectors

Annual inflation in 2022 was about 30%. For a country at war, this level of inflation is quite moderate.

Gold and foreign exchange reserves remain stable at USD 28 billion. The key factor was the receipt of international assistance from the EU and the United States.

The National Bank has been pursuing a fixed exchange rate policy since the beginning of the full-scale war. The rate was fixed on February 24 at 29.25 UAH/USD; together with a number of administrative restrictions, this decision avoided panic and a collapse of the exchange rate. Over time, a discrepancy between the official and market exchange rates began to appear, and the NBU adjusted the rate, increasing it to 36.57 UAH/USD.

The NBU maintains the discount rate at 25%, and the Ministry of Finance has increased the yield on one-year hryvnia military bonds to 18.5%. Accordingly, average deposit rates have slowly crept up and almost reached the level of 12%.



Since the start of the full-scale war, the banking system has generally shown its resilience. The vast majority of banks are operational: only 2 banks have left the market and 2 more Russian banks have been closed by the NBU.

Lending remains depressed, partly due to high rates of state borrowing. For some time, corporate lending has been growing, exclusively through loans from state-owned banks, also helped by the 5-7-9 program.

Banks, in fact, act purely as payment intermediaries - lending is very limited, excess liquidity is held in NBU certificates of deposit, and the rest of the operations are almost inactive.

Fiscal sector

VAT usually provided half of all tax revenues. In the first months of the war, tax revenues from this largest source, VAT, were halved, leaving the budget short by about 1 billion.

USD per month. Initially, the decline in economic activity was caused by the shock of the outbreak of the war, which affected consumption and logistics. Later, other factors came into play: a decrease in the number of consumers and workers due to departure from Ukraine and conscription into the armed forces, temporary exemption of imports from VAT and customs duties, a significant expansion of the simplified taxation system, and a spring fuel shortage.

This decline was partially offset by large one-off receipts in February-March, such as profit distributions of state-owned enterprises (UAH 35.2 billion), corporate income tax, including advances (UAH 34.9 billion), NBU profit (UAH 18.8 billion), etc.

Immediately at the beginning of the war, Ukraine was faced with the need to finance rapidly increasing expenditures – primarily military.

Foreign financial (primarily budgetary) assistance has become extremely important in order to prevent the worst of the worst scenarios of economic development. The first foreign grants and loans began to arrive already

a few days after the start of the full-scale invasion. Over time, foreign funding has become an extremely important source of budget financing: in 2022, its volume amounted to \$28 billion - this is 60% of all additional funding received by the Ukrainian budget.

Migration and the labor market

Russia's full-scale invasion of Ukraine has created a humanitarian crisis the likes of which Europe has not seen since the 1940s. According to conservative estimates, up to half of Ukraine's pre-war population, or at least 20 million people, are directly involved in the active migration processes caused by Russian aggression.

Approximately 8 million Ukrainians have found safe haven in European countries, of which 5 million have received temporary protection in one of the host countries. Half of all Ukrainian refugees have settled in Poland and Germany. Ukrainians displaced abroad are mainly women and children under 18 years of age. Ukrainian refugees are ready to work and invest in the economies of host countries (430 thousand and 160 thousand Ukrainian refugees have already found jobs in Poland and Germany, respectively). A significant part (up to 20%) continues to work remotely in Ukraine.

Up to 6.5 million Ukrainians are internally displaced persons (IDPs), a figure that has remained almost unchanged since March 2022. About 3.5 million Ukrainians have received official IDP status, which allows them to receive social assistance from the state and international organizations. People are moving from the most dangerous regions of the east and south, where fighting continues, to the calmer central and western regions; half a million residents of the country have found a new home in the capital. However, with the beginning of massive Russian shelling of civilian energy infrastructure, even regions remote from the borders with the aggressor country do not provide security assurance. Despite this, more than 70% of IDPs plan to return home. The situation with work and income among IDPs is improving slightly, but remains worse than the average in Ukraine. If in the summer of 2022 up to 40% of IDPs of working age were not working, then the current estimate is 31%.

The situation on the Ukrainian labor market remains tense. The Ministry of Economy estimates the actual number of unemployed people in Ukraine at 2.6 million (projected to increase to 2.8 million in 2023). The National Bank of Ukraine estimates the unemployment rate at 30% and forecasts its partial decline next year, with the preservation of imbalances in the labor market.

The war is causing a reduction in the incomes of Ukrainians, both nominal and real. In the context of reduced financial stability of enterprises, employers are opening vacancies with lower salaries, reducing or not increasing salaries for existing employees. 77% of Ukrainians note that their income has decreased compared to January 2022. Nominal wages in Ukraine have decreased by 5% compared to January 2022, which, given the current high inflation, means a significant reduction in wages in real terms - 21%.

In the fourth quarter of 2022, the Ukrainian economy and financial system continue to operate in difficult conditions of Russian military aggression against Ukraine. Full-scale military operations continue in the southern and eastern parts of Ukraine, and some territories are under temporary occupation. The threat of missile strikes persists throughout Ukraine, which makes it impossible to fully restore the destroyed infrastructure and fully restore the economic activities of enterprises. The decrease in the effectiveness of market instruments and high uncertainty in conditions of full-scale hostilities made it impossible to implement monetary policy in the traditional format of inflation targeting. In order to maintain macroeconomic stability in Ukraine, curb panic and prevent the inflationary spiral from developing, the NBU continues to adhere to a fixed exchange rate of the hryvnia to the US dollar, and the introduced administrative restrictions on currency transactions and capital movements are gradually being eased. In June 2022, the NBU returned to an active interest rate policy, significantly increasing the discount rate, which remained stable during the fourth quarter of 2022. The NBU also gradually reduced the volume of budget monetization and ceased emission financing from the beginning of 2023.

Consumer inflation in Ukraine accelerated compared to the third quarter of 2022, but at the same time, during the last three months of 2022, the annual inflation rate remained almost unchanged (in December, the rate was 26.6% y/y, in November 26.5 y/y, in October 26.6 y/y). The stabilization of inflationary pressure was facilitated by the deoccupation of territories, the expansion of food supply, and weaker consumer demand in the context of Russia's energy terror. Inflation was also restrained by unchanged tariffs for housing and communal services, a fixed hryvnia exchange rate, and the establishment of logistics. The NBU's measures, in particular the introduction of deposit instruments to hedge currency risk, as well as a limited amount of budget monetization, contributed to the stabilization of the situation in the cash foreign exchange market at the end of 2022. At the same time, price pressures remain significant due to the consequences of the war, including the destruction of enterprises and infrastructure, disruption of production and supply chains. In addition, business costs continued to rise due to Russia's energy terror. Inflation expectations, despite stabilization, remained elevated.

External environment.

The decline in global economic activity deepened in the fourth quarter due to a decline in output in both industrial and service sectors. Moreover, the decline in activity was observed in almost all

sectors, which witnessed the worst quarter since the global financial crisis, except for the initial period of the pandemic. Important reasons for this were geopolitical uncertainty, especially due to the Russian invasion of Ukraine, and tightening global financial conditions. Business confidence remains low, and new orders are increasingly declining, which further slows down global trade. The cooling of business sentiment and the decline in global demand in the fourth quarter of 2022 - early 2023 was demonstrated by the WTO trade in goods barometer falling below trend. Similar dynamics were recorded in the services trade barometer. Export restrictions, primarily on food, feed and fertilizers, are also negatively affecting global trade. The number of such restrictions has increased since mid-October. After growing by 3.5% in 2022, driven by strong activity at the beginning of the year and some trade recovery following the opening of the grain corridor and China's change to a zero-tolerance policy on COVID-19, global merchandise trade is expected to grow by just 1% in 2023. This will be driven by a global recession in the first half of the year, the aftermath of the war in Ukraine, still relatively high energy prices and consumer inflation, and tightening monetary policy by leading central banks.

The weakening demand has allowed supply chains to recover somewhat, despite a slight deterioration in China's logistics due to the increase in the incidence of the disease at the end of the year. Accordingly, delivery times have also been shortened. On the other hand, this has led to a noticeable slowdown in job growth as the need to process the unprecedented accumulation of

unfinished work after the pandemic ends.

A significant contraction in demand was a significant reason for the rapid weakening of economic activity in both developed countries and most EM countries in the fourth quarter of 2022. The US economy slowed down - growth rates were significantly lower than the long-term trend. This

was the result of the winding down of pandemic support programs, the global impact of Russia's war against Ukraine, and tightening financial conditions, which most affected the housing market. Leading indicators pointed to a decline in production and new orders in late 2022, leading to a slowdown in job growth. Demand for goods and services fell at the fastest pace since the global financial crisis, which, combined with rising aggregate supply, rebalanced the economy. This also led to a sharp slowdown in input-cost inflation.

The decline in Eurozone economic activity, according to leading indicators, continued at the end of 2022, despite some improvement in logistics and easing price pressures. Overall business sentiment remains weak, with demand further constrained by falling real incomes and rising interest rates. Weak demand and energy risks remain significant factors in the Eurozone economic slowdown. As the negative factors dissipate and investment programs and structural changes under the new EU reform package are implemented, especially in the energy sector, economic activity will gradually recover.

Global oil and natural gas prices in Europe varied in different directions in the fourth quarter of 2022. Due to the slowdown in the global economy, demand for oil was increasingly declining, which put pressure on its price. Only the limitation of production volumes by OPEC+ countries kept prices from falling even deeper.

Natural gas prices have been quite volatile. On the one hand, Russian blackmail has led to their growth, while active LNG imports and almost full gas storage facilities in relatively warm weather have led to their decline. It is expected that the gradual reduction of European countries' dependence on Russian gas, a significant reduction in its consumption and the introduction of a maximum price level will contribute to the reduction of gas prices. World prices for steel and iron ore have decreased due to weak demand in most regions of the world and significant accumulated reserves.

Wheat and corn markets were under downward pressure, in particular due to the grain corridor. Weather conditions have had an impact on harvests in various countries: a weak corn harvest in the US was offset by record results in Brazil, while a strong wheat harvest in Australia has helped offset a low harvest in Argentina. Sown areas are expected to increase in Latin America, India and Australia as weather conditions improve, supporting higher yields. Together with the continued operation of the grain corridor, this will create excess supply against rising demand, leading to lower prices over the forecast horizon.

Ukraine's economy is operating under difficult war conditions.

As a result of Russia's energy terror, the decline in Ukraine's GDP in the fourth quarter of 2022 deepened (up to 35% year-on-year). Enterprises in the trade and service sectors adapted to power outages quite quickly. The impact on the agricultural sector was also limited. Instead, industry, in particular metallurgy, suffered significant output losses. At the same time, thanks to better results in the third quarter and the rapid adaptation of some businesses and the population to new conditions, the estimate of the fall in real GDP in 2022 has been improved to 30.3%.

In recent months, exports of Ukrainian goods have remained stable, despite massive missile attacks and Russia's obstruction of the "grain corridor". In contrast, imports have increased significantly compared to previous periods due to the need to purchase alternative energy sources and fuel as a result of energy terror. This has led to an increase in the negative trade balance. The trade deficit has been offset by the receipt of official financing, including grants, and stable remittances from migrant workers. As a result, the current account balance at the end of 2022 is in surplus.

Inflows of international support and cooperation with the IMF make it possible to finance a significant budget deficit, as well as maintain international reserves at a sufficient level. In 2022, Ukraine received more than 32 billion USD of international assistance, of which more than 14 billion USD were grants. Thanks to this, it was possible to finance most of the consolidated budget deficit (more than 27% of GDP excluding grants), as well as increase international reserves to 28.5 billion USD by the end of the year. The current level of reserves is sufficient to ensure the stability of the foreign exchange market. Given the already announced volumes of international assistance and progress in negotiations with the IMF, the total amount of official financing in 2023 may exceed 38 billion USD. This will make it possible to avoid emission financing of the budget deficit in 2023 and maintain international reserves at a sufficient level, even in conditions of prolonged high security risks. International reserves are expected to be around \$27 billion by the end of 2023 and continue to grow.

Banking sector.

In the fourth quarter of 2022, the banking sector continued to operate stably, despite Russia's attacks on energy infrastructure. Banks resumed their networks in the liberated regions, although the total number of branches in the country decreased. Financial institutions maintained the trust of depositors, and the inflow of client funds continued, which mainly remained in current accounts. At the same time, term deposits also grew: more slowly in hryvnia and faster in foreign currency. The volume of net assets of the sector continued to increase. Demand for loans remained weak, losses from credit risk increased, so the net loan portfolio decreased. The increase in assets was primarily due to the growth in investments in NBU certificates of deposit and funds in other banks. The share of non-performing loans continued to increase. Despite significant deductions to reserves, the sector was able to make a profit for the quarter and for the year. This was facilitated by a further increase in interest and commission income. Credit risk remains key, while other risks have increased. The NBU will conduct a sector resilience assessment this year to assess portfolio quality and capital levels.

The number of operating banks in Ukraine – 67 – did not change in the fourth quarter. However, on February 7, 2023, the NBU classified Forward Bank, which accounted for 0.1% of the sector's net assets, as insolvent due to the financial institution's failure to bring its activities into compliance with the requirements of the law. So, over the year, the number of banks decreased by four small institutions, including two with Russian state capital – in February 2022.

The volume of net assets of solvent banks increased by 8.6% in the fourth quarter, and by 17.9% in 2022 (by 8.6% at the exchange rate fixed at the beginning of the year). The volumes of NBU certificates of deposit and funds in accounts with other banks increased mainly. At the same time, investments in government bonds decreased slightly during the year. The increase in demand for government securities occurred at the beginning of 2023. The net loan portfolio decreased primarily due to additional provisioning. The volumes of net loans to business entities decreased in the fourth quarter: hryvnia loans - by 6.7%, foreign currency loans - by 5.2% in dollar equivalent. The decrease in the net corporate hryvnia loan portfolio occurred in all groups of banks. At the same time, in 2022, net hryvnia loans to business entities in solvent banks increased by 0.5%, and in foreign currency decreased by 23.9% in dollar equivalent. The growth of the hryvnia loan portfolio occurred primarily in agriculture. Demand for loans remains subdued, so the state support program "Affordable Loans 5-7-9%" will remain the key driver of hryvnia corporate lending. However, the pace of lending within the program has decreased in anticipation of updating its design, and the current debt of borrowers under the program decreased by 0.2% in the fourth quarter. Currently, loans provided within the program already form about a third of the working gross hryvnia corporate loan portfolio of banks. The volume of the net retail hryvnia loan portfolio in the fourth quarter decreased by 12.6%, primarily in foreign and private banks. The main reason is the growth in loan loss provisions. In addition, slow new lending does not compensate for the repayment of "old" loans. The trend has continued since the beginning of the full-scale war – the reduction was 32.7% per year. Financial institutions accelerated the recognition of credit losses due to the war. Overall, the share of non-performing loans increased by 4.5 percentage points to 38.1% per quarter, and by 8.1 percentage points per year. At the end of the year, the share of non-performing loans to individuals increased by 13.6 percentage points, and corporate loans by 6.8 percentage points.

The discount rate has been kept at an unchanged level of 25% since June 2022. At the same time, the NBU has additionally increased the requirements for banks' mandatory reserves, as announced in December. Thus, from February 11, the standards for the formation of mandatory reserves by banks on demand funds and funds in current accounts of legal entities and individuals, as well as on deposits and funds in current accounts of other non-resident banks and loans received from international (except financial) and other organizations, are increasing by 5 percentage points. In particular, from 5%

up to 10% in national currency and from 15% to 20% in foreign currency. Additionally, from March 11, the standards for banks to form mandatory reserves for demand deposits and funds in current accounts of individuals in both national and foreign currencies will be increased by 10 percentage points. However, this part of the reserves will not be subject to the benchmark-OVDP coverage mechanism.

Given that the discount rate remained at a high level during the fourth quarter (25% per annum), there was an uneven inflow of liquidity into the sector, which stimulated individual financial institutions to compete for client funds. Therefore, banks increased rates on deposits of both individuals and businesses, and also worked to extend their maturity. On average, the cost of 12-month deposits of individuals increased by 1.2 pp to 12.7% per annum. The spread between three-month and one-year deposits at the end of the quarter increased to 1.5 pp compared to 0.2 pp at the end of September. The average cost of business funds increased to 10.5% per annum. An increase in the required reserve ratio will encourage banks to review

its interest rate policy during the first quarter of 2023. The rate on loans to individuals fluctuated around 30% per annum during the quarter – this is the market level before the full-scale war with Russia. The higher rate on transactions with the population made it possible to pursue a softer interest rate policy in the business segment without losses for the aggregate interest margin. The weighted average rate on hryvnia loans to business entities continued to grow slowly in October-November, but decreased slightly in December – to 20% per annum.

Despite significant deductions to reserves, according to the results of 2022, the sector received UAH 24.7 billion in profit, including UAH 17.3 billion in the quarter. 21 institutions were unprofitable for the year, including two state-owned banks. The total loss of these institutions amounted to UAH 20.8 billion. Most banks maintained high operating efficiency. Interest income grew rapidly,

largely due to the investment of free liquidity in high-yielding certificates of deposit, while the increase in the cost of funding was moderate. Therefore, the net interest margin increased, and net interest income for the quarter increased by 36.7% year-on-year. The shelling of energy infrastructure had a moderate impact on the dynamics of net commission income. In the fourth quarter, it increased by 9.9% compared to the previous quarter, and in the year-on-year terms, it decreased by 7.0%. The growth of operating income was also supported by profit from currency operations. At the same time, operating expenses for the quarter decreased by 2.3% year-on-year. As a result, the ratio of operating expenses to operating income (CIR)¹ in the fourth quarter was 39.8% compared to 53.8% in the corresponding period last year. At the end of the year, 61 banks were operationally profitable. During the quarter, banks continued to form additional reserves for losses caused by the war. Deductions to reserves for loans amounted to UAH 21.1 billion, UAH 2.8 billion of reserves for securities were dissolved. In total, banks formed UAH 118.8 billion of reserves during the year, the bulk of which was formed since the beginning of the full-scale war.

2022 was a year of overcoming operational challenges for banks. The sector successfully passed this period and adapted to the new operating conditions. In the future, banks need to focus on restoring lending and supporting their business models in the face of a protracted war. Credit risk will continue to dominate for banks. To determine the correctness of the reflection of the quality of the loan portfolio, the adequacy of the formation of reserves, and to assess the real size of regulatory capital, the NBU will conduct an assessment of the stability of banks in 2023. Its results will determine the deadlines for banks to restore capital, as well as the schedule for the abolition of temporary regulatory relaxations. Most financial institutions will be able to restore capital thanks to future profits, but a number of banks will likely need shareholder support. Taking into account the conclusions of the stability assessment, a strategy for working with non-performing assets will be determined.

The liquidity of the sector as a whole remains high, and the inflow of client funds continues. However, a further decline in the share of term funds increases risks for banks. To encourage financial institutions to improve their term structure, the NBU is increasing reserve requirements for funds on

in current accounts and on demand. Banks should pay more attention to liquidity management, in particular, to adhere to an interest rate policy that will stimulate term deposits of the population. In the event of the implementation of a scenario with prolonged high security risks, the prospects for the recovery of the Ukrainian economy next year will significantly deteriorate. A longer period of suppressed demand, low investment activity and logistical constraints will be the main constraining factors for GDP growth. Under such conditions, a full recovery will not begin before 2024.

The main risk factors that affected the Bank's activities in 2022 are external. In particular, for the Ukrainian economy and financial system of Ukraine, the worst-case scenario was implemented, which led to high risks, on February 24, 2022, Russia launched a full-scale military aggression against Ukraine. A large number of deaths, destruction of housing and infrastructure, a humanitarian catastrophe of enormous scale led to devastating economic consequences. Business activity came to a standstill in the first weeks of the war, and has been recovering very slowly since 2022. More than half of the member companies of the European Business Association in Ukraine ceased or suspended their activities during the war. The situation is similar among smaller businesses. Despite the war, Ukraine was able to survive economically and financially. The banking system survived, the government continued

to pay pensions and salaries, the hryvnia devalued, but did not lose its role as the main means of payment. In fact, the Bank, like the entire banking system of Ukraine, operates in 2022 in conditions of a systemic economic crisis in Ukraine, which in turn increases the sensitivity indicators to all significant types of risk in the Bank.

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, 2022	December 31, 2021
1 US dollar	36,5686	27,2782
1 euro	38,9510	30,9226

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.

Upon initial recognition of financial instruments at fair value through profit or loss, the Bank measures them at fair value or net of costs.

on transactions. The Bank records in its accounting the costs of transactions for the acquisition of such financial instruments under expense accounts on the date of their execution.

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 debt on the loan, accrued income, discounts / premiums.

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

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

d) Derecognition of financial instruments and modifications

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

- the rights to receive cash flows from the financial asset have expired;

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

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

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

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

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

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

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

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

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

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

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

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.

η) Derivative financial instruments

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

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

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

g) Loans and 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 the 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

for delivery, assembly, installation, indirect taxes paid in connection with the purchase 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 value (fair value) less accumulated depreciation and accumulated impairment losses.

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

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

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

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

Assets in the form of fixed assets were not provided as collateral for the Bank's obligations in 2022.

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

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

Procedure and method of calculating depreciation

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

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

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

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

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

The Bank, based on an internal order, has changed the approach to the valuation of intangible assets with an indefinite useful life. Starting from January 1, 2018, 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

(brand) 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 inception date for all leases, except for short-term leases and leases of low-value assets. Unlike the lessee's accounting, the lessor's accounting has remained largely unchanged.

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

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

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

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

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

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

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

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

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

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

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

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

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

m) Funds raised

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

n) Provisions for liabilities

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

o) Recognition of income and expenses

Interest income and expenses

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

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

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

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

Commission income

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

Commission income can be divided into the following categories:

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

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

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

p) Income tax

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

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

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

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

q) Authorized capital and share capital

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

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

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 first adopted certain standards and amendments that are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Bank has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

Onerous Contracts – Contract Performance Costs – Amendments to IAS 37

An onerous contract is a contract under which the costs that are unavoidable in fulfilling the obligations under the contract (i.e. costs that the Bank cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or onerous, an entity shall include costs that are directly attributable to the contract for the provision of goods or services, including overheads (for example, direct labour and materials) and allocations of costs directly attributable to contract activities (for example, depreciation of equipment used to perform the contract and costs of contract management and supervision). General and administrative expenses are not directly attributable to the contract and are excluded unless they are directly attributable to the contract.

are charged to the counterparty under the contract.

The Bank applied amendments to contracts under which it had not fulfilled all of its obligations at the beginning of the reporting period.

Prior to the application of the amendments, the Bank did not identify any contracts as onerous because the unavoidable costs of the contracts, which were the costs of their performance, included only incremental costs directly attributable to the contracts. As a result of the amendments, certain other directly attributable costs were included by the Bank in the definition of contract performance costs. Accordingly, the Bank recognized onerous contract security as of 1 January 2022, which increased as of 31 December 2022.

In accordance with the transitional provisions, the Bank applies the amendments to contracts under which it has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace references to the previous version of the Conceptual Framework for IFRSs with references to the current version issued in March 2018, without significant changes to its requirements.

The amendments add an exception to the recognition principle in IFRS 3 Business Combinations to avoid the problem of potential "day 2" gains or losses arising on liabilities and contingent liabilities that are within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Obligatory Payments if they are collected separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, as appropriate, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 that clarifies that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Bank applies the amendments prospectively, i.e. to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (date of initial application).

These amendments did not impact the Bank's financial statements as there were no contingent assets, liabilities or contingencies within the scope of these amendments that arose during the reporting period.

Fixed assets: receipts before intended use – Amendments to IAS 16 "Leases"

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any revenue from the sale of goods produced in bringing the item to the location and condition necessary for its operation in accordance with management's intentions. Instead, an entity recognizes revenue from the sale of such goods, as well as the cost of producing those goods, in profit or loss.

In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of property, plant and equipment that were put into operation on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments did not impact the Bank's financial statements as there were no sales of such products produced by fixed assets placed in service on or after the beginning of the earliest period presented.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Subsidiary that first adopts International Financial Reporting Standards

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure accumulated exchange differences using the amounts recognised in the financial statements of the parent as of the parent's date of transition to IFRSs, provided that no adjustments were made in the consolidation procedures and the effects of a business combination when the parent acquired the subsidiary. The amendment also applies to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments did not impact the Bank's financial statements as it was not a first-time adopter of IFRS.

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

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 have been 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. No similar amendments are proposed to IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Bank applies the amendment to financial liabilities that were modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (date of initial application).

These amendments did not impact the Bank's financial statements as there were no changes in the Bank's financial instruments during the reporting period.

IAS 41 "Agriculture" – Taxation in Fair Value Measurement

This amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows from taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments did not impact the Bank's financial statements as it did not have any assets within the scope of IAS 41 as of the reporting date.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Judgment

The preparation of financial statements in accordance with IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosures about these items and contingent liabilities. The uncertainty of these assumptions and estimates may cause results to be materially different in the future from the carrying amounts of the assets or liabilities for which such assumptions and estimates were made. In applying the Bank's accounting policies, management has made judgments and assumptions about the future and other major sources of measurement uncertainty at the reporting date that have a significant risk of requiring a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Current circumstances and assumptions about future developments may change as a result of events beyond the Bank's control, which are reflected in the assumptions as and when they occur. The items that have the most significant effect on the amounts reflected in the financial statements and for which management has used significant judgments and/or estimates are discussed below, taking into account the judgments/estimates made.

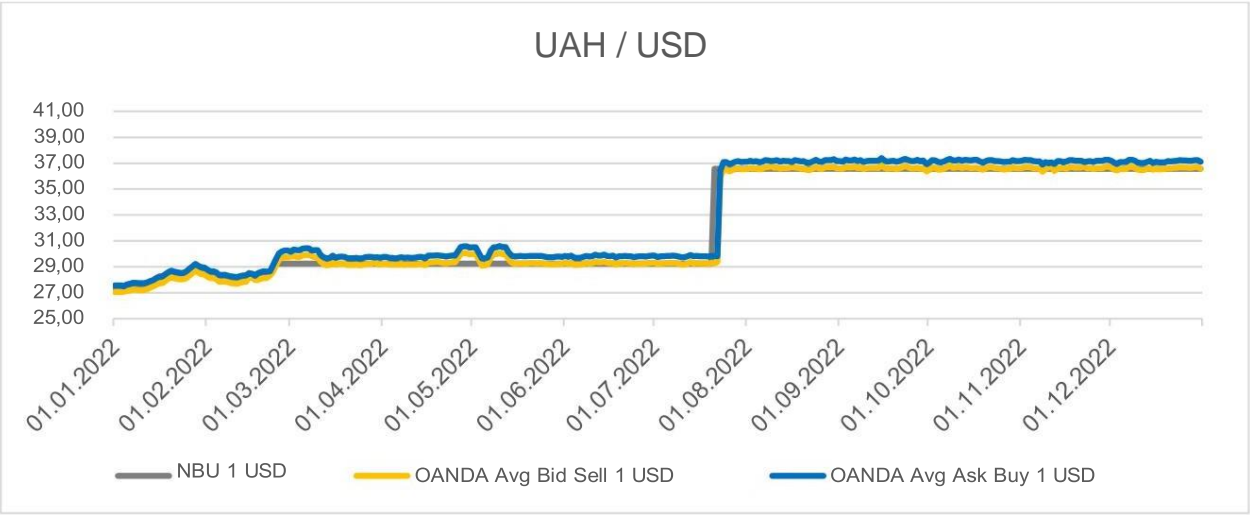
In the process of applying accounting policies, the Bank's management made the following judgments, other than accounting estimates, that have the most significant effect on the amounts reflected in the financial statements:

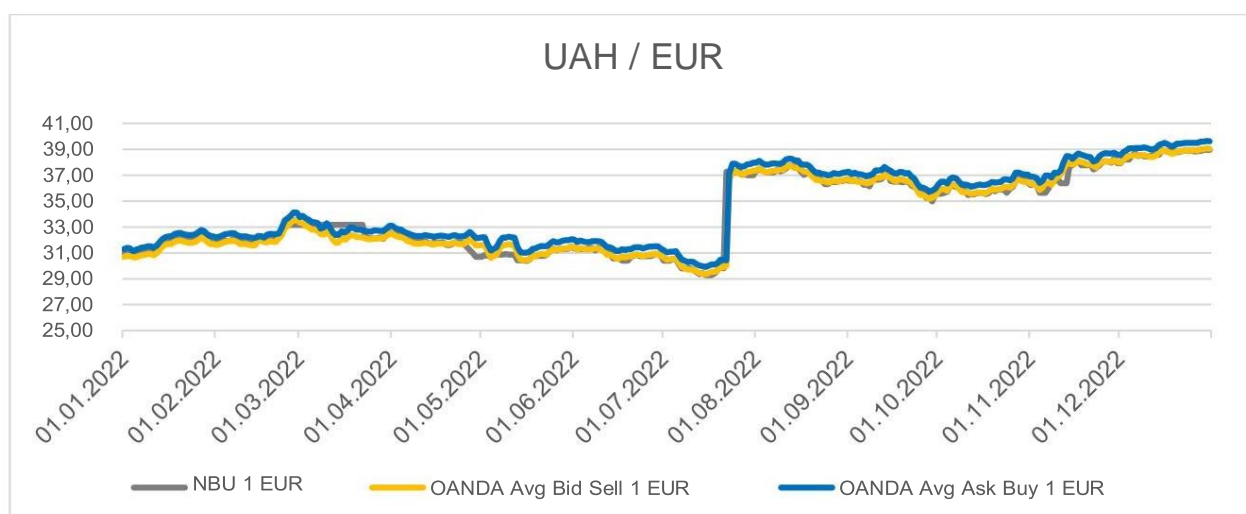
Spot rate

When converting foreign currency, the Bank uses the official hryvnia exchange rates to other currencies established by the NBU as the spot rate.

Due to the instability of the Ukrainian currency system due to military operations and the limited convertibility of the Ukrainian hryvnia, the simultaneous existence of different hryvnia exchange rates to other currencies in different financial markets is possible.

Management assessed the correspondence of the rate set by the NBU to the average daily (24-hour period) value of the buying and selling rates of OANDA, one of the largest aggregators of foreign exchange rates.





The differences between the rate set by the NBU and the rate set by OANDA do not exceed 2% both on the reporting date and on average for the reporting period. Thus, the rate set by the NBU can serve as the spot rate for the purpose of preparing 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 definition of formulas and selection of input data;
- determining the interdependencies between macroeconomic scenarios and economic parameters, in particular the unemployment rate, the value of collateral, as well as determining the impact of scenarios on the indicators of the probability of default, debt at risk of default and the size of losses in the event of default;
- selection of forecast macroeconomic scenarios and their probability weighting coefficients, integration of economic parameters into the expected credit loss model.

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

Deferred income tax asset

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

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

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

IFRS 17 "Insurance Contracts"

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

- Certain modifications for insurance contracts under direct participation terms (variable consideration method).
- The simplified approach (premium-based approach) is 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 does not apply 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 possibility that the entity will exercise its right to defer settlement of the liability;
- the terms of the liability will not affect its classification unless the derivative embedded in the convertible liability is itself an equity instrument.

These amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are applied retrospectively.

The Bank is currently analyzing the possible impact of these amendments on the current classification of liabilities and the need to review the terms of existing loan agreements.

Amendments to IAS 8 - Determining 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. The document also explains how entities use measurement methods and input data 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 that date. Earlier application is permitted, provided that disclosure is made.

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

Amendments to IAS 1 and IFRS Practice Statement No. 2 – Disclosure of Accounting Policies

In February 2021, the IFRS Board issued amendments to IAS 1 and IFRS Application Practice Statement No. 2, Making Materiality Judgments, which provide guidance and examples to help entities apply materiality considerations when disclosing accounting policies. The amendments are intended to help entities disclose more useful accounting policy information.

policy 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 IFRS Practice Note 2 provide non-binding guidance on the application of the definition of materiality to accounting policy information, there is no need to specify the effective date of these amendments.

The Bank is currently assessing the impact these amendments may have on the Bank's accounting policy disclosures.

Amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IFRS Board issued amendments to IAS 12 that narrow the scope of the initial recognition exemption under IAS 12 so that it no longer applies to transactions that give rise to the same taxable and deductible temporary differences.

The amendments should be applied to transactions occurring on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit exists) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with lease and decommissioning obligations.

The Bank is currently assessing the impact of these amendments.

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

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6. CASH AND CASH EQUIVALENTS

Table 6.1. Cash and cash equivalents

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Cash	104 396	202 336
Funds in the National Bank of Ukraine	28 023	3 401
Correspondent accounts, deposits and overnight loans in banks:		
Ukraine	116 624	92 471
Certificates of deposit issued by the National Bank of Ukraine	640 807	475 104
Reserve for cash and cash equivalents	(2 132)	
Total cash and cash equivalents	887 718	773 312

Table 6.2. Non-cash financial transactions

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Accrued income on deposit certificates issued by the National Bank of Ukraine	807	104

There are no restrictions on the use of funds.

As of December 31, 2022, the balances on correspondent accounts are neither past due nor impaired.

During 2022 and the previous year 2021, 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, 2022, 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 11.12.2022 to 10.01.2023 is 44,939 thousand UAH. The average balance on the correspondent account for the maintenance period from 11.12.2021 to 10.01.2022 was 42,725 thousand UAH.

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7. CUSTOMER LOANS AND DEBT

Table 7.1. Loans and receivables from customers

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Loans and receivables from customers carried at amortized cost	498 005	321 835
Loan impairment allowance	(26 861)	(14 919)
Total loans and advances to customers less provisions	471 144	306 916

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

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Loans granted to legal entities,	472 036	310 973
including mortgage loans	142 852	-
Loans granted to individuals,	25 969	10 862
including mortgage loans	14 319	-
Provision for loans to customers carried at amortized cost	(26 861)	(14 919)
Total loans and advances to customers carried at amortized cost	471 144	306 916

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, 2022 amounted to UAH 10,122 thousand and as of December 31, 2021 – UAH 6,702 thousand.

As of December 31, 2022, the concentration of loans issued by the Bank to the ten largest borrowers amounted to UAH 356,566 thousand (76% of the total loan portfolio). A provision of UAH 11,186 thousand was created for these loans. For 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).

Table 7.3. Analysis of credit quality of loans and receivables of customers accounted for at amortized cost for 2022

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Loans and receivables from customers accounted for under the AC	227 858	229 747	40 400	498 005
Minimal credit risk	227 858	-	-	227 858
Average credit risk	-	229 747	-	229 747
High credit risk	-	-	40 400	40 400
Total gross carrying amount of loans and advances to customers accounted for under the AC	227 858	229 747	40 400	498 005
Provisions for impairment of loans and receivables from customers, which are accounted for under the AC	(11 927)	(4 773)	(10 161)	(26 861)
Total loans and receivables of customers accounted for by the AC	215 931	224 974	30 239	471 144

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Table 7.4. 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 7.5. Structure of loans by type of economic activity

<i>thousand UAH</i>	December 31, 2022		December 31, 2021	
	sum	%	sum	%
Agriculture and related services	10 443	2	8 058	3
Trade in motor vehicles, their repair	54 538	11	36 546	11
Wholesale trade, except of motor vehicles	184 607	37	97 211	30
Provision of information services	-	-	3 013	1
Provision of financial services, except insurance and pension provision	38 464	8	41 118	13
Construction of buildings	100 663	20	72 009	22
Healthcare	30 034	6	47 828	15
Individuals	25 969	5	10 862	3
Retail trade, except of motor vehicles and motorcycles	-	-	2 440	1
Land and pipeline transport	39 894	8	-	-
Waste collection, treatment and disposal; materials recovery	13 140	3	-	-
Others	253	-	2 750	1
Total loans and receivables to customers without provisions	498 005	100%	321 835	100%

The Bank minimizes the risk of credit portfolio concentration (concentration of credit operations in a certain industry or group of interconnected industries or lending to certain categories of clients) through diversification of the credit portfolio, which consists in distributing loans among borrowers who differ from each other.

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both by characteristics (size of capital, form of ownership) and by operating conditions (sector of the economy, geographical region).

Table 7.6. Information on loans by type of collateral for 2022

<i>thousand UAH</i>	Loans granted legal entities	Mortgage loans legal entities	Loans granted to individuals for current needs	Mortgage loans for individuals	Total
Unsecured loans	45 332		11 261		56 593
Loans secured by:	283 852	142 852	389	14 319	441 412
<i>in cash</i>	38 704		185		38 889
<i>real estate</i>	142 000	142 852	204	14 319	299 375
<i>including residential appointment</i>	59 444		204		59 648
<i>other assets</i>	103 148				103 148
Total loans and receivables to customers without provisions	329 184	142 852	11 650	14 319	498 005

Table 7.7. Information on loans by type of collateral for 2021

<i>thousand UAH</i>	Loans granted to 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 appointment</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 7.8. Analysis of changes in provisions for impairment of loans and receivables from customers carried at amortized cost for 2022

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Impairment provision as of the beginning of the period December 31, 2021	(6 710)	(432)	(7 777)	(14 919)
Transition to stage 1	(5 217)			(5 217)
Transition to stage 2		(4 341)		(4 341)
Transition to stage 3			(2 384)	(2 384)
Impairment provision as of the end of the period December 31, 2022	(11 927)	(4 773)	(10 161)	(26 861)

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Table 7.9. Analysis of changes in gross carrying amount for impairment of loans and receivables to customers carried at amortized cost for 2022

<i>thousand UAH</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of December 31, 2021	258 727	47 982	207	306 916
Transition to stage 1	(42 797)			(42 797)
Transition to stage 2		176 992		176 992
Transition to stage 3				
Other changes (increase in trade payables carried at amortized cost)			30 033	30 033
Gross carrying amount as of December 31, 2022	215 930	224 974	30 240	471 144

Table 7.10. Impact of collateral value on loan quality for 2022

<i>thousand UAH</i>	Balance sheet cost	Cost pledges	Impact of collateral
Loans granted to legal entities,	472 036	341 886	130 150
including mortgage loans	138 294	65 760	72 535
Loans granted to individuals for current needs,	25 969	8 948	17 021
including mortgage loans	12 887	5 402	7 485
Total loans	498 005	350 834	147 171

Table 7.11. Impact of collateral value on loan quality for 2021

<i>thousand UAH</i>	Carrying amount	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

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 1,365 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.

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8. INVESTMENTS IN SECURITIES

Table 8.1 Investments in securities

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Debt securities:		
<i>Domestic government bonds refinanced by the NBU, which are accounted for at fair value through other comprehensive income</i>	842 462	3 151 749
Revaluation of debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	(37 934)	(20 900)
Unamortized premium/discount on debt securities refinanced by the NBU, which are accounted for at fair value through other comprehensive income	(1 143)	24 266
Accrued income on debt securities refinanced by the National Bank of Ukraine, which are accounted for at fair value through other comprehensive income	18 800	115 831
Total securities less reserves	822 185	3 270 946

Table 8.2. Analysis of credit quality of debt securities for 2022

<i>thousand UAH</i>	Government bonds	Total
Not past due and not impaired		
<i>Government institutions and enterprises</i>	822 185	822 185
Total debt securities less reserves	822 185	822 185

As of December 31, 2022, the debt securities accounts in the amount of UAH 822,185 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 809,514 units, with a nominal value of UAH 1,000.00 per bond and in the amount of 901 units, with a nominal value of USD 1,000 per bond.

The fair value of the securities was determined based on the internal bank regulations, as the fair value of the relevant series of government bonds was published on the National Bank's website on the relevant date. There was no impairment of utility under these transactions.

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9. INVESTMENT PROPERTY

Table 9.1. Investment property valued at fair value

thousand UAH **December 31, 2022** **December 31, 2021**

	December 31, 2022	December 31, 2021
Fair value of investment property at the beginning of the period	340 682	381 462
Incoming	2 129	8 848
Improvement	793	2 765
Disposal (sale)	(126 073)	(62 827)
Gains (losses) from revaluation to fair value	38 329	10 434
Disposal (written off from the balance sheet)	(1 637)	
Other changes (transferred to assets held for sale)	(44)	
Fair value of investment property at the end of the period	254 179	340 682

The receipt of investment property in 2022, 2021 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

– real estate (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 agreement) to earn rental payments or to increase capital value or to achieve 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 2022, 130 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, 2022 belongs to Level II of the fair value hierarchy.

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

*thousand UAH***December 31, 2022** **December 31, 2021**

	December 31, 2022	December 31, 2021
Rental income from investment property	4 502	6 145

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

*thousand UAH***December 31, 2022****December 31, 2021**

	December 31, 2022	December 31, 2021
Up to 1 year	4 256	5 182
From 1 to 5 years		195
More than 5 years	1 740	2 435
Total payments receivable under operating leases	5 996	7 812

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

Table 10.1 Fixed assets and intangible assets

thousand UAH

	Land and buildings	Equipment	Vehicles	Right-of-use assets	Intangible assets	Goodwill	Other intangible assets	Assets	Intangible assets	Total
Carrying amount at the beginning of the reporting period	-	-	-	271	5414	1573	-	161	-	-
Original (revalued) cost	-	17731 1480	-	588	17463	5370	-	161	5749 48542	-
Depreciation at the end of the previous period (at the beginning 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)	-	-
Incoming	316	1255	-	27	1908	1861	-	6 515	3 236 15 118	-
Other transfers (put into operation)	-	-	-	-	-	-	-	(6 577)	- (6 577)	-
Depreciation deductions	- (3475) (250)	-	-	(56) (2 516) (4 811)	-	-	-	-	(720) (11828)	-
Other changes	-	-	-	-	13 726	-	-	-	-	13 726
Disposal of original cost	-	-	-	-	-	(11)	-	-	(1)	(12)
Depreciation write-off	-	-	-	-	-	11	-	-	-	11
Derecognition of an asset	-	-	-	- (15749)	-	-	-	-	- (15749)	-
Carrying amount as of December 31, 2022	316	7040 1361	-	186	743	5630	-	6192	3745 25213	-
Original (revalued) cost	316 20444 1997	-	-	615	6714 16519	-	-	6192	9715 62512	-
Depreciation at the end of the reporting period	- (13404) (636)	-	-	(429) (5971) (10889)	-	-	-	- (5970) (37299)	-	-

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, 2022, the original cost of fully depreciated fixed assets was UAH 1,276 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.

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11. OTHER ASSETS

Table 11.1. Other assets

thousand UAH

	December 31, 2022	December 31, 2021
Other financial assets:	41604	36 502
Accrued income from settlement and cash services	671	91
Accrued operating lease income	3 422	2 707
Accounts receivable for payment of debt under the guarantee	5 542	5 052
Accounts receivable for payments under agency agreements		15 078
Receivables from payment card transactions	15 459	5 674
Restricted funds	14 749	5 750
Receivables from transactions with payment systems	1 206	1 712
Other financial assets	555	438
<i>Reserve for other financial assets</i>	<i>(9 745)</i>	<i>(8 932)</i>
Total other financial assets less reserves	31 859	27 570
Other assets	48 470	59 549
Property transferred to the bank as a mortgagee	1 365	14 388
Deferred expenses	11 227	5 004
Prepayment for services	152	6 369
Accounts receivable from asset acquisition	422	134
Banking metals at the bank branch	32 770	32 481
Receivables for taxes and mandatory payments, except for income tax	81	113
Other receivables	2 453	1 060
<i>Reserve for other assets</i>	<i>(324)</i>	<i>(1 454)</i>
Total other assets less reserves	80 005	85 665

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 cost 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 2022

thousand UAH

	Financial assets	Other assets	Total
December 31, 2021	(8 932)	(1 454)	(10 386)
(Increase)/decrease reserve	(813)	1 130	317
December 31, 2022	(9 745)	(324)	(10 069)

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Table 11.3. 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 11.4. Analysis of the credit quality of financial assets

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Not past due and not impaired debt	31 414	28 214
<i>small companies</i>		15 078
<i>individuals</i>	15 459	5 674
<i>large companies</i>	15 955	7 462
Debt impaired on an individual basis with delayed payment	10 190	8 288
<i>up to 31 days</i>	1 986	1 795
<i>from 32 to 92 days</i>	1 840	1 609
<i>from 93 to 183 days</i>	1 509	711
<i>from 184 to 274 days</i>	103	162
<i>from 275 to 365 days</i>	549	673
<i>more than 365(366) days</i>	4 203	3 338
Total financial assets before deduction of reserve	41 604	36 502
Reserve for other financial assets	(9 745)	(8 932)
Total other financial assets less reserve	31 859	27 570

12. BANKS' FUNDS

Table 12.1. Bank funds

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Credits received:		
<i>Long-term</i>	-	2 266 356
<i>Short-term</i>	-	-
Total funds from other banks	-	2 266 356

Loans 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.

On December 22, 2022, the refinancing loan was repaid early due to a significant increase in the NBU interest rate from 10% to 27%.

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13. CUSTOMER FUNDS

Table 13.1. Client funds

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
State and public organizations:	40 903	23 297
<i>current accounts</i>	40 903	23 297
Other legal entities:	1 554 831	1 625 367
<i>current accounts</i>	1 281 508	1 274 171
<i>term funds</i>	219 220	275 449
<i>funds in the accounts</i>	54 103	75 747
Individuals:	624 586	593 493
<i>current accounts</i>	224 591	182 600
<i>term funds</i>	363 426	383 615
<i>funds in the accounts</i>	36 569	27 278
Total customer funds	2 220 320	2 242 157

Client funds, recorded as of the end of the day on December 31, 2022, on balance sheet account 2932 "Funds in settlements of business entities", in the amount of UAH 54,103 thousand. and on balance sheet account 2942 "Funds in settlements of individuals", in the amount of UAH 36,569 thousand. were transferred to cash collateral (coverage) under the guarantees provided by the bank.

As of December 31, 2022, funds raised from the Bank's ten largest clients in the amount of UAH 640,968 thousand constituted 29% of the total amount of client funds (as of December 31, 2021: UAH 573,785 thousand (26%)).

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

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

thousand UAH	December 31, 2022		December 31, 2021	
	sum	%	sum	%
Production and distribution of electricity, gas and water	15 531	1	29 188	1
Trade, repair of automobiles, household goods and personal items	669 257	30	271 260	12
Individuals	624 586	28	593 493	26
Production of other products	123 378	6	45 659	2
Professional, scientific and technical activities	48 711	2	43 128	2
Real estate transactions, leasing, engineering and service provision	117 160	5	107 456	5
Agriculture, hunting, forestry	9 530	1	30 205	1
Construction	160 871	7	461 567	21
Financial and insurance activities	189 357	9	235 870	10
Transport, warehousing, postal and courier activities	107 375	5	67 618	3
Mining industry	27 482	1	34 484	2
Health care and social services assistance	2 587	-	25 286	1
Production and repair of machinery and equipment	9 149	-	33 658	2
Temporary accommodation and organization food	7 988	-	16 368	1
Food production, provision of meals and beverages	12 074	1	11 209	1
Arts, sports, entertainment and recreation	63 727	3	121 294	5
Other	31 557	1	114 414	5
Total customer funds	2 220 320	100	2 242 157	100

During 2022 and the previous year 2021, the Bank carried out operations to attract customer funds exclusively at market rates.

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14. PROVISIONS FOR LIABILITIES

Table 14.1. Changes in provisions for liabilities for 2022

<i>thousand UAH</i>	December 31, 2022
Balance at the beginning of the period	2 035
Formation and/or increase of reserve	(432)
Impact of translation into reporting currency	(6)
Balance at the end of the period	1 597

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, 2022	December 31, 2021
Commission for providing guarantees	17 082	23 863
Other payables from transactions with		
bank clients	8 215	11 506
Bank customers' funds in inactive accounts	1 254	1 200
Deferred income	386	538
Accounts payable for services	25 697	197
Accounts payable for settlements with		
bank employees	6 043	4 580
Accounts payable for taxes and		
mandatory payments, except for income tax	1 413	1 224
Accounts payable for fees to the Fund		
guaranteeing deposits of individuals	1 144	1 231
Lease obligations	699	3 872
Accounts payable under contractual obligations		
	2 133	8 145
Other accrued expenses	790	-
Others	2 741	15
Total	67 597	56 371

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

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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 outstanding (thousands of shares)	Simple promotions	Total
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
Issuance of new shares (units)			
Balance as of December 31, 2022	12 152	300 039	300 039

There are no shares announced for issue in the reporting year 2022.

The nominal value of one share as of the end of the day on December 31, 2022 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 2022.

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)".

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

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

	December 31, 2022	December 31, 2021
<i>thousand UAH</i>		
Balance at the beginning of the year	(20 884)	(6 486)
Revaluation of financial assets at cost . accounted for at fair value through other comprehensive income		
<i>changes in revaluation to fair value</i>	<i>(84 424)</i>	<i>(45 966)</i>
<i>income (expenses) from sales, reclassified in the reporting period to profit or loss</i>	<i>67 714</i>	<i>31 568</i>
Balance at the end of the year	(37 594)	(20 884)

18. ANALYSIS OF ASSETS AND LIABILITIES BY MATURITY TERM

Table 18.1. Analysis of assets and liabilities by maturity

thousand UAH

	December 31, 2022			December 31, 2021		
	Less than 12 months	more than 12 months	total	Less than 12 months	more than 12 months	total
ASSETS						
Cash and cash equivalents	887 718	-	887 718	773 312	-	773 312
Loans and customer debt	314 033	157 111	471 144	306 627	289	306 916
Investments in securities	822 185	-	822 185	3 270 946	-	3 270 946
Investment property	-	254 179	254 179	-	340 682	340 682
Accounts receivable regarding the current tax on profit	182	-	182	182	-	182
Deferred tax active	3 727	-	3 727	637	-	637
Fixed assets and intangible assets	-	25 213	25 213	-	30 524	30 524
Other assets	80 005	-	80 005	85 665	-	85 665
Total assets	2 107 850	436 503	2 544 353	4 437 369	371 495	4 808 864
OBLIGATION						
Bank funds	-	-	-	-	2 266 356	2 266 356
Client funds	1 981 143	239 177	2 220 320	1 977 102	265 055	2 242 157
Provisions for liabilities	1 299	298	1 597	880	1 155	2 035
Other obligations	49 878	17 719	67 597	44 954	11 417	56 371
Total liabilities	2 032 320	257 194	2 289 514	2 022 936	2 543 983	4 566 919

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19. INTEREST INCOME AND EXPENSES

Table 19.1. Interest income and expenses

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Interest income:		
Loans and customer debt	53 552	77 797
Bank loans and debt		745
Investments in securities	280 674	243 768
Correspondent accounts in other banks		1
NBU certificates of deposit, which are recorded under the AS	17 124	10 958
Other interest income	323	43
Total interest income	351 673	333 312
Interest expenses:		
Bank funds	(277 372)	(137 681)
Term funds of legal entities	(17 289)	(19 119)
Term funds of individuals	(40 455)	(28 069)
Current accounts	(25 580)	(19 841)
Interest expense on lease liability	(265)	(890)
Interest expenses on funds received from other banks	(302)	
Other interest expenses	(274)	(2 031)
Total interest expense	(361 537)	(207 631)
Net interest income (expenses)	(9 864)	125 681

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

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20. COMMISSION INCOME AND EXPENSES Table 20.1.

Commission income and expenses

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Commission income		
Settlement and cash transactions	285 908	113 274
Customer credit service	376	111
Foreign exchange market operations for clients	12 840	8 037
Guarantees provided	20 271	25 290
Others	247	
Total commission income	319 642	146 712
Commission costs		
Settlement and cash transactions	(37 374)	(27 319)
Securities transactions for clients	(80)	(44)
Others	(2)	
Total commission expenses	(37 456)	(27 363)
Net commission income/expenses	282 186	119 349

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.

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21. OTHER OPERATING INCOME

Table 21.1. Other operating income

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Fines, penalties received by the bank	5 881	357
Income from operating leasing (rent)	5 009	6 827
Income from derecognition of financial assets		
Income on initial recognition of financial assets (Government bonds)	7 783	17 332
Income from satisfaction of mortgagee's claims		6 014
Income from derecognition of financial liabilities	9 627	15 527
Compensation for utility costs for rented premises	922	861
Income from assignment of claims		14 076
Income from posting to the balance sheet of mortgaged property	1 203	1 441
Income from disposal of investment property	26 593	
Others	722	2 053
Total operating income	57 740	64 488

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.

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22. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Table 22.1. Administrative and other operating expenses

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Marketing and advertising expenses	(2 794)	(6 675)
Costs associated with customer acquisition	(140 752)	(84 487)
Expenses for maintenance of fixed assets and intangible assets, telecommunication and other operational services	(43 615)	(38 475)
Operating lease (rent) expenses	(4 709)	(9 139)
Payment of other taxes and fees, except for income tax	(7 306)	(6 770)
Expenses for information and consulting services received and financial consulting services	(2 928)	(5 035)
Security costs	(1 475)	(1 487)
Expenses from derecognition of financial assets		(51 571)
Costs for collecting valuables	(1 053)	(1 457)
Audit costs	(470)	(790)
Payment card support	(17 239)	(2 753)
Staff education and training costs	(2 152)	(3 196)
Impairment of assets held for sale and assets in disposal groups	(1 638)	(37 819)
Others	(6 138)	(4 425)
Total administrative and other operating expenses	(232 269)	(254 079)

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.

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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 2022 and 2021.

The Bank's financial statements are affected by permanent temporary differences due to the fact that certain income and expenses are not recognized in the are 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>	2022 year	2021 year
Current income tax		
Change in deferred income tax related to:	(3 090)	(637)
arising or reversal of temporary differences	(3 090)	(637)
increasing or decreasing the tax rate		
Total income tax expense	(3 090)	(637)

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

<i>thousand UAH</i>	2022 year	2021 year
Profit before tax	26 514	11 685
Theoretical tax deductions at the applicable tax rate	4 773	2 103
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 reserves, result from securities transactions)	2 524	1 287
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)	(7 786)	(7 171)
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)	(2 601)	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		
Income tax expenses	(3 090)	(637)

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Table 23.3. Tax consequences associated with the recognition of deferred tax assets and deferred tax liabilities for 2022

<i>thousand UAH</i>	December 31, 2021	Assigned to bills profit and loss	December 31, 2022
Tax effect of temporary differences that reduce the taxable base			
Loan impairment allowance	215	639	854
Tax losses before carryforward	7 171	615	7 786
Fixed assets and intangible assets	637	489	1 126
Loss on sale of securities	1 254	1 347	2 601
Shareholder financial assistance	(8 640)		(8 640)
Deferred tax asset, gross amount	637	3 090	3 727
Deferred tax assets are not reflected in the statement of financial position			
Deferred tax asset	637	3 090	3 727

Table 23.4. 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 profit and loss accounts	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

24. EARNINGS (LOSS) PER COMMON SHARE

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

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Profit/(loss) cumulative total since the beginning of the year	29 604	15 418
Profit/(loss) attributable to owners of the bank's common shares	29 604	15 418
Average annual number of common shares outstanding (thousands of shares)	12 152	12 152
Net and adjusted profit/(loss) per common share (UAH):		
<i>basic</i>	2,44	1,27
<i>dilute</i>	2,44	1,27

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, 2022	December 31, 2021
Profit/(loss) for the period attributable to owners of the bank	29 604	15 418
Retained earnings/(loss) for the period	29 604	15 418
Retained earnings/(loss) for the period attributable to ordinary shareholders based on the terms of the shares	29 604	15 418
Profit/(loss) for the period attributable to ordinary shareholders	29 604	15 418

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 (a business segment) or providing services or products within a specific economic area, environment (geographic segment) that is exposed to risks and provides profitability.

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.

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Table 25.1. Revenues, expenses and results of reportable segments for 2022

<i>thousand UAH</i>	Corporate and business	Retail business	Treasury	Other segments and operations	Total
Interest income Commission	210 818	2 955	137 900		351 673
income Other operating	53 976	261 994	3 672		319 642
income Total segment income	49 950	862		6 928	57 740
	314 744	265 811	141 572	6 928	729 055
Interest expenses	(42 245)	(41 079) (8	(277 674) (29	(539)	(361 537)
Commission expenses	(82)	338) (23	034) (3 995)	(2)	(37 456)
Employee benefits expenses	(39 934)	960)		(11 976)	(79 865)
Depreciation and amortization expenses				(11 828)	(11 828)
Other administrative and operating expenses	(111 533)	(72 446)	(12 079)	(36 211)	(232 269)
Total segment expenses Net profit/	(193 794)	(145 823)	(322 782) (1	(60 556)	(722 955)
(loss) from FI transactions accounted for under the CIF			250)		(1 250)
Net profit/(loss) from FI transactions accounted for under the SVISD				(22 235)	(22 235)
Net profit/(loss) from foreign operations currency			23 591		23 591
Net profit/(loss) from revaluation of investment property				38 286	38 286
Net profit/(loss) from revaluation of foreign currencies	261	3 077	5 839	(12 547)	(3 370)
Net gain/(loss) from impairment of financial assets	(8 567)	(5 616)	(2 240)	(114)	(16 537)
Net gain/(loss) from impairment of other assets				1 491	1 491
Net loss/(gain) from increase/(decrease) in provisions for liabilities	267			171	438
Segment result (before tax)	112 911	117 449	(155 270)	(48 576)	26 514
Income tax expenses				3 090	3 090
Segment result (45,486) Components of line 3 "Other operating income" in the amount of UAH 57,740 thousand are disclosed in Note 21.					29 604

The components of line 8 "Other administrative and operating expenses" in the amount of UAH 232,269 thousand are disclosed in Note 22.

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Table 25.2. 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/(decrease) in provisions for liabilities	(1 196)				(1 196)
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.

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Table 25.3. Assets and liabilities of reportable segments for 2022

<i>thousand UAH</i>	Corporates business	Retail business	Treasury	Others segments and operations	Total
Segment assets					
Segment assets	475 391	14 216	1 577 863	-	2 067 470
Total segment assets	475 391	14 216	1 577 863	-	2 067 470
Undistributed assets	-	-	-	476 883	476 883
Total assets	475 391	14 216	1 577 863	476 883	2 544 353
Segment liabilities					
Segment liabilities	1 629 633	591 476	-	-	2 221 109
Total segment liabilities	1 629 633	591 476	-	-	2 221 109
Unallocated liabilities	-	-	-	68 405	68 405
Total liabilities	1 629 633	591 476	-	68 405	2 289 514

The data of line 3 "other undistributed assets" in the amount of UAH 476,883 thousand are:

- UAH 113,577 thousand - "Cash and funds on correspondent accounts in other banks";
- UAH 254,179 thousand - "Investment real estate";
- UAH 25,213 thousand - "Fixed assets and intangible assets";
- UAH 3,727 thousand - "Deferred tax asset";
- UAH 182 thousand - "Receivables for current income tax";
- UAH 80,005 thousand - "Other assets"

The data of line 7 "Other unallocated liabilities" in the amount of UAH 68,405 thousand are:

- UAH 60,969 thousand. "Accounts payable under business transactions, other liabilities";
- UAH 7,436 thousand - Other liabilities.

Table 25.4. Assets and liabilities of reportable segments for 2021

<i>thousand UAH</i>	Corporates	Retail business 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:

- 45,930 thousand UAH - « Accounts payable for business operations, taxes, income future periods, other liabilities";
- UAH 12,473 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, 2022, the maximum amount of credit risk was UAH 45,889 thousand (December 31, 2021: UAH 42,060 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.

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Table 26.1. Currency risk analysis

thousand UAH

	December 31, 2022			December 31, 2021		
	monetary assets	monetary obligations	clean position	monetary assets	monetary obligations no	clean position
US dollars	213 929	(213 612)	317	227 779	(218 859)	8 920
Euro	128 602	(130 265)	(1 663)	165 240	(167 213)	(1 973)
Pounds Sterling	2 019	(1 701)	318	2 945	(2 920)	25
Others	38 688	(39 569)	(881)	40 048	(39 426)	622
Total	383 238	(385 146)	(1 909)	436 012	(428 418)	7 594

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, 2022		December 31, 2021	
	impact on profit/(loss)	impact on equity	impact on profit/(loss)	impact on equity
US dollar strengthens by 10%	20 501	20 501	21 886	21 886
US dollar weakens by 13%	(26 651)	(26 651)	(28 452)	(28 452)
Euro strengthening by 53%	19 290	19 290	24 786	24 786
Euro weakens by 15%	(19 290)	(19 290)	(24 786)	(24 786)
53% strengthening of the pound sterling	1 057	1 057	1 548	1 548
15% weakening of the pound sterling	(299)	(299)	(438)	(438)
Strengthening of other currencies by 15%	5 464	5 464	5 842	5 842
Weakening of other currencies by 15%	(5 638)	(5 638)	(5 842)	(5 842)

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.

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.

Table 26.3. General analysis of interest rate risk

<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, 2022					
Total financial assets	973 066	64 217	909 139	266 484	2 212 906
Total financial liabilities	1 786 063	83 258	125 663	251 887	2 246 871
Net gap for interest rates on end of previous period	(812 997)	(19 041)	783 476	14 597	(33 965)
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 interest rate gap at the end of the previous period	(512 416)	154 127	1 612 974	(970 527)	284 158

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

%	December 31, 2022			December 31, 2021			
	hryvnia US dollars		euro platinum hryvnia US dollars	euro platinum			
Assets							
Cash and cash equivalents	0,01			0,02			
Loans and customer debt	11,2	3,9		19,2	7,7	9,57	
Investments in securities	19,72	6,03	10,23	11,7	3,78		
Obligation							
Bank funds				8,36			
Client funds:							
current accounts	7,52			3,6			
term funds	11,93	2,9	2,67	11,97	2,69	2,96	0,1

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Table 26.5. Analysis of geographical concentration of financial assets and liabilities for 2022

<i>thousand UAH</i>	Ukraine	OECD	Other countries	Total
Assets				
Cash and cash equivalents	887 718	-	-	887 718
Loans and customer debt	471 144	-	-	471 144
Investments in securities	822 185	-	-	822 185
Other financial assets	31 859	-	-	31 859
Total financial assets	2 212 906	-	-	2 212 906
Obligation				
Bank funds	-	-	-	-
Client funds	2 186 036	34 284	-	2 220 320
Other financial liabilities	26 551	-	-	26 551
Total financial liabilities	2 212 587	34 284	-	2 246 871
Net balance sheet position by financial instruments	319	(34 284)	-	(33 965)
Credit obligations	1 123 945	-	-	1 123 945

Table 26.6. 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 obligations	2 183 688	-	-	2 183 688

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.

finding.

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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 2022

<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:	1 775 677	82 201	123 265	239 177	2 220 320
<i>Individual funds</i>	302 781	67 315	90 932	163 558	624 586
<i>Funds of legal entities</i>	1 472 896	14 886	32 333	75 619	1 595 734
Other financial liabilities	10 386	1 057	2 398	12 710	26 551
Financial guarantees	134 470	71 388	203 973	526 759	936 590
Other obligations credit nature	187 355				187 355
Total potential future payments on financial liabilities	2 107 888	154 646	329 636	778 646	3 370 816

Table 26.8. 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:	1 611 214	307 010	164 249	159 684	2 242 157
<i>Individual funds</i>	300 678	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	1 921 627	489 307	207 240	1 844 241	4 462 415

Table 26.9. Analysis of financial assets and liabilities by maturity based on expected maturities for 2022

<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	887 718					887 718
Loans and customer debt	73 362	41 890	198 781	157 111		471 144
Investments in securities		7 487	709 528	105 170		822 185
Other financial assets	11 986	14 840	830	4 203		31 859
Total financial assets	973 066	64 217	909 139	266 484		2 212 906
Obligation						
Bank funds						
Client funds	1 775 677	82 201	123 265	239 177		2 220 320
Other financial liabilities	10 386	1 057	2 398	12 710		26 551
Total financial liabilities	1 786 063	83 258	125 663	251 887		2 246 871
Net liquidity gap at the end of the day December 31, 2022	812 997	19 041	(783 476)	(14 597)		33 965
Aggregate liquidity gap at the end of the day December 31, 2022	812 997	832 038	48 562	33 965		

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Table 26.10. 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	188 908	2 655 (1 366 645)		1 341 420		166 338
Aggregate liquidity gap at the end of the day December 31, 2021	188 908	191 563 (1 175 082)		166 338		

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, inadequate resource provision for their implementation and incorrect approach to risk management in banking activities in general. In order to minimize strategic risk, the Bank uses the following main methods:

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

Legal risk is an existing or potential risk to cash flows and capital that arises due to non-repayment of loans, 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.

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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 December 31, 2022, the Bank's regulatory capital amounted to UAH 230,136 thousand, which is sufficient to meet all licensing requirements as of the reporting date. The regulatory capital adequacy ratio as of the reporting date was 23.51% 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, 2022 and for 2021, 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. Regulatory capital structure

<i>thousand UAH</i>	December 31, 2022	December 31, 2021
Fixed assets	152 098	196 599
Actual paid-up registered authorized capital	300 039	300 039
General reserves and reserve funds established in accordance with the laws of Ukraine	12 313	11 541
Financial assistance from bank shareholders, for which permission has been obtained NBU regarding inclusion in fixed capital	48 000	48 000
Reduction of fixed capital, including:	(208 254)	(162 981)
<i>intangible assets less depreciation</i>	(3 617)	(1 229)
<i>capital investment in intangible assets</i>	(386)	(160)
<i>losses from previous years</i>	(97 522)	(97 427)
<i>estimated loss for the current year (Rpr/s)</i>		
Additional capital		
Estimated profit for the current year (Ppr/p)	78 038	23 504
Total regulatory capital	230 136	220 103

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 status of their consideration:

- Claim for recovery of tender security UAH 132 thousand. Under consideration in the court of first instance 910/9735/19
- Lawsuit to recover UAH 759,000 from the Bank. The case has been stayed in the court of first instance pending consideration of another related case. 910/1136/20
- A lawsuit to recover from the Bank the amount of the guarantee of UAH 626 thousand. The case is being considered in the court of first instance. 910/10010/22
- The lawsuit to recover a guarantee from the bank in the amount of UAH 147,000 is being considered in the court of appeal. 910/6954/22
- The lawsuit to recover from the Bank a guarantee in the amount of 84 thousand UAH. It is being considered in the court of first instance. 910/21795/21
- The lawsuit to recover from the Bank a guarantee of 323 thousand UAH. It is being considered in the court of appeal. 910/21793/21
- The lawsuit to recover from the Bank a guarantee of UAH 155,000. It is being considered in the court of first instance. 910/21822/21

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 examination by a number of regulatory bodies that 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 in countries with a more developed

tax system.

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

thousand UAH	December 31, 2022	December 31, 2021
Up to 1 year	7 257	8 287
Total	7 257	8 287

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 perform

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Payments to third parties in the event of customers failing to meet their obligations 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, 2022	December 31, 2021
Guarantees issued	936 590	1 972 840
Lending commitments provided	10 106	27 551
Unused credit lines	177 249	183 297
Reserve for issued guarantees	(1 597)	(2 035)
Total liabilities related to lending, minus reserve	1 122 348	2 181 653

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, 2022	December 31, 2021
US dollar	106 288	31 614
Euro	75 413	68 498
Hryvnia	940 647	2 081 541
Total	1 122 348	2 181 653

Assets pledged as collateral and assets subject to restrictions on possession, use

As of December 31, 2022, the Bank had restricted-use assets with the following carrying amounts:

- guarantee deposits for settlements with the international payment system Mastercard in the amount of UAH 14,719 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,
- interested 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.

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Table 29.1. Analysis of financial instruments carried at amortized cost

thousand UAH

	December 31, 2022		December 31, 2021	
	Fair value	Balance sheet cost	Fair value	Balance sheet cost
Financial assets				
Cash and cash equivalents:	887 718	887 718	773 312	773 312
<i>cash</i>	104 396	104 396	202 336	202 336
<i>funds in the National Bank of Ukraine (except for required reserves)</i>	28 023	28 023	3 401	3 401
<i>correspondent accounts, deposits and overnight loans in banks</i>	114 492	114 492	92 471	92 471
<i>Certificates of deposit issued by the National Bank of Ukraine</i>	640 807	640 807	475 104	475 104
Loans and customer debt:	471 144	471 144	306 916	306 916
<i>loans to legal entities</i>	456 929	456 929	304 427	304 427
<i>loans to individuals</i>	14 215	14 215	2 489	2 489
Other financial assets	31 859	31 859	27 570	27 570
Total financial assets accounted for under the AS	1 390 721	1 390 721	1 107 798	1 107 798
Financial obligations				
Bank funds			2 266 356	2 266 356
Client funds:	2 220 320	2 220 320	2 242 157	2 242 157
<i>legal entities</i>	1 595 734	1 595 734	1 648 664	1 648 664
<i>individuals</i>	624 586	624 586	593 493	593 493
Other financial obligations:	26 551	26 551	36 569	36 569
<i>Other payables from transactions with bank clients</i>	8 215	8 215	11 506	11 506
<i>Commission for providing guarantees</i>	17 082	17 082	23 863	23 863
<i>Bank customers' funds in inactive accounts</i>	1 254	1 254	1 200	1 200
Total financial liabilities accounted for under the AC	2 246 871	2 246 871	4 545 082	4 545 082

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Table 29.2. Analysis of financial instruments by fair value measurement levels for 2022

thousand UAH	Fair value under different valuation models			Total fair and the cost	Total book value
	Level I	Level II	Level III		
Financial assets					
Cash and cash equivalents:	887 718			887 718	887 718
cash	104 396			104 396	104 396
funds in the National Bank of Ukraine (except for required reserves)	28 023			28 023	28 023
correspondent accounts, deposits and overnight loans in banks	114 492			114 492	114 492
Certificates of deposit issued by the National Bank of Ukraine	640 807			640 807	640 807
Loans and customer debt:			471 144	471 144	471 144
loans to legal entities			456 929	456 929	456 929
loans to individuals			14 215	14 215	14 215
Other financial assets			31 859	31 859	31 859
Total financial assets accounted for under the AS	887 718		503 003 1 390 721 1 390 721		
Financial obligations					
Bank funds					
Client funds:			2 220320	2 220320	2 220320
legal entities			1 595 734 1 595 734 1 595 734		
individuals			624 586	624 586	624 586
Other financial obligations:			26 551	26 551	26 551
Other payables from transactions with bank clients			8 215	8 215	8 215
Commission for providing guarantees			17 082	17 082	17 082
Bank customers' funds in inactive accounts			1 254	1 254	1 254
Total financial liabilities accounted for under the AC			2 246 871 2 246 871 2 246 871		

JOINT STOCK COMPANY "RWS BANK"

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Table 29.3. Analysis of financial instruments by fair value measurement levels for 2021

thousand UAH	Fair value under different valuation models			Total	Total
				fair	book value
	Level I	Level II	Level III	and the cost	
Financial assets					
Cash and cash equivalents:	773 312	-	-	773 312	773 312
cash	202 336	-	-	202 336	202 336
funds in the National Bank of Ukraine (except for required reserves)	3 401	-	-	3 401	3 401
correspondent accounts, deposits and overnight loans in banks	92 471	-	-	92 471	92 471
Certificates of deposit issued by the National Bank of Ukraine	475 104	-	-	475 104	475 104
Loans and customer debt:	-	-	306 916	306 916	306 916
loans to legal entities	-	-	304 427	304 427	304 427
loans to individuals	-	-	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	-	-	2 266 356	2 266 356	2 266 356
Client funds:	-	-	2 242 157	2 242 157	2 242 157
legal entities	-	-	1 648 664 1 648 664 1 648 664		
individuals	-	-	593 493	593 493	593 493
Other financial obligations:	-	-	36 569	36 569	36 569
Other payables from transactions with bank clients	-	-	11 506	11 506	11 506
Commission for providing guarantees	-	-	23 863	23 863	23 863
Bank customers' funds in inactive accounts	-	-	1 200	1 200	1 200
Total financial liabilities accounted for under the AC	-	-	- 4 545 082 4 545 082 4 545 082		

JOINT STOCK COMPANY "RWS BANK"

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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, 2022

<i>thousand UAH</i>	The largest participants (bank shareholders)	Management staff	Other related sides
Client funds	399	2 006	1 009
Loans and customer debt	-	24	-
Loan impairment allowance	-	(2)	-
Other obligations	-	2 645	-

Table 30.2. Income and expenses from transactions with related parties for 2022

<i>thousand UAH</i>	The largest participants (bank shareholders)	Management staff	Other related sides
Interest income	438	13	1
Commission income	277	203	167
Foreign currency revaluation	-	-	-
Other operating income	35	17	8
Interest expenses	-	(142)	(738)
Impairment loss on financial assets	-	10	-
Employee benefits expenses	-	12 025	-
Other administrative and operating expenses	-	(5)	(16 179)

Table 30.3. Balances on transactions with related parties as of December 31, 2021

<i>thousand UAH</i>	The largest participants (bank shareholders)	Management staff	Other related sides
Client funds	360	1 247	1 284
Loans and customer debt	-	48	-
Loan impairment allowance	-	(4)	-
Other obligations	-	2 129	-

JOINT STOCK COMPANY "RWS BANK"

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Table 30.4. Income and expenses from related party transactions for 2021

thousand UAH

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

thousand UAH

	2022 year		2021 year	
	Costs	Accrued liability	Costs	Accrued liability
Current employee benefits	11 978	2635	9 672	2 128
Severance payments	47	10	6	1

31. EVENTS AFTER THE BALANCE SHEET DATE

During January-March 2023, the Board of the National Bank of Ukraine introduced a number of measures to strengthen competition among banks for retail term deposits. Such steps will contribute to further increasing the attractiveness of hryvnia savings, maintaining the stability of the foreign exchange market, and creating the prerequisites for easing restrictions on it. This will protect citizens' savings from inflationary depreciation and ensure a decrease in price pressure.

Inflation in early 2023 slows faster than expected by the National Bank, but remains high.

Inflation in Ukraine has been slowing for the second month in a row, to 24.9% year-on-year in February. The decline in inflation began earlier and is occurring faster than the National Bank had forecast. This was facilitated, in particular, by an increase in the supply of food and fuel, the rapid restoration of the energy system after the Russian attacks, and weaker consumer demand. The growth of consumer prices is also largely restrained by the fixing of the official hryvnia exchange rate and tariffs for housing and communal services. Previous measures of the National Bank, including maintaining the discount rate at 25%, increasing the mandatory reserve ratio, introducing new deposit products, and calibrating currency restrictions, contributed to the strengthening of the hryvnia in the cash segment of the market. This affected the improvement of inflation and exchange rate expectations. The complete cessation of budget issuance financing since the beginning of the year also had a positive impact.

Inflation will continue to decline, including due to the National Bank's measures to increase the attractiveness of hryvnia assets and maintain exchange rate stability.

Further growth in the attractiveness of term deposits in hryvnia against the background of reduced pressure in the cash segment of the foreign exchange market will encourage depositors to increase savings in the national currency. This will strengthen the stability of the foreign exchange market and protect international reserves, which will support further improvement in exchange rate and inflation expectations. The reduction in inflationary pressure will also be facilitated by a decrease in global inflation, including due to cheaper energy sources, and the effect of a high base of comparison of the first year of a full-scale war. Relatively restrained consumer demand will also limit price growth.

An important prerequisite for ensuring macrofinancial stability is the rhythmic inflow of international financing, including under the expected new program with the IMF.

International financial assistance will remain the main source of financing for the state budget and balance of payments deficits. Most of the necessary financing for 2023 has already been confirmed by international partners. In addition, the opening of the IMF Extended Fund Facility is expected in the near future.

To ensure further reduction in inflation, protect hryvnia savings from inflationary depreciation, and maintain exchange rate stability, the Board of the National Bank decided to leave the discount rate at 25% and introduce a set of additional measures to strengthen competition among banks for term deposits.

population.

Rates on term hryvnia deposits in the financial market of Ukraine continue to grow, including due to previous measures of the National Bank. Banks that have been most active in raising rates in recent months have been able to improve the term structure of the deposit base. In order to minimize the above risks, the Board of the National Bank decided to adjust the operational design of monetary policy from April 7, 2023 by:

- introduction of a three-month certificate of deposit (CD) at a fixed rate at the discount rate. The ability of banks to place funds in such CDs will depend on the volumes of their portfolios of hryvnia deposits of the population with an initial placement term of three months, as well as on the success of building up such portfolios. The National Bank plans to use this instrument for at least a year;
- reduction of the overnight certificate of deposit rate to 20%.

In addition, it was decided that from May 11, 2023, preferential standards for the formation of required reserves by banks on term funds in accounts of individuals in national (0%) and foreign currencies (10%) will apply only to deposits with an initial term of three months or more.

The measures introduced will strengthen market incentives for banks to attract retail term deposits in hryvnia, which will reduce risks for the foreign exchange market and international reserves during the phase of easing currency restrictions. In particular, they will contribute to:

- further increase in interest rates on term deposits, and accordingly, strengthening the protection of citizens' hryvnia savings from inflationary depreciation;
- development of a culture of savings in hryvnia.

As the functioning of the financial system and economy normalizes, the National Bank will gradually return to the operational design of monetary policy, which was used before the full-scale invasion and is typical of countries with inflation targeting.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

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

National Bank of Ukraine

National Securities and Stock Market Commission

Financial Statement Audit Report

Opinion

We have audited the financial statements of JOINT-STOCK COMPANY "RWS BANK" (hereinafter referred to as the Bank), which comprise the statement of financial position as at December 31, 2022, the statement of profit or 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, 2022, 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" regarding the preparation of financial statements.

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 2 to the financial statements, which discloses that on February 24, 2022 Russian forces have begun an invasion of Ukraine and there is currently active hostilities. These events or conditions, together with the other matters set out in Note 2, 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 included evaluating the methodology used by the Bank to identify impairment and calculate the allowance for impairment, testing inputs and analyzing assumptions. For allowances for loans with identified individual impairment indicators, we tested the assumptions underlying the identification of impairment and its quantification, including analysis of borrowers' financial performance, future cash flow projections and collateral valuations. For collectively calculated allowances for loans with no individual impairment indicators, we analyzed the Bank's models and tested the appropriateness and accuracy of the inputs used in these models.</p> <p>According to our observations, 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><i>Real estate valuation (Note 9)</i></p> <p>The Bank's investment property portfolio includes commercial and residential real estate, as well as land plots.</p> <p>Management engaged independent appraisers to estimate the fair value of investment properties.</p> <p>The valuation of investment properties is dependent on certain key assumptions that require significant management judgment. For investment properties, the key assumptions were capitalization rates and prevailing market rents. The uncertainty of the valuation and management judgment led us to consider this a key audit matter.</p>	<p>Our procedures regarding key assumptions used in management's valuation of investment properties included:</p> <ul style="list-style-type: none"> • Assessment of the competence, capabilities and objectivity of independent appraisers. • Receiving valuation reports and meeting with independent valuers to discuss valuation methodology. • Verification of the accuracy of input data on a sample basis used by independent appraisers, including rental income, operating expenses, accumulated depreciation. • Comparing key assumptions used by independent valuers with our own expectations using data from comparable market transactions and historical records by comparison

capitalization rates, prevailing market rents with similar properties, estimated costs and profits.

According to our observations, the key assumptions used in the valuation of investment properties by management are supported by the available evidence.

Other information

Management is responsible for the other information. Other information obtained as of the date of this auditor's report is the Management Report and the Annual Information of the Securities Issuer.

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.

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 if, individually or in the aggregate, they could reasonably be expected to 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	LIMITED LIABILITY COMPANY "AUDIT COMPANY "CROU UKRAINE"
Location	04210, Kyiv, Obolonska embankment 33
Information about registration 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 audit	Supervisory Board of the Bank

mandatory audit

Date of appointment of the audit entity

09/30/2022 (Minutes of the Supervisory Board meeting
No. 42/22)

Total duration of audit engagements without interruption,
taking into account extensions of authority that have occurred
and re-appointments to provide statutory audit services

4th year

We confirm that the auditor's opinion contained in the Report on the Audit of the Financial Statements is consistent with the additional report to the Supervisory Board.

We did not provide non-audit services defined by Article 6 of the Law of Ukraine "On Audit of Financial Statements and Auditing Activities".

The key audit partner and the audit firm are independent of the Bank during the audit.

We did not provide services other than statutory audit services and those disclosed in the management report or in the financial statements during the period covered by the financial statements and during the audit of the 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.

Law of Ukraine "On Capital Markets and Organized Commodity Markets"

In accordance with the Law of Ukraine "On Capital Markets and Organized Commodity Markets", the issuer is obliged to engage an auditor, who must express his opinion on the information, as well as verify the information regarding the components of the Management Report.

In our opinion, the report adequately reflects information regarding:

- description of the main characteristics of the issuer's internal control and risk management systems;
- a list of persons who directly or indirectly own a significant block of shares of the issuer;
- restriction of shareholders' participation and voting rights at the issuer's general meeting;
- the procedure for appointing and dismissing the issuer's officials;
- powers of the issuer's officials.

Other sections of the report have been reviewed by us and are not inconsistent with the financial statements we have reviewed and our knowledge of the Bank obtained during the audit.

Law of Ukraine "On Banks and Banking Activities"

In accordance with the Law of Ukraine "On Banks and Banking Activities" and the requirements of the National Bank of Ukraine set out in the Regulation on the procedure for submitting an audit report by a bank to the National Bank of Ukraine based on the results of the annual audit of financial statements, the auditor must submit information (assessment) regarding:

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

- compliance by the bank with the requirements established by the NBU's regulatory legal acts on internal control issues;
- compliance by the bank with the requirements established by the NBU's regulatory legal acts on internal audit;
- compliance by the bank with the requirements established by the NBU's regulatory and legal acts on determining the amount of credit risk for active banking operations;
- compliance by the bank with the requirements established by the regulatory legal acts of the NBU on the recognition of persons related to the bank and conducting transactions with them;
- compliance by the bank with the requirements established by the NBU's regulatory and legal acts on the bank's capital adequacy, which should be determined taking into account the quality of the bank's assets,
- compliance by the bank with the requirements established by the regulatory legal acts of the NBU on accounting issues.

Responsibility of management personnel

Management personnel are responsible for:

- preparation of statistical reporting on the structure of assets and liabilities by maturity, which is compiled by the Bank for submission to the NBU;
- development, implementation and support of the accounting system in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" and the regulations of the NBU;
- development, implementation and maintenance of an internal control system in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" and the regulations of the NBU;
- functioning of the internal audit service in accordance with the requirements of the Law of Ukraine "On Banks and Banking Activities" and the regulations of the NBU;
- calculation and formation of reserves for active banking operations;
- development, implementation and support of procedures for recognizing persons related to the Bank and conducting transactions with them;
- ensuring compliance with NBU requirements regarding capital.

Procedures and results obtained***Distribution of bank assets and liabilities by maturity***

The assessment of the compliance (reliability of reflection) of the distribution of the Bank's assets and liabilities by maturity in the form of statistical reporting on the structure of assets and liabilities by maturity, prepared by the bank for submission to the NBU, was carried out by means of sample testing of account balances regarding their distribution by maturity.

We have not identified any facts indicating any inconsistency in the distribution of the bank's assets and liabilities by maturity in the statistical reporting form A7X "Data on the structure of assets and liabilities by maturity" as of January 1, 2023.

Internal control

The assessment of the Bank's compliance with internal control requirements was carried out by analyzing the Bank's internal regulatory framework, the results of control tests and other procedures performed during the audit of financial statements related to internal control.

We have not identified any facts that would indicate that the Bank's internal control system does not comply with the requirements of the NBU.

Internal audit

The assessment of the Bank's compliance with internal audit requirements was carried out by analyzing the Bank's internal regulatory framework and reviewing the work of the internal audit service in the reporting period.

We have not identified any facts that would indicate that the functioning of the Bank's internal audit does not comply with the requirements of the NBU.

Determining the size of credit risk

The assessment of the amount of credit risk for active banking operations was carried out through sample testing of the Bank's financial assets, carried out during the audit of the financial statements.

We did not identify any significant deviations in the Bank's determination of the amount of credit risk for active banking operations as of December 31, 2022.

Persons related to the bank and transactions with them

The assessment of the recognition of related parties and transactions with them was carried out by analyzing the Bank's internal regulatory framework, a selective assessment of the Bank's counterparties for relatedness, carried out during the audit of financial statements, a selective assessment of the size of transactions with related parties, and an analysis of compliance with established standards.

We have not identified any facts that would indicate improper recognition of persons related to the Bank and the conduct of transactions with them, or violation of regulations regarding transactions with related parties.

Bank capital adequacy

The assessment of the Bank's capital adequacy was carried out by verifying the Bank's compliance with regulatory requirements established by law and the requirements of the NBU.

As of December 31, 2022, the Bank's authorized capital amounted to UAH 300,039 thousand (Note 16), which corresponds to the amount established by the Instruction on the procedure for regulating the activities of banks in Ukraine, approved by NBU Resolution No. 368.

As of December 31, 2022, the Bank's regulatory capital amounted to UAH 230,136 thousand (Note 27), which corresponds to the amount established by the Instruction on the procedure for regulating the activities of banks in Ukraine, approved by NBU Resolution No. 368.

During 2022, the Bank complied with all standards established by the Instruction on the procedure for regulating the activities of banks in Ukraine.

Accounting

The assessment of accounting was carried out by analyzing the Bank's internal regulatory framework and the results of procedures performed during the audit of financial statements related to accounting.

We have not identified any facts that would indicate that the Bank's accounting system does not comply with the requirements of the NBU and IFRS.

Restrictions on use and distribution

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

Information requirements related to the audit or review of financial statements of participants in capital markets and organized commodity markets supervised by the National Securities and Stock Market Commission

In accordance with the Information Requirements Concerning the Audit or Review of Financial Statements of Capital Market Participants and Organized Commodity Markets Supervised by the National Securities and Stock Market Commission, auditors must provide additional information and assurance.

Information about the auditing firm

Legal entity identification code	33833362
Website/website of the audit entity	www.crowe.com.ua
Date and number of the audit contract	No. 22/1446-F dated 13.10.2022
Start date and end date of the event	01.12.2022 – 19.04.2023

audit

Information about the Bank

Full name

Information about the ultimate beneficial owner (if any) and ownership structure

Is the entity a controller/participant of a non-bank financial group?

Is the entity a public interest entity?

Parent company

Subsidiary

Results of the financial and economic audit activities based on the results of the financial year, prepared by the audit committee

Compliance of the size of the authorized capital with the constituent documents or information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations

Completeness and accuracy of disclosure of information regarding the composition and structure of financial investments

Information on the existence of other facts and circumstances that may significantly affect the activities of the legal entity in the future, and an assessment of the degree of their impact

JOINT STOCK COMPANY "RWS BANK"

In our opinion, information about the ultimate beneficial owner and ownership structure adequately disclosed on the Bank's website

<https://rwsbank.com.ua/>

no

So

absent

absent

The Audit Commission is not provided for by the Bank's Charter.

As of December 31, 2022, the authorized capital is UAH 300,039 thousand, which corresponds to the Charter, approved by the Decision of the Extraordinary General Meeting of Shareholders (minutes dated 03.02.2022 No. 03022022/1)

Information on the composition and structure of financial investments is fully and reliably disclosed in notes to the financial statements 6 "Cash and cash equivalents", 8 "Investments in securities"

We have not identified any other facts and circumstances that may significantly affect the Bank's operations in the future.

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

For and on behalf of LLC AK "KROU UKRAINE"

Partner /
Audit Director

No. 100594 in the Register of Auditors and Auditing Entities



Vitaliy HAVRISH

Kyiv, Ukraine

April 19, 2023